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# FINANCE COMMITTEE

**Hundred and Seventy-sixth Session**

**Rome, 20 - 22 May 2019**

**Report of the External Auditor on country portfolio budgets**

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

**Mr R. Bellin**  
**Director of External Audit**  
**World Food Programme**  
**Tel: +3906 6513 2392**

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FC 176

EXECUTIVE SUMMARY

- The “Report of the External Auditor on country portfolio budgets” is submitted to the Board for consideration.
- The executive summary of the “Report of the External Auditor on country portfolio budgets” is included within the main document presented to the Committee for its review.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to consider the document “Report of the External Auditor on country portfolio budgets” and provide comments for consideration by the Executive Board.

Draft Advice

- **In accordance with Article XIV of the General Regulations of WFP, the FAO Finance Committee advises the WFP Executive Board to take note of the “Report of the External Auditor on country portfolio budgets”.**



World Food Programme  
Programme Alimentaire Mondial  
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For consideration

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

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## **Report of the External Auditor on country portfolio budgets**

### **Draft decision\***

The Board takes note of "Report of the External Auditor on country portfolio budgets" (WFP/EB.A/2019/6-E/1) and management response in WFP/EB.A/2019/6-E/1/Add.1, and encourages further action on the recommendations, taking into account considerations raised by the Board during its discussion.

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\* 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.

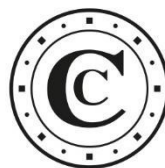
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#### **Focal point:**

Mr R. Bellin  
Director of External Audit  
tel.: 066513-2392

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Cour des comptes  
FRANCE



# EXTERNAL AUDIT OF THE WORLD FOOD PROGRAMME

## AUDIT REPORT COUNTRY PORTFOLIO BUDGETS

Financial year 2018

REFERENCE COURT OF AUDITS: PAM-2019-9



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## **SUMMARY**

By establishing a line of sight between activities and results, country portfolio budgets contribute to improving WFP's accountability and enhance the coherence of its action within the United Nations system. **However, there is still room for improvement in articulation with the system's other organizations**, in particular because nearly half of the country strategic plans are out of phase with United Nations development assistance frameworks (UNDAFs).

WFP management faces conflicting imperatives expressed by Board members when approving the country strategic plans and accompanying country portfolio budgets. Members are divided between the desire for an overview that facilitates decision making and the need for more detailed information. Continuous information is made available to them through several portals, but financial data varies from one portal to another. **This report makes recommendations to improve the information provided to members.**

Country strategic plans are based on the estimated needs in each country. While this approach is supposed to take account of the actual capacity of country offices to implement the needs identified, there are reservations about the robustness of these estimates and how they should be interpreted. The External Auditor believes that **WFP should clarify its approach to defining needs both internally and for donors.**

Country strategic plans and country portfolio budgets have not only introduced a line of sight linking activities to goals, but also a new cost structure, which promotes transparency in the use of resources. Deployment of Country Portfolio Budgets has been controlled by WFP teams, but simplification has proved necessary. Tests by the External Auditor on a **USD 56 million sample of expenditures** did not find any significant booking errors. Certain features of payments to cooperating partners could be improved and better explained. The flexibility given to country offices regarding the classification of the actions they implement within corporate activity categories **weakens the readability of aggregate data**. Likewise, the redefinition of the content of direct support costs hinders a comparison of their level with that reached before the reform. However, there is no perfect solution, as WFP has to decide between the quest for precision and the need for synthesis. The relevance of this reform, which WFP projects to have **a total cost of USD 59.4 million**, is not called into question by these findings.

WFP field offices audited agree that the reform **has increased their workload**. This report proposes methods to estimate this additional burden objectively. WFP will need to identify what results from the transition or from a long-term increase in the administrative burden in order to ascertain the effects on the organization of work and on staff.

The country portfolio budget implementation plans, consolidated at institutional level, now enable WFP to report on its full cost structure without complex reprocessing. **WFP is able to report accurately on each component of food aid costs**, including what is ultimately converted into food. This report proposes that WFP regularly monitor some of these indicators.

However, it is too early to say whether country portfolio budgets will contribute as hoped to reducing donors' imposing conditions on the use of their contributions, or to increasing the share of multi-year contributions.

## **I. OBJECTIVES, SCOPE AND METHOD OF THE AUDIT**

1. In compliance with our notification letters of 12 July and 18 December 2018, a team of six external auditors carried out an audit mission to WFP headquarters in Rome in two phases, from 17 to 21 September 2018 and from 28 January to 8 February 2019. In addition, all field missions programmed in the field offices<sup>1</sup> during the 2018–2019 fiscal year contributed to the preparation of this report, the aim of which was to examine WFP's country portfolio budgets.
2. The external audit of WFP was entrusted to the First President of France's Cour des Comptes (Court of Auditors), for the period from 1 July 2016 to 30 June 2022, by a decision of the Executive Board on 10 November 2015, pursuant to Article 14.1 of WFP's Financial Regulations.
3. The External Auditor's mandate is specified in Article 14 of WFP's Financial Regulations and in the Annex to these Regulations, as well as in the call for applications for the position of External Auditor. This call for applications and the Court of Auditors' offer of services, in particular its detailed technical offer, validated by the Board, constitute the mandate's specifications.
4. The External Auditor's responsibilities include auditing WFP's accounts (Financial Regulation 14.1) and, if he so wishes, making observations on the effectiveness of financial procedures, the accounting system, internal financial controls and, in general, WFP's administration and management (Financial Regulation 14.4).
5. Pursuant to Financial Regulation 3.1, the Executive Director is responsible for the financial management of WFP's activities and reports to the Board.
6. A mission letter was prepared with the then Executive Director to ensure that, in compliance with international auditing standards, the respective obligations of management and the External Auditor are well understood. In addition, as is the case before each audit, the External Auditor communicates the scope of the audits he undertakes to the Secretariat.
7. This report is part of the External Auditor's annual work plan presented to the WFP Executive Board at its second regular session in November 2018, which details the audits to be carried out between July 2018 and June 2019. The specifications require the External Auditor to produce an annual audit report on WFP's financial statements (submitted to the Board for approval) with an opinion on the accounts, two reports on WFP's performance and regularity of management, otherwise known as "performance audit reports" (submitted to the Board for review) and management letters issued following visits to field offices (regional bureaux and country offices). The External Auditor also validates the draft annual report on the implementation of its previous recommendations, submitted by the Secretariat to the Board for its consideration.
8. The audit of country portfolio budgets was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) on Performance and Compliance Auditing, WFP's Financial Regulations and the additional mandate annexed thereto. These standards require the External Auditor to comply with the applicable rules of professional conduct, exercise professional judgement and demonstrate critical thinking throughout the audit.

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<sup>1</sup> Regional bureaux in Nairobi and Panama, country offices in Bangladesh, Guatemala, Haiti, Jordan, Uganda and the United Republic of Tanzania.

9. The main objectives of the audit were to determine:

- whether country portfolio budgets provide reasonable assurance that donor conditions and Executive Board authorizations are being met;
- whether the cost categories introduced by the revised financing framework (transfers, implementation, adjusted direct support costs, indirect support costs) are distinguished with sufficient clarity to avoid duplication and ensure readability of expenditure executed;
- whether the budgets allocated to cooperating partners are in line with the new budget structure;
- what the impact of implementation of the revised funding framework is on budget management and country offices' workloads.

10. Each observation and recommendation was discussed with the staff concerned, in particular those in the Budget and Programming Division (RMB), in relation to the Integrated Road Map (IRM). The audit's closing meeting was held in the presence of the division's director on 8 February 2019. The Secretariat confirmed the validity of the facts presented. This report takes full account of its comments and responses, provided in written form on 22 March 2019.

11. In an audit conducted in accordance with international standards, performance and compliance are examined against appropriate criteria and causes of deviations from these criteria are analysed. The aim is to answer the main audit questions and recommend improvements. The first step in the audit is to clarify the contours of the subject under consideration, i.e. the information or activity that is being measured. Such subject may take various forms and have various characteristics, depending on the audit objective. To be appropriate, the subject matter must be definable, in order to be measured consistently against the criteria and be subject to procedures designed to gather sufficient appropriate audit evidence to support audit conclusion.<sup>2</sup>

12. The subject of the audit was examination of the effectiveness and efficiency of the management of country portfolio budgets, in particular in the light of WFP's transparency objective under its revised funding framework. Country portfolio budgets were examined at the various stages of the budget cycle, namely planning, implementation and reporting.

13. In order to conduct his examination, the External Auditor developed a logical classification of the underlying objectives pursued by WFP with country portfolio budgets, between immediate, operational and strategic objectives. To achieve each type of objective, a programme targets products of different kinds: immediate objectives are expressed by factual achievements; operational objectives require achievement of results that require a more qualitative assessment; strategic objectives are expressed in terms of expected long-term effects, analysis of which is more a matter of evaluation. Achievements, results and expected outcomes identified in the logical framework constitute the basic criteria for assessing the operation's performance. The degree of complexity in assessing the achievement of objectives varies according to their status and, in some cases, that of ultimate effects; it often exceeds the limits of a performance audit. The country portfolio budget approach based on the logical framework of objectives can be summarized as follows.

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<sup>2</sup> ISSAI 100, paragraphs 22 and 26.



Immediate objectives	Operational objectives	Strategic objectives
<ul style="list-style-type: none"> <li>• Define the <b>needs</b> of each country where WFP operates.</li> <li>• Determine <b>strategic objectives</b> to be achieved in these countries.</li> <li>• Create a <b>line of sight</b> that links spending to WFP's activities, outputs, direct outcomes, results and strategic objectives.</li> <li>• Define a <b>multi-year budget</b> for each WFP country office, based on these needs and in order to achieve these objectives.</li> <li>• Rank priorities on the basis of contribution forecasts in order to develop <b>annual implementation plans</b>.</li> <li>• Deploy the <b>new cost structure</b> in all countries by 2019.</li> <li>• <b>Train field staff</b> in the new budgetary and accounting structure.</li> <li>• <b>Adapt country offices' IT tools</b> to the new budget structure.</li> </ul>	<ul style="list-style-type: none"> <li>• Give donors a <b>more transparent view</b> of how their donations are being used.</li> <li>• <b>Direct donations</b> to predefined strategic outcomes.</li> <li>• Give country offices more <b>flexibility and predictability in the use of these donations</b>.</li> <li>• Increase understanding of the <b>multiple facets of WFP's mandate</b>, which ranges from humanitarian assistance to development.</li> <li>• <b>Give country offices more decision making</b> power to lead the actions they consider to be priorities.</li> <li>• <b>Unify the budgetary</b> framework for the budgets of the different country offices.</li> <li>• <b>Make country office accounting more readable</b> for field staff and donors.</li> <li>• <b>Adapt the budget structure to the realities on the ground</b> in each country where WFP operates.</li> </ul>	<ul style="list-style-type: none"> <li>• Establish a <b>long-term relationship of trust</b> between country offices and donors.</li> <li>• <b>Better accountability</b> to donors.</li> <li>• <b>Increase WFP's</b> room for manoeuvre vis-à-vis donors.</li> <li>• Achieve <b>WFP's strategic objectives</b> more quickly.</li> <li>• Encourage funding for activities addressing the <b>root causes of hunger</b>.</li> <li>• <b>Enable WFP to better communicate</b> its action to the public.</li> <li>• <b>Ensure better strategic control of expenditures by the Board</b></li> <li>• Protect resources and increase their <b>effectiveness</b>,</li> <li>• Enable a <b>budgetary evaluation</b> of WFP's action.</li> </ul>
Achievements	Results	Expected impacts

## II. LIST OF RECOMMENDATIONS

14. The recommendations are classified according to their priority level
- **Priority 1**, fundamental issue, requiring immediate action by management;
  - **Priority 2**, less urgent control issue to be dealt with by management;
  - **Priority 3**, issue on which possible improvement of controls could be made and which is brought to the attention of management.

Area	Priority	Draft recommendations
Board information	2	1. The External Auditor recommends that the Secretariat: a) produce a summary document for the attention of the Board, providing an overview of the Integrated Road Map, and b) approaches Member States in order to better define how to respond to their needs, distinguishing between strategic information necessary for governance, and detailed information on country strategic plans and their budgets, which should be available on the various WFP sites and portals.
Definition of needs	1	2. The External Auditor recommends that each country strategic plan should recap the method used to define needs, in particular the factors taken into account to realistically estimate WFP's capacity to implement them.
Articulation with the United Nations	2	3. The External Auditor recommends that the cycles of the country strategic plans closest to the end of their duration (beyond the third year) be aligned with the next United Nations development assistance framework (UNDAF) plans.
Multi-country strategic plans	3	4. The External Auditor recommends that the implementation of multi-country strategic plans be studied.
CSPs and calls for contributions	2	5. The External Auditor recommends that: a) country offices rely more on the content of the country strategic plans and associated budgets when making their calls for contributions and b) also recommends that the Secretariat continue to appeal to donors for more flexible and predictable funding with a view to maximizing the long-term operational efficiency of the plans.
Budget execution	2	6. The External Auditor recommends analysing the reasons for the increase in the principal budgetary and accounting transactions in order to assess the long-term impact of the workload of country portfolio budgets on management and staff.
Information portals	2	7. The External Auditor recommends improving the usefulness of the "CSP Data Portal" for its users by introducing the following for each country: a) the implementation plan budget; b) expenditures incurred on an infra-annual basis; c) the amount of the Programme Support and Administrative budget; d) percentages of indirect support costs (a priori 6.5 percent) and direct support costs; e) six-month requirements in relation to the needs-based plan and implementation plan, followed by the corresponding resources actually collected.
Information portals	2	8. The External Auditor recommends rationalizing the coexistence of the different information portals relating to country strategic plans, systematically indicating their source, their rules and dates of updates, and the nature of the costs presented (activities, transfers, implementation, direct support, indirect support).

Area	Priority	Draft recommendations
Consolidated cost structure	1	<b>9. The External Auditor recommends that the annual management plan present country portfolio budgets, consolidated at WFP level, according to the four macro cost categories (transfers, implementation, direct support and indirect support costs) and report on their evolution from one year to the next.</b>
Support costs	2	<b>10. The External Auditor recommends that WFP, building on the possibilities introduced by the new cost structure, report annually on the evolution of the following indicators: overall support rate, consolidated support and implementation rate and overall accompanying rate.</b>
Cooperating partner budgets	3	<b>11. The External Auditor recommends monitoring the total amount of the management fee paid annually to cooperating partners and the range of rates applied by field-level agreements.</b>

### III. INTRODUCTION

15. At its second regular session in November 2016, the Executive Board of the World Food Programme (WFP) approved the Integrated Road Map, a coherent set of reforms consisting of the WFP Strategic Plan (2017–2021), the country strategic plan (CSP) policy, the Financial Framework Review (FFR), which introduces the new structure of country portfolio budgets (CPBs) and the Corporate Results Framework (CRF), which includes key indicators of the organization's performance. The WFP Strategic Plan (2017-2021) and the Corporate Results Framework came into effect in 2017. Deployment of country strategic plans and country portfolio budgets based on the revised financial framework began in 2017 and is expected to be completed in 2019.

16. The objective of country strategic plans (CSPs) is to enable country offices to be better able to achieve the organization's strategy and respond to the specific needs of the countries in which WFP operates. To this end, they establish a portfolio of activities on a national scale, for a maximum of five years. Based on a results-based rather than a project-based approach, they aim to maximize the impact of the World Food Programme for beneficiaries.

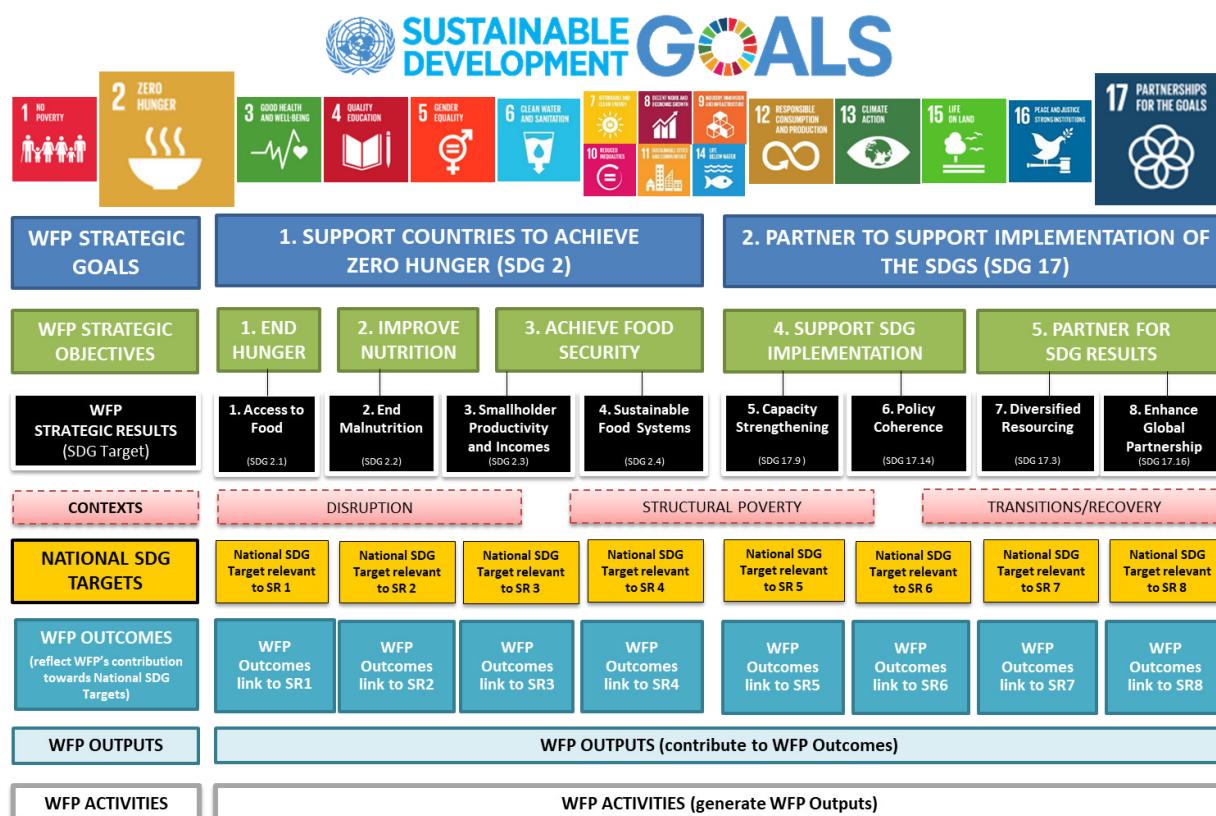
17. The WFP strategic plan and country strategic plans form the connection between WFP's strategic objectives<sup>3</sup> and the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda for Sustainable Development.<sup>4</sup> WFP's actions are thus presented as explicitly contributing to Sustainable Development Goal 2, Support countries to achieve zero hunger or the "Zero Hunger" goal, and Goal 17, Strengthening Partnership Strategies or "Partnerships for the goals". Actions to meet these strategic objectives must be carried out at country level, respecting the national context, priorities and specific strategies that will support the work of local government and WFP partners.

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<sup>3</sup> Article II, WFP Statutes: "a) use food aid to support economic and social development; b) meet refugee and other emergency and protracted relief food needs; c) promote world food security in accordance with the recommendations of the United Nations and the Food and Agriculture Organization of the United Nations (FAO)

<sup>4</sup> <https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf>

Figure 1: Results framework of the WFP Strategic Plan for 2017–2021



Source: WFP Strategic Plan (2017–2021) (page 14)

18. Each country strategic plan contains a country portfolio budget designed to meet two main objectives: establish a clear link between resources, activities and results; bring together in a single structure all the resources and activities deployed in the country. These two objectives should make it easier to report to donors on the use of their contributions.

19. Implementation of the Integrated Road Map takes place in a context where, despite the increase in funding, the gap between humanitarian organizations' available resources and expected needs has been growing over the past twenty years. Although international humanitarian assistance reached USD 27.3 billion in 2017, a 3 percent increase for the second year running, a deficit of 41 percent was still recorded under the United Nations Consolidated Appeals Process.<sup>5</sup>

20. As WFP is funded entirely by voluntary contributions, this issue of resources is all the more sensitive. By adopting a planning, implementation and budget reporting system that links the organization's resources to results achieved, WFP aims to demonstrate that it makes optimal use of resources in the actions it takes, while communicating in a transparent manner on the efforts it is making to achieve the zero hunger objective. According to WFP, this increased transparency should ultimately help it to obtain more flexible multi-year funding for carrying out its missions.

<sup>5</sup> WFP Management Plan (2019–2021), paragraphs 18 and 19

## IV. OBSERVATIONS AND RECOMMENDATIONS

### 1. Budget planning

21. The food aid budget framework that the country strategic plans and country portfolio budgets replace was designed and developed to support food aid delivery through a project-based system. WFP budgeted its income and expenditures on the basis of projects to be carried out, with each project falling into one of four programme categories<sup>6</sup> defined in Article II-2 of the General Regulations. This approach provided a fragmented view of operations in a given country. It did not make it possible to make the link with the overall policy or objectives pursued.

22. The new system bases WFP's operational needs on results to be achieved. Once the Country Strategic Plan has been established, the resulting budget should reflect the results to be achieved, expressed in terms of strategic outcomes, outputs and activities.

#### 1.1 The planning stages

23. Planning of country portfolio budgets is carried out in two stages, **identification of operational needs** followed by **resource-based planning**. Identification of needs, or budgeting for operational effectiveness<sup>7</sup> consists of using needs as a basis for determining the resources required for operations. Resource-based planning aims to rank priorities according to contribution forecasts.

##### 1.1.1 Country strategic plans

24. **Country strategic plans**, which outline the WFP Strategic Plan's results framework in each country (see figure 1), are a new way of planning WFP's activities at country level for a maximum of five years. They are guided by reviews carried out by governments with WFP support<sup>8</sup> and by carrying out additional evaluations.

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<sup>6</sup> Article II.2 of the General Regulations: Programme categories (version in force before March 2019):

"In order to carry out the purposes of WFP, the Board establishes the following programme categories:

- (a) Development Programme Category, for food aid programmes and projects to support economic and social development. This programme category includes rehabilitation and disaster preparedness projects and technical assistance to help developing countries establish or improve their own food assistance programmes;
- (b) Emergency Relief Programme Category, for food assistance to meet emergency needs;
- (c) Protracted Relief Programme Category, for food assistance to meet protracted relief needs; and
- (d) Special Operations Programme Category for interventions undertaken to:
  - (i) rehabilitate and enhance transport and logistics infrastructure to permit timely and efficient delivery of food assistance, especially to meet emergency and protracted relief needs; and
  - (ii) enhance coordination within the United Nations system and with other partners through the provision of designated common services."

<sup>7</sup> Financial Framework Review (WFP/EB.2/2016/5-B/1/Rev.1).

<sup>8</sup> National zero hunger strategic review. Policy on country strategic plans (WFP/EB.2/2016/4-C/1/Rev.1\*), p. 8.

25. The country strategic plans or, depending on the progress countries have made, the interim country strategic plan (ICSP), transitional interim country strategic plan (T-ICSP) and limited emergency operations (LEOs) focus on:

- defining the country's needs, WFP's position, role and specific contribution;
- specifying WFP's strategic outcomes, outputs and activities, as agreed in humanitarian assistance plans or defined in consultation with governments and partners in national development plans; and
- identifying the resources and technical support and guidance that WFP will implement.<sup>9</sup>

26. Country offices prepare their own strategic outcomes, outputs and activities, in compliance with standardized categories defined in the WFP Corporate Results Framework for 2017–2021. This should enable flexibility of adaptation and aggregation of results to be combined at WFP level in a line of sight that links each activity to WFP's strategic results and objectives. The strategic outcomes, outputs and activities of CSPs should also be aligned with those of WFP partners.

#### 1.1.2 Country portfolio budgets

27. Each country strategic plan contains a **country portfolio budget (CPB)** broken down by WFP strategic outcome and activity. The country portfolio budget is established following establishment of the line of sight and review of the country's operational needs (needs-based plan), which enables the country office to identify target beneficiaries, their number and the modalities required (food transfers, cash-based transfers) as well as the implementation schedule of operations, planned rations, etc.

28. The budget consequently submitted to the Executive Board for approval is the budget required to implement the CSP over its entire duration. The CPB contains indicative annual portions corresponding to each calendar year, but at the time of approval of each CSP, the WFP Executive Board approves the CPB on the basis of the budget aggregating each of the strategic outcomes for the duration of the plan. Decisions are made at strategic outcome level, not at project level, as was the case in WFP's previous budgeting process.

29. At 22 February 2019, of a total of 82 country offices, 39 were following approved CSPs, 25 transitional interim CSPs (T-ICSPs) and 18 interim CSPs<sup>10</sup> (ICSPs).

#### 1.1.3 Implementation plans

30. Once the CSP and its multi-year budget have been approved, the country office develops a resource mobilization strategy and assesses what funds it expects to receive from donors. As operational needs often exceed actual contributions, they develop resource-based **implementation plans**.

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<sup>9</sup> National zero hunger strategic review. Policy on country strategic plans (WFP/EB.2/2016/4-C/1/Rev.1\*), p. 8.

<sup>10</sup> The Yemen and Somalia offices were exceptions in that their interim CSP was approved by the Executive Board but they continued to follow the former budgetary structure up until 31 March 2019 before following their interim CSP as of 1 April 2019.

31. This approach leads them to prioritize activities and adjust the number of beneficiaries, size of rations and duration of assistance. Implementation plan budgets hence constitute a second tier of annual operational planning in country offices that makes it possible to make a clear distinction between needs and plans based on actual resources.

32. The implementation plan is an internal WFP tool and does not need to be approved by the Executive Board. It is carried out within the budget approved by the Board. Needs assessment remains the starting point for the entire budget planning cycle and the ceiling for WFP interventions unless the CSP is revised.

## 1.2 Approval of strategic plans

### 1.2.1 Information to the Board

33. Planning based on the budgeting for operational effectiveness approach aims to provide a clearer definition of the links between resources needed and results (national targets related to strategic goals, strategic outcomes and activities) in a given country as well as more transparency to stakeholders. This should provide donors with a more accurate picture of the results to be achieved through their contributions.

34. Overall, representatives of donor states met at headquarters and in the countries visited<sup>11</sup> have a positive perception of the reform undertaken by WFP and of the efforts made by the organization to respond to their queries during consultations.

**35. The External Auditor acknowledges the relevance and added value of the CPB logical reference framework. By establishing a line of sight between activities and results, this framework is a tool that should improve WFP's accountability and strengthen the coherence of its action with other United Nations agencies.**

36. The operational planning documents constituting CSPs and their CPBs face difficulties with regard to **the appropriate level of detail to be presented to the Board for approval.**

37. The feelings expressed by some states reflect an ambivalence in donor expectations of CSPs. CSPs are actually established very precisely, up to the level of expenditure commitments, but, for reasons of simplicity, the Board has requested that CSPs be presented to it at a lower level of detail in order to have a more overall view. However, at the Board's request, the country offices or the Budget and Programming Division (RMB) can provide it with details (for example, the number of metric tons of rice needed to reach a given population). Nonetheless:

- Six Board members interviewed<sup>12</sup> considered that the level **of information provided to the Board is still too general**. CSPs are approved in broad terms, at the level of strategic outcomes and areas of action. Access to more specific financial information is considered complicated.<sup>13</sup> For example, the CSP does not include performance indicators, risk analysis and target and baseline reference values. One member **was surprised by the specific application of CSPs as they did not**

<sup>11</sup> Six donors were met at headquarters and seven donors in seven countries in the field, making a total of 23 interviews (6 at headquarters and 17 in the field).

<sup>12</sup> The Board members interviewed asked not to be mentioned by name, as they only wished to endorse official positions presented at Executive Board sessions.

<sup>13</sup> Two Board members reported difficulties in accessing WFP's budgetary and strategic data, despite the possibility of accessing it via the WFP intranet. These difficulties have several origins: WFP's slow response to IT-related questions, the answers to which could help Board members find the data they are looking for on the WFP intranet. More generally, the complexity of the WFP intranet does not facilitate direct access to such data. Finally, Board members expressed a wish to be notified each time a document from WFP dealing with these budgetary and strategic data is published, which is not currently the case.



**have sufficient details at the time of approval**, citing the example of cash-based transfers. He noted in the field that one country office was distributing vouchers and that the CSP had not provided him with information on the specific modality that would be applied.

- Two Board members considered that cross-cutting **issues** in which they are particularly interested, such as the environment or gender issues, are not included in the CSP, even though WFP has said that it is working to integrate them into CSPs.

38. On the other hand, the counterpart of linking activities in a country to the overall results targeted by WFP is the system's complexity. The first three tiers of each CSP (Strategic Goals or SDGs, WFP Strategic Objectives and WFP strategic outcomes) aim to integrate each CSP into the United Nations-wide approach but are not country specific. Expenditures are read through three grids: direct strategic outcomes, focus areas (crisis, resilience, root causes), and activities. The gain in information is real. The overall reading is clarified but, on the other hand, is not simplified.

39. The four main texts themselves that govern the entire Integrated Road Map (IRM) are 129 pages long in total.<sup>14</sup> They were subject to various modifications during the launch phase. They are supplemented by specific texts, such as the one on "zero hunger reviews". Understanding of the whole would most probably be facilitated by the production and regular updating of a summary document, not exceeding eight or ten pages.

**Recommendation 1. The External Auditor recommends that the Secretariat: a) produce a summary document for the attention of the Board, providing an overview of the Integrated Road Map; and b) approaches Member States in order to better define how to respond to their needs, distinguishing between strategic information necessary for governance, and the detailed information on country strategic plans and their budgets, which should be available on the various WFP sites and portals.**

### 1.2.2 The method for defining needs

40. Operational needs estimated by WFP in each CSP do not correspond to the funding required to assist all populations in food distress in a given country, but only to that required to provide assistance to the most vulnerable populations. The CSP is prepared according to the needs estimated for the country and to which WFP would be able to respond: it is not the totality of estimated needs for the country concerned, but of WFP's operational capacity to meet them within its mandate. It is therefore a compromise between maximum theoretical needs and the organization's ability to deliver its services, which leads to focusing efforts on the most vulnerable populations.

41. Hence, if 821 million people were undernourished worldwide in 2017, the organization focuses on the estimated 124 million people exposed to acute food insecurity and aims to ultimately help 78.8 million people.<sup>15</sup>

42. WFP's focusing on the needs it is able to serve, rather than universal needs, based on its mandate and the agreement of recipient governments, is suggested in WFP's management plan and in the country strategic plans. However, the External Auditor found that some stakeholders (donors and field staff) did not always have a clear understanding of this concept.

<sup>14</sup> WFP Strategic Plan (2017–2021): 42 p.; Policy on Country Strategic Plans: 22 p.; Financial Framework Review: 25 p.; Revised Corporate Results Framework (2017–2021): 40 p.

<sup>15</sup> WFP Management Plan (2019–2021), paragraph 52 and Table III.1

43. As a result, it can lead to confusion on what the real budget is. Is it made up of the resources available to carry out WFP operations in the countries where it is active (the implementation plan), or the resources needed to carry them out (the needs plan)? WFP's formulation of its operational needs is more about seeking funding than about budget planning.

44. At the organization-wide level, the gap between needs thus defined and actual revenue can be illustrated in the table below:

**Table 1: Operational requirements and implementation plans 2016–2019  
(USD million)**

	2016	2017	2018	2019
Operational requirements	8 687	9 007	9 011	9 796
Implementation plan	4 744	5 385	5 878	6 479
Projected funding gap (in %)	45	40	35	34

Source: WFP management plan

45. A **clarification of the concepts** would be useful to avoid any misunderstanding among donors and recipient states: ideal needs, priority needs of target populations, needs adapted according to the organization's capacity to address them, and prioritized needs.

46. Despite the fact that the needs that WFP considers itself able to meet are only an estimate, the significant gap between such needs and resource-based budgets (one third of the needs identified in 2019) may lead to skepticism among certain donors. For example, some donors whom the audit team met with in the field were surprised by the gap between targeted needs and achievements and, as a result, complained about the CSP's overly ambitious projects, which were considered unrealistic in the face of field constraints and the organization's actual capacities. One donor stated that such behaviour risked being interpreted as a lack of efficiency on WFP's part, which did not provide incentive to increase contribution revenue or decrease the level of earmarking for fear of contribution revenue misuse.

47. Another risk concerns the fungibility of contributions. As the system currently stands, it is possible to transfer funds within an office between the activities of the same strategic outcome if these funds have not been earmarked and if the budget provided in the CSP has not been exceeded. There is a risk that an office may increase its budgets as much as possible to ensure greater flexibility in management of its funds, without having the capacity to manage these funds if it were to obtain them. Ultimately, this attitude could lead to a lack of transparency with respect to donors. This risk is nevertheless limited by the low percentage of contributions not earmarked for specific purposes as well as the publication of WFP reports for its donors concerning the use of their funds.

48. While the needs-based approach applied when approving CSPs is supposed to take account of the actual capacity of country offices to implement them, the internal audit report on the Integrated Road Map dated April 2018 reached qualified conclusions<sup>16</sup> which confirm the reluctance expressed by some donors. Some CSPs did not have estimates of WFP's capacity to carry out certain activities. In addition, the methods of assessing needs were not homogeneous. In some country offices, forecasts were adjusted according to past funding levels, while other offices expressed needs in terms of advocacy for funding.

**Recommendation 2. The External Auditor recommends that each country strategic plan should recap the method used to define needs, in particular the factors taken into account to estimate realistically WFP's capacity to implement them.**

<sup>16</sup> Internal Audit on the Integrated Road Map Pilot Phase in WFP, Internal Audit Report AR/18/05. Comment 7, page 21.

### 1.3 Coordination with the United Nations

49. The United Nations development assistance frameworks (UNDAFs) are the medium-term strategic results frameworks that should guide the vision and collective actions of the United Nations system at country level in order to address national development priorities.

50. The duration of almost half of CSP cycles (48.9 percent<sup>17</sup>) are not aligned with UNDAFs. The desire not to delay implementation of the new system for several years explains this discrepancy. However, this synchronization should be an important factor in ensuring optimal cooperation between United Nations organizations, whether to clarify the sharing of competences or develop cooperation between them over the long term.

51. Alignment of the UNDAF and CSP cycles only took place when it was possible to do so simply, i.e. when the launch dates of the two framework documents were consistent. WFP's priority was to collaborate with governments to carry out the zero hunger strategic reviews that enabled the national strategy to be aligned with SDG 2. The issue of alignment was raised by the strategic assessment of CSPs run as a pilot by the Office of Evaluation (OEV) and addressed in the management response to the recommendations made in the report.<sup>18</sup>

52. The disadvantage of aligning as early as the next UNDAF would be discontinuation of some of the CSPs currently being implemented and the renewal of the considerable work involved in preparation of the CSP more quickly than expected. On the other hand, alignment avoids maintaining a complicated gap to manage for years to come and having even more to explain.

53. A pragmatic approach would consist of limiting alignment to CSPs that have been under way for three and a half or four years at the start of the UNDAF.

**Recommendation 3. The External Auditor recommends that the cycles of the country strategic plans closest to the end of their duration (beyond the third year) be aligned with the next United Nations development assistance framework (UNDAF) plans.**

### 1.4 The scope and role of CSPs

#### 1.4.1 The multi-country strategic plans hypothesis

54. The existence of country-wide strategic plans ensures that the office responsible for implementation is clearly identified.

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<sup>17</sup> Figures provided by WFP at 31 January 2019

<sup>18</sup> WFP/EB.2/2018/7-A/Add.1; page 5: "A comprehensive management review linked to the mid-term review of the strategic plan will be initiated, building on all existing efforts, including those undertaken by regional bureaux, subject to the final outcomes of the current effort to reform the United Nations development system, including the United Nations development assistance framework (UNDAF) system and the reinvigorated resident coordinator system, and its implications for United Nations country teams. The review will examine alignment with national priorities and the development of strategic partnerships, progress towards more flexible and predictable funding and the alignment of CSPs with UNDAFs."

55. Important subjects common to several countries are currently being addressed without the need for a common document (e.g. Syrian refugees). However, the question arises as to whether plans covering several countries with similar difficulties would not help attract contributions from potential donors better than several smaller-scale topics.

56. The increased importance of the issue, once it covers a wider area, could increase the interest of these donors. Offices are already working in several countries.<sup>19</sup> WFP informed the External Auditor that the first multi-country strategic plan will be submitted to the Board for approval at its annual session 2019.

57. While the effectiveness of such multi-country CSPs has yet to be demonstrated, the experiment deserves to be studied on a few concrete cases.

58. In order to preserve the responsibility of implementing agencies, WFP could consider assigning the Regional Bureau to coordinate development of the project in liaison with directors of the country offices concerned, while leaving each of them in charge of implementation in their country.

**Recommendation 4. The External Auditor recommends that the implementation of multi-country strategic plans be studied.**

#### 1.4.2 CSPs and calls for contributions

59. Following interviews conducted in the field with staff in charge of donors and private sector relations, it appeared that, in some countries, partnership units do not use the CSP and associated budget on a daily basis with donor representatives in order to solicit donations. Offices prefer to make personalized calls for contributions based on each donor's profile, focusing on part of an activity or several components of different activities.

60. There are four reasons why CSPs and their CPBs were not sent directly to donors:

- in principle, headquarters has not provided any instructions on the subject;
- donors may not have the inclination/time to read CSPs in detail or study the associated budgetary issues;
- calls for contributions must be prioritized based on the immediate needs of operations under way;
- when submitting a CSP, there is a risk that donors will only fund certain activities (refugee assistance and, in general, activities related to the most visible news) whereas, in the current system, the Government Partnerships Division can choose the activities it submits to donors and therefore, up to a point, promote activities that could otherwise be neglected.

61. Even if the explanations as to why the CSP and associated budget are not directly used for appeals to donors are understandable, this approach does not ensure the transparency pledged by the reform.

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<sup>19</sup> The case of Central America, in particular.

62. To address this transparency issue, the External Auditor advises WFP to encourage country office staff to give greater prominence to overall country strategic plans in their calls for contributions. This would allow donors to better understand the coherence of WFP's work, and the overall impact of their contributions. This is unlikely to prevent them from making earmarkings, but could encourage them to make contributions on a larger number of actions, by drawing their attention to actions to which they did not think they would contribute at first sight.

**Recommendation 5. The External Auditor recommends that: a) country offices rely more on the content of the country strategic plans and associated budgets when making their calls for contributions, and b) also recommends that the Secretariat continue to appeal to donors for more flexible and predictable funding with a view to maximizing the long-term operational efficiency of the plans.**

## 2. Budget implementation

63. Country strategic plans and country portfolio budgets have not only introduced a line of sight linking activities to strategic goals, objectives and outcomes, but also a new cost structure. This new cost structure is a factor in the transparency in use of resources desired by WFP.

### 2.1 The new cost structure

64. The country portfolio budget programmes the resources needed to carry out WFP operations at country level.

65. Activity is the lowest level of planning and budgetary control by headquarters over country offices.<sup>20</sup> In concrete terms, this means that if, for example, the activity includes different groups of beneficiaries or geographical areas, expenditure planning remains at activity level. This principle also applies to budgetary control, i.e. expenditures may not exceed amounts allocated at the total activity level.

66. However, country offices manage budget execution at a more refined level: cost estimation and recording of expenditures. For each planned activity, a country portfolio budget includes estimated allocations and cost records at five levels of subdivision:

- level 1: macro cost categories (transfer costs, implementation costs, direct support costs, indirect support costs)
- level 2: transfer modalities (food, cash-based transfer, capacity building, provision of services)
- level 3: distribution of food and cash-based transfers between transfer value and transfer cost
- level 4: distribution of modalities between cost planning categories (e.g. transport, storage and subsidies to cooperating partners)
- level 5: distribution of cost-planning categories between cost planning items (e.g. transport between maritime and inland transport).

67. When programming activities and resources on a **vertical axis** (line of sight, see figure 1), a **horizontal axis** of cost decomposition is superimposed to estimate and record them.

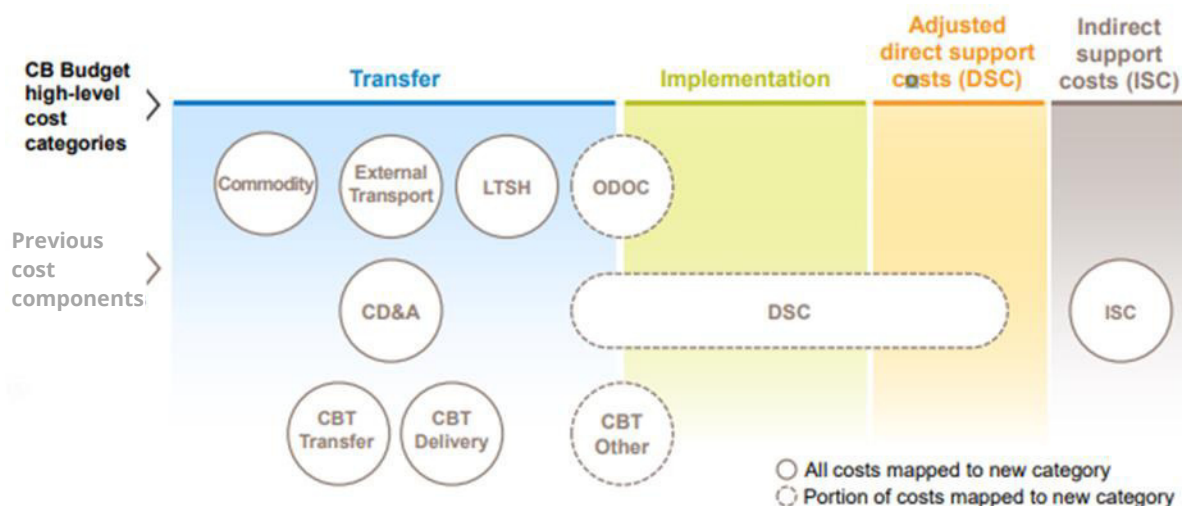
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<sup>20</sup> CPB Guidelines.

## 2.2 Readability of costs

68. The new cost structure makes it **easier to identify cost drivers**. The ten cost components used in the old system<sup>21</sup> have been replaced by four cost macro-categories: transfer, implementation, adjusted direct support costs and indirect support costs.

**Figure 2: Cost structure with CPBs and before CPBs**



Source: Integrated Road Map Manual.

LTSH: landside transport, storage and handling; ODOC: other direct operational costs.

69. The macro cost categories are defined as follows:<sup>22</sup>

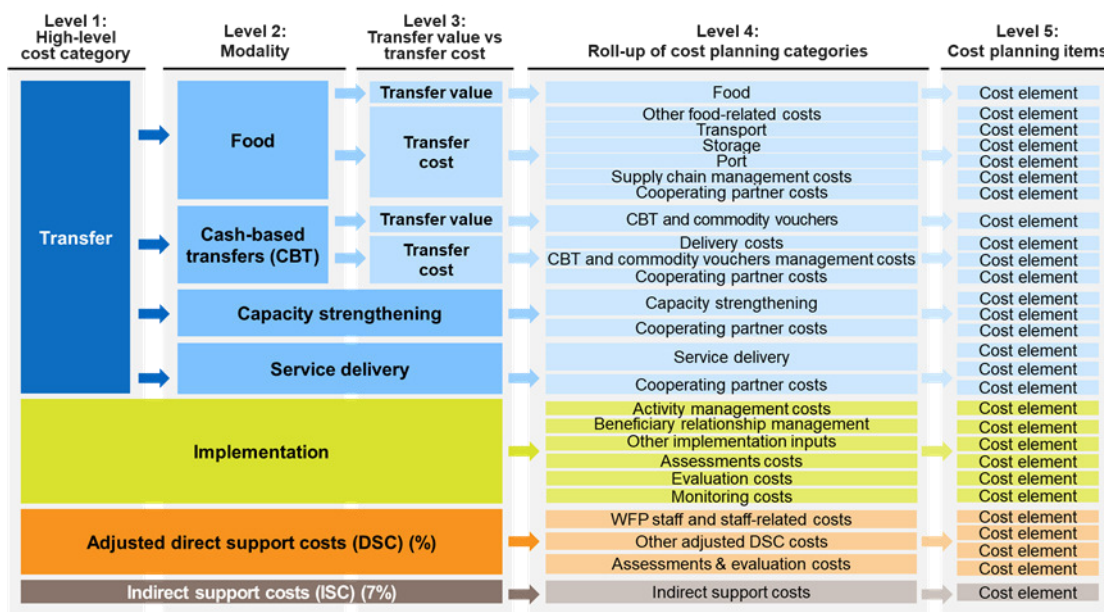
- **Transfer costs** represent costs that are directly additional to the transfer value of food products and cash-based transfers and the cost of transferring food assistance, cash-based transfers, capacity building and service delivery activities. Transfer costs are therefore both the value of the transfer and costs inseparable from the transfer. For example, the cost of transporting a good will be inseparable from that good.
- **Implementation costs** are all costs directly attributable to the implementation of activities associated with a transfer. These costs do not directly add value to the transfer and are not always specific to a transfer modality. Implementation costs are allocated to a particular activity, for example, the cost of staff directly involved in the implementation of the activity, such as school feeding staff.
- **Adjusted direct support costs** cover all costs managed at the country office level that contribute to multiple activities related to the transfer of assistance and programme implementation. These costs are allocated to activities applying a percentage specific to the country office of the annual transfer costs and implementation costs. Such costs depend on WFP's presence in a country and are influenced by the size of activities in the country.
- **Indirect support costs (ISC)** include costs that correspond to overhead costs that support performance of activities but are not directly related to their existence.

70. These macro categories are themselves divided into more detailed intervention modalities and expenditure categories.

<sup>21</sup> Financial Framework Review, paragraph 38.

<sup>22</sup> Definitions based on the CPB Guidelines, the Integrated Road Map Manual and the Financial Framework Review.

Figure 3: Cost categories



Source: Financial Framework Review

71. The new structure has numerous advantages in terms of transparency:

- The four cost macro-categories that replace the 10 categories used in the previous structure provide a **more explicit** description of the nature of the expenses incurred.
- The value of **food or cash-based transfers that directly benefits beneficiaries** can be distinguished from costs associated with it (e.g. transport costs, or those of cooperating partners).
- The concept of **direct support costs** is **used more precisely**. Unlike implementation expenditure, which is allocated to an activity and specific to a modality, DSC supports the work of the office as a whole.
- The concept of **other direct operational costs** (ODOC), which included expenditures of a heterogeneous nature, is divided into more explicit subcategories, either because they are clearly linked to transfers (cooperating partners' costs, food packaging costs, etc.) or to implementation (training, workshops, etc.).

72. **In total, the changes observed in the structure of cost classification should contribute to better readability overall. The categories' justification and logic do not warrant criticism of their principle.**

### 2.3 Budgetary complexity

73. The new budget structure establishes **four cost allocation criteria**, which have to be included in any budget document and expenditure: direct strategic results and effects, areas of action (focus areas – crisis, resilience and root causes), programme categories (unconditional resource transfer to support access to food) and cost categories (transfer, implementation etc.).

74. A transaction must refer to several coding systems: the code indicating the activity, direct effect and strategic outcome (or WBS code); the commitment item code, which indicates the cost category; the general ledger code, which indicates the nature of the expense.

75. Expenditures are defined to a high level of detail with regard to cost macro-categories and associated commitment item codes. The four transfer modalities (food, cash-based transfers, capacity building, and provision of services) are further subdivided to the most refined level (category 5 of figure 3); for example, type of transport (in-country or overland) for a transport expenditure associated with a food transfer. In total, there were 28 categories of budget costs at the end of December, including 13 for the food transfer modality. There are 13 activity categories for activity allocation.

76. The CPB guidelines were established in November 2016 and had been revised ten times by 16 November 2018, gradually clarifying the system. Simplifications have also been made. These guidelines should now be stable. Cost allocation principles are based on definitions of macro-categories, transfer modalities and the third level distinction between value and transfer cost. These definitions are accompanied by non-exhaustive examples by type of cost.

### 2.3.1 The simplification process

77. WFP is aware of the complexity introduced. In order to take account of the difficulties in implementing the new budgetary structure, cost category simplifications were introduced in 2019. They concern implementation costs, service delivery costs and allocation of administrative costs.

- All implementation costs were grouped into a single tier 4 cost category instead of four. This simplification does not alter the principles of cost allocation. It is adapted to the need to avoid any superfluous specification that does not add value. Similarly, simplification of the service provision cost structure is also relevant.
- As regards administrative costs such as vehicle related costs or field office rental and running costs, they were allocated to three different macro categories (transfer, implementation or direct support costs) and nine tier 4 subcategories depending on the type of transfer or activity. Simplification leads to all costs related to specific activities being charged to the implementation category at the expense of the transfer category. Displaced administrative costs represent approximately USD 86 million or 0.67 percent of CSP costs

78. This simplification has led to little change in the budgetary structure but to a significant reduction in workload.

### 2.3.2 Activity categories

79. WFP has defined 13 corporate activity categories, listed in Annex I of the Revised WFP Corporate Results Framework (2017–2021).<sup>23</sup> These categories are used to allow the link between actions in the field and WFP's objectives. According to the CPB guidelines, an activity should fall into only one activity category<sup>24</sup> such as, for example, "Unconditional resource transfers to support access to food" or "school meals".

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<sup>23</sup> WFP/EB.2/2018/5-B/Rev.1

<sup>24</sup> The activity is used to aggregate the data presented in the NPA Management Plan portal or in analytics (<https://mpdata.wfp.org/> and <https://irm.analytics.wfp.org/category/planning>)



80. Headquarters has left it up to country offices to choose which activities to include in their CSP. CSP activities are defined at local level in accordance with WFP's standardized categories as well as with national priorities depending on the context. They may therefore have different titles in different countries, although they are still attached to corporate categories for reporting to headquarters. They are freely drafted and it is local assessment that leads to provision of more or less detail of the activity. For example:

- the **Guatemala CSP** includes the activity "Provide specialized nutritious foods (SNFs) to children aged 6-23 months and BCC to women and men to ensure that the diet of the targeted population provides adequate nutrients", while the **Uganda CSP** includes the activity "Provide food and nutrition assistance for refugees." These two activities are then consolidated in activity category 1 "unconditional resource transfers to promote access to food" (URT). Corporate activity categories therefore consolidate fairly heterogeneous actions and in these examples some components of the activity could just as easily fall within corporate category 5 of nutrition treatment activities (NTA);

81. These examples highlight two difficulties, which **weaken the readability of aggregate data and ultimately the link between resources and results established by the line of sight.**

- Lack of uniformity in the definition of activities introduces a **disparity between CSPs** depending on whether they choose to multiply categories for visibility purposes or synthesize them for simplification purposes instead.
- An activity defined at the level of a country's CSP may include different activity categories. Hence, an activity mainly dedicated to distribution of food not subject to conditions ("resource transfers not subject to conditions to promote access to food"), may include nutrition, malnutrition prevention or school feeding activities (which should fall under the "nutritional treatment", "malnutrition prevention" and "school meals" categories, respectively). Aggregation of all costs in a corporate activity category therefore leads to **aggregation of non-uniform interventions**, which dilutes the visibility of activities actually carried out.

82. The organization is faced with two opposing risks:

- Requiring country offices to comply more strictly with activity categories with the risk of budget fragmentation and a heavier workload.
- Maintaining the status quo at country level with the risk of aggregating inconsistent data across corporate activity categories.

83. **It is difficult for the External Auditor to make a recommendation based on the above findings, without leading either to an overload of work and increased complexity, or to maintenance of a system that aggregates data in categories that weaken the visibility of actions carried out. The External Auditor invites WFP to consider alternative paths enabling a compromise to be found between coherence of the budget structure by activity category, the degree of freedom left to countries to develop a CSP in line with local concerns and context, and keeping the workload of teams responsible for budgets and expenditures at an acceptable level. One possible solution would be to authorize ex-post corrections of cost allocations by activity category or, on the contrary, create mixed categories (such as food distribution and nutrition).**

### 2.3.3 Expenditure records

84. Interviews with staff conducted during audits of the six country offices (Jordan, Uganda, Guatemala, Haiti, United Republic of Tanzania and Bangladesh) and two regional bureaux (Nairobi and Panama) in the context of supervision of the reform, revealed good overall understanding of the new cost categories by the staff concerned. The documentation produced by headquarters is considered satisfactory.

85. However, the challenge is less to do with understanding the new budget model than applying it, as the transition requires significant technical expertise. For example, in Uganda, staff in charge of the budget and finances pointed out that the new cost structure had not yet been fully mastered by auxiliary office staff.

86. The External Auditor conducted an analysis of a sample of expenditures in the six country offices he visited in order to check whether expenditures were recorded by type in the appropriate cost categories. **Samples from these countries contained at least 45 transactions from the expense accounts for the first eight months of 2018, for a total of USD 56.4 million.** The tests led to the conclusion that accounting allocations are generally under control.

87. Examination of the transaction samples did **not reveal any significant allocation errors** in cost categories as regards types of expenditures incurred.

88. On the other hand, the accounting at several offices revealed a practice whereby country offices temporarily allocate expenditure to a different category from the appropriate category due to lack of available funding.

**89. The offices informed the External Auditor that they intended to reverse these entries and allocate them correctly. WFP should use this expedient as little as possible and ensure that adjustments are made, as provisional charges weaken the transparency of costs provided by the line of sight as long as they have not been regularized. However, as he did not find any evidence that would lead him to believe that regularizations are not taking place, the External Auditor draws WFP's attention to the matter but does not make any recommendation.**

### 2.4 Transactional work

90. According to the Budget and Programming Division (RMB), the planned budget for deployment of the Integrated Road Map was USD 59.4 million between 2017 and 2019 (USD 30.4 million in 2017, USD 19 million in 2018, and USD 10 million in 2019). RMB considers it impossible to estimate the specific cost of implementing country portfolio budgets as they are an intrinsic part of the Integrated Road Map.

91. Country directors generally perceive development, implementation and management of country strategic plans and country portfolio budgets as a procedure that involves more tasks but which better responds to countries' needs by creating more synergies between activities. CSPs and CPBs enhance the visibility of WFP's actions among external partners and donors, and substantiate its role as a development agency complementary to its activities as a humanitarian emergency operator.

92. All finance and budget officers interviewed in the country and regional bureaux visited agree that the reform has increased their workload. They point out that the increased burden is only partly due to the period of change deriving from the implementation of the CSPs. According to them, it has increased the complexity of the system in a more profound way.

### 2.4.1 Temporary effects

93. The change in the budgetary framework has led to an increase in the staff workload, one component of which appears to be more of a transitory nature. Further efforts became necessary in terms of training and technical adaptation.

- A major **training** effort was launched in 2017 to support deployment of CSPs. Despite the efforts made by the central team and regional bureaux, the need for support and guidance for staff in the start-up phase mobilized management and consequently increased its workload (Jordan, Haiti, and regional bureaux in Nairobi and Panama). This is a fairly typical finding for change management in any organization.
- The Bangladesh office, one of the first wave of CSPs, carried out a self-assessment of the time spent by management preparing the CSP, on the three implementation phases – planning, pre-commissioning and commissioning. On a declarative basis, managers estimated that they spent 60 percent of their time in the unit responsible for budgets and programmes and 40 percent in the other units (human resources, finance, monitoring and evaluation, and other support units).<sup>25</sup>

94. A number of technical difficulties have arisen in the deployment of the new plans.

- In Bangladesh, problems relating to implementation of the CPB were reported to headquarters, concerning specification of field-level agreement (FLA)-related implementation costs, and adaptation of the General Ledger codes was necessary to enable correspondence between the General Ledger, activities and cost categories.
- According to the Haiti office, the various tools to be used for budget preparation increase the workload, particularly that of the unit in charge of budgets and programmes. For example, the preparation of the CSP for July 2019, requires initial budget preparation on an Excel sheet, then an entry in WINGS in the BPT (budget planning tool), with much toing-and-froing made more difficult by IT-related shortcomings. There is no automatic integration of the BPT with the implementation plan. The Panama Regional Bureau points out that deployment of the BPT in March 2018 required that all documents previously approved in COMET be re-entered manually in the BPT.
- The budget implemented report has to be implemented in the new format of the annual country report (ACR), which replaces the standard project report. The country operational management plan (COMP) is the subject of another reporting procedure to headquarters, with no direct link to the annual country report. Hence, apart from the workload incurred by the new cost grid, the entire CSP implementation system requires significant mobilization.

### 2.4.2 Lasting effects

95. In addition to the temporary effects of the system change, the workload has been increased in a more long-term way due to the increased level of budget precision, both as regards the number of activities and the wider range of cost categories.

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<sup>25</sup> While noting the initiative of assessing time spent on the launch of the CSP, caution should be exercised in accepting figures based on a strictly declarative basis and not, for example, supported by time sheets.

96. The change from 10 cost categories of costs charged on a reduced number of projects to four macro-categories introduces a simplification. But the macro-categories are themselves subdivided into several subcategories at levels 2, 3, 4 and 5, which together represent a range of 28 cost subcategories. The multiplier effect of the extended cost categories, combined with a greater number of activities than previously there were projects (there are 13 possible activity categories in all), automatically generates extra work.

- The Uganda office indicates that, while it only managed two projects most of the time (one country programme (CP) and one protracted relief and recovery operation (PRRO)) and that all of its tasks (grant analysis and management, budget monitoring and execution and pipeline reports management) were focused on these two projects, with the CSP work has become more complex because the office must detail the report at the level of the 10 activities managed in the country; the office has to monitor the budget at the level of the 10 activities; the section on analysis of donations has to be prepared by modality and cost category for the 10 activities.
- The Panama Regional Bureau cites the situation of the Colombia office, which, with nine activities managed in its strategic plan as against a limited number of projects previously, has gone from 18 budget codes to 33, and the Haiti office from 8 budget codes to 32. The United Republic of Tanzania office stressed the need to set up Excel spreadsheets in order to pre-calculate distribution of expenses by activity before they are entered into the budget system. The Nairobi Regional Bureau and the country offices in Uganda and Bangladesh convey the same message.
- The Uganda country office conducted a factual study on the allocation of Supply Chain Division staff costs between November 2017 (before the CSP) and March 2018 (after the CSP was implemented) which went from a 12-line breakdown to a 45-line breakdown.
- As a result, tasks such as creating purchase orders can be more time-consuming (United Republic of Tanzania office). Similarly, the payroll process would take about twice as long (Guatemala office).

97. The External Auditor sought to establish an objective measure of the possible increase in the administrative workload by comparing the number of certain types of budget operations for the periods of October and November 2016 (before CSP implementation) and October and November 2018 (after transition to CSP), on the sample of country offices audited in 2018 completed by Zimbabwe, which was audited in 2017 and belongs to the first wave of countries that implemented CSPs. The types of operations counted are budget lines, the breakdown of the wage bill for international staff and consultants according to the various categories, and finally the expenditure lines.

98. The results of these counts, which were carried out by the team in charge of finance at the External Auditor's request, are attached to this report. They highlight an overall **increase in budgetary and accounting transactions for the countries concerned**, with an average number of budget lines up by 52 percent between 2016 and 2018, an average increase of around 70 percent in average international staff's payroll allocation lines and around 35 percent for expenditure lines.

99. **This overall increase in the volume of budgetary and accounting transactions is the counterpart of the concern for transparency that underlies implementation of the CSPs: a more detailed cost structure and a greater number of activities instead of projects. This finding is a strong indication of an increase in the administrative workload, in particular on budget preparation and monitoring.**

**Recommendation 6. The External Auditor recommends analysing the reasons for the increase in the principal budgetary and accounting transactions in order to assess the long-term impact of the workload of country portfolio budgets on management and staff.**

### 3. Budget reporting

100. Providing an assessment of WFP's performance in comparison with objectives pursued has become an integral part of the organization's strategy. The WFP Strategic Plan (2017-2021) commits WFP to demonstrating "transparency and accountability in the management of its resources, which makes it possible to base interventions on evidence to deliver results while keeping costs under control". Communication on implementation of country portfolio budgets takes several forms.

- Each country office produces annual reports, whether standard project reports (SPRs) for projects or annual country reports (ACRs) for CSP activities, using the SPRING platform, which is integrated into COMET and other operational platforms.
- At headquarters level, performance is then assessed through the Annual Performance Report, where the results obtained in the light of the two SDGs (2 and 17), management performance alike are assessed. Corporate performance indicators are provided for in the Corporate Results Framework (CRF) and in the management plan.

101. Infra-annual reports on implementation of CSPs and their CPBs are also available through several portals.

#### 3.1 Information portals

##### 3.1.1 The CSP data portal

102. A portal for Member States<sup>26</sup> (CSP Data Portal)<sup>27</sup> was launched in June 2018 to provide them with information on the implementation of country strategic plans approved by the Board. This portal contains the main information needed to monitor the progress of CSP activities in a given country. Its development has cost USD 0.6 million since 2017 and a budget of USD 0.6 million is allocated to it in 2019.

103. The portal (finance tab) was to present the needs, the implementation plan and the expenditures implemented. However, at the time of the audit it was not possible to review the resource-based budget, and therefore to examine the budget and expenditures implemented in parallel.

104. Expenditures are only updated on an annual basis, after finalization of annual country reports (ACRs). As a result, **at the time of the audit, only 2017 expenditures were accessible through the portal**. A higher update rate is desirable in view of the transparency objective set by WFP prior to the launch of the Integrated Road Map. In addition, amounts obtained for indirect support costs (ISC) are not indicated.

<sup>26</sup> Namely the 193 WFP/United Nations Member States admitted as members of the Board or as observers. The list is given in appendix A of the General Regulations of WFP.

<sup>27</sup> <https://PSPdata.wfp.org/>

105. Subject to introduction of financial data from the implementation plan, regular updating of expenditures and minor adjustments, the CSP portal provides readable and consistent information on the organization's activity in the country from a financial point of view. As specified by the Audit Committee at its 147<sup>th</sup> meeting, any addition of new information should only be decided on following analysis of the balance between its value and the additional work required for its production.

106. Between July 2018 and February 2019, just over 1,500 internal users accessed the portal for an average session time of 4 minutes 24 seconds, with a 32 percent revisit rate. Moreover, 163 persons from delegations and 82 from the 193 WFP Member States (i.e. 42 percent of WFP Member States) requested an identifier and password from WFP in order to access their space. These 163 users actually logged on to the portal just 66 times (not necessarily 66 different users). A significant effort must be made to promote the tool to potential users and ensure that it meets their needs.

**Recommendation 7. The External Auditor recommends improving the usefulness of the "CSP Data Portal" for its users by introducing the following for each country: a) the implementation plan budget; b) expenditures incurred on an infra-annual basis; c) the amount of the Programme Support and Administrative budget; d) percentages of indirect support costs (a priori 6.5 percent) and direct support costs; e) six-month requirements in relation to the needs-based plan and implementation plan, followed by the corresponding resources actually collected.**

### 3.1.2 The various information portals

107. At least four<sup>28</sup> electronic portals provide access to budgetary and/or financial implementation information relating to the implementation of CSPs. These four portals do not all address the same users and may be for internal or external use. For example, Member States have access to a the CSP data portal and management plan portal. The portals also differ in terms of their dates on which the data used are updated and the treatment of direct and indirect support costs and implementation costs.

108. The existence of multiple portals may be justified by the fact that they serve different purposes, but it raises the question of clarifications to be given regarding the information they contain. The differences between the structures and content must be explained in order to avoid creating confusion on the part of users or supervisory bodies who can access all portals. An effort is being made to ensure consistency with the WFP Dashboard project.

109. The four portals can be characterized in terms of data presented and the frequency with which data are updated.

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<sup>28</sup> <https://mpdata.wfp.org/>; <https://PSPdata.wfp.org/index>; <http://beta.info.wfp.org/>; <https://irm.analytics.wfp.org/category/planning>

**Table 2: Presentation of the four portals for accessing budgetary and financial data relating to CSPs**

<b>Portal</b>	<b>Available data</b>	<b>Update frequency</b>
<b><u>Management plan portal</u></b>	Budget n+1 (NB and IMP)	<i>At MP approval</i>
<b><u>WFP Dashboard</u></b>	Budget n-1 (NB and IMP) Expenditures n-1	<i>At ACR approval</i>
<b><u>IRM Reporting Platform</u></b>	Budget all years (NB and IMP) Expenditure all years	<i>Continuous</i>
<b><u>CSP Data Portal</u></b>	Budget n (NB and IMP) Expenditures n	<i>Continuous for CSP approval and IMP budget Quarterly for expenditures</i>

Source: External Auditor, based on data from WFP portals.

ACR: annual country report; IMP: implementation plan; MP: management plan; NB: needs-based budget.

110. Budget data sources are the same for each portal. They could be cited more systematically. In addition, data updates take place at different rates: an irregular rate for revisions of CSPs and implementation plans under way on the one hand, and a continuous rate for entry of expenditures on the other. In addition to these irregular rates, there are informal adjustments to the data when the management plan is being prepared. WFP would benefit from establishing a clear and consistent updating rule among the different programmes and advertising it, so that it becomes well known to users.

111. Depending on the portal, the following data are presented: transfer costs,<sup>29</sup> activity costs, implementation costs,<sup>30</sup> direct support costs,<sup>31</sup> the budget for indirect support costs.<sup>32</sup> As regards execution, the level of collection associated with the indirect support cost rate applied to any contribution ("collected ISC") is never indicated.

**Recommendation 8. The External Auditor recommends rationalizing the coexistence of the different information portals relating to country strategic plans, systematically indicating their source, their rules and dates of updates and the nature of the costs presented (activities, transfers, implementation, direct support, indirect support).**

### 3.2 Consolidated costs of CPBs

112. The management plan does not include a consolidated presentation of the resources allocated to country portfolio budgets by high-level cost category or their evolution over time.<sup>33</sup> Such presentation is not possible at present, either retrospectively or for 2019, given that countries have not yet completed the process of switching to the homogeneous structure of country portfolio budgets.

<sup>29</sup> beta.info, data by modality; irm analytics;

<sup>30</sup> beta.info, data by activity category; irm analytics; CSPdata, data by CSP activity

<sup>31</sup> irm analytics; CSPdata, data by CSP activities

<sup>32</sup> mpdata; CSPdata for the home tab

<sup>33</sup> Elements are available in piecemeal fashion in the WFP Management Plan (2019–2021): transfers (paragraph 84); indirect support costs (paragraph 102), direct support costs (paragraph 116)

113. Extraction of budgetary data from country portfolio budgets provides an approach to the cost structure of consolidated country portfolio budgets at organization level as it could be presented in the future management plan.<sup>34</sup>

**Table 3: Consolidated presentation of Country Portfolio Budgets (in US dollars).**

Implementation plan	2018 <sup>35</sup>		2019	
	Value	%	Value	%
Transfers	4 024 096 267	82.1%	7 004 804 408	83.1%
Implemented	337 183 045	6.9%	562 780 871	6.7%
Direct support costs	242 012 666	4.9%	346 139 659	4.1%
<b>Subtotal</b>	<b>4 603 291 978</b>	<b>93.9%</b>	<b>7 913 724 938</b>	<b>93.9%</b>
Indirect support costs	299 213 979	6.1%	514 392 121	6.1%
<b>Total</b>	<b>4 902 505 957</b>	<b>100.0%</b>	<b>8 428 117 059</b>	<b>100.0%</b>

Source: External auditor according to the analytical table database – extraction of 20 February 2019

**Recommendation 9. The External Auditor recommends that the annual management plan present country portfolio budgets, consolidated at WFP level, according to the four macro cost categories (transfer, implementation, direct support and indirect support costs) and report on their evolution from one year to the next.**

### 3.2.1 Direct support costs

114. Direct support costs (DSC) are defined in the Financial Regulations as costs that are directly related to the support of an operation and which would no longer be required if the activity ceased. They were estimated at USD 328 million in 2019.<sup>36</sup>

115. The DSC rate, presented in the WFP Management Plan (2019–2021), declined sharply between 2016 and 2019, from 11.9 percent to 5.1 percent of the total cost of the implementation plan. However, as explained in the management plan, the decrease is due to the change in definition, which has led to a reduction in the scope of the notion of direct support cost.

116. These DSC rates are therefore not comparable, which makes the presentation by different periods in the management plan meaningless. In order to ascertain how the direct support cost rate has varied, it would be necessary to reprocess the old DSC to obtain a relevant comparison, something WFP has indicated is not technically possible.

**117. This technical limitation is problematic, as WFP is not in a position to monitor the actual evolution of its direct support cost rate relative to 2016, the last full year under the old budget structure. However, the External Auditor decided not to issue a recommendation suggesting an ex-post restatement of the value of direct support costs prior to the changeover to the new cost categories, deeming that the additional work required for this restatement would outweigh its added value.**

<sup>34</sup> The amounts presented here are different from those in the implementation plan as presented in the Management Plan (USD 7.9 billion as against USD 6.8 billion for the total financing provided; USD 514.3 million for ISC as against USD 409 million, and USD 346 million for the DSC as against USD 328 million) because WFP has registered new resources since November 2018

<sup>35</sup> Figures for 2018 do not take account of countries that do not yet have CSPs

<sup>36</sup> WFP Management Plan (2019–2021), paragraph 102



### 3.2.2 Indirect support costs

118. Indirect support costs (ISC) are defined in the Financial Regulation as costs relating to the support of implementation of projects and activities but which are not directly related to their implementation. They are calculated on the basis of all contributions paid to WFP. The total of ISC is 6.5 percent of contributions received since 1 January 2018.<sup>37</sup> The rate was previously 7 percent. Some exceptions exist where the rate is 4 percent: contributions from governments contributing to programmes in their countries and contributions from developing countries or countries with economies in transition.

119. ISC must make it possible to finance the Programme Support and Administrative (PSA) budget. The PSA is defined in the Financial Regulations as the part of the WFP budget that relates to indirect support to WFP activities. The ISC rate and the amount of the PSA budget are approved each year by the Executive Board. The information is presented in the management plan.

120. Over the past six years, total ISC have systematically exceeded the total PSA budget. The surplus generated is allocated to the Programme Support and Administrative Equalization Account.

121. The PSA budget has increased from USD 282 million in 2014 to USD 385 million in 2019, a 36.7 percent rise over five years.

### 3.2.3 Overall support costs

122. The consolidated organization-wide cost structure of country portfolio budgets now enables WFP to report on its full cost structure without complex reprocessing. **WFP is now able to report accurately on each component of food aid costs,<sup>38</sup> including what is finally converted into food.**

**Table 4: Forecast evolution of the cost structure of food aid  
(US dollars)**

Implementation plan	2018		2019	
	Value	%	Value	%
Transfer value/food products	1 019 145 059	20.8%	1 957 980 790	23.2%
Transfer cost/food products	902 561 138	18.4%	1 463 557 740	17.4%
Transfer value/cash-based transfers	1 612 632 949	32.9%	2 618 642 943	31.1%
Transfer cost/cash-based transfers	122 575 412	2.5%	187 686 115	2.2%
Capacity building	194 460 249	4.0%	322 553 253	3.8%
Provision of services	172 721 460	3.5%	454 383 567	5.4%
Implementation	337 183 045	6.9%	562 780 871	6.7%
Direct support costs	242 012 666	4.9%	346 139 659	4.1%
Subtotal	4 603 291 978	93.9%	7 913 724 938	93.9%
Indirect support costs	299 213 979	6.1%	514 392 121	6.1%
<b>Total</b>	<b>4 902 505 957</b>	<b>100.0%</b>	<b>8 428 117 059</b>	<b>100.0%</b>

Source: External Auditor. Extraction from the analytics implementation plans database at 20 February 2019.

<sup>37</sup> Decision 2017/EB.2 (WFP/EB.2/2017/11).

<sup>38</sup> Analytical table – 21 February 2019: Implementation Plan. For 2018, this data only relates to the part of the budget translated into country portfolio budgets. Countries whose budgets are managed in the old budgetary framework are not included here.

123. The External Auditor proposes to distinguish three indicators of support and monitor their evolution over time:

- **The overall support rate represents about 10 percent of WFP's budget.** Together, indirect support costs and direct support costs represent about 10 percent of total costs.<sup>39</sup> **Transfers and implementation therefore represent about 90 percent of the total.**
- **The consolidated rate of overall support and implementation represents about 17 percent of WFP's budget.** Direct and indirect support costs added to implementation costs, all these costs being considered as support to carrying out transfers, show a rate of 17.9 percent for 2018 and 16.9 percent for 2019.<sup>40</sup> Transfers represent about 83 percent of the total of which 73.9 percent is food transfers and cash-based transfers.
- **The overall support rate represents about 36 percent of the WFP budget.** This rate represents all the costs not corresponding to the value transferred, i.e. support costs, implementation costs and transfer costs. WFP support costs thus defined come to 38.8 percent and 36.5 percent.<sup>41</sup> **Pure transfers**, or value transfers, corresponding to the value of food products, cash transfers, capacity building and service delivery, represent 63.5 percent of the total, of which 54.3 percent for the value of food transfers (23.2 percent) and cash-based transfers (31.1 percent).

**Recommendation 10. The External Auditor recommends that WFP, building on the possibilities introduced by the new cost structure, report annually on the evolution of the following indicators: overall support rate, consolidated support and implementation rate and overall accompanying rate.**

### 3.3 Cooperating partners' budgets

124. For implementation of its activities (food transfers and cash-based transfers, capacity building, and provision of services), WFP relies on cooperating partners (CPs). CPs can be national or international non-governmental organizations (NGOs) or governments. In 2018, WFP's cooperating partners spent USD 450 million, including USD 388 million for NGOs and USD 62 million for governments. Sums paid to CPs for their services represented approximately 6.7 percent of WFP expenditure<sup>42</sup> for 2018.<sup>43</sup>

125. To formalize partnership relationships with cooperating partners, country offices enter into field partnership agreements with them, known as field-level agreements (FLAs).

<sup>39</sup> 4.1% + 6.1% = 10.2% in 2019

<sup>40</sup> 4.1% + 6.1% + 6.1% + 6.7% = 16.9% in 2019

<sup>41</sup> 16.9% + 17.4% + 2.2% + 36.5%

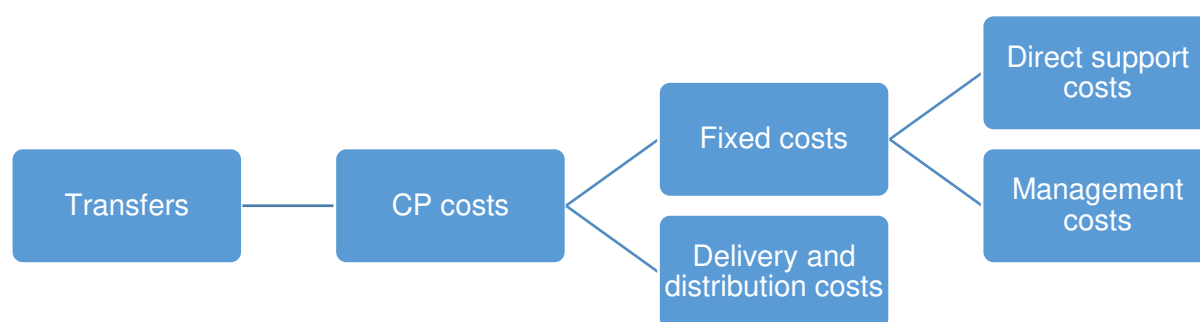
<sup>42</sup> USD 450 million/USD 6,638 million. Source: 2018 Financial Statements

<sup>43</sup> Provisional WFP financial statements for total WFP expenditure in 2018 and extraction of expenditures for cooperating partners' expenditures.

### 3.3.1 Partners' budgets

126. The new standard partner budget is in line with the new WFP budget structure defined for the CSP. The budget is detailed by activity, each of which may include all transfer modalities: food, cash-based transfers, capacity building and provision of services. A budget tab lists the total costs of the cooperating partner subdivided into fixed and variable costs (or delivery and distribution costs). This distinction is reflected in the country portfolio budget by aggregating all CPs. It therefore makes it easy to link execution of CP budgets to costs of CPs programmed in the CPB.

**Figure 4: Schematic overview of cooperating partners' expenditures in country portfolio budgets**



Source: External Auditor following CPB guidelines.

127. Visits to six field offices and two regional bureaux showed that the new FLA and associated budget format has been adopted during renewals or new partnerships.

128. In the CPB, a line of cooperating partners' "fixed costs", separate from the "delivery and distribution costs" line, calls for the following observations.

- First of all, the fixed costs line includes the CP direct support cost, which represents the partner's administrative and management costs required for implementation of modalities (running costs of the partner's office). These CP DSC are considered as "fixed costs" in the country portfolio budget and must be paid by WFP regardless of the scope and scale of activities. There is therefore an ambiguity, as such costs should normally vary depending on activity. Otherwise they could be considered as a way of paying cooperating partners' overheads twice over (since overhead costs are already paid by management fees – see below). **The External Auditor considered whether it would be appropriate to recommend that DSC invoiced by the CP should actually vary depending on activity. It appears to him that the workload for country offices would exceed the benefits to be derived therefrom, which are also highly uncertain. Rather, the upward trend in WFP's activities in recent years suggests that WFP benefits from treating direct partner support costs as fixed costs.**
- The fixed cost line also includes a 7 percent management fee paid to CPs, which represents the CP's remuneration and is supposed to cover its overheads.

**The External Auditor wondered whether it was legitimate for these amounts, which are similar to indirect support costs delegated to CPs, to be included in the transfers category communicated to the Board. It appears to him that this imputation is acceptable, because partners' remuneration is related to a service rendered that would not exist without the activity.**

- The question remains as to the legitimacy of the principle of paying a management fee to non-profit NGOs, as their expenses related to WFP operations are covered by direct support costs. **Payment of this fee appears to be considered acceptable by the donors interviewed.**
- WFP is not able to report on the total cost to the organization as a whole of the fees paid to cooperating partners or the range of rates actually applied in the field, whereas the External Auditor identified two cases where the rate was 5 percent rather than 7 percent. As the External Auditor noted in the reports on decentralization and on food losses, FLA management is decentralized to country offices, but the counterpart to decentralization of FLAs should be a robust accountability mechanism.<sup>44</sup> At minimum, WFP should **monitor the evolution of the amounts paid as cooperating partners' fees.**

**Recommendation 11. The External Auditor recommends monitoring the total amount of the management fee paid annually to cooperating partners and the range of rates applied by field-level agreements.**

### 3.4 The reform's impact on donors

#### 3.4.1 Flexibility in allocation of contributions

129. One of the reform's ambitions is to provide greater transparency to donors by establishing a clear link between their contributions, activities and impact on intended beneficiaries.

130. Thus, WFP hopes that the resulting confidence-building measures will encourage donors to limit the conditions imposed on contributions and accept more multi-year contributions. A more measured ambition would be to increase the proportion of softly earmarked contributions, i.e. to offer more effects-orientated financing.

131. WFP encourages multi-year contributions and establishment of strategic partnership agreements with donors to ensure predictable and flexible funding to achieve a set of jointly defined, relatively long-term objectives. WFP currently has 13 strategic partnership agreements with donors.

132. The recent evolution of the distribution of the WFP budget **does not yet show any progress towards flexibility objectives.** Earmarked and non-earmarked contributions came to 93.9 percent and 6.1 percent, respectively, in 2016 and 94.4 percent and 5.6 percent in 2018.

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<sup>44</sup> Report of the External Auditor on Decentralization, June 2017 (WFP/EB.A/2017/6-G/1\*). Report of the External Auditor on food-related losses, June 2018 (WFP/EB.A/2018/6-G/1\*).

133. Noting that a number of indicators were not included in the results-oriented annual report presented in June 2018, the donor states consulted stressed that the **Corporate Results Framework (CRF) is not yet operational and emphasized the need for it.**

134. Although some donors consulted, mainly those with a good knowledge of the new budget structure, acknowledge better readability and transparency of WFP's actions, almost none confirm the correlation expected by WFP between the progress made possible by the reform and a less strict allocation of contributions to specific purposes.

135. While remaining cautious about the future, all but one of the representatives interviewed in Rome are sceptical about reducing allocations to specific purposes. They point out that conditionalities are more the result of their countries' own policies than of the type of information provided by beneficiaries.

136. Regarding the possible increase in the multi-annuality of donations, opinions are divided, with no one envisaging any significant change, including among those who already practice a degree of multi-annuality after signing a "strategic partnership agreement" with WFP.

137. WFP is intensifying its collaboration with host governments by seeking access to other funding flows and resources in order to support activities in line with national priorities.<sup>45</sup> As the reform continues to be implemented, WFP's consideration and support of national priorities may open up new opportunities. Similarly, WFP will seek to position itself as a partner and implementing agency alongside host governments receiving funds from international financial institutions such as the World Bank.

138. Finally, WFP participates in strategic funding dialogues with donors, with a particular focus on flexibility and predictability in order to maximize the impact of contributions.

#### 3.4.2 Financing the root causes of hunger

139. Through its new framework, the CSP policy also aims, to create a closer link between humanitarian and development activities in order to facilitate donors' transition from one to the other in response to changes in operating environments.<sup>46</sup>

140. In line with the 2030 Agenda, WFP, while continuing to focus on its core life-saving activities, must also endeavour to foster obtainment of results contributing to development of longer-term productive opportunities.

141. Yet, in 2018, nearly two-thirds (USD 3.2 billion – 63 percent) of WFP's contributions to CSPs were still used for crisis response, and only 3 percent for root cause resolution).

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<sup>45</sup> WFP Management Plan (2019–2021), paragraphs 40-47.

<sup>46</sup> Policy on Country Strategy Plans, paragraph 66.

## V. CONCLUSIONS

142. In conclusion, answers to the questions that the External Auditor was assigned in his audit's terms of reference are summarized as follows.

1. Country portfolio budgets represent an improvement in transparency and accountability vis-à-vis donors. They are in line with United Nations Sustainable Development Goals 2030, but there is still room for improvement in their articulation with other organizations, particularly with regard to the UNDAF cycle. Improvements remain to be made, particularly in terms of reporting, complementing the information on the various portals and conducting consolidated monitoring of the implementation of plans. However, it is too early to say whether CPBs will contribute as hoped to reducing donors' imposing conditions on the use of their contributions, or to increasing the share of multi-year contributions.
2. For the most part, cost categories appear to be well defined. They provide a better understanding of WFP's expenditures. Verifications made during field missions on a sample of transactions amounting to USD 56.4 million, show that they are well assimilated and did not reveal any significant booking errors. The system has called for a number of simplifications since its deployment. The trade-off between simplicity and precision is complex, as evidenced by the limitations of aggregating activities conducted in the field into corporate activity categories, or the impossibility of comparing the evolution of direct support cost levels before and after implementation of the Integrated Road Map.
3. Budgets allocated to cooperating partners integrate the new budgetary structure. Certain characteristics of expenses paid to them raise questions but may be judged acceptable (partners' direct support costs considered as fixed costs, payments of fees considered as transfer expenses by WFP). The overall amount of fees paid to cooperating partners should be monitored.
4. The workload due to the deployment of CSPs and CPBs has most probably increased, although this conclusion is more a result of a body of evidence than a mathematical causality. It is also a counterpart to the increase in the amount of information and transparency.

143. Finally, it should be borne in mind that the reform, which has so far cost USD 59.4 million (including the 2019 forecast), is not yet fully implemented, in particular, but not exclusively, with regard to the Corporate Results Framework, and that experience should lead to further adjustments with a view to balancing transparency and workload.

## VI. ACKNOWLEDGEMENTS

144. The audit team would like to express its appreciation to the Budget and Programming Division (RMB), which was particularly involved in this report, and to the field offices that were the subject of the auditors' missions or whose directors agreed to share their perceptions and experience.

*End of audit observations.*

## ANNEX

## Estimates of the impact of CSPs on finance and budget units' workload

	Number of budget transaction lines					
	October 2016	October 2018	Delta	November 2016	November 2018	Delta
Bangladesh	1 400	6 145	339%	1 393	6 156	342%
Guatemala	503	1 144	127%	505	1 143	127%
Haiti	1 697	2 064	22%	1 697	2 065	22%
Jordan	2 946	2 166	-26%	2 940	2 168	-26%
United Republic of Tanzania,	1 472	2 829	92%	1 478	2 822	92%
Uganda	3 415	5 689	67%	3 418	5 673	66%
Zimbabwe	2 910	1 720	-41%	2 912	1 720	-41%
<b>Grand total</b>	<b>14 343</b>	<b>21 757</b>	<b>52%</b>	<b>14 343</b>	<b>21 747</b>	<b>52%</b>

	Number of staff commitments*					
	October 2016	October 2018	Delta	November 2016	November 2018	Delta
Bangladesh	7	21	200%	8	24	200%
Guatemala	3	5	67%	3	5	67%
Haiti	23	10	-57%**	24	10	-58%
Jordan	9	13	44%	9	14	56%
United Republic of Tanzania	9	15	67%	10	15	67%
Uganda	8	28	250%	10	25	150%
Zimbabwe	5	14	180%	3	16	433%
<b>Grand total</b>	<b>64</b>	<b>106</b>	<b>66%</b>	<b>67</b>	<b>109</b>	<b>63%</b>

\* International professionals and consultants only, the functionality to create monthly commitments (SAP-PBC) is not used for local staff

	Number of expenditures lines					
	October 2016	October 2018	Delta	November 2016	November 2018	Delta
Bangladesh	1 023	2 557	150%	912	2 879	216%
Guatemala	303	399	32%	316	206	-35%
Haiti	920	685	-26%	1 271	523	-69%
Jordan	639	704	10%	790	583	-26%
United Republic of Tanzania	694	777	12%	37701	816	16%
Uganda	1 468	3 221	119%	1 432	3 538	147%
Zimbabwe	2 438	1 446	-41%	2 220	1 560	-30%
<b>Grand total</b>	<b>7 485</b>	<b>9 789</b>	<b>31%</b>	<b>7 642</b>	<b>10 105</b>	<b>32%</b>

Source: SAP – WINGS – team in charge of finances

\*\* WFP has indicated that this sharp drop was, in its view, the result of the period following the 2016 humanitarian crisis in Haiti.

## Acronyms used in the document

ACR	annual country report
COMET	country office tool for managing effectively
COMP	country operational management plan
CPB	country portfolio budget
CRF	Corporate Results Framework
CSP	country strategic plan
DSC	direct support costs
FLA	field-level agreement
ICSP	interim country strategic plan
IRM	Integrated Road Map
ISC	indirect support costs
ISSAI	International Standards of Supreme Audit Institutions
LEO	limited emergency operation
NGO	non-governmental organization
ODOC	other direct operating costs
PSA	Programme Support and Administrative budget
RMB	WFP Budget and Programme Division
SDG	Sustainable Development Goal
SPR	Standard Project Report
SPRING	Standard Project Report Intelligent Next Generation
T-ICSP	transitional interim country strategic plan
UNDAF	United Nations development assistance framework