

FINANCE COMMITTEE

Hundred and Thirty-ninth Session

Rome, 30 May – 1 June 2011

Review of the Management Plan Cycle

Queries on the substantive content of this document may be addressed to:

Mr Sean O'Brien

Director, Budget and Programming Division

World Food Programme

Tel: +3906 6513 2682

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EXECUTIVE SUMMARY

- During the review of WFP's financial framework, a recommendation was put forward to change the Management Plan cycle from the current biennial plan to a three year rolling plan with annual PSA appropriations. This document outlines the advantages and disadvantages of such a change, concluding that a rolling Management Plan cycle, with annual PSA appropriation approval, would better suit WFP's needs. Should this proposal be adopted, revisions to the WFP General Regulation, General Rule and Financial Regulations would be needed to remove references to the Management Plan as a 'biennial' document. These revisions are outlined in Annexes of the document and the draft decisions seek the approval of the Executive Board and the relevant United Nations and FAO bodies for the changes to the WFP Regulations and Rules.
- Should the Executive Board approve this document and the Rules and Regulation changes are approved by the relevant bodies, the Management Plan document, due to be presented in the Second Regular Session in November 2011, will be a three-year rolling plan for 2012–2014.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to review and endorse the paper "Review of the Management Plan Cycle" for approval by the Executive Board (EB).

Draft Advice

In accordance with Article XIV of the General Regulations of WFP, the FAO Finance Committee advises the WFP Executive Board to approve the paper 'Review of the Management Plan Cycle' and engage with the relevant regulatory bodies to implement the changes to WFP General Regulation, General Rule and Financial Regulations necessary to switch to a three-year rolling Management Plan with annual PSA appropriations so that the next Management Plan, to be presented in the Second Session of the Executive Board in November 2011 can be presented in the new format.

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**Executive Board
Annual Session**

Rome, 6–10 June 2011

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For approval



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REVIEW OF THE MANAGEMENT PLAN CYCLE



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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for approval

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

Chief Financial Officer and Ms G. Casar tel.: 066513-2885
Deputy Executive Director ,
RM*:

Director, RMB**:

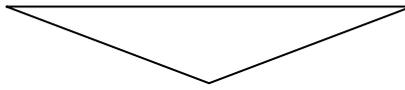
Mr S. O'Brien tel.: 066513-2682

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms I. Carpitella, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

* Resource Management and Accountability Division

**Budget and Programming Division

DRAFT DECISION*



The Executive Board:

1. having reviewed “Financial Framework Review Options” (WFP/EB.A/2010/6-E/1) and “Review of the Management Plan Cycle” (WFP/EB.A/2011/6-B/1), wishes to move from a biennial WFP Management Plan and budget cycle to a three-year WFP Management Plan with a one-year budget, approved each year on a rolling basis;
2. acting pursuant to Article XV of the WFP General Regulations, accordingly recommends to the General Assembly of the United Nations and the Food and Agriculture Organization of the United Nations (FAO) Conference, through the Economic and Social Council of the United Nations and the FAO Council, that Article XIV.6 of the General Regulations be amended as follows:
 - “6. The Executive Director will submit the following to the Executive Board for approval:
 - a. the ~~biennial~~ annual WFP budget, and supplementary WFP budgets whenever appropriate prepared in exceptional circumstances;
 - b. annual financial statements of WFP, together with the report of the External Auditor;
 - c. other financial reports.

These will also be submitted to the FAO Finance Committee and the ACABQ for their review and comments. The reports of these bodies will be submitted to the Board.”
3. requests the Secretariat to convey the recommendation set forth in paragraph 2 of this decision, and document WFP/EB.A/2011/6-B/1 to the General Assembly of the United Nations and the FAO Conference, through the Economic and Social Council of the United Nations and the FAO Council; and
4. decides, subject to approval by the General Assembly of the United Nations and the FAO Conference of the recommendation that is set forth in paragraph 2 of this decision, to amend the General Rules and Financial Regulations as set forth in Annex II of WFP/EB.A/2011/6-B/1 and requests the Secretariat to submit the amendments, when they come into effect, to the Economic and Social Council of the United Nations and the FAO Council for information.

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

BACKGROUND

1. The financial framework review process resulted in a number of recommendations aimed at improving the efficiency and transparency of WFP's governance and finance processes. One of the recommendations put forward at the Board's 2010 Annual Session in "Financial Framework Review Options" (WFP/EB.A/2010/6-E/1) was to move to a rolling three-year management plan with yearly approval of the WFP budget, including the Programme Support and Administrative (PSA) appropriations.

INTRODUCTION

2. Should the recommendation to change the cycle of the management plan be adopted, the next management plan, due to be submitted to the Board's Second Regular Session in November 2011, would cover the period from 2012 to 2014 and contain a PSA appropriation proposal for 2012. A management plan covering a three-year period would subsequently be presented each year at the last Board session before the start of the subsequent financial period.
3. To implement this change, a number of Financial Regulations and the text of a General Regulation and a General Rule need to be amended to eliminate references to a biennial document and make other necessary revisions. The proposed changes are listed in Annex I and Annex II of this document.

THE CURRENT MANAGEMENT PLAN

4. The Executive Director is required, under the General Regulations of WFP, to submit to the Board for approval the WFP budget as part of the WFP Biennial Management Plan.¹
5. The management plan presents the foreseen programme of work, with WFP's operational and PSA needs as determined approximately six months before the start of the biennium. The operational budgets for each project included in the biennial programme of work are approved separately and do not necessarily follow a biennial timeline. The Board approves the WFP budget, including PSA appropriations, in the management plan which is then valid for the biennium. All monies not obligated during the management plan period are returned to the PSA Equalization Account.

PROPOSAL FOR A NEW MANAGEMENT PLAN CYCLE

6. It is proposed that the management plan cycle be changed to a three-year rolling plan with yearly approval of the WFP budget, including the PSA appropriations. While projections for the programme of work, income and PSA expenditure will be made for three years, the PSA appropriation will cover only the first year of the plan. The details of operational and support costs and the associated analysis – price and income projections – will concentrate on the first-year budget, but the plan will have a medium-term outlook of three years. Each year, a new three-year plan will be approved, so that at any point in time WFP has a management plan that includes its objectives and indicators of achievement, and the indicative budget of WFP, for a future planning period of at least two years.

¹ Article XIV.6 of the General Regulations.

BENEFITS AND DRAWBACKS

7. A three-year rolling plan with annual appropriations would have several benefits over the current cycle:
- **Medium-term planning.** Currently the management plan has a two-year planning horizon. At the beginning of the biennium, the programme of work and PSA appropriations for the coming two years are determined. As the biennium progresses, however, the plan covers a shorter and shorter period, so that immediately before the approval of the subsequent biennial document, WFP has a plan in place that covers only the coming two months. The abrupt switch to a new management plan hinders continuity in planning and results in inefficiencies.
 - **Ability to scale up or down in a more structured and planned manner.** As a voluntarily funded organization, WFP must live within its means: when indirect support cost income declines, WFP must adjust its PSA support structure. With a three-year plan, adjustments to PSA expenditures and the associated structural changes could be phased in over three years and adjusted according to the income situation. This would provide WFP and its donors with more certainty, and enable WFP to implement more orderly and gradual changes in costs and staffing.
 - **Better alignment with International Public Sector Accounting Standards (IPSAS) and the Annual Performance Report.** The implementation of IPSAS requires WFP to report against its budget on a yearly basis and to submit the budget utilization figures for the year. Having yearly appropriations will align the budget with the financial reporting period and ensure more accurate final budget figures. The annual measurement and reporting of results in the Annual Performance Report will also be facilitated by annual budgeting that is aligned with annual objectives. In addition, results monitoring can feed back into the budgeting process more quickly, so that the budget for the next period is aligned with the results from the previous period.
 - **Simplicity and clarity.** Currently, WFP publishes statistics for beneficiary numbers and operational figures on a project basis, for the financial period, and for the biennial budget period. It is sometimes confusing for stakeholders that figures are reported in several different ways; for example, beneficiary figures for a biennium are not the same as the sum of the two annual figures because a beneficiary who receives food in both years is only counted once. Having the budget period, the financial period and the reporting period coincide would make internal processes simpler and clearer and would improve communication.
 - **Facilitation of multi-year contributions.** A programme of work that looks forward over three years will facilitate multi-year contributions.
8. The drawbacks of the proposal are:
- **Need for annual approval by the Board.** Currently, approval of the management plan and corresponding Board consultations occur every two years, with balances from the first year carried forward to the next year of the biennium. With an annual PSA approval process, that flexibility would be lost; the Board would need to approve the appropriations for the subsequent year.
 - **Time employed in preparing the budget.** Preparing the budget requires significant amounts of time to collect data, perform analysis, and engage in internal and external stakeholder consultations. This time commitment would be necessary every year rather than every two years.

CONCLUSION

9. Changing the management plan cycle to a three-year rolling plan with annual appropriations would create a medium-term, forward-looking planning tool with a budget that is determined one year at a time. WFP needs to reassure stakeholders that its planning is robust and transparent, but it also needs to maintain flexibility so that it can adjust to shifting operational and funding realities. The proposed change would ensure that WFP always has a plan in place, that results are monitored regularly and that plans can be adjusted as needed.

ANNEX I

AMENDMENT TO GENERAL REGULATION XIV OF WFP
General Regulations Article XIV: Financial Arrangements

<u>Current Text</u>	<u>Revised Text</u>
<p>6. The Executive Director will submit the following to the Executive Board for approval:</p> <p>(a) the biennial WFP budget, and supplementary WFP budgets whenever appropriate prepared in exceptional circumstances;</p> <p>(b) annual financial statements of WFP, together with the report of the External Auditor;</p> <p>(c) other financial reports.</p> <p>These will also be submitted to the FAO Finance Committee and the ACABQ for their review and comments. The reports of these bodies will be submitted to the Board.</p>	<p>6. The Executive Director will submit the following to the Executive Board for approval:</p> <p>(a) the biennial <u>annual</u> WFP budget, and supplementary WFP budgets whenever appropriate prepared in exceptional circumstances;</p> <p>(b) annual financial statements of WFP, together with the report of the External Auditor;</p> <p>(c) other financial reports.</p> <p>These will also be submitted to the FAO Finance Committee and the ACABQ for their review and comments. The reports of these bodies will be submitted to the Board.</p>

ANNEX II

AMENDMENTS TO GENERAL RULES AND FINANCIAL REGULATIONS OF WFP

General Rule X.8: Availability of resources

<u>Current Text</u>	<u>Revised Text</u>
<p>“The Executive Director shall ensure that development projects submitted to the Board for approval, and development projects and Country Programme activities approved under the Executive Director’s delegated authority, can be implemented within estimated available resources. Resource availability shall take into accounts pledges and contributions expected for the current Biennium, as well as resources which can reasonably be expected to be contributed during the two subsequent Biennia including resources which could be made available by the recipient government itself or by bilateral donors’</p>	<p>“The Executive Director shall ensure that development projects submitted to the Board for approval, and development projects and Country Programme activities approved under the Executive Director’s delegated authority, can be implemented within estimated available resources. Resource availability shall take into accounts pledges and contributions expected for the <u>current calendar year</u> current Biennium, as well as resources which can reasonably be expected to be contributed during the two <u>five</u> subsequent <u>calendar years</u> Biennia including resources which could be made available by the recipient government itself or by bilateral donors.</p>

Financial Regulations – I: Definitions

<u>Current Text</u>	<u>Revised Text</u>
<p>Appropriation shall mean the amount approved by the Board for specified purposes in the programme support and administrative budget for a Biennium, against which obligations up to the amount approved may be incurred for those purposes.</p>	<p>Appropriation shall mean the amount approved by the Board for specified purposes in the Programme Support and Administrative budget for a Biennium <u>for a financial period</u>, against which obligations up to the amount approved may be incurred for those purposes.</p>
<p>Biennium shall mean two Financial periods starting on 1 January of each even-numbered year.</p>	<p>[To be removed]</p>
<p>Management Plan shall mean the biennial comprehensive plan of work approved by the Board, inclusive of planned outcomes and indicators of achievement, together with the WFP Budget.</p>	<p>Management Plan shall mean the biennial <u>three-year</u> comprehensive plan of work approved <u>each year on a rolling basis</u> by the Board, inclusive of planned outcomes and indicators of achievement, together with the <u>annual</u> WFP Budget.</p>

<u>Current Text</u>	<u>Revised Text</u>
WFP Budget shall mean the biennial budget component of the Management Plan approved by the Board indicating estimated resources and expenditures for programmes, projects and activities and shall include a programme support and administrative budget.	WFP Budget shall mean the biennial-annual budget component of the Management Plan approved <u>each year</u> by the Board indicating estimated resources and expenditures for programmes, projects and activities and shall include a Programme Support and Administrative budget.

Financial Regulations – IX: The Management Plan

<u>Current Text</u>	<u>Revised Text</u>
Financial Regulation 9.1: The Executive Director shall propose a Management Plan, including a WFP Budget, for each Biennium and submit it to the ACABQ and the Finance Committee in accordance with the General Regulations of WFP.	Financial Regulation 9.1: The Executive Director shall propose a Management Plan, including a WFP budget <u>for the subsequent financial period</u> , for each Biennium and submit it to the ACABQ and the Finance Committee in accordance with the General Regulations of WFP.
Financial Regulation 9.2: The Executive Director shall submit the proposed Management Plan, as well as the reports thereon of the ACABQ and Finance Committee, to the Board at its last regular session in the second year of each Biennium. The proposed Management Plan shall be circulated to members of the Board not later than 60 days before the session.	Financial Regulation 9.2: The Executive Director shall submit the proposed Management Plan, as well as the reports thereon of the ACABQ and Finance Committee, to the Board at its last regular session <u>of each calendar year</u> . in the second year of each Biennium . The proposed Management Plan shall be circulated to members of the Board not later than 60 days before the session.
Financial Regulation 9.4: The proposed Management Plan will include: (a) planned outcomes and indicators of achievement; (b) comparative tables setting out the proposals for the following Biennium, the approved WFP Budget for the current Biennium and the approved WFP Budget for the current Biennium as modified in the light of actual receipts and expenditures; and (c) such statistical data, information and explanatory statements, including staffing tables, as may be requested by the Board or considered appropriate by the Executive Director.	Financial Regulation 9.4: The proposed Management Plan will include: (a) planned outcomes and indicators of achievement; (b) comparative tables setting out the proposals for <u>the following financial period</u> the following Biennium , the approved WFP Budget for the current financial period-Biennium and the approved WFP Budget for the current <u>financial period-Biennium</u> as modified in the light of actual receipts and expenditures; and (c) such statistical data, information, and explanatory statements, including and <u>including those with regard to the second and third years of the Management Plan period</u> , as may be requested by the Board or considered appropriate by the Executive Director.

<u>Current Text</u>	<u>Revised Text</u>
Financial Regulation 9.5: The Board shall consider the proposed Management Plan, and the related reports of the ACABQ and the Finance Committee, and shall approve the Management Plan, including the Budget, prior to the Biennium covered by the Management Plan.	Financial Regulation 9.5: The Board shall consider the proposed Management Plan, and the related reports of the ACABQ and the Finance Committee, and shall approve the Management Plan, including the <u>WFP Budget</u> , prior to the <u>Biennium beginning of the financial period covered by the Management Plan WFP Budget</u> .
Financial Regulation 9.6: The Board's approval of the Management Plan, including the Budget, shall constitute: (a) acceptance of the WFP programme of work for the following Biennium and an authorization to the Executive Director to proceed with the implementation of the programme of work; and (b) an authorization to the Executive Director to allocate funds, issue allotments, incur obligations and make payments for the purposes for which the appropriation was approved, up to the amount so approved.	Financial Regulation 9.6: The Board's approval of the Management Plan, including the Budget, shall constitute: (a) acceptance of the WFP programme of work for the following <u>financial period Biennium</u> and an authorization to the Executive Director to proceed with the implementation of the programme of work; and (b) an authorization to the Executive Director to allocate funds, issue allotments, incur obligations and make payments for the purposes for which the appropriation was approved, up to the amount so approved.
Financial Regulation 9.8: The Executive Director may propose a revision in the Management Plan, including a supplementary budget, for a Biennium in a form and manner consistent with the Management Plan.	Financial Regulation 9.8: The Executive Director may propose a revision in the Management Plan, including a supplementary budget, for a Biennium the <u>financial period</u> in a form and manner consistent with the Management Plan.
Financial Regulation 9.9: Appropriations for programme support and administrative services shall remain available for twelve months following the end of the Biennium to which they relate, to the extent they are required to discharge any outstanding legal obligations. At the end of that twelve-month period, the remaining balance of any appropriation shall revert to the General Fund. Any unliquidated obligations shall at that time be cancelled or, where the obligations remain a valid charge, transferred to an obligation against current appropriations.	Financial Regulation 9.9: Appropriations for Programme Support and Administrative services shall remain available for twelve months following the end of the Biennium <u>financial period</u> to which they relate, to the extent they are required to discharge any outstanding legal obligations. At the end of that twelve-month period, the remaining balance of any appropriation shall revert to the General Fund. Any unliquidated obligations shall at that time be cancelled or, where the obligations remain a valid charge, transferred to an obligation against current appropriations.

ACRONYMS USED IN THE DOCUMENT

ACABQ	Advisory Committee on Administrative and Budgetary Questions
FAO	Food and Agriculture Organization of the United Nations
IPSAS	International Public Sector Accounting Standards
PSA	Programme Support and Administrative