Introduction to Resource Management

Resource Management Seminar:
Second Session
Rome, 27 January 2015
Agenda Second Session

WFP’s Financial Resource Management

• Planning
• Implementation
• Reporting
• Internal Controls
• Risk Management

Annex: RM Facts and Figures
WFP’s Financial Resource Management
# Guiding principles of Governance and Management

## WFP operates in a unique and challenging context

<table>
<thead>
<tr>
<th>100% voluntary funding</th>
<th>Operational uncertainty, difficult working environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principle of Full Cost Recovery</td>
<td>Project-based funding model</td>
</tr>
<tr>
<td>Global uncertainty of markets (currencies and commodity prices)</td>
<td>United Nations and donor regulatory frameworks</td>
</tr>
<tr>
<td>New intervention types (e.g., Cash &amp; Vouchers)</td>
<td></td>
</tr>
</tbody>
</table>
WFP’s Financial Resource Management

Planning
1. Project Planning
2. Contributions
3. Advance Financing

Implementation
4. Procure-to-Pay Process

Reporting
5. Monitoring & Evaluation
6. Annual Reports

Risk Management
7. Internal Control

Resource Management Department
Planning: Project Planning

1. Project Planning
2. Contributions
3. Advance Financing
4. Procure-to-Pay Process
5. Monitoring & Evaluation
6. Annual Reports
7. Internal Control
8. Risk Management
## Planning: Project Budget Plans

<table>
<thead>
<tr>
<th>Project Budget Plans are:</th>
<th>Description:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepared for all projects</td>
<td>• Emergency Operations (EMOP)</td>
</tr>
<tr>
<td></td>
<td>• Protracted Relief and Recovery Operations (PRRO)</td>
</tr>
<tr>
<td></td>
<td>• Development Projects (DEV)</td>
</tr>
<tr>
<td></td>
<td>• Special Operations (SO)</td>
</tr>
<tr>
<td>Provide an estimate of required</td>
<td>• Budget plans for EMOPs and PRROs are needs driven</td>
</tr>
<tr>
<td>funding</td>
<td>• Budget plans for Development Projects are needs driven but must be</td>
</tr>
<tr>
<td></td>
<td>implementable with foreseen available resources</td>
</tr>
<tr>
<td>Form the foundation of the</td>
<td>• Approval of a budget plan authorizes WFP to raise resources</td>
</tr>
<tr>
<td>Management Plan</td>
<td>• Three-year rolling Management Plan (MP) is approved during</td>
</tr>
<tr>
<td></td>
<td>Executive Board’s 2\textsuperscript{nd} Regular Session (yearly)</td>
</tr>
<tr>
<td></td>
<td>• MP presents aggregated projected operational requirements of all</td>
</tr>
<tr>
<td></td>
<td>active projects and foreseen logical extensions</td>
</tr>
</tbody>
</table>

All projects are approved by the Executive Board or under the authority delegated to the Executive Director.
## Planning: Project Budget Structure

**Project Budget Structure**

<table>
<thead>
<tr>
<th>Tools</th>
<th>Food</th>
<th>Cash &amp; Vouchers (C&amp;V)</th>
<th>Capacity Development &amp; Augmentation (CD&amp;A)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Food Transfers</td>
<td>C&amp;V Transfers</td>
<td>CD&amp;A Transfers</td>
</tr>
<tr>
<td></td>
<td>External Transport</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Landside Transportation Storage and Handling (LTSH)</td>
<td>C&amp;V Related (includes Delivery and Other)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other Direct Operational Costs (ODOC) Food</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Direct Support Costs (DSC)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*All contributions are subject to an Indirect Support Cost (ISC)*
Planning: Contributions

1. Project Planning
2. Contributions
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7. Internal Control
8. Risk Management
WFP’s projected Operational Requirements for 2015 is USD 7.4 billion. All contributions are voluntary, and subject to internal controls.

<table>
<thead>
<tr>
<th>Operational Requirements per Management Plan (MP)</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual Contribution Revenue</td>
<td>?</td>
<td>5,378*</td>
<td>4,379</td>
</tr>
<tr>
<td>Projected Contribution Revenue</td>
<td>4,400</td>
<td>4,500</td>
<td>4,000</td>
</tr>
<tr>
<td>Approved Regular Programme Support and Administrative (PSA) budget</td>
<td>281</td>
<td>281</td>
<td>256</td>
</tr>
<tr>
<td>PSA Equalization Account</td>
<td>191*</td>
<td>121</td>
<td></td>
</tr>
</tbody>
</table>
Planning: Contributions and the Full Cost Recovery Principle

**Full Cost Recovery Principle:**

- All contributions must cover their operational, direct support costs, and indirect support costs.

**Rationale:**

- Principle helps protect against cross-subsidization of support costs.
- Ensures sustainability of support costs, both direct and indirect.
- Principle is equitable towards all donors.
- For indirect support costs, a set percentage rate serves as a driver of economy, efficiency, and effectiveness.

**Possible Exemptions:**

- Commodities/Services from developing countries, countries in transitional economies, and non-traditional donors (subject to further requirements).
- Some un-designated cash contributions.
Planning: Contributions by Funding Window

Three types of funding windows for contributions:

**Multilateral**
- **Most flexible** source of funding for WFP
- Allocated and prioritized by Strategic Resource Allocation Committee (SRAC)
- Can be donated to the General Fund; the IRA; specific programme categories; and specific broad-based appeals

**Direct Multilateral**
- **Directed by donor to a specific WFP activity** or country programme
- Standard Project Reports that are submitted to the Executive Board

**Trust Funds**
- Used by donors to support bilateral country-level activities, or global initiatives
- Includes contributions for infrastructural needs

<table>
<thead>
<tr>
<th>Proportion of funding:*</th>
<th>8.1%</th>
<th>89.4%</th>
<th>2.5%</th>
</tr>
</thead>
</table>

*Target level: USD 200 million*

All contributions to WFP are voluntary. They can be in the form of monetary contribution, or in-kind contributions of food commodities; or goods and services.

*Based on estimated 2014 figures*
Planning: SRAC Prioritization for Multilateral Contributions

The ‘Strategic Resource Allocation Committee’ (SRAC) process ensures that multilateral resources go to the most needy and impactful operations.

An evaluation of funding proposals is carried out based on criticality and possible impact:

<table>
<thead>
<tr>
<th>Qualitative Analysis</th>
<th>Quantitative Analysis</th>
<th>Placement on Criticality Matrix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation includes: Food security and seasonality, corporate/regional attention, and Global Hunger Index</td>
<td>Evaluation includes: 8 month projected funding shortfall based on pipelines</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Qualitative dimension</th>
<th>Quantitative dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOW</td>
<td>LOW</td>
</tr>
<tr>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>HIGH</td>
<td>HIGH</td>
</tr>
</tbody>
</table>

- Low: Food security and seasonality
- Medium: Corporate/regional attention
- High: Global Hunger Index
- Very High: 8 month projected funding shortfall based on pipelines
Planning: Advance Financing

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Planning: Two different financing needs within WFP Operations

i) Food Sourcing at best price

Plan Procurement → Kick-start Food Purchase & Delivery → Food delivered to region

Regional funding forecast & food needs

Means: On-time delivery for beneficiaries

Food ordered → Reduced wait for commodities → Faster delivery to beneficiaries

Save lives through efficient pipeline management

ii) Project Lending at right time

Forecast Contribution → Save Time → Funds released

Provide collateral based advances

WFP only begins spending when it has a pledge (this is called ‘forecasting on pledge’). If no pledge can be confirmed, WFP uses Advance Financing.
Planning: Third financing need within WFP is infrastructure

Investments for Vehicles, IT, Premises, etc.

- Single year PSA allocations
- Costs, recoveries & benefits spread over years

Mismatch

Solve mismatch through Capital Financing

Capital Financing allows WFP to invest in infrastructure which provides recoveries and benefits over a number of years
Planning: Advance Financing Tools in WFP

<table>
<thead>
<tr>
<th>What is funded?</th>
<th>What is the risk?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Commodity Management Facility (GCMF)</td>
<td>USD 350 million</td>
</tr>
<tr>
<td>Advance Financing (AF)</td>
<td>USD 570 million</td>
</tr>
<tr>
<td>Corporate Services (CS)</td>
<td>USD 70 million</td>
</tr>
</tbody>
</table>

i) Food Sourcing at best price
- Regional funding forecast & food needs

ii) Project Lending
- Provide collateral based advances

Investments for Vehicles, IT, Premises, etc.
- Solve mismatch through Capital Financing

What is funded? USD 350 million
What is the risk? Food losses
What is funded? USD 570 million
What is the risk? Forecasts not materializing
What is funded? USD 70 million
What is the risk? Loss of assets

Food inventory
Forecasted projects
Cars, IT systems, etc.

Corporate Services (CS)

Advance Financing (AF)

Global Commodity Management Facility (GCMF)
Planning: Working Capital Financing Facility (WCFF) and Global Commodity Management Facility (GCMF)

WCFF and GCMF can reduce food delivery times by moving process steps in parallel.

<table>
<thead>
<tr>
<th>Traditional Approach</th>
<th>WCFF Approach</th>
<th>GCMF Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Process</strong></td>
<td><strong>Total Process</strong></td>
<td><strong>Total Process</strong></td>
</tr>
<tr>
<td><strong>Distribute commodities</strong></td>
<td><strong>Time Savings Potential ~50 days</strong></td>
<td><strong>Time Savings Potential ~100 days</strong></td>
</tr>
</tbody>
</table>

**Days:**
- 0
- 30
- 60
- 90
- 120
- 150
- 180
- 210
Implementation: Procure-to-Pay Process

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Implementation: Procure-to-Pay (1)

1. Purchase Request

Internal document to request procurement of food commodities, goods or services

Source of funding is identified prior to creating Purchase Request

2. Funds Certification

Certifying Officer attests the charge can be recorded against the project or other authorization, and that funds are available

3. Competitive Process

WFP makes purchases through a competitive bidding process to guarantee that the best prices are obtained and that purchases are carried out in a transparent manner
Implementation: Procure to Pay (2)

4. Purchase Order (Obligation)

Record final obligations and document WFP’s financial and legal commitments to specific vendors.

5. Payments

Physical action of paying out money after all verifications, controls, approvals and authorizations have been carried out.

6. Disbursements

WFP uses various method of disbursement with the following order to preference: from WINGS via SWIFT, through electronic banking, by cheque, via UNPD or in cash.
Reporting: Monitoring & Evaluation

Planning:

1. Project Planning
2. Contributions
3. Advance Financing

Implementation:

4. Procure-to-Pay Process

Monitoring & Evaluation:

5. Monitoring & Evaluation
6. Annual Reports

Risk Management:

8. Risk Management

Internal Control:

7. Internal Control
Monitoring & Evaluation (M&E): Progress in strengthening monitoring

- Development of **regional monitoring capacity assessments and strategies**;
- **Training on the new Strategic Results Framework indicators** in all regions, targeting all CO and RB M&E staff;
- Launch of a **M&E Learning Programme**;
- **Funds to support monitoring activities** at regional and country levels including USD 1.2 million for Regional M&E Advisors;
- USD 900,000 in grants to 21 COs for strengthening of **outcome measurement** and reporting;
- Scale-up in the **use of remote technologies** in 10 ‘self-starter’ countries;
- Full roll-out of COMET Design module and partial roll out of the Implementation module.

**Direct support to CO/RB**

- Sustainable financing model

*Discussions ongoing*
The Annual Performance Report (APR) is the key corporate report presented to stakeholders, with information on WFP’s global performance. It draws data from Standard Project Reports (SPRs) as well as from financial statements.
Internal Control

Planning
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Internal Control
7

Risk Management
8
Internal Control: WFP's Internal Control Framework serves as 'coat hanger' for all activities required for good management

1. Internal Environment
   - Ethical values
   - Organization structure
   - Strategic objectives
   - HR policies
   - Management style

2. Risk Management
   - Identification of threats & opportunities
   - Risk assessment
   - Risk response

3. Control Activities
   - Management review of actions
   - Segregation of roles in WINGS II
   - IT systems password policy

4. Information & Communication
   - Sharing of relevant information
   - Information escalation
   - Timeliness & quality of information

5. Monitoring
   - Balancing supervision & micro management
   - Periodic review of systems
   - Reporting deficiencies

The five components of Internal Control are used as framework for all Internal Control improvement tools
Risk Management: Following the best-practice framework

- New ERM policy (EB.A May 2015); and an Update of Risk Appetite statement (Q2 2015).
- Integration of oversight recommendations (*second-line of defence*); and ERM manual developed (Q1 2015)
- Development of communication plans for ERM info (Q2 2015); Further integration of ERM component into senior management trainings (Q2/Q3 2015)
- Revision of impact rating scale to allow for objective assessments (Q3 2015)
- Link assurances across three lines of defence to each corporate risk (deadline contingent upon finalization of assurance mapping exercise – Q3 2015)
- Revision of Corporate Risk Register/GRR format for EMG to accommodate Heat Map and risk trends (Q2 2015); Continue inter-agency ERM work (incl. IASC co-chair on RM)
- Strategic discussions on Performance and Risk Organizational Management Information System (PROMIS)
Managing performance is everybody’s business

Executive Director’s Circular

Date: 9 September 2014
Circular No.: OED2014/014

WFP’s Performance Management Policy

Purpose:
Managing performance is everybody’s business in WFP. We must work collectively to ensure that every aspect of our work serves the objectives set out in our strategic plan and meets the highest standards of delivery.
WFP’s Financial Resource Management

Within the performance cycle
Annex: Financial Statements and External Audit documents
Structure of WFP Financial Statements

1. Executive Director’s Statement provides overview of:
   - Financial and Budget Highlights
   - Enhancing Transparency and Accountability

2. Statement on Internal Control
   - The Internal Control Framework and Enterprise Risk Management
   - Review of the Effectiveness of Internal Control
   - Significant Risk and Internal Control Matters

3. Financial Statements I to V provide financial views on WFP’s operations. Key statements are:
   - Statement I – states the financial position of WFP as of 31 December 2014
   - Statement II – states the financial performance of WFP for 2014
   - Statement V – compares WFP’s Actual performance against Budget

4. Notes to the Financial Statements
   - Disclose WFP’s accounting policies (Note 1)
   - Provide explanatory detail to elements of the Financial Statements (Notes 2 – 12)

5. External Audit Opinion and Report
## Statement of Financial Performance (USD millions)

<table>
<thead>
<tr>
<th></th>
<th>2014 Forecast</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution revenue (monetary and in-kind)</td>
<td>5,378.3</td>
<td>4,379.6</td>
<td>4,044.3</td>
<td>3,596.5</td>
</tr>
<tr>
<td>Other (Other Revenue, Currency and Return on Investment)</td>
<td>126.7</td>
<td>156.2</td>
<td>167.1</td>
<td>139.6</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>5,505.0</strong></td>
<td><strong>4,535.8</strong></td>
<td><strong>4,211.4</strong></td>
<td><strong>3,736.1</strong></td>
</tr>
<tr>
<td>Expenses</td>
<td>5,121.6</td>
<td>4,514.8</td>
<td>4,395.7</td>
<td>4,016.8</td>
</tr>
<tr>
<td><strong>Surplus (Deficit)</strong></td>
<td><strong>383.4</strong></td>
<td><strong>21.0</strong></td>
<td><strong>-184.3</strong></td>
<td><strong>-280.7</strong></td>
</tr>
</tbody>
</table>

### Cash & Voucher (C&V) expense over the years

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>C&amp;V expense</td>
<td>844.7</td>
<td>498.1</td>
<td>191.8</td>
<td>120.7</td>
</tr>
<tr>
<td><strong>Annual growth</strong></td>
<td>170%</td>
<td>260%</td>
<td>159%</td>
<td>200%</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>5,121.6</td>
<td>4,514.8</td>
<td>4,395.7</td>
<td>4,016.8</td>
</tr>
</tbody>
</table>
Overview of Statement on Internal Control

2014 is the 4th year for which a ‘Statement on Internal Control’ will be produced

• Global best practice to assure stakeholders and demonstrate accountability
• To be signed by the ED and published with Annual Financial Statements (May 2015)

Directors were required to submit an “Assurance Statement” on internal control for their Office/Division to form the primary basis of ED Statement

• DED/AEDs and RDs reviewed and cleared the responses provided by Departments/Offices reporting to them
• Other evidences considered

All directors within WFP to submit Assurance Statement for their geographic or functional area of responsibility

Analysis indicates progress in strengthening internal control systems within WFP compared to last year, but there are still areas for improvement

• Issue on segregation of duties significantly improved and related high risk Internal Audit recommendation closed
• Other four areas previously reported on (risk management, Emergency Preparedness and Response Package, PACE and M&E) continue to need further improvement actions
External Audit

The Comptroller and Auditor General of India has been appointed for July 2010 - June 2016 term.

Each year, the External Auditor conducts:

- Audit of the Financial Statements
- Two Performance Audits on topics in consultation with Management
- Management prepares a progress report on outstanding External Audit recommendations

Presented at the Annual Board Session in June