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Resource, financial and budgetary matters

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Report the Advisory Committee on Administrative and Budgetary Questions (ACABQ)

The Executive Director is pleased to submit herewith the report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) pertaining to WFP. The report covers the following agenda items:

- Update on the Integrated Road Map (WFP/EB.2/2017/4-A/1/Rev.1)
- WFP's Management Plan (2018–2020) (WFP/EB.2/2017/5-A/1/Rev.1)
- Revised Terms of Reference of the Audit Committee (WFP/EB.2/2017/5-B/1)
- Work Plan of the External Auditor (WFP/EB.2/2017/5-C/1)
- Housing allowance of the Executive Director (WFP/EB.2/2017/10-A/1)

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Advisory Committee on
Administrative and Budgetary Questions

10 November 2017

Dear Mr Beasley,

Please find attached a copy of the report of the Advisory Committee on the following submissions: Update on the Integrated Road Map (WFP/EB.2/2017/4-A/1), WFP Management Plan (2018–2020) (WFP/EB.2/2017/5-A/1), Revised terms of reference of the Audit Committee (WFP/EB.2/2017/5-B/1), and Housing allowance of the Executive Director (WFP/EB.2/2017/10-A). A list of documents that were before the Advisory Committee is contained in the annex to the report of the Committee

I should be grateful if you could arrange for the Advisory Committee's report to be placed before the Executive Board at its forthcoming session, as a complete and separate document. I would appreciate it if a printed version of the document could be provided to the Advisory Committee at the earliest possible opportunity.

Yours sincerely,

Carlos G. Ruiz Massieu
Chairman

Mr David Beasley
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WORLD FOOD PROGRAMME

Resource, Financial and Budgetary Matters

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the following four reports of the World Food Programme (WFP), submitted to the WFP Executive Board for approval:
 - (a) Update on the Integrated Road Map (WFP/EB.2/2017/4-A/1)
 - (b) WFP Management Plan (2018-2020) (WFP/EB.2/2017/5-A/1)
 - (c) Revised terms of reference of the Audit Committee (WFP/EB.2/2017/5-B/1)
 - (d) Housing allowance of the Executive Director (WFP/EB.2/2017/10-A)
2. The Advisory Committee also had before it the Work Plan of the External Auditor (for the period July 2017 to June 2018) (WFP/EB.2/2017/5-C/1) submitted to the Executive Board for information.
3. During its consideration of the reports, the Advisory Committee met with the Assistant Executive Director Resources Management and other representatives from the WFP Secretariat, who provided additional information and clarification, concluding with written responses received on 3 November 2017.

II. Update on the Integrated Road Map

4. Updated information and proposals with regard to WFP's Integrated Road Map, which comprise the WFP Strategic Plan (2017–2021), the Policy on Country Strategic Plans, the Financial Framework Review and the Corporate Results Framework (2017–2021), are contained in document WFP/EB.2/2017/4-A/1. Upon enquiry, the Committee was informed that, in responding to the 2030 Agenda for Sustainable Development, WFP exceptionally submitted the 2017–2021 Strategic Plan one year early, with a five-year duration that would enable a return to the four-year cycle for the strategic plan commencing 2018. It was also informed upon enquiry that WFP is working closely with the wider UN system to articulate its contributions to the achievement of the Sustainable Development Goals (SDGs) and results in line with the Quadrennial Comprehensive Policy Review.
5. The WFP Secretariat indicates that from 1 January 2018, the majority of WFP's country offices will have completed the transition to country strategic plans (CSP), interim country strategic plans (ICSP) or transitional interim country strategic plans (T-ICSP) with accompanying country portfolio budgets. WFP also indicates that on an exceptional basis 16 country offices will transition to the country strategic plan framework by 1 January 2019 (WFP/EB.2/2017/4-A/1, Executive Summary).

6. The WFP Secretariat is seeking the Executive Board's approval to extend the following interim governance arrangements: i) interim delegations of authority, effective from 1 January 2018 to 29 February 2020; ii) additional principles to guide the interim application of full cost recovery for 2018; and iii) an extension of derogations to the WFP General Rules and Financial Regulations until 31 December 2018. Annex II of the Update document outlines the proposed interim delegations of authority for countries operating within the Integrated Road Map framework. The WFP Secretariat proposes that the Board delegate authority to the Executive Director – for the period from 1 January 2018 to 29 February 2020 – to approve modifications that are not related to fundamental changes, emergency responses, strategic outcomes funded entirely by a host government, or service provision if the budget revision does not increase the value of the strategic outcome by a value greater than 25 percent of its last Board-approved value, or USD 150 million. Upon enquiry, the Advisory Committee was provided information that WFP completed a sensitivity analysis to determine the level of this threshold, which the WFP Secretariat indicates would ensure that relatively significant budget changes are approved by Board and will better accommodate variations in the size of CSPs, ICSPs, and T-ICSPs.
7. Limited emergency operations planned for up to six months and T-ICSPs that follow limited emergency operations and last for up to 18 months are proposed to be approved by the Executive Director, or jointly by the Executive Director and the FAO Director-General when certain budget components exceed a budgetary threshold of USD 50 million. The current delegation of authority for joint approval is set at a threshold of USD 3 million, which WFP indicates was established in 1994. The proposed increase in the threshold, according to the WFP Secretariat, is due to the shift in the overall budget value, the scope, complexity and size of emergency operations, and the boarder application of authority. Upon enquiry, the Committee was provided confirmation that under the interim measure, when the limited emergency operation, crisis response-related components of the T-ICSP or crisis response-related revisions exceed USD 50 million in value, joint approval with FAO will be required.
8. The Advisory Committee recalls that it did not object to the temporary measure for approval by correspondence of budget revisions until January 2019 and time extensions for T-ICSPs from January 2018 to June 2019, and takes note of the budgetary threshold that applies to interim delegations of authority under certain circumstances (WFP/EB.A/2017/5/2; WFP/EB.A/2017/6-A,B,C,D,E,F,G,H,I,J,K/2.). **The Advisory Committee trusts that WFP will take appropriate steps to monitor risks in view of the significant increases in interim delegation of authority measures and expects the Executive Board will be provided information thereon for the period that the interim delegation of authority measures are in effect. The Advisory Committee does not object to the proposed interim delegations of authority to the Executive Director, as set forth in Annex II of the report, for the period 1 January 2018 to 29 February 2020, noting that the procedure is an interim measure. The Committee stresses the importance of assessing the experience of these interim delegations of authority, prior to the approval of the permanent procedures related to delegations of authority by the Executive Board first regular session in 2020.**
9. The WFP Secretariat notes that full cost-recovery will continue to be applied at the contribution level. The document includes proposed interim principles to guide the application of full cost-recovery in 2018 as set out in paragraph (v) of the draft decision. The WFP Secretariat also indicates that it is reviewing the exceptions currently provided for full cost-recovery and will submit its recommendations to the Board in 2018. **The Advisory Committee does not object to the interim principles on full cost-recovery for 2018 and encourages WFP to include details on the experience gained from applying the principles ahead of any efforts to extend the future application of these interim principles. The Advisory Committee also expects that WFP take into account discussions and potential amendments on cost recovery being considered by the Executive Boards of UNDP, UNFPA, UN Women and UNICEF, which are expected to decide on any adjustments to their cost recovery methodology in June 2018.**
10. **Subject to its comments above, the Advisory Committee does not object to the Update to the Integrated Road Map as contained in (WFP/EB.2/2017/4-A/1).**

III. WFP Management Plan (2018–2020)

11. The WFP Management Plan (WFP/EB.2/2017/5-A/1) indicates that projected operational requirements for 2018 are forecast at USD 9.0 billion and the funding forecast is USD 5.7 billion. Table 1 below sets out the needs and projected funding from 2014 to 2018.

TABLE 1: NEEDS AND PROJECTED FUNDING, 2014–2018 (USD million)					
	2014	2015	2016	2017	2018
Management Plan funding forecast	4,200	4,400	4,900	5,200	5,700
Actual/revised funding level	5,381	4,808	5,771	6,000*	
Management Plan needs, including Indirect Support Costs	6,267	7,967	8,581	9,007	9,011

* Forecast as of September 2017

12. Table III.4 of the Plan indicates that the operational requirements for 2018 would provide USD 21.0 billion in daily rations for 87 million beneficiaries. According to the Management Plan, the implementation plan for 2018, totalling USD 5.9 billion, would provide USD 15 billion daily rations for 69 million beneficiaries. The Committee was informed, upon enquiry, that as of 23 October 2017, WFP's operational requirements for 2017 are forecasted to reach USD 10 billion, 11 percent higher than the USD 9 billion presented for 2018 requirements, as shown in Table III.4 of the 2018 Management Plan. The Committee was further informed that this is primarily the result of unforeseen requirements or revisions in planned requirements for some countries such as South Sudan, Ethiopia, Central African Republic, and Kenya as well as the recently declared L3 emergency in Bangladesh.
13. The Advisory Committee notes that, despite the overall increasing trend in funding since 2014, there has been a relatively small increase in the number of beneficiaries from 2016 to 2017. Upon enquiry, the Advisory Committee was informed that due to the nature of emergencies, WFP's beneficiaries receive assistance over longer periods and therefore require higher costs while the number of beneficiaries remains constant. The Committee was further informed that higher operational costs also are a result of: reaching beneficiaries in conflict settings where access is constrained; the increased cost of specialized nutritious foods; and the increased use of cash-based transfers.
14. Paragraph 70 indicates that, in its 2018 implementation plan, the WFP Secretariat plans to spend USD 5.9 billion through a combination of activities and policy support for governments, contributing to SDG goals 2 and 17. Paragraph 71 notes that emergency assistance for crisis response accounts for 74 percent of the implementation plan, with the remaining 26 percent composed of activities related to resilience building (16 percent) and root causes (10 percent).
15. The report indicates that the funding gap between operational requirements and the implementation plan for 2018 is forecasted to be 35 percent, which WFP attributes to the new global context involving protracted conflict-driven food security emergencies. The largest funding gap is anticipated for activities in the resilience focus area. Table 2 (table III.3) shows the breakdown of the implementation and operational requirements by focus area.

Focus area	Operational requirements (USD million)	Implementation plan (USD million)	Gap (%)
Crisis response	6 618	4 356	34
Resilience building	1 656	934	44
Root Causes	736	589	20
Total	9 011	5 878	35

16. The cost per ration - an important benchmark for the WFP Secretariat's work – is projected to be USD 0.36 per day for the 2018 implementation plan, while the average weighted ration cost in the 2017 Management Plan's prioritized plan of work was USD 0.30 per day. Upon enquiry, the Advisory Committee was informed that the slight increase in the 2018 projected cost of daily rations from USD 0.34 per day in 2016 is mainly due to the increased focus in local capacity-strengthening and multiplier effects. The Committee was also informed that due to the transition to the Strategic Plan 2017–2021, WFP has recategorized its activities into different groups, and therefore the comparability between average weighted cost per ration by activity is no longer valid. Table III.9 shows the 2018 requirements and costs per ration by focus area below:

Focus area	% of implementation plan	Average cost per ration (USD)
Crisis response	74	0.48
Resilience building	16	0.33
Root causes	10	0.13

Upon enquiry, the Advisory Committee was informed that WFP will report on any updates to the average cost of ration in the 2017 Annual Performance Report, which will be presented to the Executive Board as its June 2018 session.

Programme Support and Administrative Budget 2017

17. The proposed Programme Support and Administrative budget 2018 is estimated at USD 335.4 million, the same level as in 2017.
18. The Programme Support and Administrative budget for 2018 proposes funding for targeted priorities under: Pillar A, Strategy and direction (USD 0.8 million); Pillar B, Business services to operations (USD 2.5 million); Pillar C, Policy, guidance and quality assurance (USD 0.4 million); Pillar D, Advocacy, partnerships, fundraising and United Nations coordination (USD 0.6 million); and Pillar E, Governance and independent oversight (USD 1.0 million). However, the proposed increases are expected to be fully offset by savings from 2017 in the amount of USD 5.3 million, resulting from a decrease in staff costs and other reductions.
19. Table IV.1 reflects an addition in the Programme Support and Administrative Budget for the Governance and independent oversight pillar of USD 1.0 million, USD 0.6 million of which is proposed for a strengthened evaluation function in WFP and USD 0.4 million of which is proposed to strengthen the capacity of the Office of the Inspector General (OIG). Upon enquiry, the Advisory Committee was informed that the WFP Secretariat currently falls short of its target

to allocate 0.8 percent of its total contribution income to addressing the evaluation function, as prescribed in its Evaluation Policy (2016-2021) thereby necessitating a gradual increase in the annual resource allocations to meet this target. It was further informed that the 2018 additional allocation to OIG will be utilized as an investment in strengthening investigative capacity, based on inter alia information contained in a Joint Inspection Unit report, recommending greater investment in this area. Nevertheless, the Advisory Committee notes from the Work Plan of the External Auditor for the period July 2017 to June 2018, that the list of subjects selected for performance audits in this period does not include any anticipated review of evaluation activities.

20. The Advisory Committee notes the importance of strong evaluation and investigation functions in WFP, but is not fully convinced of the need to allocate the additional USD 1.0 million for this activity given the static level of the 2018 Programme Support and Administrative Budget. **The Advisory Committee expects further information and justification on the need for the additional resources for strengthening evaluation and investigation will be provided to the WFP Executive Board upon its consideration of this item.**

21. The Advisory Committee took note of the information contained in Table A.III.3, which provides a breakdown of the Programme Support and Administrative Budget by organizational unit and by appropriation line for both 2017 and 2018. Upon enquiry, the Advisory Committee was provided with the following explanations for variances in certain budget lines:

Consultancies: A significant portion of the 16 percent increase in the total consultancy in the Programme Support and Administrative budget for 2018 is attributed to an increase in requirements from the Human Resources Division aimed to right-size the division and develop appropriate skill sets.

Services from other agencies: The majority of the USD 1.5 million reduction in ‘services from other agencies’ consists of reductions from the WFP Information Technology (IT) Division and the WFP Regional Bureaux resulting from a decline in International Computing Center (ICC) costs related to hosting and infrastructure. From 2018 these costs have been included using a per capita cost recovery system whereby funds for ICC and a number of other centralized IT services are managed and paid centrally and recovered from all spending units across the organization.

Training: The 2018 PSA budget for training has been reduced from USD 5.5 million to USD 2.7 million. The reduction primarily relates to a USD 2.5 million reallocation relating to staff skills development, which in 2017 was reprioritised to provide funding for the Integrated Road Map and was subsequently not included in the base budget submission for any unit/division in 2018.

22. The Advisory Committee notes the 16 percent increase in consultancy costs for the reasons outlined above. The Advisory Committee recalls that the Joint Inspection Unit, in its report on the use of non-staff personnel and related contractual modalities in the United Nations system organizations, has recommended that the executive heads of UN system organizations review the use of non-staff personnel with a view to identify long-serving non-staff personnel under a de facto employment relationship and establish a plan to terminate the inappropriate prolonged use of non-staff personnel. The plan, including resources required, should be presented to the legislative/governing bodies for endorsement and provision of the necessary financial support (JIU/REP/2014/8, recommendation 3). **In view of the sizable increase in resources dedicated to consultancies in 2018, the Advisory Committee trusts that WFP will review its reliance on non-staff personnel.**

23. **Subject to its observations above, the Advisory Committee does not object to the WFP Management Plan (2018-2020) as contained in WFP/EB.2/2017/5-A/1.**

IV. Revised terms of reference of the Audit Committee

24. Proposals for the ‘Revised Terms of Reference of the Audit Committee’ are contained in document WFP/EB.2/2017/5-B/1. They include: an extension of the cooling-off period (from 2 to 5 years) of Committee members before they can be eligible for employment with WFP; an expansion of the Audit Committee selection panel from two to five members; selection of

Committee members by a selection panel instead of the Executive Director; and an addition of an indemnification clause. Upon enquiry, the Advisory Committee received further information on the FAO Finance Committee's proposals for changes to the terms of reference and verification that WFP proposal to change its cooling-off period of Committee members from 2 years to 5 years is based on current practice of other UN system entities. **The Advisory Committee does not object to the approval of the revised terms of reference of the Audit Committee as contained in document WFP/EB.2/2017/5-B/1.**

V. Housing Allowance of the Executive Director

25. The proposal for the housing allowance of the Executive Director is outlined in document WFP/EB.2/2017/10-A. The proposal is to set the Executive Director's housing allowance at EUR160,000 per year, inclusive of services and utilities, with effect from 1 April 2017, which is the same level set by the Board by its decision 2012/EB.2/33 of 15 October 2012. Upon enquiry, the Advisory Committee received information explaining the practices of other Rome-based agencies in setting the housing allowance, and that all three Rome-based agencies have maintained the previously approved ceilings and that the executive heads of the agencies are currently receiving allowances well below the approved ceilings. **The Advisory Committee does not object to the approval of the proposed housing allowance of the Executive Director as contained in WFP/EB.2/2017/10-A.**

ANNEX**Reports presented to the Advisory Committee for approval:**

- Update on the Integrated Road Map (WFP/EB.2/2017/4-A/1)
- WFP Management Plan (2018-2020) (WFP/EB.2/2017/5-A/1)
- Revised terms of reference of the Audit Committee (WFP/EB.2/2017/5-B/1)
- Housing allowance of the Executive Director (WFP/EB.2/2017/10-A)

Reports presented to the Advisory Committee for information:

- Work Plan of the External Auditor (for the period July 2017 to June 2018)
(WFP/EB.2/2017/5-C/1)