

Resource Management Seminar on EB.A/2021 items

Wednesday,
12 May 2021
09:30 – 12:30



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AGENDA

Part 1: Resource and Budgetary Matters

- I. WFP's Advance Financing Tools
 - II. Utilization of self-insurance account surplus
- Q & A

Part 2: Key Accountability and Reporting Documents

- I. Statement on Internal Control and Management Review of Significant Risk and Internal Control Issues
 - II. Report of the Joint Inspection Unit: Review of Multilingualism in the United Nations
 - III. Implementation of External Audit Recommendations
- Q & A
- IV. 2020 Annual Audited Accounts: Financial Statements
 - V. Update from the External Auditor
 - VI. Management Response: External Audit on Critical Corporate Initiatives
- Q & A

Part 3: Policy Revisions

- I. Revised Anti-Fraud and Anti-Corruption Policy
- Q & A

Key RM Documents and Dates in 2021



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Resource and Budgetary Matters

I. WFP's Advance Financing Tools



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WFP's advance financing tools



Advance financing for release of funds to projects

- 01** **Internal Project Lending and Macro-Advance Financing:** provides advances against forecasted contributions or overall income
- 02** **Immediate Response Account:** provides allocations with no collateral for life-saving assistance which can be converted from advanced to grants



Advance financing for food purchases prior to requests from specific countries

- 03** **Global Commodity Management Facility:** purchasing food in advance of requests from country offices to reduce delivery lead-time

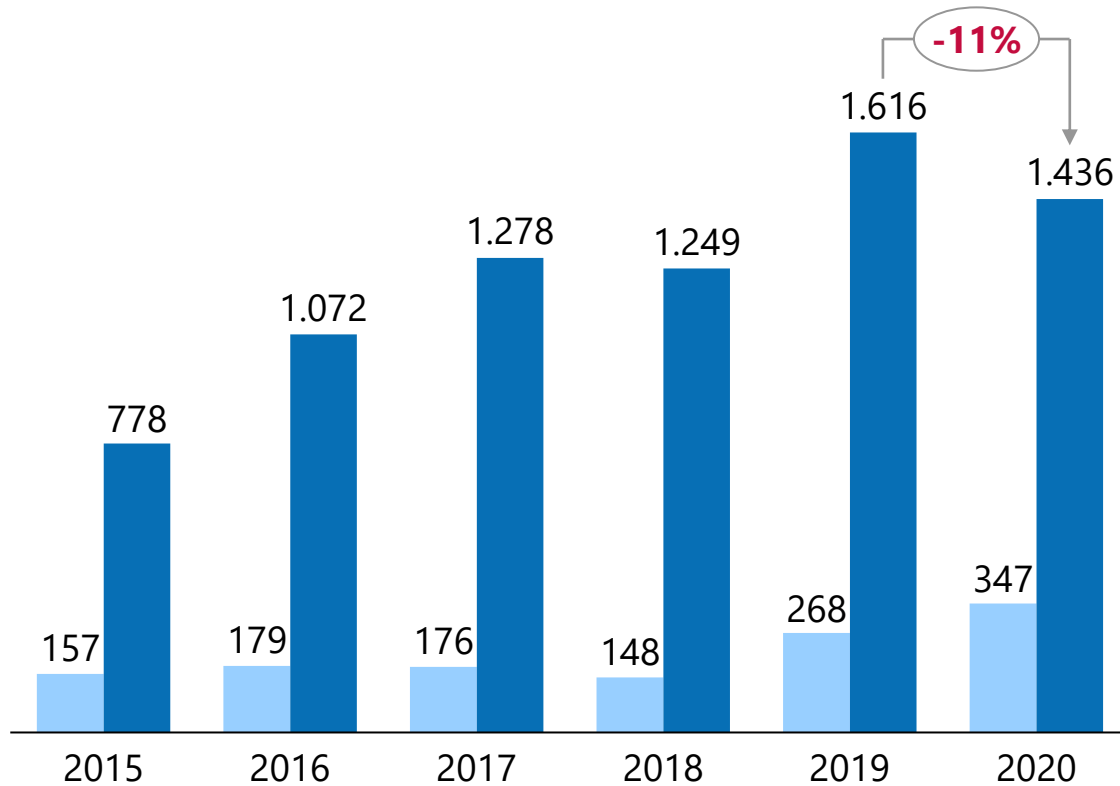


Advance financing for Corporate Services

- 04** **Capital Budgeting Facility:** allows WFP to make investments in the efficiency and quality of corporate services, where there is a need for larger upfront investments



01 - Internal Project Lending (IPL)



■ Number of loans ■ Amount advanced (USDM)

Provides advance spending authority against forecast contributions for timely operational response

IPL permits timely operational response but requires donor contributions that allow advance financing

57 CSPs

where Internal Project Lending advances were made

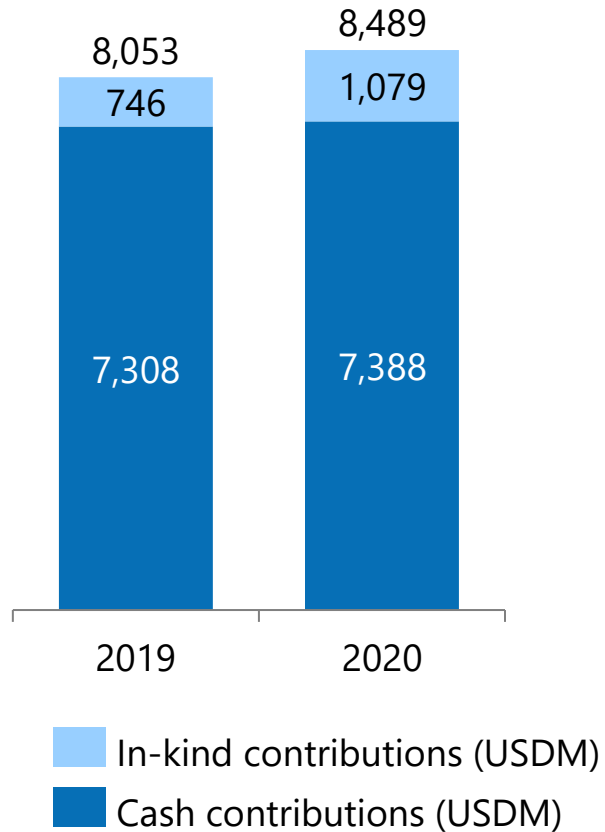
-11% advanced compared to 2019. Funds eligible for advance financing decreased by 2% and ED appeal letter resulted in a sharp and timely increase of resources

54 days

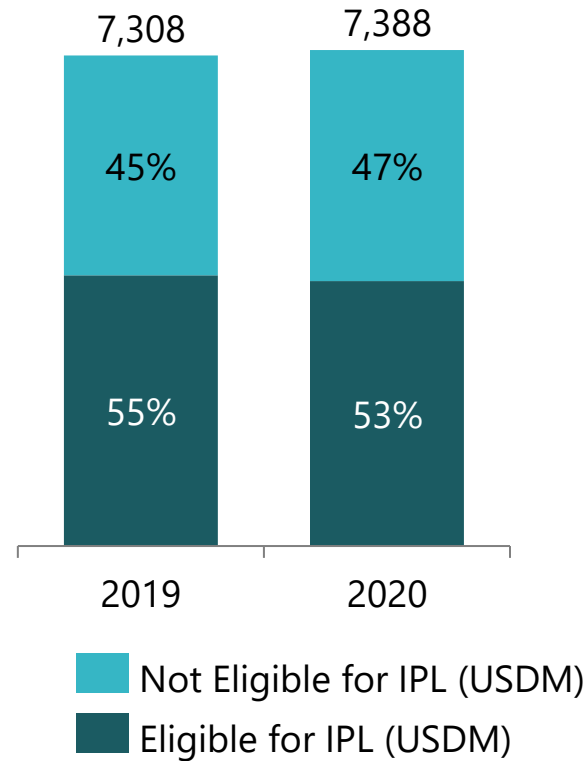
average time when country offices were provided with funds before contributions date

01 - Internal Project Lending utilization 2020 vs 2019

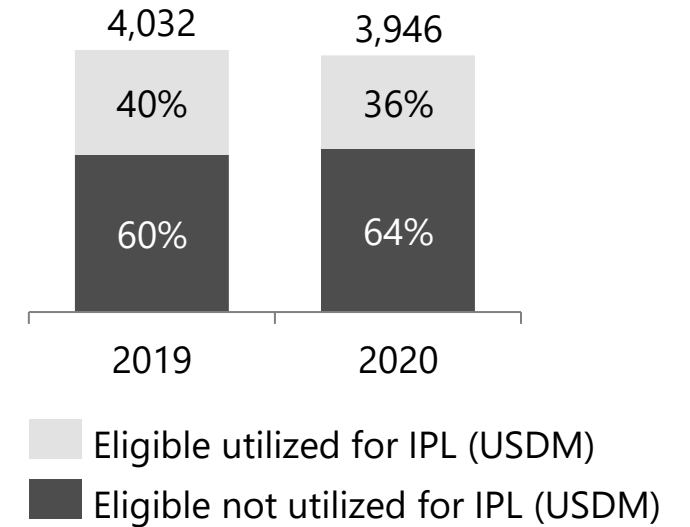
Growth in contributions



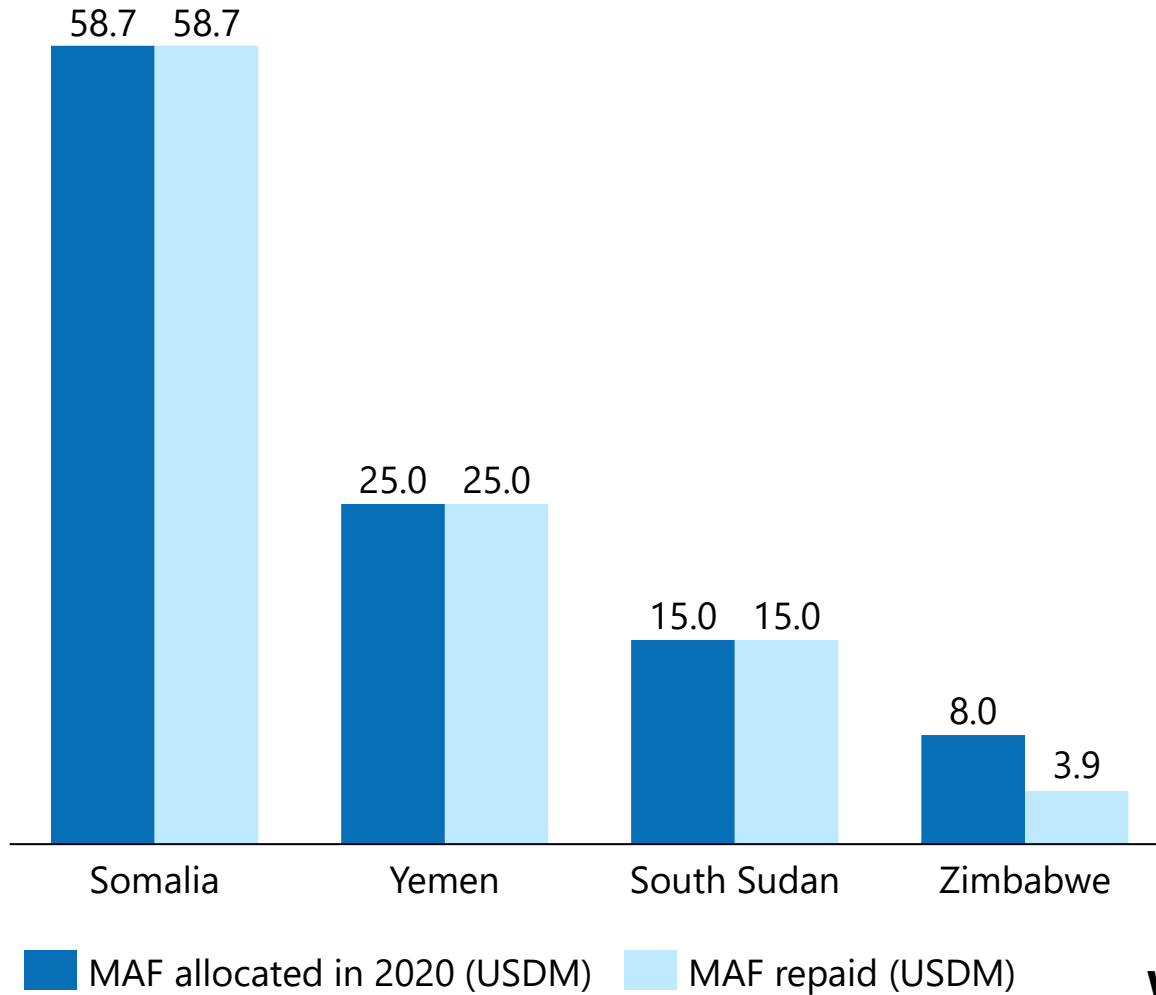
Cash contributions eligible for IPL



IPL from eligible contributions



01 - Macro Advance Financing (MAF)



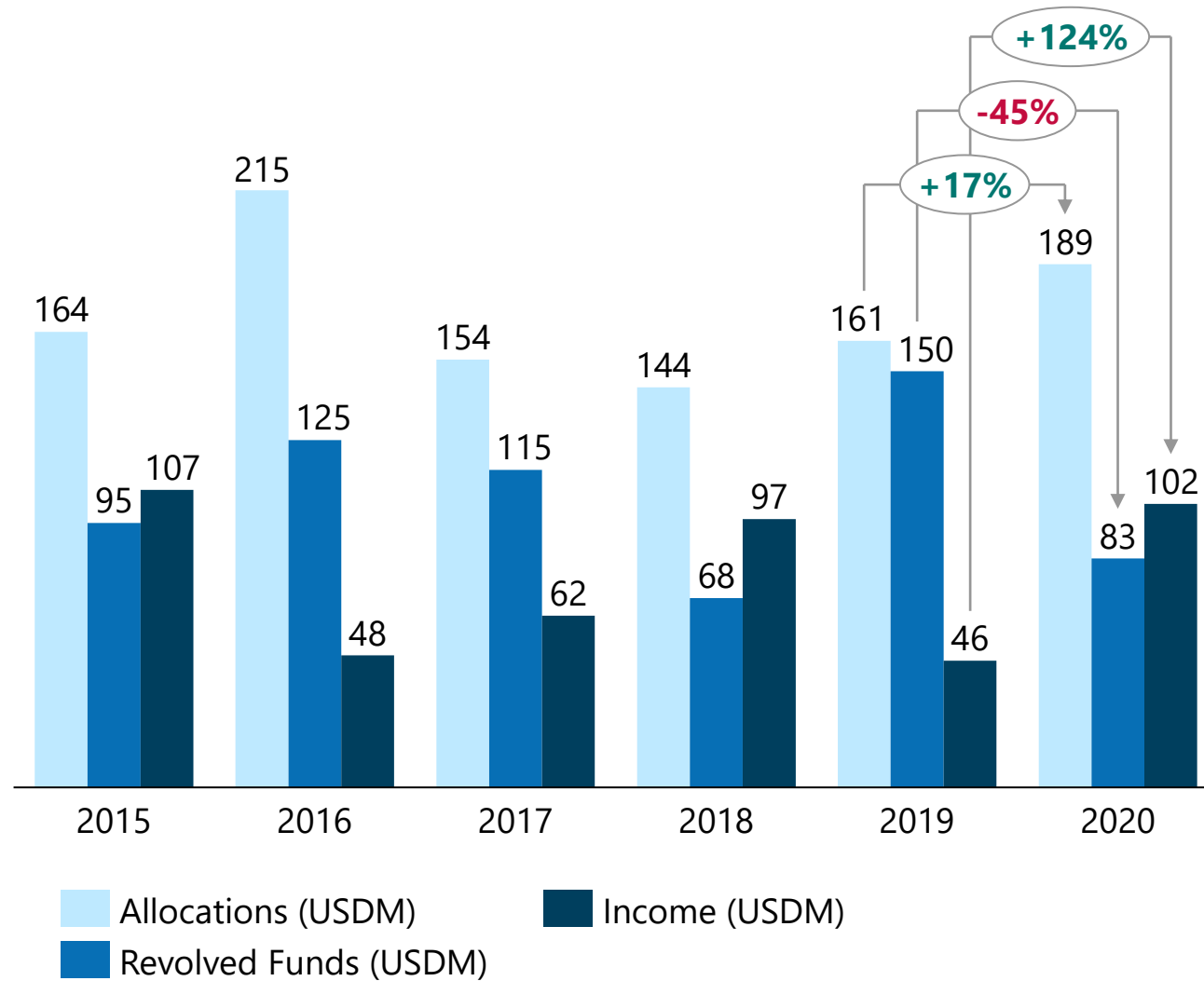
Total MAF allocated in 2020: **USD106.7M**

Total MAF repaid in 2020: **USD102.6M**

MAF allocations to Somalia and Yemen saved lives and made a significant difference in meeting the **immediate hunger and nutrition** needs of beneficiaries

With the benefits of MAF recognized, efforts are being made to reduce the earmarking of contributions, to facilitate repayments of advances

02 - Immediate Response Account (IRA)



IRA allocations made during 2020 totaled **USD 188.6** million across 49 CSPs

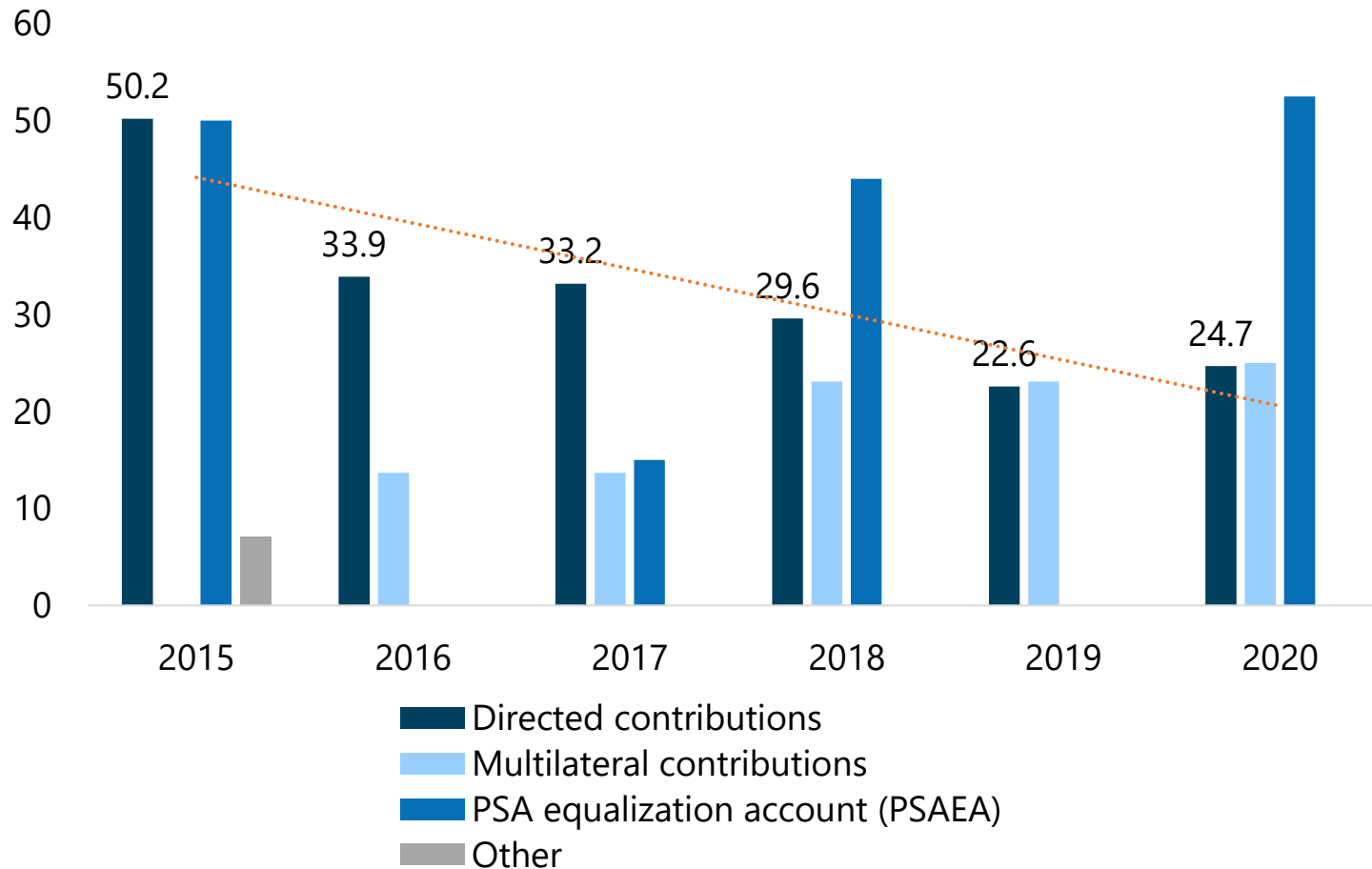
The **largest IRA allocations** were made to:

- Yemen (USD 32 million)
- Mozambique (USD 14 million)
- Lebanon (USD 13.5 million)
- Burkina Faso (USD 12.6 million)

Other large allocations were made to:

- Madagascar (USD 11 million)
- South Sudan (USD 10 million)
- Zimbabwe (USD 10 million)
- State of Palestine (USD 9.6 million)

02 - New contributions to the Immediate Response Account (IRA)

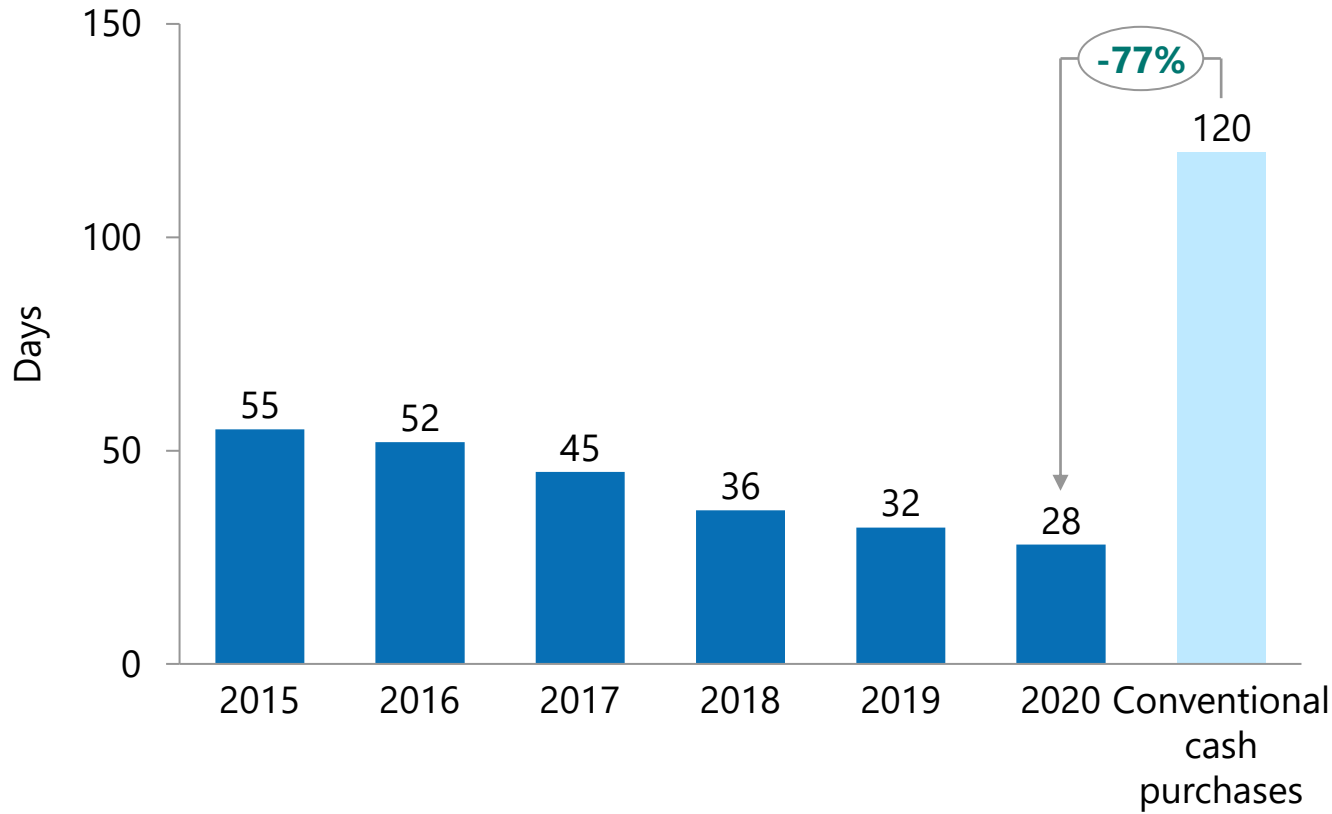


Despite overall increase in new contributions allocated to the IRA, **decreasing trend in directed contributions** from donors into the IRA is observed

In 2020, USD 24.7 million was received into the IRA from direct donors' contributions, equivalent to **half** the value received from direct donors' contributions in 2015

The IRA is a critical financing tool for immediate assistance in life-threatening situations in the absence of forecast contributions. Increased support for this mechanism is essential.

03 - Global Commodity Management Facility (GCMF)



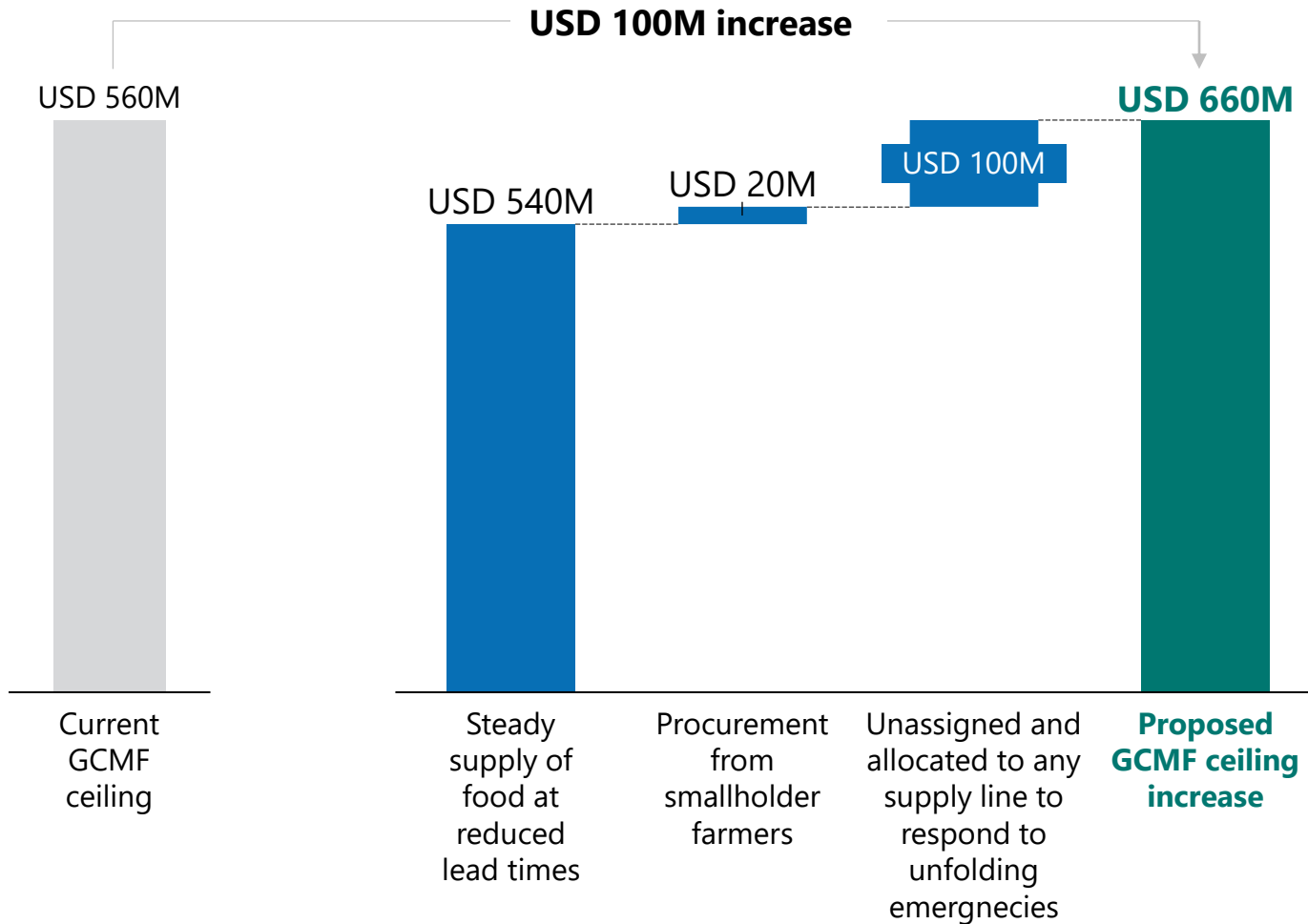
1.8 million mt
food delivered to 49 countries
representing 41% of the total
volume of food handled by
WFP

28 days
average lead-time representing
77% reduction vs
"conventional" process

WFP purchases food commodities in advance of contribution confirmation to reduce food delivery lead-time (especially in emergencies)

- Benefits of GCMF:**
- 1. faster delivery of food**
 - 2. support to regional and local procurement**
 - 3. economies of scale and procurement at the right time**

03 - Increase in the Global Commodity Management Facility ceiling



Executive Board approval will be sought to increase GCMF ceiling from USD 560M to USD 660M

- 1 Enable the response to COVID-19, concurrent L3 emergencies, volatile markets, shift to local/regional purchases, and WFP's growing support to service provision
- 2 Mitigate risks such as uncertainty regarding boarder closures, variability of supplier capacity, logistics capacity and availability, through anticipatory food purchases
- 3 Expand GCMF regional supply lines supporting emergency responses in Tigray, Yemen, Myanmar, Bangladesh amongst other regions across WFP's global operations
- 4 Support the expansion of specialized nutritious food outreach through the implementation of a long-term global strategy

04 - Advance financing for Corporate Services

Example of allocations in 2020:

The Capital Budgeting Facility provides **upfront financing for capital projects** that can demonstrate quantifiable economic benefits and efficiency gains



- **USD 5 million**
For the global fleet unit for enhancing the truck fleet in Ethiopia
- **USD 5 million**
For biometric registration and scope activities in South Sudan (as part of the USD 14.2 million approved project)
- **USD 4.1 million**
For private partnerships and fundraising individual giving special account



Resource and Budgetary Matters

II. Utilization of Self-insurance Account Surplus



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Utilization of the self-insurance account surplus

Immediate Response Account

The recent **increase in humanitarian needs and crisis response** has reduced the level of funds in the Immediate Response Account.

For 2020, the Board approved a total transfer of **USD 52.5 million** from the Programme Support and Equalization Account (PSAEA) to the IRA to ensure WFP could **meet critical demands** during the global pandemic.

Self-insurance special account

WFP's commodities are insured through **an internal insurance scheme**. The transactions related to self-insurance activities are managed through a **special account**. The latest ED circular allows for surplus funds under this account to be used to replenish the IRA.

The self-insurance account requires **USD 47 million** per year between 2021-2023 to meet its obligations. **USD 20 million** is now identified above this level.

Executive Board approval will be sought to transfer the **USD 20 million surplus** from the self-insurance special account to the IRA to **enable WFP to provide funds for life-saving activities**.

Q & A



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Key Accountability and Reporting Documents

- I. Statement on Internal Control and Management Review of Significant Risk and Internal Control Issues



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2020 Management Assurance Project*

Background

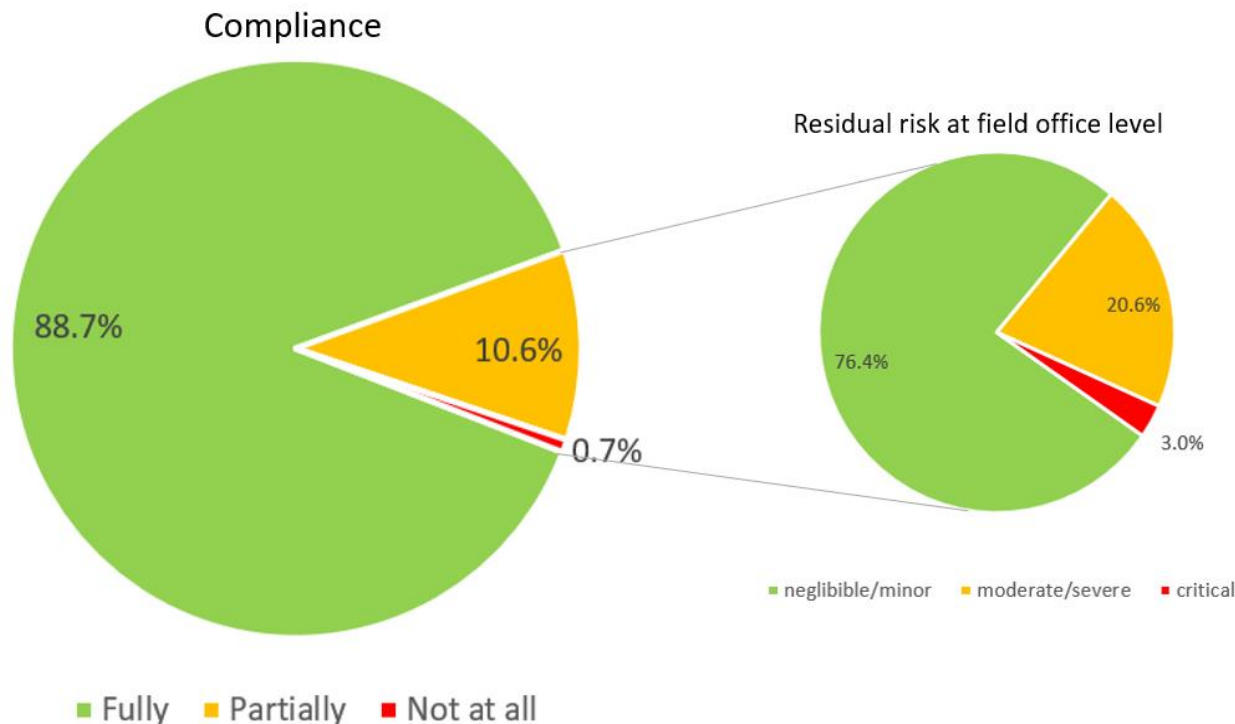
COVID-19 context brought increased risk:

- Access disruptions
- Increased need
- Programme modifications
- Fewer audit and evaluation missions

2020 Results

Risk and compliance in the field:

- Controls were largely in place
- Risk was managed



Learnings for 2021 and beyond

Enhancing the **second line** through:

- **Dedicated Leadership Group risk discussions** to take place quarterly (**ED Memo** dated 21 Feb 2021)
- **Standardization of RB oversight** through more focused, smarter controls and refined existing minimum controls
- **Strengthened** risk monitoring, risk appetite, risk tolerance and risk assessment at the function and entity level

*Report is available on the membership only area

2020 Statement on Internal Control Preliminary Highlights:

Significant risk and control issues



ON THE RIGHT TRACK

MONITORING

EMERGENCY SCALE-UP

FOOD SAFETY AND QUALITY

NEEDS IMPROVEMENT

NGO MANAGEMENT

TALENT MANAGEMENT AND WORKFORCE PLANNING

WORKPLACE CULTURE

On right track in most areas but needs some improvement:

- **IT Governance, control, and cybersecurity** (improve data management)
- **Beneficiary management** (improve business ownership and use of technology, and personal data protection)

Merged as **Beneficiary management and IT solutions**

Sampling of Responses

"Leaders need to be given more tools to address performance problems."

- HQ respondent

"Tone-at-the-top needs to be supplemented by tone in the middle management so that reinforcement trickles down the hierarchy. Accountability to be enforced for such middle level managers actions by top management."

- CO respondent

"COs would benefit from a unified regional or corporate approach to ...beneficiary management solutions."

- RB respondent

"As the strategic importance and maturity of approach to technology across [WFP] is elevated, it is critical that WFP [offices] make digital an explicit part of their planning process...."

- RB respondent

"Remote monitoring should now be institutionalized and a permanent feature of our monitoring landscape..."

- RB respondent

"The COVID-19 pandemic has enabled the CO to properly test the workability of the BCP measures..."

- CO respondent

"...with limited process monitoring and field visits due to COVID-19, managing NGO partners has become harder in 2020. In some countries, remote monitoring was adopted even for process monitoring..."

- RB respondent

"There were new challenges brought about by the COVID-19 pandemic, but actions taken ... ensured that the CO was able to keep the operations going".

- CO respondent

"WFP's emergency response DNA & funding model have made it difficult to be proactive in planning the right workforce required in the future..."

- RB respondent

Material Incidents for Inclusion in Statement on Internal Control

WFP is strengthening controls in six countries as a result of material events that took place in 2020:

- **Democratic Republic of the Congo:** cooperating partners, food safety and quality;
- **Somalia:** duplicate beneficiary records, food diversion, storage-related damage;
- **South Sudan:** security incidents, airdrop accident, damaged food delivery;
- **Haiti:** large-scale asset reconciliation;
- **Nigeria:** increasing security incidents; and
- **Mali:** voucher loss.



Key Accountability and Reporting Documents

II. Report of the Joint Inspection Unit: Review of Multilingualism in the United Nations



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Report of the Joint Inspection Unit

Review of Multilingualism in the United Nations



United Nations

Joint Inspection Unit of the United Nations System

Six recommendations for WFP action

- Five accepted, one partially accepted
- Three directed to the legislative body, three to the executive head

Multilingualism is embedded in WFP operational, administrative and governance processes – **all recommendations proposed for closure.**



WORKFORCE

- Learning and improvement of language skills **(rec. 4)**
- Inter-agency framework for teaching, learning, assessment and certification **(rec. 5)**

EVENTS, CONFERENCES AND COMMUNICATION

- Attract and retain talented skilled language professionals **(rec. 3)**

GOVERNANCE

- Strategic policy framework **(rec. 1)**
- Focal point* **(rec. 2)**
- Inter-agency coordination **(rec. 6)**

* partially accepted



Key Accountability and Reporting Documents

III. Implementation of External Audit Recommendations



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Implementation of External Auditor Recommendations

(as of 27 April 2021)

- **56** outstanding recommendations from **EB.A/2020**
- **27** outstanding recommendations **as of 27 April 2021**

Year report issued	Report name	As at EB.A/2020	Closed	Open		Open by owner (on-track for closure + outstanding at EB.A/2021)
				On track for closure before EB.A/2021	Outstanding at EB.A/2021 – Expected	
2017	Changes in human resources	6	1	5	0	HRM, 4 EME, 1
	Decentralization	2	1	0	1	ERM, 1
2018	Scale-up and scale-down of resources in emergency operations	2	2	0	0	
	Food-related losses	5	1	0	4	NGO, 1 SCO, 3
2019	Country portfolio budgets	2	1	0	1	NGO, 1
	Fraud prevention, detection and response	4	2	1	1	ERM, 1 SCO, 1
2020	2019 audited annual accounts	4	4	0	0	
	Real Estate Portfolio	15	6	7	2	MSD, 9
	Air transport services	16	4	1	11	SCOA, 12
Total: Previously reported		56	22	14	20	
2021	2020 audited annual accounts				7	FIN, 4 CPP, 1 TEC HRM, 1 TEC, 1
Outstanding at EB.A/2021					27	

Q & A



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Key Accountability and Reporting Documents

IV. 2020 Annual Audited Accounts: Financial Statements



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2020 Annual Audited Accounts

Section I – Report of the External Auditor

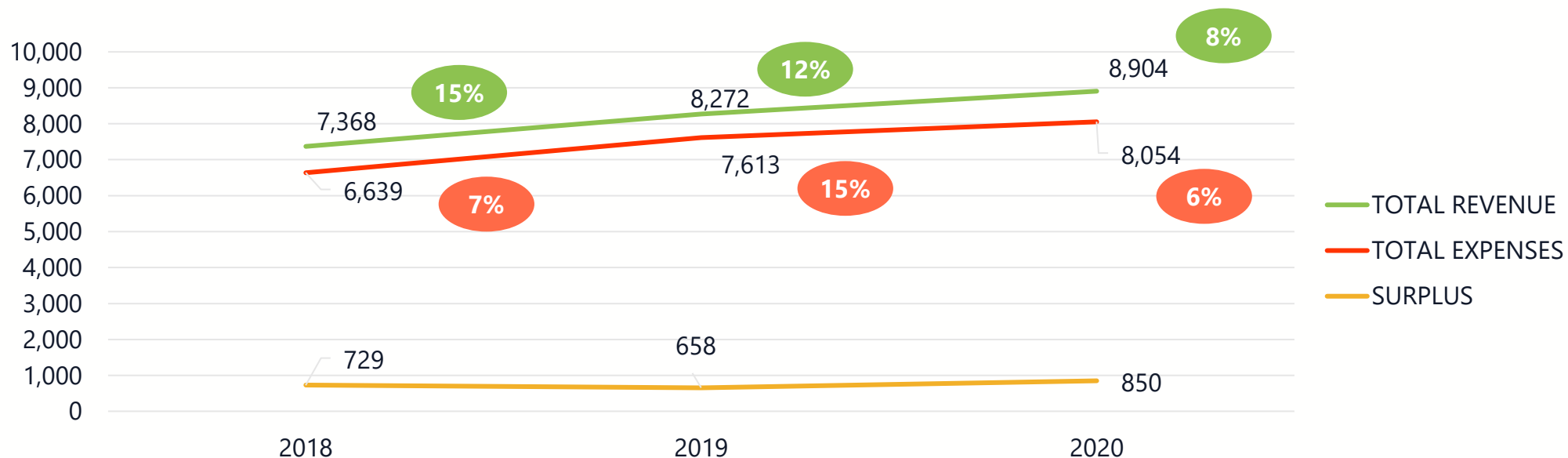
Section II

- Executive Director's Statement
- Statement on Internal Control
- **Financial Statements I, II, III, IV and V**
- Notes to the Financial Statements

Statement II - Revenue

In 2020 revenue was at record level, reaching USD 8.9 billion, 8% growth compared to 2019. Operational spending increased by 6% in 2020 and reached USD 8.1 billion.

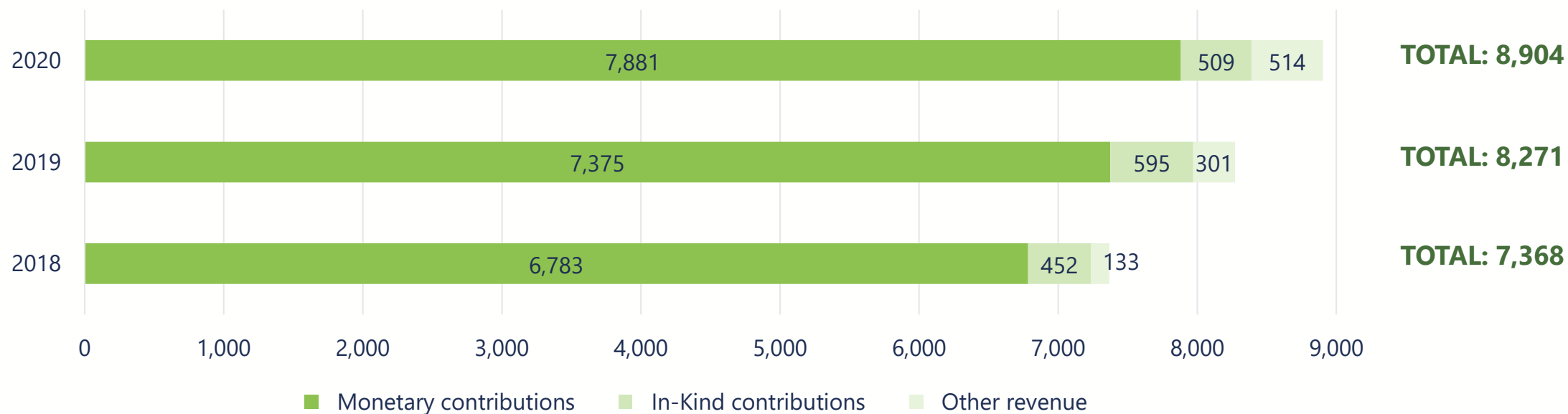
Evolution of revenue, expenses and surplus (in USD M)



Statement II - Revenue

USD 8.4b or 94% of total 2020 revenue was from donor contributions, an increase of USD 0.4b or 5% compared to 2019.

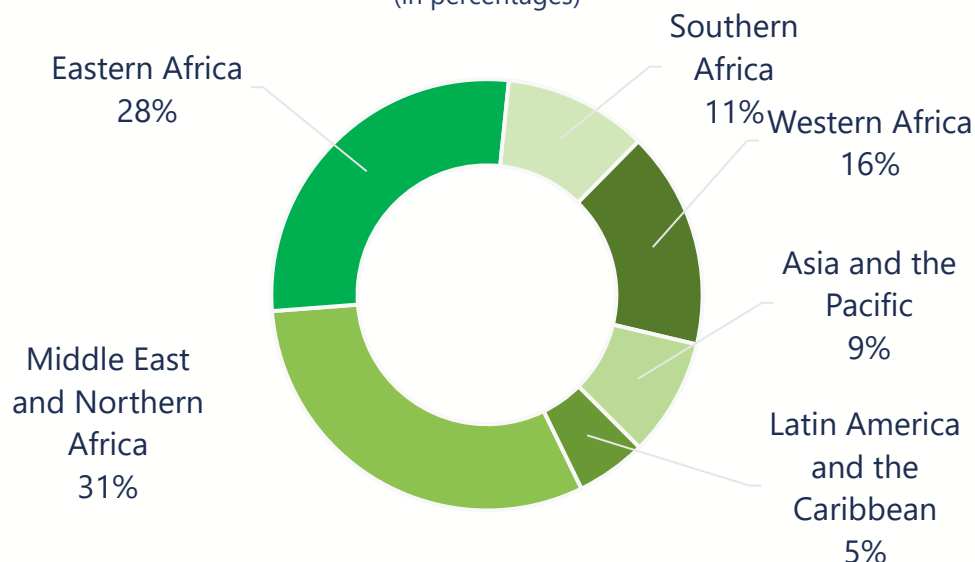
Evolution and composition of revenue (in USD M)



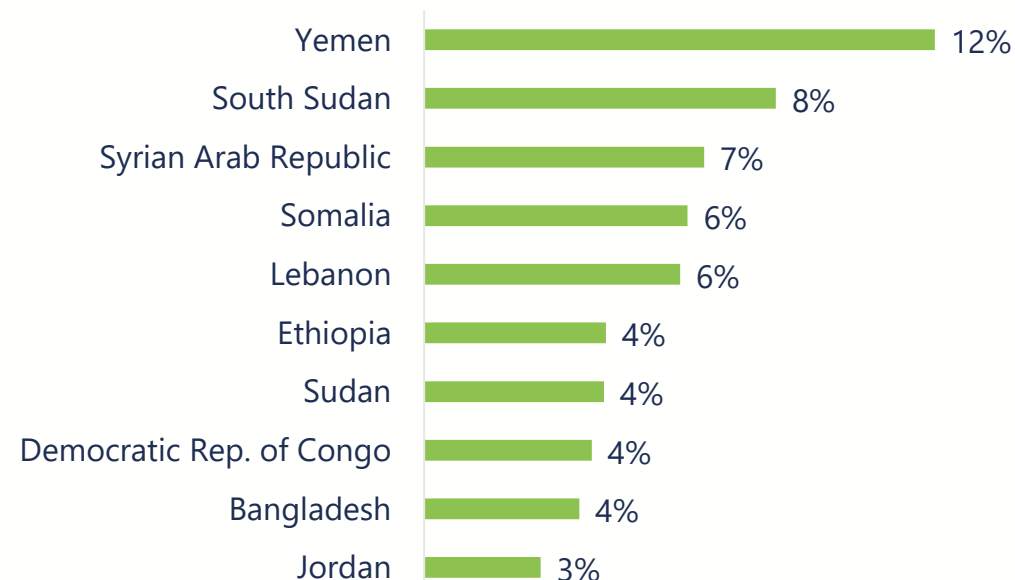
Statement II - Revenue

83% of contribution revenue of USD 8.4b are for programme category funds and directed to major emergencies and other large operations. The remaining balance of contribution revenue is for General Fund and Trust fund operations. In 2020, USD 260m was directed to COVID-19 common services trust fund.

**Contribution revenue distribution
by Regional Bureau**
(in percentages)



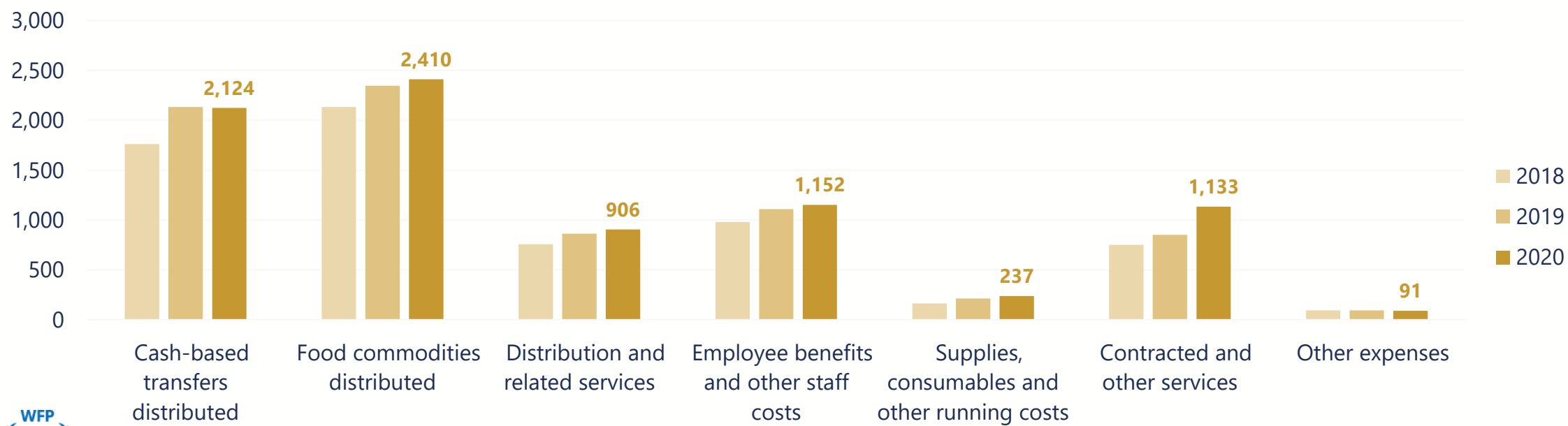
Top 10 Countries by Revenue Distribution



Statement II - Expenses

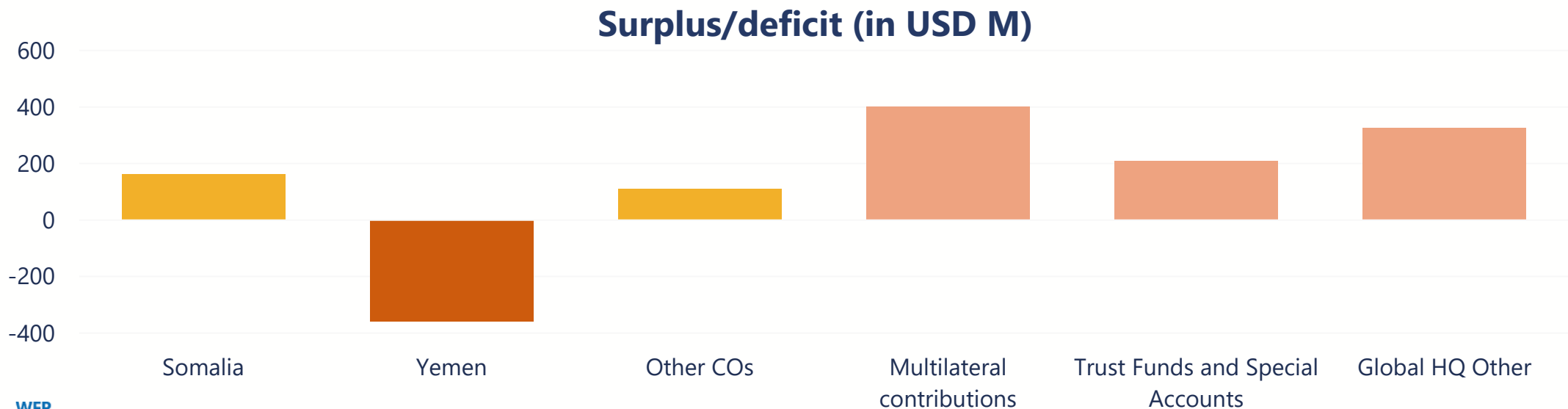
CBT distribution remained at 2019 level, due to strong increase in number of operations compensating for reduction of USD 350 M in Turkey. Food commodities distributions increased by 3%, with growth in some operations and decline in the largest operation, Yemen. The increase in contracted services line is mainly related to common services for COVID-19 response.

Evolution and composition of expenses (in USD M)



Statement II - Surplus

- Constant growth of revenue results in a surplus at aggregate level due to time lag between revenue recognition and spending. Conversely, COs with decrease in revenue may realize deficit during the calendar year.
- Surplus is realized at HQ level mostly due to multilateral contributions (USD 0.4b), investment income (USD 0.1b) and currency exchange gains (USD 0.2b).



Statement I – Financial Position

- **Total assets of USD 10,417.7 million** increased by USD 982.8 million (10%). The increase is mainly due to the growth in contribution receivables, cash and investments driven by the growth in operations.
- **Food inventories** stand at USD 973.8 million, an increase of 6% despite the decrease in mt held, from 1.8 million mt in 2019 to 1.5 million in 2020. 60 percent of inventories by quantity were held by ten operations: Yemen, the Syrian Arab Republic, South Sudan, the Sudan, Ethiopia, Democratic Republic of the Congo, Somalia, Chad, Niger, and Zimbabwe.
- **Total liabilities** amount to **USD 3,575.3 million** and are at similar level as in 2019, while increase in other liabilities (USD 246.8 million) and employee benefits (USD 70.3 million) was offset by decrease in deferred revenue (USD 301.1 million). Assets set aside for EBL represent **91% funding** of the liabilities.
- **Net assets** (WFP Fund Balances and Reserves) totalled **USD 6,842.4 million**. Out of total net assets, USD 5,256.7 million relate to programmes/CSPs, representing approximately five months of operational activity (six months in 2019).

Statement V - Comparison of Budget and Actual Amounts

1
Final budget (USD 13.3 billion) is higher than original by USD 2.9 billion

- Major increases were in Syria, Somalia, Ethiopia, Zimbabwe and Colombia

	Budget amount		Actual on comparable basis	Difference final budget and actual	Implementation on plan	Utilisation rate final budget
	Original budget	Final budget				
CSP costs						
SR.1 Everyone has access to food	7,214.1	9,495.5	5,443.6	4,051.9	6,565.3	57%
SR.2 No one suffers from malnutrition	887.5	981.9	456.1	525.8	638.7	46%
SR.3 to SR 7	756.2	852.1	452.9	399.2	556.0	53%
SR.8 Strengthening global partnerships	597.4	982.7	748.0	234.7	513.2	76%
Adjusted DSC	465.4	524.1	324.1	200.0	437.8	62%
Subtotal CSP costs	9,920.6	12,836.3	7,424.7	5,411.6	8,711.0	58%
Regular PSA	423.6	423.6	421.9	1.7	423.6	100%
Critical corporate initiatives	53.4	72.1	41.1	31.0	53.4	57%
Subtotal indirect costs	477.0	495.7	463.0	32.7	477.0	93%
Total	10,397.6	13,332.0	7,887.7	5,444.3	9,188.0	59%

4
Largest CBT operations:
Syrian refugees' emergency and Yemen

Largest food operations:
Yemen, Syria, South Sudan, Ethiopia and Sudan

2
Actuals represent 86% of the implementation plan
(the plan as at 1 January 2020)

3
Utilization rate of the final budget is 59%
compared to 64% in 2019

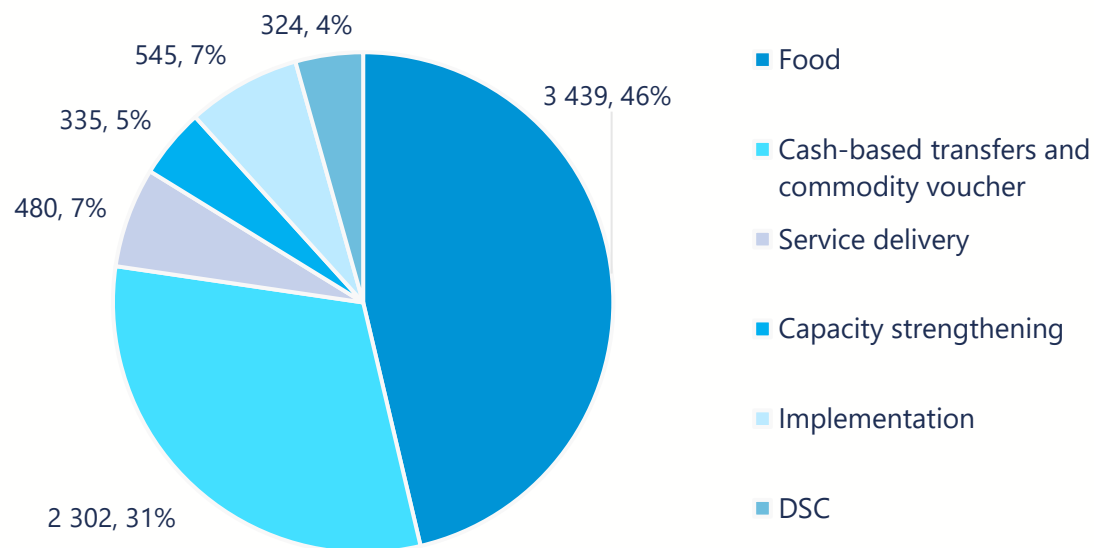
Statement V - Comparison of Budget and Actual Amounts

Transfer costs accounted for 89% of CSP actual costs in 2020 (2019: 89%).

Transfer value to transfer costs ratio was 58:42 (2019: 60:40) for food distribution and 93:7 for CBT (2019: 93:7).

CSP Actual costs by high level cost category

(in USD million)



 FOOD	2020	
	Amount	% in Food total cost

Food transfer value	2,003.8	58.2%
Delivery cost	897.2	26.1%
Cooperating partner cost	315.6	9.2%
Management cost	222.2	6.5%
Total	3,438.8	100%

 CBT	2020	
	Amount	% in CBT total cost

CBT value	2,135.2	92.7%
Delivery costs	34.5	1.5%
Cooperating partner cost	106.7	4.6%
Management cost	26.2	1.2%
Total	2,302.5	100%



Key Accountability and Reporting Documents

V. Update from the External Auditor



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2020 AUDIT ENGAGEMENTS



- ❑ **2020 Financial Statements (05-12 Oct. 2020 & 15 Feb.-05 Mar. 2021)**
- ❑ **Information on Beneficiaries (20-24 July 2020 & 11-22 Jan. 2021)**
- ❑ **Critical Corporate Initiatives (20-24 July 2019 & 18-29 Jan. 2020)**
- ❑ **Field visits**

**Eight Country Offices: Benin, Egypt, Ecuador, Madagascar, Nicaragua,
Rwanda, Sudan, Zambia**



2020 FINANCIAL STATEMENTS

AUDIT FINDINGS

FINANCIAL AUDIT

(05-12 Oct. 2020 & 15 Feb.-05 Mar. 2021)

Main findings

The non-inclusion of an Implementation Plan in the Management Plan reduces the transparency of the annual budget.

- The Secretariat no longer presents in its annual Management Plan, approved at the second regular session of the Board, a prioritized Implementation Plan showing the resource forecasts for the following year, broken down by activity.
- This situation, in addition to a reduction of information provided by the Management Plan, is not, in the opinion of the External Auditor, in full compliance with the Financial Regulations.

The FRMM is not updated with satisfactory frequency.

- In view of the significant updating delays detected in the Financial Resources Management Manual, the External Auditor encourages WFP to establish a written procedure for a more frequent updating of this document.

WFP should continue efforts initiated to have adequate and effective control processes in the WINGS II ERP system, in particular for managing rights granted to users.

- The Organization should adopt a security policy without delay, including a role and user administration procedure, which have been in draft form since 2018.
- In the immediate future, the implementation of an automatic integration between the data managed by the Human Resources Division in the WINGS SAP/HCM master staff file, and the WINGS/Active Directory (AD) file would be a useful step forward for strengthening security.

The understandability of some actuarial calculations is partial.

- Long-term employee benefits amount to over 1 billion USD at the end of 2020. Most of this amount is based on actuarial calculations carried out by the actuarial firm on contract with WFP.
- The audit trail to assess the reasonable nature of the estimates could be improved by providing more complete documentation on the data and methods used.



CORPORATE CRITICAL INITIATIVES

AUDIT FINDINGS

PERFORMANCE AUDIT

(20-24 July 2020 & 18-29 Jan. 2021)

Main findings

The selection process of the CCI's is not appropriate for assessing their relevance.

- The Executive Director's corporate priorities, which set the framework for prioritizing the CCI's, have not been defined with sufficient precision as to their operational application. Under these conditions, it is difficult to ensure that the selection of the CCI's is made on the basis of their relevance to strengthening WFP's organizational structure and contributing to Strategic goals.
- In addition to the CCI's financed by the Programme Support and Administrative Equalization Account (PSAEA), WFP makes other strategic investments financed by the Programme Support and Administrative Budget, in comparable matters, without the Board having an overall view.

The governance process lacks transparency and standardization.

- The process involves the same people proposing and selecting the CCI's before their approval.
- CCI's are approved in block form by the Board in very general terms, with no detailed presentation of the expected deliverables and impacts.
- There is no uniformity in the functioning of the committees steering the CCI's' implementation.

The tools for assessing CCI's' performance are neither systematic nor fully consistent.

- CCI's' outcomes should be described in the Annual Performance Reports, but they are barely mentioned.
- The confrontation between the results and the set targets is difficult to track because of the lack of clear and measurable performance criteria. Few cost-benefit analyses have been done.

The financial framework in which CCI's are implemented requires clarification.

- The terminology used by the Secretariat refers to CCI's as "investments", which they are not from a financial and accounting perspective.
- In some cases, CCI's may have been seen as a supplement to regular resources rather than as an expenditure for organizational change.
- In the absence of robust performance evaluation, the debate about whether to allocate the surplus from the PSAE Account not to CCI's but to operations remains open.

The centralized way in which CCI's are conceived is not favorable to the field.

- Country offices are less involved than HQ in the design of the CCI's. However, they are the main beneficiaries, given the decentralized nature of WFP's action. A greater involvement of the field in the governance process might be appropriate as some projects require local adaptations.



Key Accountability and Reporting Documents

VI. Management Response: External Audit on Critical Corporate Initiatives



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External audit on critical corporate initiatives

WFP welcomes the recommendations summarized and will build on several key improvements:

1

The **Bottom Up Strategic Budgeting Exercise (BUSBE)**:

- Budget governance review commenced in January 2021
- Align funding sources to activities by HQ and RBx via a holistic baseline budget presentation
- Align use of funding with management and operational priorities

2

The **Strategic Resource Allocation Committee (SRAC)** prioritization process introduced in Q4, 2020 with Regional Director engagement and scoring

3

Defining **WFP's corporate priorities**, including expected results, budget and expenditure, which needs further definition to strengthen operational application

4

Improvement of management reporting in 2020 Annual Performance Report, but results reporting needs strengthening

Q & A



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Policy Revisions

I. Revised Anti-Fraud and Anti-Corruption Policy

Reasons for the AFAC Policy Update

To address in policy update

Applicability and scope

Management accountabilities unclear for control remediation

Under-reporting to OIGI and management

Inconsistent audit trail for internally reported cases

AFAC Policy Improvements

Strengthened Management Accountability

Clarity and completeness:

- Clearer definition of prohibited practices
- Inclusion of theft, money laundering and financing on terrorism

Management responsibilities:

Clear role of Office/Division Director

Escalation of material cases:

Escalation of material suspected cases by the Director (in line with risk escalation responsibilities outlined in the ERM policy)

Timely remedial action:

Director, with support from ERM, can address any control issues promptly

AFAC Policy Update – Roll-out and Engagement Plan

JUNE 2021

- AFAC Policy is posted on the internal and external WFP sites
- An ED Circular is sent to ALL to notify of policy update

JULY 2021

Planned communication and actions will include:

- A global ED video message
- A two-part companion guidance document
 - **Level I:** aid to all employees on reporting of fraud and corruption and SEA
 - **Level II:** aid to Directors for escalation of *material* cases (if reported to Director)
- Engagement with all six regional bureaux and certain high-risk country offices
- Use of the RCA network around the globe to support dissemination and implementation
- Increase of Global AFAC Specialist team size from three to five (dependent on funding)
- Inter-agency sharing on best practices and consistent standards in UNCTs
- **Training update for all staff and senior management:**
 - eLearning *mandatory* AFAC (and SEA) course and seminar-based training

Q & A



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KEY RM DATES AND DOCUMENTS IN 2021

12 May	Informal Consultation on the Annual Performance Report (2020)
26 May	Briefing on the Management Plan (2022-2024)
7-9 June	186th session of the FAO Finance Committee
21-25 June	Annual Session of the Executive Board
27 July	First Informal Consultation on the Management Plan (2022-2024)
24 September	Second Informal Consultation on the Management Plan (2022-2024)
28 September	Fall induction session for new members and observers of the WFP Executive Board
15 – 19 November	Second Regular Session of the Executive Board

Annual Session (21 - 25 June)

Items for approval

- Annual Performance Report (APR), 2020
- Audited Annual Accounts, 2020
- Report on the utilization of WFP's advance financing mechanisms
- Revised anti-fraud and anti-corruption policy
- Utilization of the self-insurance special account surplus

Second Regular Session (15 - 19 November)

- WFP Management Plan (2022-2024)



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THANK YOU