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Programa Mundial de Alimentos
برنامج الأغذية العالمي

Executive Board
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	For consideration

Executive Board documents are available on WFP's website (<https://executiveboard.wfp.org>).

WFP Management response to the recommendations in the report of the External Auditor on country portfolio budgets

Background

1. Management welcomes the recommendations made in the External Auditor's report on country portfolio budgets. The external audit was conducted in two phases, one from 17 to 21 September 2018 and one from 28 January to 8 February 2019, with field missions to the regional bureaux for East Africa and Latin America and the Caribbean and to six country offices – Bangladesh, Guatemala, Haiti, Jordan, Uganda and the United Republic of Tanzania. As stated by the auditors, the main objectives of the audit were to determine:
 - whether country portfolio budgets provide reasonable assurance that donor conditions and Executive Board authorizations are being met;
 - whether the cost categories introduced by the revised financing framework (transfers, implementation, direct support costs, indirect support costs) are distinguished with sufficient clarity to avoid duplication and ensure readability of expenditure executed;
 - whether the budgets allocated to cooperating partners are in line with the new budget structure; and
 - what the impact of implementation of the revised funding framework is on budget management and country offices' workloads.
2. Management agrees with the overall report's conclusions that country portfolio budgets provide improved transparency and accountability to donors and that the new cost categories facilitate a better understanding of WFP's expenditures.
3. Management appreciates the scope and prioritization of the recommendations and the auditors' recognition that any further adjustments should seek a balance between the requirement for transparency and the additional workload for country offices that this entails. Management looks forward to consulting Member States on the appropriate levels of information required for strategic governance and on which other detailed information

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could be accessible through other platforms, including the CSP data portal and the WFP website.

4. Management also welcomes the External Auditor's recognition of the need to find a balance between simplicity and precision in the budget structure and notes the auditor's observation regarding the reduction in workload brought about by the ongoing simplification of the budget structure. Management will continue to monitor the long-term impacts of the main budget transactions on the workload of staff. Management will also review the annual management fees for cooperating partners and the range of rates applied in field-level agreements.
5. Management has already started to implement the agreed actions. To encourage full implementation prior to target dates, management will monitor progress and undertake regular reviews of outstanding agreed actions.
6. Management thanks the External Auditor for their constructive collaboration and for sharing their draft report at an early stage, which provided an opportunity for deeper internal review by management.
7. The following matrix sets out the planned actions and implementation timelines.

WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON COUNTRY PORTFOLIO BUDGETS					
Area	Priority	External Audit Recommendations	Action by	WFP management response	Timeframe
Board information	2	Recommendation 1: The External Auditor recommends that the Secretariat: a) produce a summary document for the attention of the Board, providing an overview of the Integrated Road Map, and b) approaches Member States in order to better define how to respond to their needs, distinguishing between strategic information necessary for governance, and detailed information on country strategic plans and their budgets, which should be available on the various WFP sites and portals.	Integrated Road Map (IRM) Steering Committee and IRM Implementation Office (IRMO)	Agreed. a) The Secretariat will issue a document that provides an overview of the four elements of the IRM – the WFP Strategic Plan (2017–2021), the Policy on Country Strategic Plans, the Financial Framework Review and the Corporate Results Framework (2017–2021). The document will also indicate where Member States can access the latest information. b) The Secretariat will continue to seek feedback from Member States in order to determine the appropriate levels of information required for governance and for other information purposes.	28 February 2020
Definition of needs	1	Recommendation 2: The External Auditor recommends that each country strategic plan should recap the method used to define needs, in particular the factors taken into account to realistically estimate WFP's capacity to implement them.	Policy and Programme Division (OSZ), with Budget and Programming Division (RMB) and Government Partnerships Division (PGG)	Agreed. The Secretariat will provide clarity on the programmatic approach and collaborative discussions with partners that supports the identification of estimated needs for a country to which WFP is able to respond within each country strategic plan (CSP) or interim CSP (ICSP) document. In addition, the Secretariat will review the underlying assumptions regarding WFP's capacity to respond in all approved CSPs and country portfolio budgets and compare them with current guidelines in order to clarify how the capacity of country offices to deliver is factored into needs-based planning budgets; the extent to which past levels of funding should influence needs-based budgeting; and	With the presentation to the Board of each CSP or ICSP document

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				how accurate and realistic the forecasts for CSPs were during the first year of implementation.	
Articulation with the United Nations	2	Recommendation 3: The External Auditor recommends that the cycles of the country strategic plans closest to the end of their duration (beyond the third year) be aligned with the next United Nations development assistance framework (UNDAF) plans.	Regional bureaux, country offices and OSZ	<p>Agreed.</p> <p>WFP will ensure that the timeframes of CSPs, especially those in the development stage, are in line with revised UNDAF cycles to be consistent with the United Nations reform. This alignment will be achieved as soon as possible in view of the strategic importance of the revised UNDAF.</p> <p>Current WFP guidance recommends that zero hunger strategic reviews and CSPs be aligned with the current UNDAF cycle. When this is not possible, the CSP should be revised so that it can be aligned with the next UNDAF cycle. Each CSP concept note will refer to the CSP's alignment with and contributions to UNDAF outcomes. WFP will consider strengthening the alignment of concept notes and CSP documents with the current proposals for reforming the UNDAF.</p>	31 December 2020
Multi-country strategic plans	3	Recommendation 4: The External Auditor recommends that the implementation of multi-country strategic plans be studied.	OSZ and RMB	<p>Agreed.</p> <p>In some situations, responses can be regional in scope and require coordination by the relevant regional bureau. A regional response can cover several countries with CSPs, ICSPs or limited emergency operations in place. Guidance for the management of such responses through the regional bureau portfolio budget structure was disseminated in early 2019.</p>	First regular session of the Executive Board in 2020

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				<p>For small states that are in similar situations and do not have individual CSPs or ICSPs in place, management is expanding the CSP framework through the development of interim multi-country strategic plans (IMCSPs). Each IMCSP covers a number of countries and does not overlap with any existing CSP, ICSP, limited emergency operation or transitional ICSP following a limited emergency operation.</p> <p>The Secretariat will present the Pacific Interim Multi-Country Strategic Plan and the Caribbean Interim Multi-Country Strategic Plan for approval at the Board's 2019 annual session and second regular session, respectively. The documents will contain details of the necessary temporary derogations from the WFP general rules, financial regulations and delegation of authority to the Executive Director and request the Executive Board's authorization to apply the rules and regulations concerned such that the phrase "country strategic plan" is understood to mean "multi-country strategic plan" and the word "country" is understood to refer to the several countries covered by the IMCSP.</p> <p>Based on experience of implementing the Pacific IMCSP in the latter half of 2019, management will draft any necessary normative amendments to the WFP general rules and financial regulations and present them for the Board's approval at the 2020 first regular session along with the proposed delegations of authority.</p>	

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CSPs and calls for contributions	2	Recommendation 5: The External Auditor recommends that: a) country offices rely more on the content of the country strategic plans and associated budgets when making their calls for contributions and b) also recommends that the Secretariat continue to appeal to donors for more flexible and predictable funding with a view to maximizing the long-term operational efficiency of the plans.	Country offices and Government Partnerships Division (PGG)	Agreed. The Secretariat will strengthen guidance and training to ensure that CSPs and the associated budgets are used proactively and consistently in donor engagement at the country, regional and headquarters levels. WFP understands that it will take time for donors to fully understand the holistic CSP framework and activity-level budget structure, and for WFP to build donors' confidence in the new "line of sight" from WFP Strategic Results to activities and to change donors' behaviour. WFP will continue to gather evidence of gains in efficiency and effectiveness resulting from CSP implementation in order to better communicate results to donors and to advocate for more flexible funding and funding for higher levels of the CSP line of sight.	30 June 2019
Budget execution	2	Recommendation 6: The External Auditor recommends analysing the reasons for the increase in the principal budgetary and accounting transactions in order to assess the long-term impact of the workload of country portfolio budgets on management and staff.	RMB	Agreed. While the Secretariat accepts recommendation 6 and acknowledges the "strong indication of an increase in the administrative workload", it should be noted that the annex to the report and the increases quoted in paragraph 98 include increased requirements brought on by the Rohingya humanitarian crisis in Bangladesh in mid-2017. If figures for Bangladesh were removed, the 52 percent increase in the average number of budget lines referred to in paragraph 98 (table 1 in the annex) would fall to 20 percent. The increase in number of expenditure lines referred to in the same paragraph (table 3 of the annex) would also decline, from 32 to 7 percent. Similarly,	31 March 2020

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				simplification actions that resulted in "reductions in workload", mentioned in paragraph 78, were not implemented until January 2019. Analysis from January 2019 indicates a decrease in the number of staff payroll lines, although the exact impact on the number of staff commitments by country office (as shown in table 2 of the annex) cannot be quantified.	
Information portals	2	Recommendation 7: The External Auditor recommends improving the usefulness of the "CSP Data Portal" for its users by introducing the following for each country: a) the implementation plan budget; b) expenditures incurred on an infra-annual basis; c) the amount of the Programme Support and Administrative budget; d) percentages of indirect support costs (a priori 6.5 percent) and direct support costs; e) six-month requirements in relation to the needs-based plan and implementation plan, followed by the corresponding resources actually collected.	IRMO and RMB	<p>Agreed.</p> <p>The Secretariat will continue to improve the usefulness of the CSP data portal, including by integrating the management plan website into the portal over the course of 2019. The CSP data portal will include the original implementation plans for all the CSPs and ICSPs approved; more regularly updated expenditure data, including allocations from the programme support and administrative budget; percentages of indirect and direct support costs; and information on requirements in relation to the needs-based plan and the implementation plan and on the resource situation.</p> <p>Internal dashboards will continue to be used for internal management and technical purposes. Management will ensure consistency among data sources for both the external and internal use.</p>	31 December 2019

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Information portals	2	Recommendation 8: The External Auditor recommends rationalizing the coexistence of the different information portals relating to country strategic plans, systematically indicating their source, their rules and dates of updates, and the nature of the costs presented (activities, transfers, implementation, direct support, indirect support).	IRMO and RMB	Agreed. The Secretariat will strive to improve current reporting channels by clearly stating the data sources and the frequency of updates for each reporting platform, dashboard and portal. Additional information will be provided to clarify the categories of the costs presented. Please also see response to recommendation 7 related to internal dashboards.	31 December 2019
Consolidated cost structure	1	Recommendation 9: The External Auditor recommends that the annual management plan present country portfolio budgets, consolidated at WFP level, according to the four macro cost categories (transfers, implementation, direct support and indirect support costs) and report on their evolution from one year to the next.	RMB	Agreed. With all country offices operating within the IRM framework, the Secretariat will present a consolidated country portfolio budget divided into the four high-level cost categories (transfers, implementation, direct support costs and indirect support costs) in the Management Plan (2020–2022). Subsequent management plans will also include the consolidated country portfolio budgets from previous years to enable comparisons within and among cost categories and to show trends.	30 November 2019

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Support costs	2	Recommendation 10: The External Auditor recommends that WFP, building on the possibilities introduced by the new cost structure, report annually on the evolution of the following indicators: overall support rate, consolidated support and implementation rate and overall accompanying rate.	RMB and Performance Management and Monitoring Division	Agreed. The Secretariat will determine what metrics are appropriate for identifying the rate of what is directly transferred to beneficiaries in terms of food or food-equivalent (cash-based transfers), taking into consideration the differences in transfer modalities. This level of reporting will be included in the annual management plan and the annual performance report.	30 June 2020
Cooperating partner budgets	3	Recommendation 11: The External Auditor recommends monitoring the total amount of the management fee paid annually to cooperating partners and the range of rates applied by field-level agreements.	Operations Services Department, regional bureaux and country offices	Agreed. Management recognizes the need for better corporate oversight of the fees and rates transferred to cooperating partners and will work with country offices and regional bureaux to ensure that management fees of 7 percent are applied for all cooperating partners globally.	31 December 2019

Acronyms used in the document

CSP	country strategic plan
ICSP	interim country strategic plan
IMCSP	interim multi-country strategic plans
IRM	Integrated Road Map
IRMO	Integrated Road Map Implementation Office
OSZ	Policy and Programme Division
RMB	Budget and Programme Division
UNDAF	United Nations development assistance framework