

Informal Consultation on the Financial Framework Review

1 April 2016



World Food Programme

Today's Objective and Agenda

Objective

Update the Executive Board on the Financial Framework Review's pilots and prototype phases currently underway and the key discussion points in the lead up to the 2016 Annual Session

Agenda

- **Overview of the Financial Framework Review**
- **Budgeting for Operational Effectiveness**
 - Preliminary Country Portfolio Budget structure
 - Three-phase prototype process
 - Opportunities for Discussion
- **Resource-based Planning**
- **Macro-advance Financing**

OVERVIEW OF THE FINANCIAL FRAMEWORK REVIEW

Financial Framework Review Objective

Maximize operational effectiveness through more realistic planning, enhanced accountability, streamlined processes and harmonized financial and results frameworks

Financial Framework Review Prioritized Work Streams

Key Component of the Integrated Roadmap

Budgeting for Operational Effectiveness

Reduce internal fragmentation, simplify processes and maximize transparency, flexibility and accountability; it will deliver the Country Portfolio Budget structure and is aligned to the country strategic planning approach

Resource-based Planning

Standardizes resource-based plans at the country office level to improve planning and performance management

Macro Advance Financing

Provides aggregated budget authority for country offices early in the process to reduce the effects of fragmented funding streams, increase the predictability of resources and maximize efficiency and effectiveness

Financial Framework Review is fundamental to achieving a desired 'line of sight' from strategy to resources and results

Strategic Plan (2017-2021)

Country Strategic Plan

FFR: Budgeting for Operational Effectiveness

Corporate Results Framework

FFR: Resource based planning

FFR: Macro advance financing

UPDATE ON BUDGETING FOR OPERATIONAL EFFECTIVENESS

Proposed Country Portfolio Budget structure based on country office requirements and other UN and NGO financial frameworks

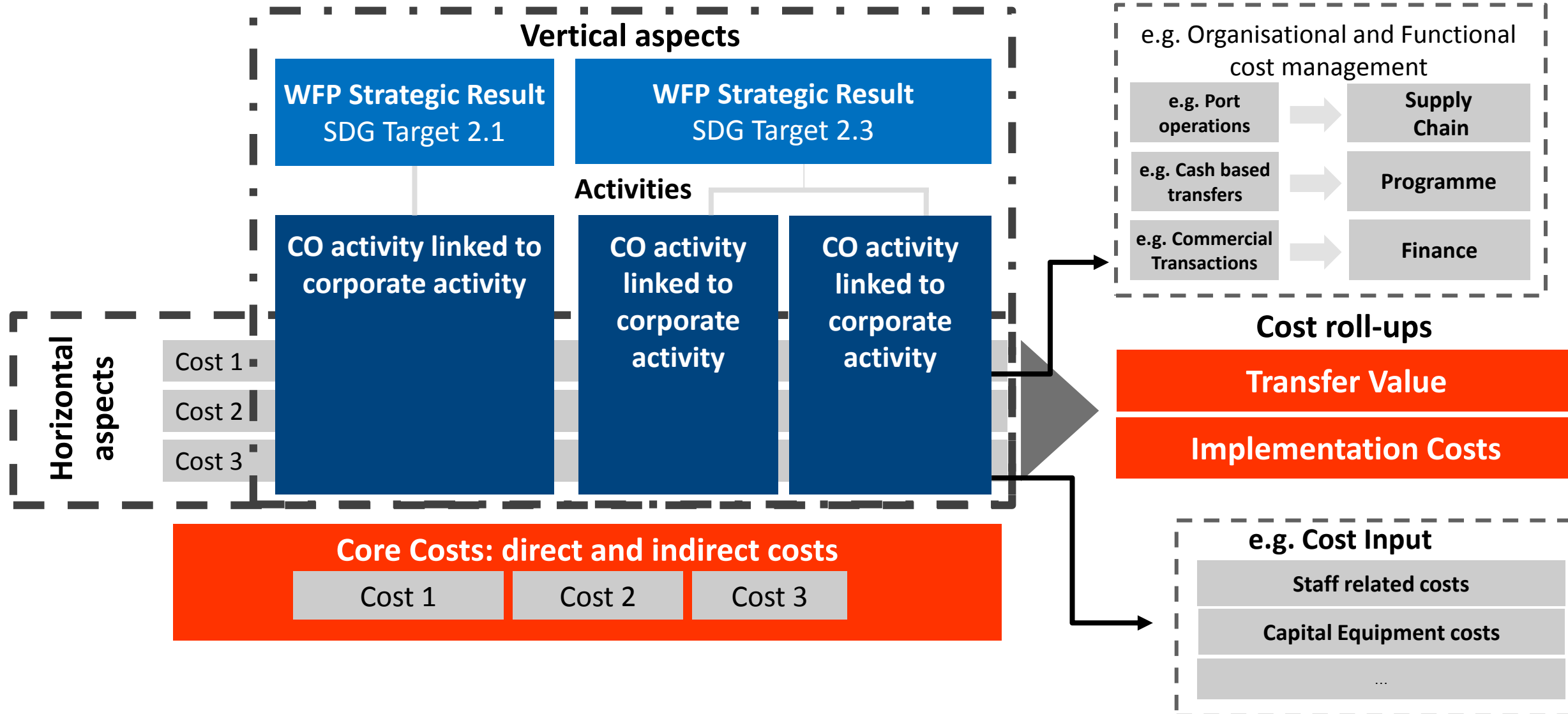
Desired Characteristics:

- A **clear line of sight** from strategic results to activities to costs;
- **Single planning period** encompassing all operations for a calendar year;
- **Activities-based planning** recognizing activities are the primary dimension for operational planning;
- Identification of activity costs in terms of **transfer value** or **implementation costs**;
- New **cost definitions harmonized** where possible with other United Nations agencies to facilitate reporting and comparison;
- Management of **core costs** on a country-wide basis; and
- Creation of a separate activity category for initial emergency response to **maintain flexibility**

Proposed Country Portfolio Budget structure will harmonize WFP's strategies and operations at the country level in conjunction with the Strategic Plan, the country strategic planning approach and the Corporate Results Framework

The emerging Country Portfolio Budget structure

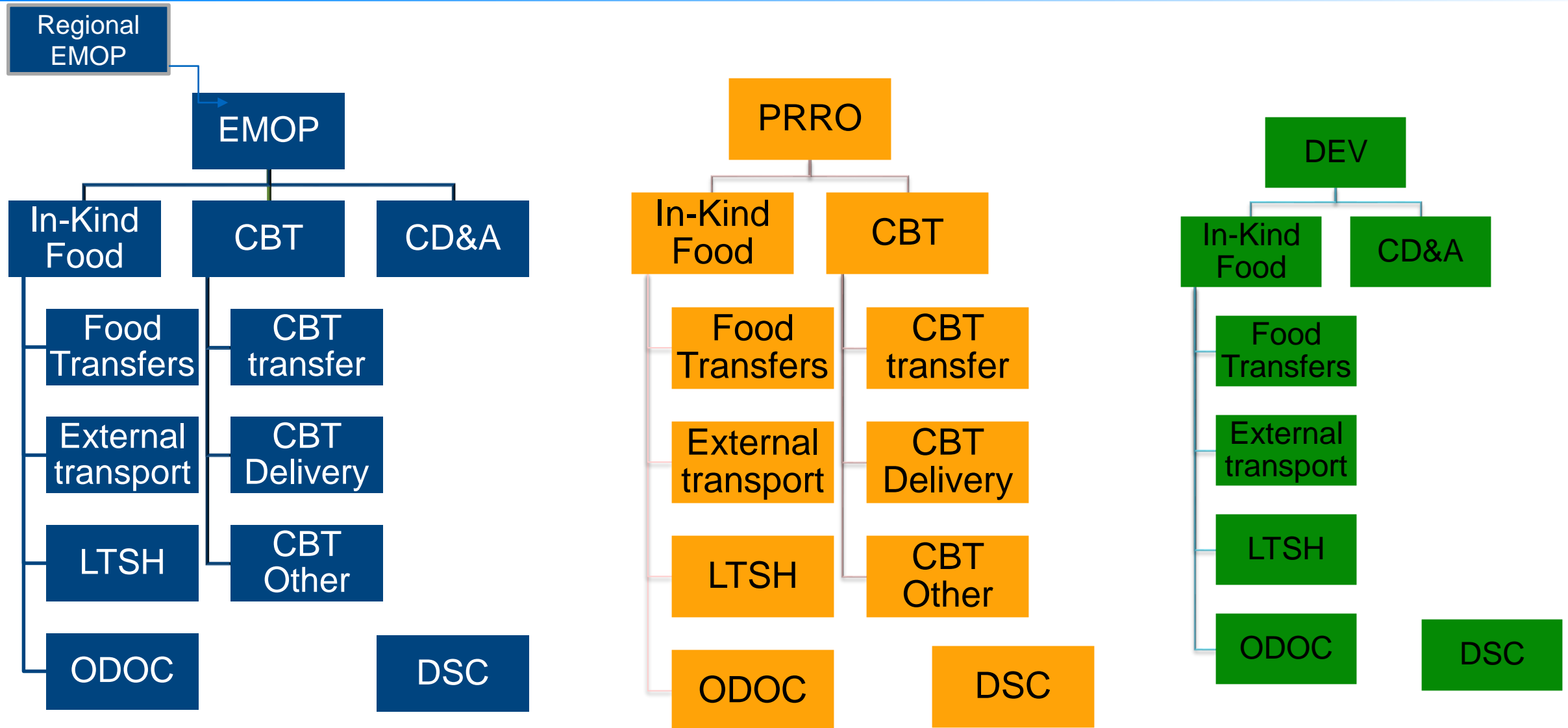
DRAFT FOR DISCUSSION



Note: Among other critical issues, WFP Supported Outcomes and Context will be reviewed to determine the effects on the model.

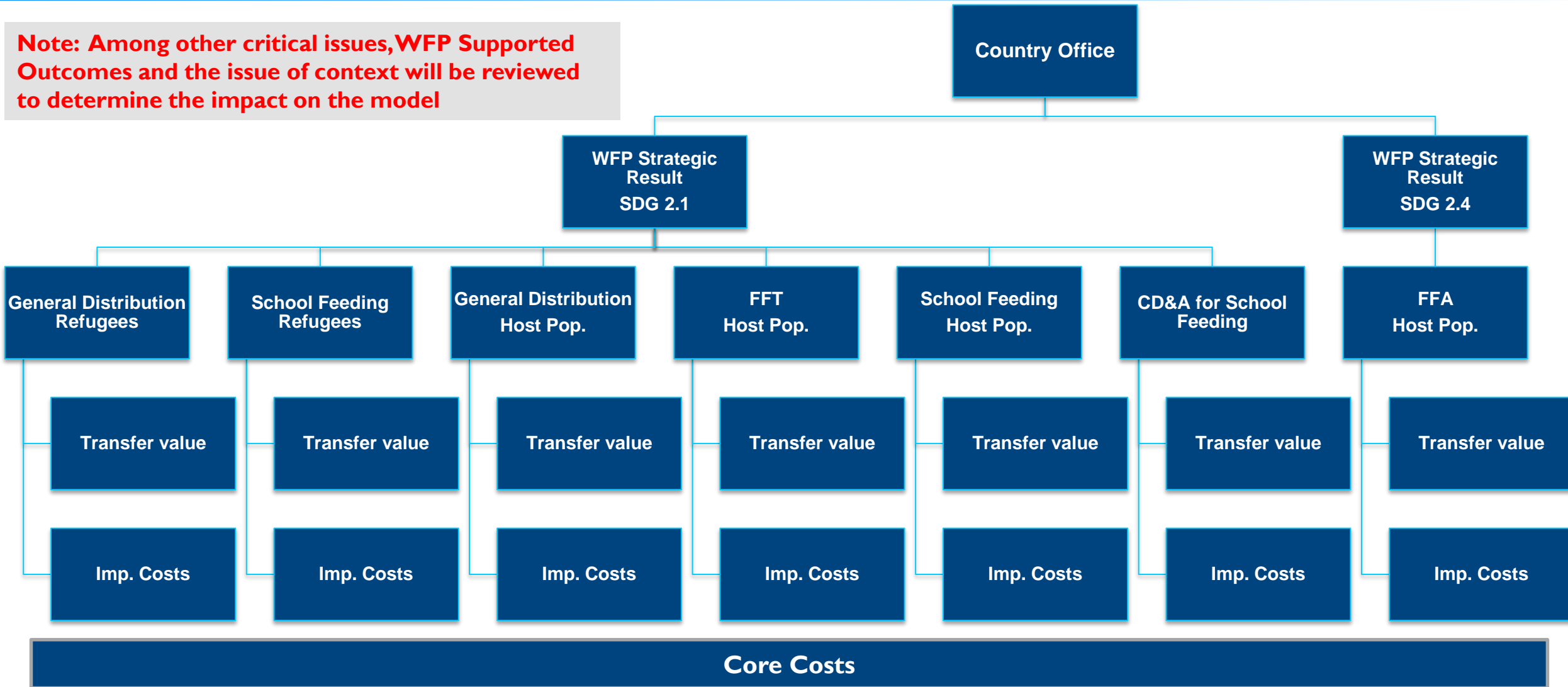
Note: Activities will be linked to one and only one WFP Strategic Result.

Country office example of fragmented budget authority and multiple budget entities under current structure



Proposed Country Portfolio budget will provide a holistic operational view and will map activities to Strategic Results

Note: Among other critical issues, WFP Supported Outcomes and the issue of context will be reviewed to determine the impact on the model



Three-phase prototyping process at the country office level will refine the budget model

2016						
Feb	Mar	April	May	June	July	Aug
Phase I		Phase II		Phase III		
LINE OF SIGHT		BUDGET STRUCTURE & COSTS		IMPACT & VALUE FOR MONEY		
Jordan						
Indonesia						
		Uganda				
		Zimbabwe				
		Colombia				
				Large Country Office (TBC)		
				L3 (TBC)		

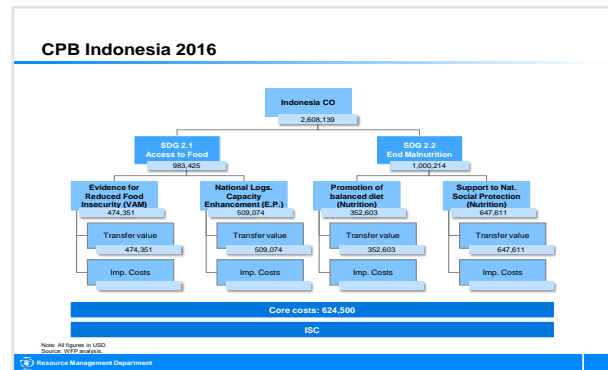
Phase I prototyping in the Jordan and Indonesia Country Offices has concluded

Phase I Objective: Refine the high-level budget planning structure to establish a single ‘line of sight’ from the high level Strategic Results to the SDG target to country office activities

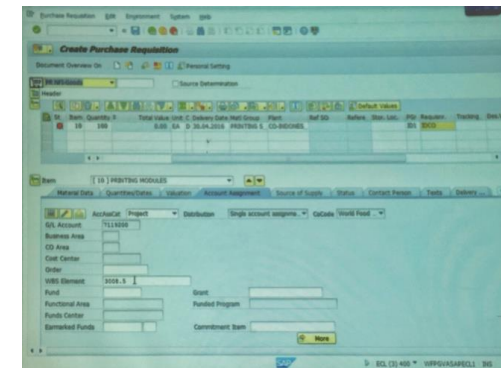
✓ Definition of new CPB structure: line of sight focus

✓ Creation of prototype system

✓ Testing of representative scenarios in the prototype



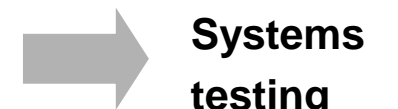
WBS Element/Code/Activity	Plan (€)	Plan (USD)	MC-E (€)	Plan (USD)	Plan (USD)	MC-E (USD)
234444 Accounts, Civilian Health Units	20,000.00	20,000.00				
404000 Strategic Support (IP) (Planned)	149,140.00	149,140.00				
421010 Int. Cooperation Trans (IP) (Planned)	22,800.00	22,800.00				
441000 O/S/Transfer (Planned)	24,890.00	24,890.00				
441010 Int. Cooperation Trans (IP) (Planned)	20,000.00	20,000.00				
441020 Int. Cooperation Trans (IP) (Planned)	4,890.00	4,890.00				
460000 Humanitarian Assistance (Planned)	20,000.00	20,000.00				
** VBS 2016-02.01.01 Transfer Under EP	86,770.00	86,770.00				
** VBS 2016-02.01.01 Human Log. Cap. Enh. (Planned)	86,770.00	86,770.00				
330000 Accounts, Operational Management	15,000.00	15,000.00				
404000 Strategic Support (IP) (Planned)	179,100.00	179,100.00				
421010 Int. Cooperation Trans (IP) (Planned)	12,000.00	12,000.00				
441000 O/S/Transfer (Planned)	25,490.00	25,490.00				
441010 Int. Cooperation Trans (IP) (Planned)	20,000.00	20,000.00				
441020 Int. Cooperation Trans (IP) (Planned)	5,490.00	5,490.00				
** VBS 2016-02.01.01 Transfer Under EP	474,550.00	474,550.00				
** VBS 2016-02.01.01 Evidence for Reduced Food Insec.	474,550.00	474,550.00				
** VBS 2016-02.01.01 NSG: Emergency Response	302,400.00	302,400.00				
404000 Strategic Support (IP) (Planned)	207,450.00	207,450.00				
421010 Int. Cooperation Trans (IP) (Planned)	12,000.00	12,000.00				
441000 O/S/Transfer (Planned)	20,000.00	20,000.00				
441010 Int. Cooperation Trans (IP) (Planned)	16,000.00	16,000.00				
441020 Int. Cooperation Trans (IP) (Planned)	4,000.00	4,000.00				
** VBS 2016-02.01.01 Transfer Under EP - National	202,450.00	202,450.00				
** VBS 2016-02.01.01 Evidence for Reduced Food Insec.	202,450.00	202,450.00				
330000 Accounts, Operational Management	20,000.00	20,000.00				
404000 Strategic Support (IP) (Planned)	177,140.00	177,140.00				
421010 Int. Cooperation Trans (IP) (Planned)	12,000.00	12,000.00				
441000 O/S/Transfer (Planned)	20,000.00	20,000.00				
441010 Int. Cooperation Trans (IP) (Planned)	16,000.00	16,000.00				
441020 Int. Cooperation Trans (IP) (Planned)	4,000.00	4,000.00				
** VBS 2016-02.01.01 Evidence for Reduced Food Insec.	147,140.00	147,140.00				
** VBS 2016-02.01.01 NSG: Civilian Health Units	139,000.00	139,000.00				
330000 Accounts, Operational Management	20,000.00	20,000.00				
404000 Strategic Support (IP) (Planned)	122,210.00	122,210.00				
421010 Int. Cooperation Trans (IP) (Planned)	12,000.00	12,000.00				
441000 O/S/Transfer (Planned)	16,000.00	16,000.00				
441010 Int. Cooperation Trans (IP) (Planned)	12,000.00	12,000.00				
441020 Int. Cooperation Trans (IP) (Planned)	4,000.00	4,000.00				
330000 Accounts, Operational Management	12,000.00	12,000.00				
404000 Strategic Support (IP) (Planned)	10,000.00	10,000.00				
421010 Int. Cooperation Trans (IP) (Planned)	2,000.00	2,000.00				
441000 O/S/Transfer (Planned)	4,000.00	4,000.00				
441010 Int. Cooperation Trans (IP) (Planned)	4,000.00	4,000.00				
441020 Int. Cooperation Trans (IP) (Planned)	4,000.00	4,000.00				
** VBS 2016-02.01.01 Evidence for Reduced Food Insec.	16,490.70	16,490.70				
** VBS 2016-02.01.01 NSG: National	16,490.70	16,490.70				
** VBS 2016-02.01.01 NSG: National	2,742,400.70	2,742,400.70				
** P-000000 O/S/Transfer (IP) (Planned)	2,742,400.70	2,742,400.70				



Conceptual definition



Systems configuration



Systems testing

Initial assessments from Phase I prototyping in the Jordan and Indonesia Country Offices are positive



Feedback from Jordan

- “Line of Sight” can improve CO effectiveness.
- Grouping by Strategic Results/SDGs and activities reflect operational reality.
- Provides transparency on activities and impact along SDG logic.
- Ready to adopt an organizational structure that will support activity management and drive accountability.
- Recognizes the needs and required capabilities such as changes to delegation of authority for organizational readiness.
- Additional work required (not exhaustive), including examination of core costs approach; current use of cumulative pots; application of the principle of full cost recovery; delegation of authority.

Initial assessments from Phase I prototyping in the Jordan and Indonesia Country Offices are positive



Feedback from Indonesia

- Activity view incentivizes accountability and will help the Country Office be more cost efficient.
- Clear budget structure will aid in tracking activity costs and creating reports for budget owners.
- Recent organizational restructuring in the Indonesia Country Offices will support the new activity-driven operational model.
- Preference to accelerate the process.
- Flexibility enhanced *within* an activity [application of the principle of full cost recovery].
- Additional work includes (not exhaustive) stability of funding for staff and the determination of flexibility across activities.

As highlighted during EB1/2016, opportunities for discussion are emerging:

1. Governance

- Opportunity to change the basis on which authority is conferred; review how revisions are managed; and, review information requirements for the Executive Board.
- CSP and a supporting budget structure (i.e. CPB) could potentially become the Board's primary governance document.

2. Context

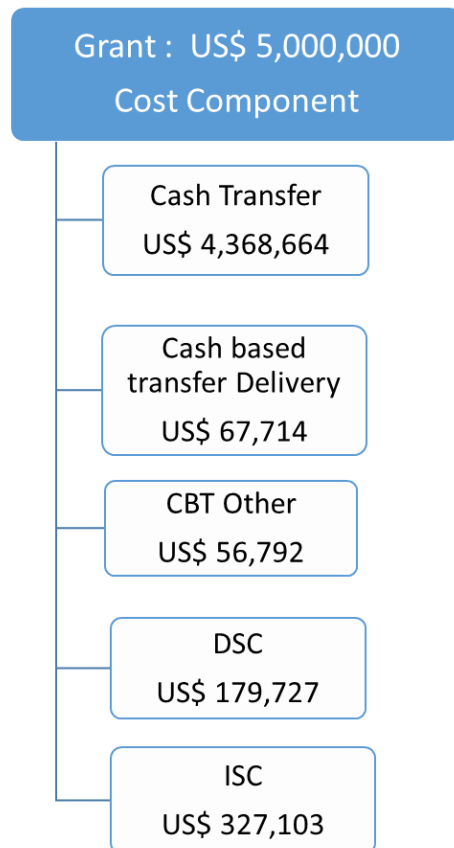
- Opportunity to move away from current programme categories to minimise fragmentation.
- Review of how context will be incorporated in CSPs and CPBs [Internal discussions underway].

3. Application of the full cost recovery principle

- Opportunity to define the minimum requirements for full cost recovery, prioritising fairness and equity.
- Full cost recovery will be retained: "...each donor shall provide cash contributions sufficient to cover the full operational and support costs of its contribution..." General Regulation XIII.2.
- Its current application involves categorizing all contributions into specific costs components which then act as budgetary limits. If WFP moves to an activity-based structure, this practice would have to change.

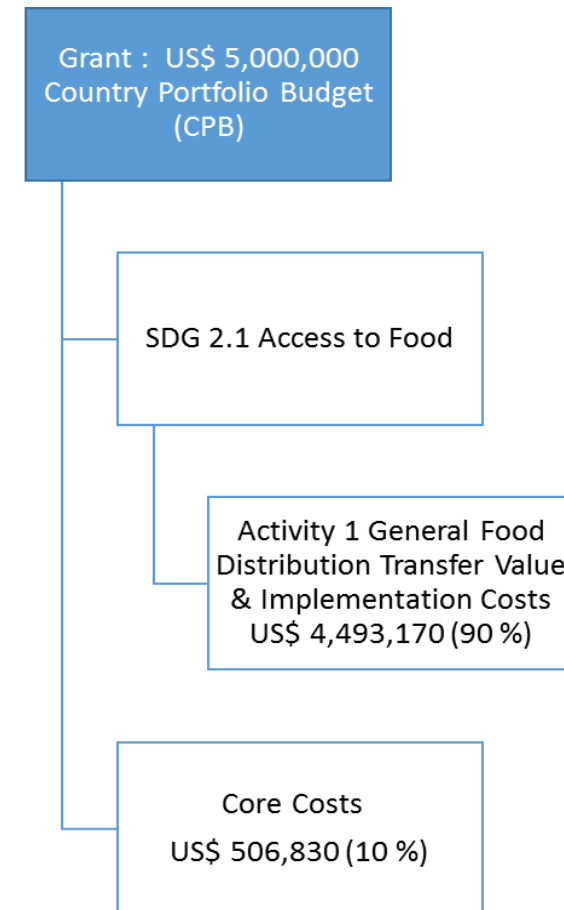
Example of the full cost recovery principle applied to a donor contribution

Current Structure



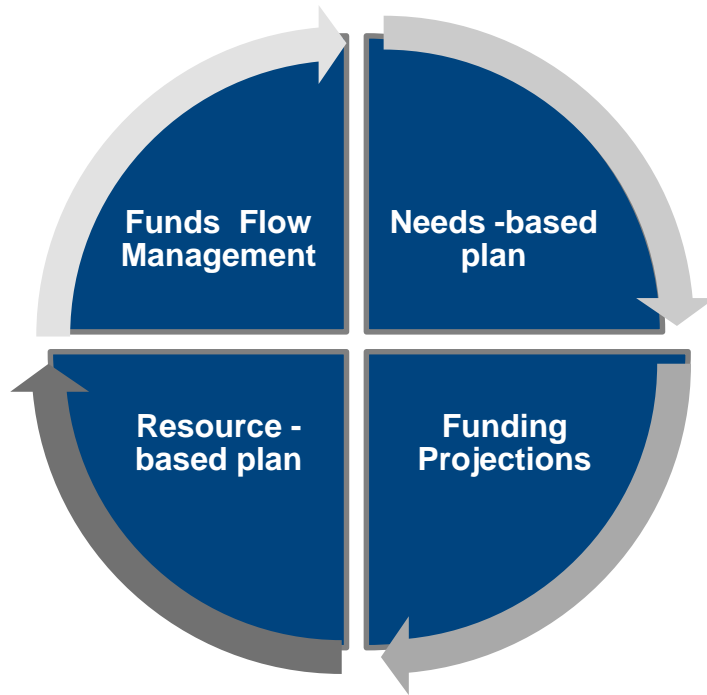
What is important to achieve Full Cost Recovery in the new model?

Proposed Structure *(Work in Progress)*



UPDATE ON RESOURCE-BASED PLANNING

Resource-based planning



- Not a new concept: **most likely funding scenario** is already implemented in many operations; Management Plan reflects **Prioritized Programme of Work** based on funding projections.
- WFP will continue to **advocate for full funding** of responses to all beneficiary requirements.
- Resource-based plans will introduce a **standardized approach** across organisation for prioritizing activities or beneficiary groups to maximise impact.
- **Potential benefits** include:
 - Improved visibility on pipeline, supply chain and impact of funding shortfalls.
 - Enable longer-term planning discussion with partners.
 - More realistic rates for associated cost planning, limiting risks of surpluses/deficits.

Resource-based planning: Pilot Process

- Resource-based plans is being developed in nine pilot countries (Ethiopia, Guatemala, Kenya, Lesotho, Mali, Nicaragua, Pakistan, Sudan and Zimbabwe)
- With a view to simplicity, pilots are utilizing existing tools with minimum technical or procedural integration
- Results will be assessed and lessons learned will inform the development of a long-term solution that will be rolled-out to all country offices

UPDATE ON MACRO-ADVANCE FINANCING

Macro advance financing for country offices to improve operational continuity and effectiveness

Objective

- **Greater predictability of timing and resourcing**

Concept

- **Internal resource management process to provide aggregated budget authority to country offices**
- **Risk borne by the organization under the Internal Project Lending facility (backed by the Operational Reserve)**
- **Potential benefits include:**
 - Improved stability, continuity and implementation of projects and activities such as nutrition whose results are sensitive to interruptions
 - Procurement and transport savings through timely food purchases

Pilot Implementation

- **Based on existing authorization by the Executive Board, macro advances of USD 82.3 million were approved for Ethiopia, Kenya, Mali and Sudan**
- **All donor conditions will be respected when the advance is repaid**
- **Assessments during and at the conclusion of the pilot will quantify any realized gains in operational efficiency and effectiveness**

Initial assessments of on-going pilots have potential benefits and the emerging challenges

Benefits

Ethiopia

- Pipeline stabilized until June, averting negative impact to refugees' nutrition status

Mali

- Pipeline stabilized until May, savings realized by locally procuring cereals at the start of harvest

Kenya

- Enabled timely procurement of commodities and has enhanced planning and management of pipeline

Sudan

- Revived nutrition activities and reduced lead time for nutrition products
- Absorbed national staff salary increases more timely

Challenges

- Monitoring of funding projections
- Matching confirmed contribution to the macro-advance
- Increase and/or identify alternative donor visibility means

THANK YOU