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	Resource, financial and budgetary matters
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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 items:

- WFP Management Plan (2019–2021)
- Update on the Integrated Road Map
- Work plan of the External Auditor

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Advisory Committee on
Administrative and Budgetary Questions

21 November 2018

Dear Mr Beasley,

Please find attached a copy of the report of the Advisory Committee on your submissions concerning:

- Update on the Integrated Road Map (WFP/EB.2/2018/5-A/1);
- WFP Management Plan (2019–2021) (WFP/EB.2/2018/6-A/1); and
- Work Plan of the External Auditor for the period July 2018 to June 2019 (WFP/EB.2/2018/6-B/1).

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

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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: WFP Update on the Integrated Road Map (WFP/EB.2/2018/5-A/1), and WFP Management Plan (2019–2021) (WFP/EB.2/2018/6-A/1). The Advisory Committee also had before it the Work Plan of the External Auditor (for the period July 2018 to June 2019) (WFP/EB.2/2018/6-B/1) submitted to the Executive Board for information. During its consideration of the reports, the Advisory Committee met with the Assistant Executive Director and other representatives of the WFP Secretariat, who provided additional information and clarification, concluding with written responses received on 12 November 2018.

II. WFP Update on the Integrated Road Map

2. The WFP Update on the Integrated Road Map states that as of October 2018, 71 of 82 country offices have moved to the Integrated Road Map (IRM) framework, including 29 country offices with full country strategic plans, 6 with interim country strategic plans and 36 with transitional interim country strategic plans, representing 64 percent of WFP's 2019 programme of work. By January 2019, all country offices will be operating within the IRM framework (WFP/EB.2/2018/5-A/1, paras. 7 and 11).
3. It is proposed to amend WFP's general rules and financial regulations with respect to terminology and definitions and the application of full cost recovery and new cost categories, which are set out in Annex II of the document. If approved by the Executive Board, the revised general rules and financial regulations would take effect on 1 January 2019. It is stated that the proposed amendments referring to existing programme categories are required in order to ensure coherence with the IRM framework, and to reflect the current context in which WFP is working. The document indicates that the proposed amendments on cost recovery are necessitated by the introduction of the IRM, including a reduced indirect support cost rate for host governments' contributions to programmes in their own countries, as well as for contributions made by governments of developing countries or countries with economies in transition (WFP/EB.2/2018/5-A/1, paras. 56, 58, 64, 92 and 94; see also para. 9 below).
4. Paragraph 25 of the document indicates that the External Auditor is undertaking a performance and compliance audit with the purpose of examining the effectiveness, efficiency and economy of the management of country portfolio budgets within the new financial framework, in order to determine whether the new structure improves the transparency of expenditure. **Taking into account the importance of transparency in expenditure, the Advisory Committee welcomes the external audit, and trusts that the next document will include detailed information on the results of the audit.**
5. **The Advisory Committee has no objections to the proposals in the Update on the Integrated Road Map.**

III. WFP Management Plan (2019–2021)

6. The WFP Management Plan (2019–2021) indicates that operational requirements for 2019 amount to USD 9.8 billion while the 2019 revenue forecast amounts to USD 6.8 billion (WFP/EB.2/2018/6-A/1, paras. 30 and 60). Upon enquiry, the Advisory Committee was provided with the table below setting out the needs and projected funding from 2014 to 2019.

TABLE 1: NEEDS AND PROJECTED FUNDING, 2014–2019 (USD MILLION)						
	2014	2015	2016	2017	2018	2019
Management Plan Funding Forecast	4,200	4,400	4,900	5,200	5,700	6,800
Activity/Revised Funding Level	5,381	4,808	5,771	6,000	7,200*	
Management Plan needs, including Indirect Support Costs	6,267	7,967	8,581	9,007	9,011	9,796

*Forecast as of November 2018

7. Table III.7 of the Plan below sets out the operational requirements versus the implementation plan by transfer modality for 2018 and 2019.

TABLE III.7: OPERATIONAL REQUIREMENTS VERSUS THE IMPLEMENTATION PLAN BY TRANSFER MODALITY, 2018 AND 2019						
Transfer modality	2018 operational requirements (USD million)	2018 implementation plan		2019 operational requirements (USD million)	2019 implementation plan	
		USD million	% of total transfer costs		(USD million)	(% of total transfer costs)
In-kind food	4 176	2 510	53	4 143	2 582	48
CBTs	2 400	1 755	37	3 083	2 172	40
<i>Unrestricted CBTs (cash)</i>	1 737	1 294	27	2 004	1 435	27
<i>Restricted CBTs (value vouchers)</i>	663	462	10	1 079	738	14
Commodity vouchers	219	100	2	141	84	2
Capacity strengthening	279	187	4	426	245	5
Service delivery	283	197	4	456	308	6
Total transfer costs	7 358	4 750	100	8 249	5 392	100

8. The Plan states that the global gap between operational requirements and the implementation plan has decreased from 35 percent in 2018 to 34 percent in 2019, with an expectation that this gap will reduce further to 31 percent as additional contributions revenue already forecast at the global level is allocated to country plans (WFP/EB.2/2018/6-A/1, Executive Summary). **The Advisory Committee welcomes the reduced gap between operational requirements and the implementation plan.**
9. The proposed Programme Support and Administrative (PSA) budget for 2019 would amount to USD 385.1 million, representing an increase of USD 49.7 million, or 14.9 percent, as compared with both 2017 and 2018. The proposed PSA budget includes the same standard

indirect support cost rate of 6.5 percent for 2019 as for 2018, with a reduced indirect support cost rate of 4 percent for host governments' contributions to programmes in their own countries, as well as for contributions made by governments of developing countries or countries with economies in transition (WFP/EB.2/2018/6-A/1, paras. 112, 115 and 118; see also para. 3 above).

10. According to Table A.II.3 of the Plan, as compared with 2018, costs under consultancy in the PSA budget would increase from USD 17,238,000 to USD 23,806,000 (or 38.1 percent), and costs under duty travel would increase from USD 8,213,000 to USD 11,956,000 (or 45.6 percent). Upon enquiry, the Advisory Committee was informed that under consultancy, the increase is mainly due to expertise required for digital transformation initiatives within the Technology Division, as well as recruitment against vacant positions in the Private Sector Partnerships Division. Under duty travel, the Committee was informed upon enquiry that increases are reflected for country offices, the Office of the Chief of Staff and the Operations Services, including for the support of activities in the field. **The Advisory Committee is of the view that detailed justifications should be provided for any significant increases under specific lines of expenditure, and expects that future documents will include this information.**
11. The Plan states that the Secretariat noted the need to invest further in strengthening independent oversight, cybersecurity and internal controls, including those relating to anti-fraud and anti-corruption initiatives. The proposed increase in PSA funding for the Enterprise Risk Management Division in 2019 will allow the division to invest in core areas including risk management and fraud prevention (WFP/EB.2/2018/6-A/1, paras. 114 and 224). **The Advisory Committee notes the importance of protecting against fraud and corruption, and welcomes these initiatives.**
12. Table IV.2 of the Plan also reflects an increase of USD 1.9 million under central appropriations, which includes an increase related to WFP's share of the costs of the resident coordinator system, from approximately USD 1.5 million to USD 3 million (WFP/EB.2/2018/6-A/1, para. 126 and table IV.4). Upon enquiry, the Advisory Committee was informed that under the doubling of the current formula for supporting the resident coordinator system, WFP's share for 2019 would amount to USD 2,913,078, which would be funded through WFP's PSA budget under the central appropriations line. The Committee was also informed that while the specifics of the definition and approach to the 1 percent levy on earmarked contributions (as set out in operational paragraph 10 of General Assembly resolution 72/279) under the resident coordinator system are still under discussion, grants earmarked by the contributor to a specific programme or project of a UN entity would exclude humanitarian assistance-related activities.
13. The Secretariat proposes an investment of USD 69.3 million from the PSA account for six critical corporate initiatives: the Integrated Road Map (USD 10.0 million), the Workforce 2020 initiative (USD 11.1 million), the WFP 2030 Fund (USD 15.0 million), United Nations reform (USD 8.2 million), the cash and digital platform (USD 20.0 million), and systems integration and information technology-enabled efficiencies (USD 5.0 million) (WFP/EB.2/2018/6-A/1, para. 117 and table IV.17). **The Advisory Committee considers that future Management Plans should include information on benefits achieved from previous corporate initiatives, in order to facilitate an analysis of the effectiveness and impact of these investments.**
14. Under the United Nations reform initiative of the Secretary-General, the Plan states that over the initial two-year period from 2019 to 2020, key activities would include support to the United Nations system change in the management and consolidation of business operations and common premises, through WFP's leadership of the Business Innovations Strategic

Results Group (WFP/EB.2/2018/6-A/1, paras. 256 and 259). Upon enquiry, the Advisory Committee was informed that this initiative would ensure that WFP has the capacity to support the Secretary-General's efforts to prepare for and implement reform of the United Nations development system. This would focus on WFP's role in co-leading, with UNHCR, efforts towards common business services and common premises, where larger agencies will look to make available common business services to the 34 entities in the United Nations development system. **The Advisory Committee welcomes WFP's support of the United Nations reform efforts on the development system and its knowledge-sharing with other organizations, and trusts that WFP will provide an update on the progress under this initiative in future documents.**

15. Under Section V of the Management Plan, it is stated that key performance indicators (KPIs) are organized according to three categories of accountability:
 - a) Category I KPIs reflect WFP's corporate performance and measure management performance that contributes to implementation of the WFP strategic plan through the country strategic plans;
 - b) Category II KPIs have a more short-term perspective and review progress against corporate priorities set by WFP's leadership, multilateral arrangements and externally governed commitments; and
 - c) Category III KPIs measure performance in the management of daily operations and business processes in the various functional areas (WFP/EB.2/2018/6-A/1, para. 287).
16. Upon enquiry, the Advisory Committee was informed that the Category II key performance indicators pertain to four UN system and coordination commitments carried over from the Management Plan 2018-2020, with three additional priorities highlighted by WFP management for performance measurement, for a total of seven priority performance indicators for 2019. The performance will be reported and qualitative analysis provided in the Annual Performance Report. The Committee was also provided with the table below. This information will be included in a revised version of the Management Plan for the Executive Board at its upcoming session. **The Advisory Committee trusts that future Management Plans will include full information on the key performance indicators.**

TABLE 2: MANAGEMENT PRIORITY PERFORMANCE INDICATORS		
UN system and coordination performance indicators	Baselines	2019 Targets
% of achievement of QCPR ¹ commitments	100% (2016)	100%
% of UN SWAP 2.0 ² indicator targets achieved	93% (2016)	100%
% of cluster user surveys that reach their satisfaction targets ³	100%	100%
RBA collaboration ⁴	-	-
Executive thematic priorities		
Percentage of employees completing Harassment, Sexual Harassment and Abuse of Authority (HSHAP) mandatory training	73% (2016)	100%
% of country offices with a functioning complaints and feedback mechanism	71% (2016)	95%
% of WFP cash beneficiaries supported digitally ⁵	-	80%

17. Subject to its comments and recommendations above, the Advisory Committee has no objections to the WFP Management Plan (2019–2021).

¹ This indicator measures WFP progress in implementing UN system commitments in UN General Assembly resolution 71/243, Quadrennial comprehensive policy review of operational activities for development of the United Nations system.

² This indicator is stipulated by the 2017 UN System Wide Action Plan Gender Equality and the Empowerment of Women updated, as approved by the UN Systems Chiefs Executive Board for Coordination.

³ This indicator measures WFP's contribution to UN General Assembly resolution 46/182, Strengthening of the coordination of humanitarian emergency assistance of the United Nations.

⁴ Currently FAO, IFAD and WFP are working together to define a Rome-based agency collaboration indicator which will be introduced in 2019.

⁵ WFP digital support is provided by SCOPE and other digital systems that meet or exceed all of WFP's assurance and compliance rules and regulations. 2019 is the baseline year.