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Resource, financial and budgetary matters

For information

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

Report of 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 pertaining to WFP. The report covers the following agenda item:

- WFP Management Plan (2020–2022) (WFP/EB.2/2019/5-A/1)
- Revised Charter of the Office of the Inspector General (WFP/EB.2/2019/4-B/1)
- Update on the Integrated Road Map (WFP/EB.2/2019/4-D/1)

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Advisory Committee on
Administrative and Budgetary Questions

15 November 2019

Dear Mr Beasley,

Please find attached a copy of the report of the Advisory Committee on your submissions which included the WFP Management Plan (2020–2022) (WFP/EB.2/2019/5-A/1) and the Revised Charter of the Office of the Inspector General (WFP/EB.2/2019/4-B).

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,

Cihan Terzi
Chairman

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I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered two reports of the World Food Programme (WFP), submitted to the Executive Board for approval: (i) the WFP Management Plan (2020-2022) (WFP/EB.2/2019/5- A/1); and, (ii) Revised Charter of the Office of the Inspector General (WFP/EB.2/2019/4-B). The Advisory Committee also had before it one document submitted to the Executive Board for consideration, Update on the Integrated Road Map (WFP/EB.2/2019/4-D/1), and one document submitted for information, Work plan of the External Auditor (WFP/EB.2/2019/5-B/1). During its consideration of the reports, the Advisory Committee met with representatives of the WFP Secretariat, who provided additional information and clarification, concluding with written responses received on 31 October 2019.

II. WFP Management Plan (2020-2022)

Operational requirements

2. The Management Plan provides information relating to the operational requirements for the strategic and programmatic shifts at the country and corporate levels that are set out in the WFP Strategic Plan (2017–2021) (see WFP/EB.2/2019/5- A/1, paras 5 to 32). The report indicates an increased level of estimated operational requirements of \$10.6 billion for 2020 (8 per cent more than in 2019). The projected contribution revenue for 2020 is forecasted to be \$7.45 billion, representing a 10 per cent increase on the projected contribution revenue of \$6.8 billion for 2019 resulting in a forecasted funding gap of \$3.1 billion (29 per cent) in 2020. It is estimated that the Programme’s projects will directly reach 87.6 million beneficiaries, an increase of 11 per cent compared with the planning figure for 2019 (ibid, Executive Summary and paras 40, 74 and 78).
3. Upon request, the Advisory Committee was provided with information indicating the needs and projected funding from 2015 to 2020 set out in Table 1 below. The Committee notes that the gap between operational requirements and funding has decreased from \$3.8 billion in 2017 to a projected \$3,1 billion in 2020. **As a result of WFP’s fundraising efforts, the Advisory Committee notes the increased levels of funding for 2019 and projected funding for 2020.**

Table 1: Needs and Projected Funding, 2015-2019 (USD million)

	2015	2016	2017	2018	2019	2020**
Management Plan needs, including Indirect Support Costs	7,967	8,581	9,007	9,011	9,796	10,566
Management Plan Funding Forecast	4,400	4,900	5,200	5,700	6,800	7,450
Funding gap	3,567	3,681	3,807	3,311	2,996	3,116

*forecast as of August 2019

Resilience building

4. The report indicates that WFP is focused on reducing the need for humanitarian action by investing in preparedness and early action activities, resilience building efforts with governments, and support to activities that contribute to addressing the underlying causes of hunger (ibid, para. 36). The report also indicates that WFP’s estimated operational requirements for 2020 reflect a 20 per cent increase for crisis response, an 18 per cent

decrease in the requirements for resilience building and a 7 per cent reduction in planned activities and programmes that address root causes (ibid, paras 74 to 77 and Table III.1). Upon enquiry, the Advisory Committee was informed that the decrease in resilience building is mainly due to the reduction in operational requirements for Iraq, Yemen, Democratic Republic of the Congo (DRC) and Turkey. However, the Committee was informed that this overall decrease does not fully reflect examples of activities aimed at strengthening smallholders'¹ access to markets, enhancing livelihood assets and strengthening the capacities of individuals and institutions in various countries including Iraq, DRC, Afghanistan and Madagascar and the Syrian Arab Republic.

Food and cash-based transfers

5. The report indicates that WFP's projected crisis response requirements amount to \$7.8 billion in 2020, accounting for 74 per cent of overall requirements. The remaining 26 per cent in operational requirements is accounted for in terms of resilience building and programmes that address root causes, in the amounts of \$2.2 billion and \$527 million respectively (ibid, Table III.1).
6. The report indicates that of the \$8.7 billion in total transfers for operational requirements, in-kind food transfers account for 47 per cent of the projected WFP assistance in 2020 while cash-based transfers (CBTs) are expected to account for 37 per cent of total assistance. The full breakdown of the transfer costs is provided in table III.7 of the report. (ibid, Executive Summary). The report indicates that the use of CBTs has increased consistently over the past ten years and that WFP provides more humanitarian cash transfers than any other agency. The Middle East, North Africa, Eastern Europe and Central Asia region accounts for 44 per cent of total CBTs projected for 2020 (ibid, para. 104). The use of unrestricted cash transfers will continue to increase in 2020 reaching an estimated \$2.3 billion which will represent almost 26 per cent of WFP's total operational assistance for the period (ibid, para. 106). The Advisory Committee notes that in 2019 in-kind food transfers accounted for 50 per cent of the projected WFP assistance while cash-based transfers accounted for 37 per cent of total assistance (ibid, table III.7). The Committee further notes the increasing use of commodity vouchers² increasing from 2 per cent in 2019 to an estimated 4 per cent in 2020 (ibid).
7. Upon enquiry, the Advisory Committee was provided with further information regarding the cash versus food transfer values distributed over the period from 2016 to 2018 as shown in table 2 below. **The Advisory Committee note the increasing trend in the 2016-2018 period in the use of cash-based transfers for the provision of assistance and trusts that effective monitoring and oversight mechanisms are in place for cash-based transfers to ensure that funds are properly used and risks mitigated.**

¹ A person who owns or manages an agricultural holding smaller than a farm

² A commodity voucher is a credit equivalent to a fixed quantity of specific foods.

Table 2: Cash versus food transfer values (USD millions) - 2016 to 2018

	2016	2017	2018
<i>in USD millions</i>			
Cash vs Food transfer values distributed			
Cash-based transfers distributed	882.3	1,446.1	1,760.5
Food commodities distributed	2,051.1	2,197.5	2,132.6
CBT distributed by location			
Turkey	55.4	340.8	463.3
Lebanon	215.9	244.9	276.5
Jordan	145.5	148.6	161.3
Somalia	25.9	134.8	116.1
Yemen	28.9	63.6	90.9
Iraq	53.8	56.5	56.5
Nigeria	4.7	37.2	47.5
Democratic Republic of Congo	16.4	18.7	46.4
Mali	6.9	14.7	35.2
Kenya	23.1	37.3	33.8
Chad	7.0	22.9	33.7
Bangladesh	9.9	9.1	33.6
Ethiopia	19.5	15.4	29.6
Sudan	36.1	23.6	27.0
Palestinian Territories	17.6	22.6	26.7
South Sudan	13.5	28.8	25.1
Uganda	5.9	14.6	23.9
Egypt	18.9	20.9	23.3
Colombia	4.4	5.9	20.0
Malawi	11.8	23.7	18.8
Others	160.9	161.7	171.3
Total	882.3	1,446.1	1,760.5

Note: As per the WFP Financial Statements.

Programme support and administration

- The report indicates that the programme support and administrative (PSA) budget reflects the prioritisation exercise carried out by WFP and provides programme and administrative support to WFP's activities. WFP proposes a 2020 PSA budget of \$423.6 million for 2020 representing an increase of \$38.5 million (10 per cent over the PSA budget of \$385.1 million for 2019) which corresponds to the percentage increase in projected contribution revenue. This increase consists of: (1) \$29.5 million in support of WFP's six corporate priorities: leadership in emergencies, excellence in programming, funding and partnerships for zero hunger, digital transformation, simplification and efficiency in WFP processes, and people and culture (ibid, Table IV.2, paras 166 to 201); (2) \$8.7 million to address critical areas in independent oversight, including anti-fraud and anti-corruption initiatives and targeted implementation of internal controls at the regional and country levels (ibid, Table IV.2, paras 144 to 159) (see para. 16 below); and, (3) \$3.5 million for structural deficits in headquarters facilities management, security and the Executive Board Secretariat (ibid, Table IV.2, paras 160 to 165).

Staffing of country offices

9. As regards the staffing of WFP country offices (ibid, table A.II.2), the report indicates a reduction in the number of PSA-funded professional positions in the country offices in 2020. Upon enquiry, the Advisory Committee was informed that the proposed PSA budget for the country offices is part of the Management Plan process and is reviewed annually. Staff costs for country director positions and P-3 positions in select country offices, were historically included in the total budget allocated to country offices, in addition to additional costs based on the size of the office. The Committee was further informed that the conclusions of a performance audit on decentralisation, in combination with the changes introduced in the Integrated Road Map (IRM), have resulted in an adaptation of the PSA allocation methodology for staffing and other costs with a standardised allocation across all country offices, irrespective of the size of the individual country office portfolio.
10. The Committee was also informed that within the context of the latest Management Plan process, WFP management had submitted a proposal to the Executive Board to increase the PSA budget of country offices by approximately \$10 million. The 2020 PSA budget for country offices proposes the “monetization” of P-3 posts to provide greater flexibility to Country Directors, by allowing them to plan the recruitment of employees at different grades and contract types, as required, and/or to cover any other operating costs with a view to addressing WFP’s rapidly changing operational environment.
11. As regards the recruitment of local staff, the Committee was informed that WFP has no deliberate nationalization policy. Nevertheless, in the development of the Country Strategic Plans, each country office gives consideration to the size and composition of the workforce required to deliver the plan. These staffing considerations include impartiality, neutrality, freedom of movement, the capacity of the local labour market to supply the required skills, and the maintenance of the rotational requirements for the international workforce. The Committee was informed that the majority of the workforce in a country office will be locally employed and that the Management Plan will provide greater flexibility to Regional Bureaux and country offices to allow determination of the utilization of resources at the local level.
The Advisory Committee notes the change in funding approach for the staffing of country offices and encourages WFP to apply this new approach with a view to facilitating further the reliance on locally hired staff for the required skills. The Committee trusts that an update on the results of the new funding approach, and its implications for staffing, will be provided in the next update of the WFP Management Plan.

Private sector strategy

12. In order to scale up of fundraising from private individuals, WFP indicates in the report that the first phase of the private sector strategy initiative will require \$13.1 million in 2020 to be funded from the critical corporate initiatives and the programme support and administrative equalization account (PSAE) (ibid, Executive Summary and para. 287). Upon enquiry, the Advisory Committee was informed that individual giving represents the largest source of donations for non-governmental organizations in the global fundraising market, and that increasing WFP’s income from individuals will allow WFP to reach more people around the world. The goal is to create a model that becomes self-financing within five years and delivers a significant level of flexible income to WFP.
13. The Committee was further informed that WFP’s proposed new approach to individual fundraising is composed of three elements: (i) a digital-led strategy using high-performing digital communication or marketing channels to target appeals that will build on recent successes including the “Share the Meal” application (see para. 14 below); (ii) a global digital approach to allow for easy reallocation of investment, implementation of best practices and

programme optimization across markets and channels; and, (iii) rapid iteration cycles stemming from the global digital approach which will allow WFP to engage with supporters in an agile way by continuously improving content, approaches, platforms and tools in order to optimize the overall programme.

14. Upon request, the Advisory Committee was provided with data relating to the number of users and donations mobilized since 2016 through the “ShareTheMeal” mobile fundraising application which is reflected in the table below.

Table 3: Number of users and donations mobilized through the “Share the Meal” app

Year	Gross funds raised (USD million)	Downloads (k)
2016	3.2	377
2017	4.8	246
2018	5.6	296
2019*	7.3	310

*Note: As of October 2019.

15. The Committee was also provided with details of the private sector revenue targets for the 2020-2025 period indicating a significant increase in projected fundraising from \$40.2 million in 2020 to a forecasted target in the amount of \$172.2 million in 2025. **The Advisory Committee notes the significant increase in funds received through the “Share the Meal” application and the projected increase in private sector funding overall. The Committee trusts that updates regarding WFP’s private sector strategy will be provided in the next update of the WFP Management Plan.**

Reported fraud

16. The report reflects the planned provision of increased capacity for oversight and follow-up for regional bureaux (\$ 3.14 million), country offices (\$0.65 million) and Headquarters (\$4.93 million) (ibid, paras 144 to 159; see para. 8 above). The report also indicates that the resources allocated to the Office of the Inspector General (\$1.7 million) aim to provide the Office with the capacity to address recent increases in caseload and to provide sufficient assurance coverage of operations, through audits and proactive integrity reviews (see ibid, para. 148). Upon request, the Advisory Committee was provided with data set out in table 4 below on the amounts of substantiated fraud reported either through hotline reporting mechanisms or through integrity reviews and inspections as provided in the annual reports of the Office of the Inspector General.

Table 4: Substantiated fraud resulting from investigations - 2016 to 2018

Year	Amount in USD
2016	253,626
2017	141,198
2018	747,287

17. The Committee was also informed that in 2019, the substantiated fraud losses will be significantly higher than in 2018 as a result of one substantiated case of product substitution resulting in estimated losses of approximately \$7 million, which the Committee was informed had been subsequently recovered. **While acknowledging the recovery of the funds relating to the fraud case identified in 2019, the Advisory Committee notes with concern the increase in levels of substantiated fraud in 2018 and 2019 and trusts that greater efforts will be made to strengthen prevention, accountability and recovery.**

WFP's role in United Nations Reform

18. The report indicates that \$8.1 million for critical corporate initiatives is proposed for investment in United Nations reform related efforts over 2020 and 2021, continuing the work started in 2019 to ensure that WFP offices in all locations have the capacity to prepare for and support this reform (ibid, table A. IV.2). WFP continues to take a leadership role in this reform serving as the co-chair, along with the Office of the United Nations High Commissioner for Refugees, of the Business Innovations strategic results Group (BIG). The BIG is on track to complete conceptual and design work by early 2020, drawing from a series of country office pilots to test business operations and models for common premises. The report also indicates that with the strengthened Development Coordination Office now fully operational, the objective of the review is to reduce overlapping and conflicting responsibilities. Work in 2020 will focus on completing design and piloting of initiatives with implementation continuing in 2021 (ibid, Executive Summary and paras 277 to 281).
19. The report indicates that a projected balance of \$434,959 from the 2019 budget allocation will be reallocated to fund activities under the programmatic and policy workstream in 2020, with most of the funding allocated to WFP's support for implementing common services, building collaborative capability, fulfilment of legal and operational requirements, and simplifying business operations in line with corporate priorities (see ibid, Annex IV, paras 22 to 24). Upon enquiry, the Advisory Committee was informed that WFP will be providing continuing support for overall governance and coordination of various reform-related initiatives. WFP will also provide enabling services and co-lead the Business Innovations Group in terms of supporting targets for the provision of common services. This includes: (i) implementing a Common Back Office (CBO) concept, and expansion of improved operational services (see also paras 21 and 22 below); (ii) promoting and consolidating location-independent common services, including the development of a service catalogue and service provision platform; (iii) integrating and piloting a mutual recognition principle, along with methodologies for client satisfaction and costing and pricing principles; (iv) implementing a joint UNHCR/WFP pilot programme by rolling out the United Nations Digital Service Centre (UNDSC) (see para. 20 below); and, (v) building the capacity of Regional Bureaux and Country Offices to support WFP-wide change management and ensure the roll-out and implementation of reform workstreams. **The Advisory Committee trusts that further information will be provided in the next update of the WFP Management Plan regarding WFP's efforts in providing coordination and support in the implementation of the aforementioned reform initiatives.**

United Nations Digital Service Centre

20. The Advisory Committee was informed upon enquiry, that WFP signed a Memorandum of Understanding with UNHCR on the establishment of the United Nations Digital Service Centre (UNDSC) hosted by the International Computing Center (ICC) in Geneva. **The Advisory Committee notes the intention to undertake a pilot programme which will test the viability of establishing and maintaining a suite of digital solutions for the United Nations agencies and trusts that additional information regarding the UNDSC pilot programme will be provided to the upcoming session of the Executive Board and in the next update of the WFP Management Plan.**

Common Premises and Global Shared Service Centres

21. In terms of the Common Premises concept and the work undertaken by the WFP co-led Business Innovations Group, the Advisory Committee was informed upon enquiry, that 16 per cent of United Nations premises were shared between two or more entities by 2017 with an expressed target of achieving 50 per cent across all common premises locations by 2021. The Committee was informed that WFP has chaired the UN Task Team on Common Premises and Facility Services (TTCP) for the past four years and is undertaking 6 pilot projects with a whole of country approach to test consolidation planning tools and processes.
22. As regards the Global Shared Service Centres, the Committee was informed that the possibility of consolidating location-independent transactional processes into a network of similar centres is being explored. This initiative had started with the development of the existing 'marketplace' for the exchange of services between UN entities. A 'UN Service Marketplace Survey' had been launched in July 2019 and member entities of the High Level Committee on Management had been requested to indicate: (i) which back-office services they were currently providing to other entities; (ii) which services they would be willing to start providing now or in the future; and (iii) which services they would like to receive from others. A total of 163 back-office functional activities had been surveyed across the six process areas of administration, finance, HR, ICT, logistics and procurement.

United Nations Humanitarian Air Service

23. The Management Plan indicates that WFP provides services to the humanitarian community through three clusters, namely the United Nations Humanitarian Air Service (UNHAS), the United Nations Humanitarian Response Depot (UNHRD) and bilateral logistics service provision. The report indicates that in 2018, UNHAS transported more than 386,000 passengers in 16 countries, UNHRD supported 35 partners in 93 countries and the logistics cluster supported more than 600 organizations through its operations in 13 countries. WFP also provided logistics services on request to 75 partners, including host governments, in more than 20 countries (ibid, paras 112 and 113).
24. Upon enquiry, the Advisory Committee was informed that UNHAS is funded by means of donor contributions from governments, intergovernmental organizations, multilateral funds as well as cost-recovery from non-WFP users based on charges established by the UNHAS Steering Committee in each location. In terms of the cost recovery mechanism, 15 of the 16 UNHAS operations currently apply partial cost recovery methodology; with nominal fees charged on passenger and cargo transport. The Committee was further informed that approximately 75 per cent of global UNHAS resource requirements are funded through donor contributions with the remaining 25 per cent derived from the cost recovery mechanism. **The Advisory Committee notes the information provided and trusts that further information regarding the cost recovery mechanism of the United Nations Humanitarian Air Service will be provided in the next update of the WFP Management Plan.**
25. **Subject to its observations and recommendations above, the Advisory Committee has no objections to the WFP Management Plan (2020-2022).**

III. Revised Charter of the Office of the Inspector General

26. The report (WFP/EB.2/2019/4-B) indicates that the main changes to the Charter of the Office of the Inspector General include: clarification of the roles and responsibilities of the Office and management with respect to governance, risk, and internal control; clearer definition of the services provided by the Office, most notably in the areas of advisory services, proactive integrity reviews and inspections; strengthened independence of the Office; restrictions placed on the Office from performing investigations of alleged fraud or misconduct by the Executive Director; and the approval of the Executive Board for any revisions to the Charter. **The Advisory Committee has no objection to the Revised Charter of the Office of the Inspector General.**

IV. Document submitted to the Executive Board for consideration

Update on the Integrated Road Map (WFP/EB.2/2019/4-D/1)

27. The report provides information on the update to the Integrated Road Map. WFP indicates that the Integrated Road Map framework, comprising the WFP Strategic Plan (2017–2021), the Policy on Country Strategic Plans, the Financial Framework Review and the Corporate Results Framework (2017–2021), is a holistic platform designed to support appropriate and sustainable responses and reinforce the effectiveness and efficiency of WFP's operations. WFP further indicates that its management aims to establish a risk-based and cost-effective governance model thereby strengthening the Board's approval and strategic oversight functions by reducing fragmentation while retaining WFP's ability to respond quickly to emergencies. The report indicates that a daily notification system will be introduced that will clearly communicate all revisions of country strategic plans and interim country strategic plans so as to ensure that Member States are kept abreast of all changes and so that any concerns can be addressed in a timely manner.