

Strategic Utilization of the PSA Equalization Account

WFP/EB.A/2015/6-D/1

Annual Session of the Executive Board

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World Food Programme

What is the PSA Equalization Account?

Overview

The PSAEA is a reserve to record the differences between indirect support costs revenue and PSA expenses for the financial period

What does it do?

Serves as a safety net when approved PSA expenditures exceed the ISC income derived from donor contributions

Terms of Use

- Any utilization of the PSAEA requires the approval of the Board. Generally, it is limited to support costs, such as capital and capacity building costs
- The current target level (determined by the Board) is four months of PSA expenditure

Current balance of the PSA Equalization Account provides strategic opportunity to improve services

(Figures in USD millions)

2014
Financial
Statements

PSAEA balance as at 1 January 2014	121.3
ISC Income in 2014	357.7
PSA Expenditure in 2014	280.5
Critical Corporate Initiatives	8.7
PSAEA Balance at 31 December 2014	189.8
Current PSAEA Target Level	93.9
PSAEA Surplus Over Current Target	95.9

Target level (four months of PSA expenditure) is **USD 93.9 million**

The balance exceeds the target level by **USD 95.9 million**

Recall the principles from the policy discussion for utilizing the PSA Equalization Account

Progress on the Financial Framework Review, including Indirect Support Costs (WFP/EB.A/2015/6-C/1), where the Board:

Endorses the use of the balance on the Programme Support and Administrative Equalization Account for the following purposes:

- a) To cover any difference between indirect support cost income and approved Programme Support and Administrative expenditure;
- b) As a reserve to underwrite risk of decreases in indirect support cost income or underfunding of the Programme Support and Administrative budget;
- c) For **critical corporate initiatives or thematic support funds**; and
- d) For **strengthening WFP's reserves**

A 2015 allocation of USD 78 million is proposed for approval in three areas

Use	Description	2015	2016	Total
<i>(USD millions)</i>				
1 Immediate Response Account	<ul style="list-style-type: none"> Provide timely and predictable funding, allowing quick response to life-threatening situations 	50		50
2 Wellness Programme Fund	<ul style="list-style-type: none"> Support employee wellness initiatives in field locations over a number of years where other sources of funding may not be assured 	10		10
3 Critical Corporate Initiatives	<ul style="list-style-type: none"> Invest in capacities across four of the six focus areas aligned to support Fit-for-Purpose 	18	17 *	35
Total		78	17	95

Improve the response capacity of the Immediate Response Account (IRA)

Proposal

The IRA supports life-threatening operations. We are seeking to improve the effectiveness and oversight of the IRA, through investing USD 50M as a 'revolving' baseline, as part of upfront risk management of the Account.

Rationale

- Life-threatening needs exceeding current capacity, resulting in increased pressure to revolve (as opposed to grant)
- Focus on loans reduces visibility of contribution impact
- Dynamic risk management decision concerning loan or grant, ensures more predictable repayment
- Increased clarity of funds transfers, facilitates fund raising

Management is improving the management, visibility, and donor recognition of the IRA in hopes of scaling-up contributions to the account

Improve employee wellness in field-duty stations

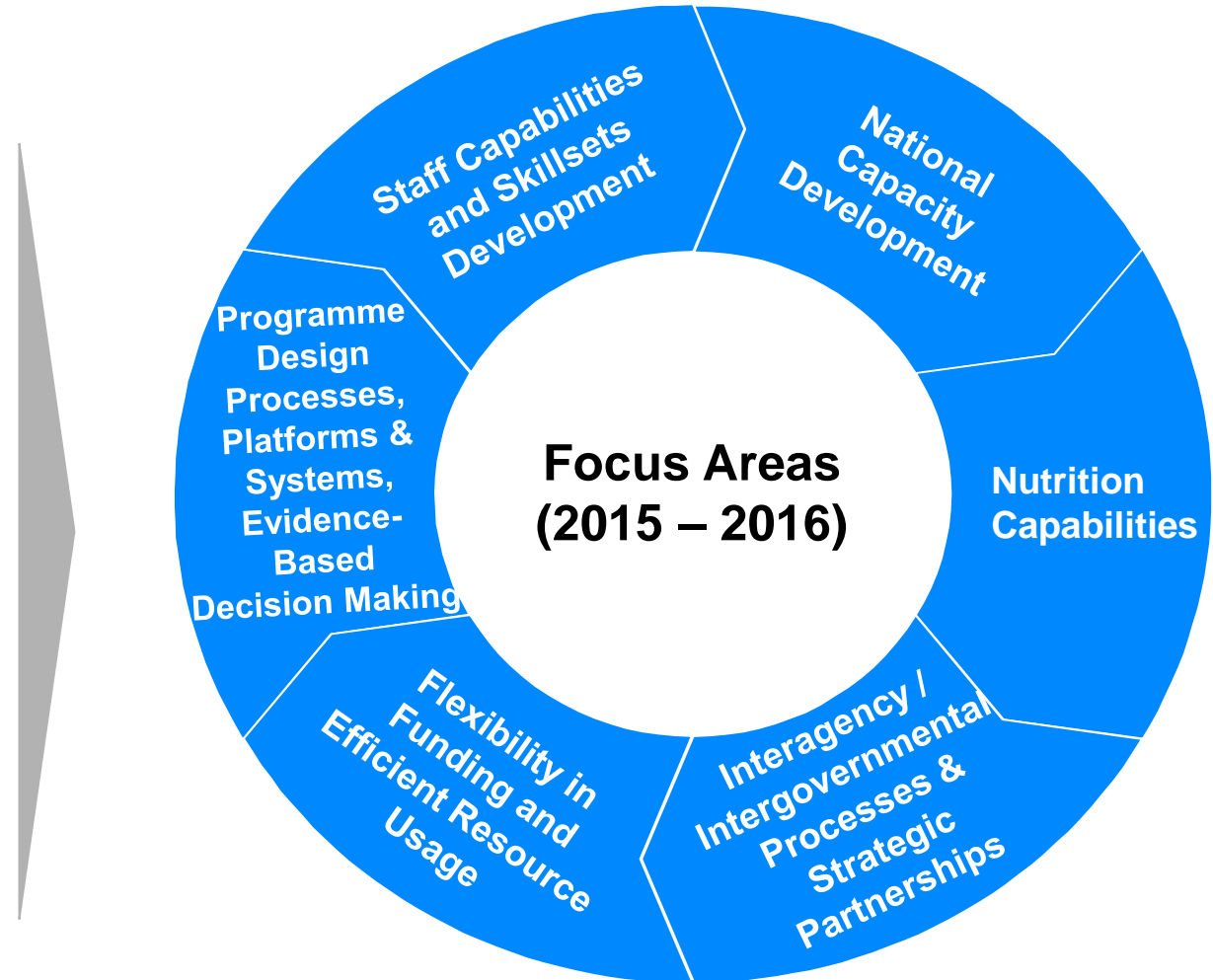
Proposal	Wellness Programme Fund to improve employee wellness in field duty-stations where full repayment from a country portfolio cannot be assured
Rationale	<ul style="list-style-type: none">• Employee services are inadequate in many places where WFP works, including lack of access to basic health services and facilities
Expected Benefits	<ul style="list-style-type: none">• Improved access to basic health services and facilities to help mitigate security incidents and address epidemics and disease outbreaks• Better staff wellness/ morale in emergencies and hardship duty stations
Proposed Amount	USD 10 million from PSA Equalization Account to start up activities in 2015

Improving employee wellness will ensure WFP is better equipped to carry out programming in emergencies and hardship duty stations in today's demanding operational environments





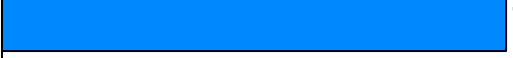
Focus areas for 2015 – 2016 were defined to accelerate organizational strengthening going forward

Proposal

- Non-recurring strategic investments in key areas in 2015 to accelerate WFP's organizational strengthening effort
- The funds will help accelerate the achievement of key deliverables across six focus areas for the rest of 2015 and throughout 2016
- USD 18 million proposed for four initiatives in 2015



Proposed additional 2015 Critical Corporate Initiatives to support organisational strengthening

2015 Funding Request (USD M)	Initiative Overview
<p>Workforce Skillset Development</p>  <p>2.6</p>	<ul style="list-style-type: none"> • Cross-functional C&V training, tailored Humanitarian Leaders Programme, and access to targeted skill development content
<p>Targeted Investment in Focus Countries</p>  <p>1.0</p>	<ul style="list-style-type: none"> • Assisting WFP COs to support national capacities with building evidence-base and programme approaches for eradicating hunger
<p>Development of Corporate C&V Platform</p>  <p>7.9</p>	<ul style="list-style-type: none"> • Advancing the development and scale-up of a corporate Cash & Voucher platform to enable better delivery of C&V interventions
<p>Positioning in Key Global Events and Dialogues</p> <p>0</p>	<ul style="list-style-type: none"> • Communication / advocacy to ensure that nutrition & hunger are well-positioned in key global events, dialogues, and processes
<p>Evolution of Financial Architecture</p> <p>0</p>	<ul style="list-style-type: none"> • Standardized resource-based planning, country portfolio based budgeting & advocacy to improve flexibility & predictability of funding
<p>Enablement of Evidence Based Decision Making</p>  <p>6.5</p>	<ul style="list-style-type: none"> • Development / completion of critical systems to manage info. systematically and support outputs & outcomes analysis
<p>Total</p>  <p>18</p>	

Proposals for 2016 Critical Corporate Initiatives to be presented as part of the Management Plan discussions

The Strategic Utilization of the PSAEA proposal has been shared with the ACABQ and the FAO Finance Committee

ACABQ

The Advisory Committee **recommends approval** of the report on the Strategic Utilization of WFP's PSA Equalization Account, including the proposed transfers from the PSA Equalization Account of USD 50 million to the IRA; USD 10 million to create a Wellness Programme Fund; and USD 18 million for critical corporate initiatives in 2015.

FAO Finance Committee

The Committee:

- a) analysed the document on the Strategic Utilization of WFP's PSA Equalization Account;
- b) **supported the proposed transfers** from the PSA Equalization Account outlined in the paper in three strategic domains, namely: the IRA (USD 50 million), creation of a Wellness Programme Fund (USD 10 million), and the funding of Critical Corporate Initiatives (USD 18 million for 2015);
- c) acknowledged that the size of proposed transfers seemed prudent when seen in light of the projections of ISC income and PSA expenditure in 2015; and
- d) requested the Secretariat to clarify the meaning of the target level of the IRA.

Strategic Utilization of the PSA Equalization Account

Draft Decisions for Board Approval

Draft Decision:

Having considered document WFP/EB.A/2015/6-D/1, the Board approves transfers from the PSA Equalization of:

- USD 50 million to the Immediate Response Account;
- USD 10 million for the creation of a Wellness Programme Fund; and
- USD 18 million for critical corporate initiatives in 2015.

Thank you!