



World Food
Programme



BOTTOM-UP STRATEGIC BUDGETING EXERCISE BUSBE

Executive Board 1st Informal Consultation

July 2021

SAVING
LIVES
CHANGING
LIVES

BUSBE Overview

BUSBE – Executive Board 1st Informal Consultation

Following the successful completion of phase I in 2020, BUBSE phase II for Global HQ is well underway

2020

Phase I - Foundational



Budget frameworks successfully reviewed

Recommendations provided on:

- Budget governance structures
- Cost recovery practices
- Country Office PSA allocation

2021

Phase II - Implementation



Conduct a detailed and rigorous budgeting exercise for Global HQ:

- Roll out new budget framework
- Support 2022 Management Plan development

2022+

Realisation of BUSBE benefits



Greater consistency, transparency and a more optimum use of resources

Global HQ refers to headquarters, regional bureaux and liaison offices

BUSBE Update: Budget Governance

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A review of corporate level budget governance has been carried out

Problem Statement

How should budget needs be identified, analysed and optimally funded?

Corporate budget focus areas

Budgeting
(Management Plan and off-cycle requests)

Resourcing and management of funding sources

Budget Monitoring & Reporting

Key principles

Engagement of the field

Greater focus of Leadership Group in strategy and priority setting

Strong corporate governance

The review phase has been completed and covered five key areas

Budgeting methodology

What methodology should be adopted, taking into account prioritisation of needs and tracking of results/performance?

Decision-making structure

What structure should be used to ensure effective decision-making and appropriate involvement of Leaders?

Committees

What fora should review budgets and allocations, considering experience, technical knowledge and a broad representation?

Secretariat / Processes

How can secretariat support and related processes be optimised to support the new budget governance structure?

Monitoring and performance

How can budget holder accountability and information to management be strengthened?

Decisions are being sought from leadership, with updates on implementation to be shared with the Board (Q3 – Q4 2021)

What work has been done?

- Review of budget governance and SRAC **documentation**, including budgeting and funding allocation methodologies
- Interviews with **40+ stakeholders** (including SRAC members and Regional, Divisional and Country Directors) and with **sister agencies** (FAO, UNHCR, UNICEF)
- **Findings and recommendations** have been presented to the Leadership Group
- **Implementation planning** has kicked off with work being done on divisional level improvements (e.g. updates to budgetary tools)

Budget Governance Review

What are the next steps?

- **Decisions on budget governance** are being sought from the Leadership Group and the Executive Director over the coming weeks
- **Implementation** of new budget governance structure to follow
- **Learnings** from ongoing BUSBE review committee process and funding allocations will be gathered to inform the new structure
- Implementation will include **alignment with other projects** – e.g. IRA review, cost recovery working group

BUSBE Update: Cost Recovery

BUSBE – Executive Board 1st Informal Consultation

Development of high-level design and transition roadmap for direct costs attribution for the LG approval (Q3 – Q4 2021)

What has been done?

- Existing corporate cost recovery mechanisms for internal services by Global HQ analysed: “**Limited and fragmented cost attribution** would benefit from enhanced scope, methodology and application”
- Interviews with sister agencies carried out (UNHCR, UNICEF, UNOPS, WHO, FAO): “**Higher level of direct cost attribution than in WFP** in the area of corporate administrative services”
- Based on peer review and tech. budgetary exercise the **HR, IT, Finance and Supply Chain business services (Pillar B)** performed at HQ and funded currently by ISC were **identified for potential direct cost attribution**
- **Priority areas for 2022 identified**
covered further in BUSBE update

Cost recovery workstream (FIN)

What are the next steps?

- Activities identified for direct cost attribution to be assessed in details and **cost drivers/attribution mechanisms to be determined**
- **Impact analysis** from increased direct cost attribution on programmes, extra-budgetary and PSA activities to be prepared
- **Governance structure and corporate guidance** for future direct cost attribution to be developed for LG approval
- Based on the above work streams, **final proposal for transitioning to the enhanced direct cost attribution** will be proposed to the LG approval by end of 2021

BUSBE Update: Country Office Budget Analysis

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BUSBE Country Office Budget Analysis

Current Country Office PSA Allocation Model

- The 2021 PSA allocation to COs is USD 103.4 million, broken down into:
 - Direct allocation (USD 58.1 million to cover CD costs, PSA other costs, Investment Cases, and CO contingency fund); and
 - Centralised allocation (USD 45.3 million to cover COs' IT, security, wellness, and evaluation costs)

Recommendation	New PSA allocation model	Approval
<ul style="list-style-type: none"> The Leadership Group approved the BUSBE recommendation to strengthen the existing CO structure through a more transparent and equitable distribution of the PSA budget 	<ul style="list-style-type: none"> BUSBE defined a new model to see a larger direct allocation, distributed more equitably to: <ol style="list-style-type: none"> strengthen the CO strategic capacity; provide greater support as close to beneficiaries as possible; and enable WFP to better respond to the country context 	<ul style="list-style-type: none"> The Leadership Group approved BUSBE recommendation to terminate centralised services* The Executive Director approved the changes related to the CO PSA budget allocation and the termination of centralised services

2022 Country Office Resource Allocation Model

- COs will receive a total allocation of USD 90.4 million**, consisting of USD 48 million multilateral funding and USD 42.4 million PSA funding
- Direct allocation to country offices is increasing** from USD 58.1 to 90.4 million

* except for the funding to pay for global United Nations Department of Safety and Security (UNDSS) charges, amounting at USD 13 million.

2022 Country Office Resource Allocation Model (Draft)

		Standard (79 COs)	Non-Standard (10 COs)	TOTAL
Staff	CD / Head of Office	USD 25.2 M	USD 1.2 M	USD 26.4 M
	Other Staff	USD 42.0 M	USD 4.1 M	USD 46.1 M
Other		USD 14.9 M	USD 1.5 M	USD 16.4 M
Sub-Total		USD 82.1 M	USD 6.8 M	USD 88.9 M
CO PSA Contingency Fund				USD 1.5 M
TOTAL		USD 82.1 M	USD 6.8 M	USD 90.4 M

- Standard "staff" include CD and 2 international staff as well as 9 local staff, to fund a standard minimal CO structure essential for a WFP presence, as per EB documents in 1998
- Standard "other" include office rent, vehicle, communication, Internet, office equipment and IT per capita
- Non-standard allocations will be applied to: Angola, Barbados, Cape Verde, Eritrea, Fiji, Gabon, Iran, Morocco, Panama, Sao Tome & Principe

2022 Global HQ Funding Availability

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Funding for global HQ activities is set at USD 492.1 million

<i>Funding</i>	<i>USD million</i>	
2022 projected income	8,300	
2022 PSA budget*	495.0	
PSA available for global HQ (Excluding CO portion)	452.6	
	+	
PSA Equalization Account**	30.1	=
	+	
Capital Budgeting Facility***	9.4	
		Funding for global HQ activities
		USD 492.1 million

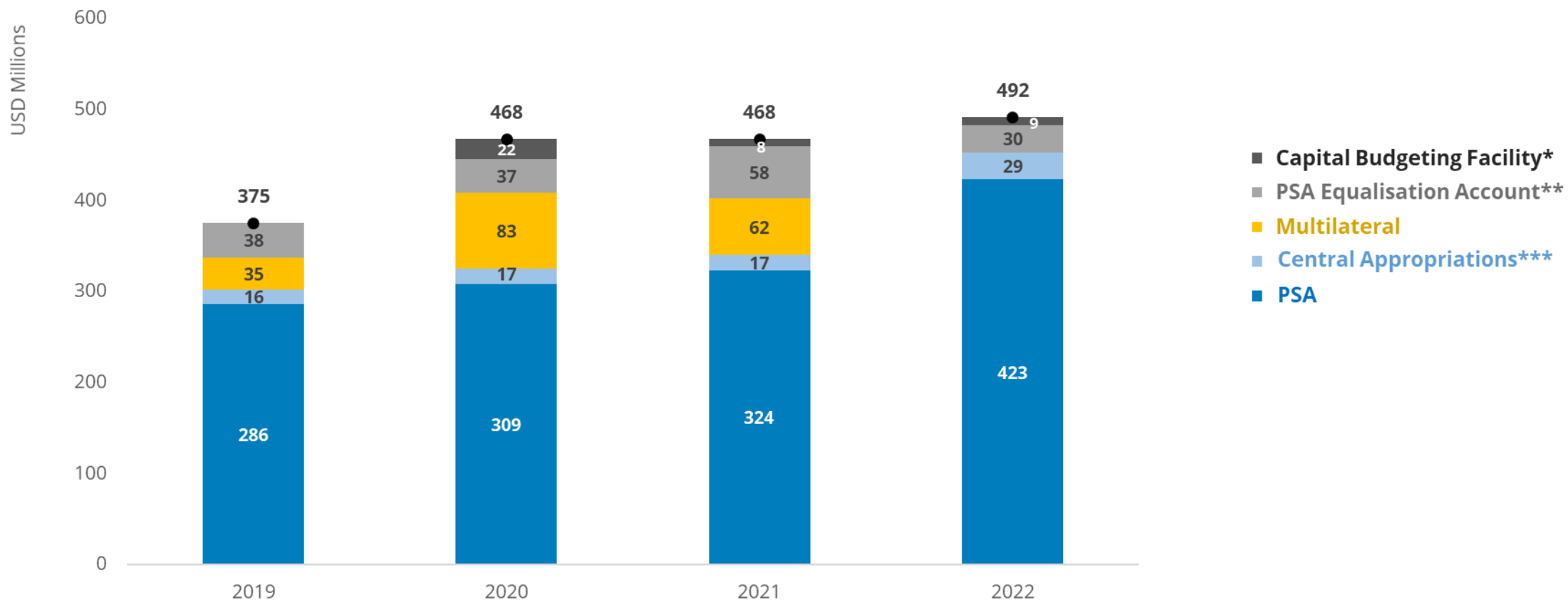
* Includes USD 42.4 million for COs – multilateral envelope of USD 48 million will be entirely allocated to Country Offices

** Consists of: USD 17.1 million for Private Sector CCI and USD 13.0 million for Corporate Critical Initiative (CCI) 'Investing in WFP People' that have been planned for out of the USD 20.8 M full amount of the CCI (tbc by Workplace Culture Department)

*** Consists of: USD 9.4 million Capital Budgeting Facility for the Human Capital Management system (HRM) approved by SRAC.

The funding position has evolved since 2019

Comparison of historical and 2022 available funding



* 2022 USD 9.4 M of Capital Budgeting Facility refer to the Human Capital Management system (HRM)

** The PSA Equalisation Account for 2022 includes USD 13 M CCI for 'Investing in WFP people' that have been planned for out (of the USD 20.8 M full amount of the CCI), USD 17 M CCI for Private Sector Initiative

*** Central Appropriations are funded from PSA

BUSBE Update: Phase II

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Phase II is delivering a rigorous assessment of global HQ budget submissions

Phase II ...



Baseline and other services have been introduced

(presented during the Board in May)



Baseline

Minimum resources required to support the organisation based on income projections and corporate priorities

Including, but not limited to;

- Activity critical to Country Office operations
- Necessary business or management process
- Regulatory, audit oversight or policy requirement



Other services

“Above the Line”

Surge, scaling or bridging shortfall

Initiatives

Timebound and new

The planned activities should match the overall operational workplan level set at the 2021 resource level

The definition of Baseline has been strengthened following advice from the Board



- Baseline activities are **essential activities** that contribute to the efficient and effective delivery of the annual Implementation Plan, but **cannot be readily traced to individual Country Strategic Plans**.
- These activities include the fulfilment of WFP's institutional obligations through corporate management and administrative functions, representational functions, operational services, policy and advisory functions and oversight functions.
- **Enabling WFP to achieve its goals, strategic direction and corporate priorities**, these activities ensure delivery of our commitment to value for money, and they position us to mitigate emerging risks.
- Baseline activities may be **recurring or one-time**, and the latter may span more than one year.
- Baseline activities are **funded by indirect support cost revenue** and may also be funded by **management recovery fees, and directed contributions**.

The organization will commit to funding baseline activities



BASELINE = FUNDED

If an activity is tagged as baseline and is approved by the Executive Director, the organization is committing to fund it



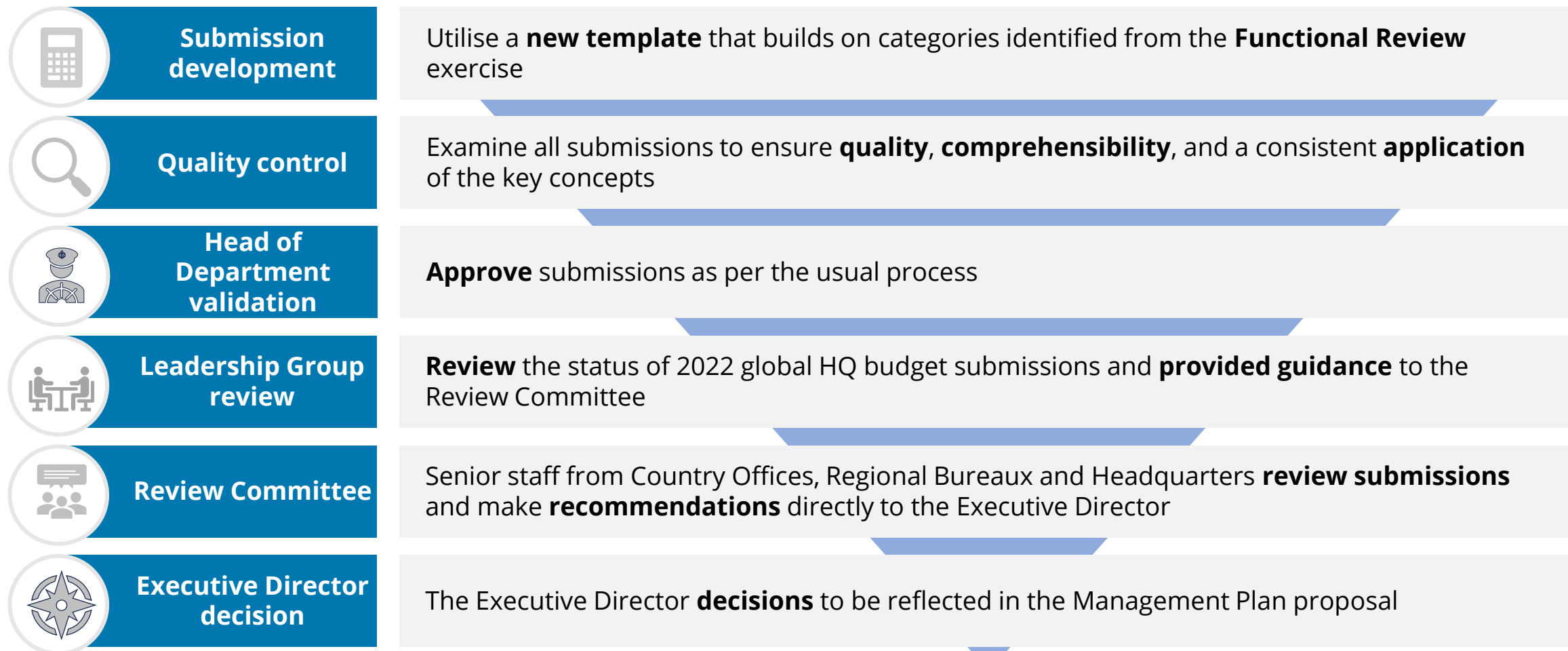
BASELINE DOES NOT EQUAL PSA

This exercise is moving away from a focus on funding sources towards a firm commitment to fund an activity

To arrive at a definitive set of baseline activities, a process was implemented



The 2022 budget process introduces new elements to ensure baseline needs are captured accurately



The new budget template captures essential information

2022 Budget Process Template

Inputs

BUSBE Phase I

Functional Review Findings



- **All activities captured**, regardless of funding source



- **Baseline and other services** applied to all activities



- **Categorisation of activities** based on the **Functional Review**



- **All employees included** within submissions irrespective of contract type

Submissions went through a thorough quality control process

Activities

- Assess the quality / comprehensiveness of submissions
- Review the selection of corporate priorities and baseline / other services
- Review the selection of the Corporate Results Framework
- Document findings for the Head of Department and the Review Committee

Attendees



Members of the BUSBE team



Resource Management Department staff

Outputs

- 1 *Feedback to global headquarters on required and recommended changes*
- 2 *Report for the Review Committee and Heads of Department*

Timeline



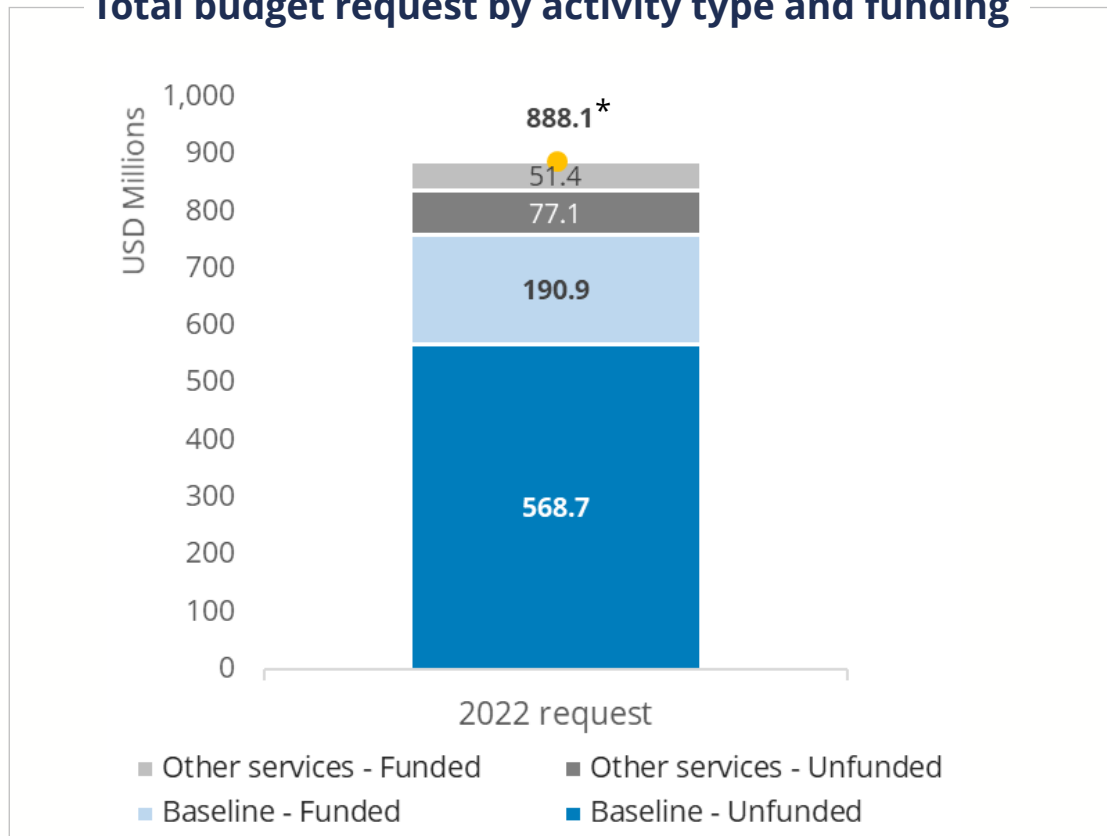
2nd April



15th June

Global HQ activities total USD 888.1 million following quality control

Total budget request by activity type and funding



Total Global HQ budget request

USD 888.1 million*

Total unfunded (baseline and other services)

USD 645.8 million*

* Excluding PSA support to Country Offices, as this has already been factored in

Heads of Department reviewed and approved the submissions of their department



Activity Review

Reviewed the activities that are conducted to ensure they are **clear, necessary and aligned to the strategy** of the Department and the Organization



Funding Sources

Confirmed alignment of activities to the appropriate **funding sources**



CRF Review

Confirmed the **selection** of the **Corporate Results Framework Pillars** which inform **how global headquarters categorise their budgets**



Baseline / Other Services

Reviewed the **classifications** made by Divisions on **Baseline / Other Services**

The Leadership Group then met to review submissions and take decisions

Activities

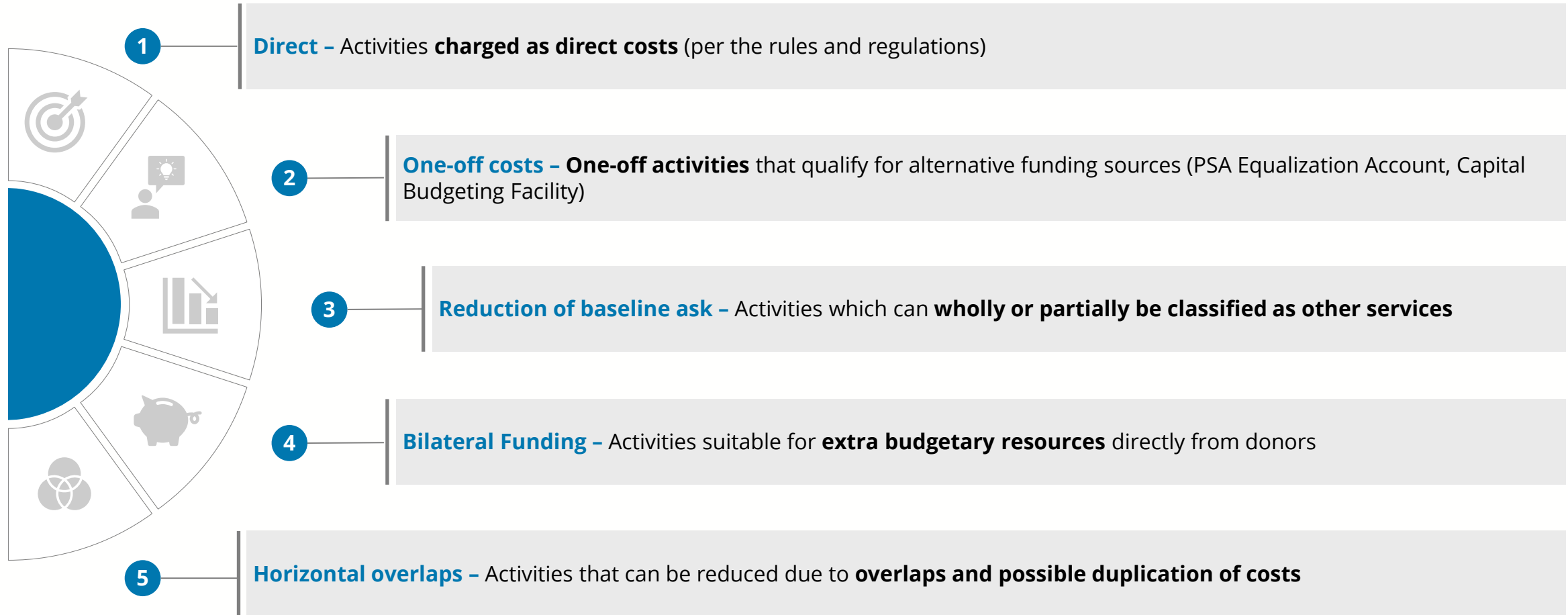
- **Reviewed the status of 2022 global HQ budget** submissions to ensure alignment of funding of activities and to address the baseline unfunded gap.
- Defined five **levers** to reduce the current funding gap
- Defined **instructions to the Review Committee** concerning their review of budget submissions from global headquarters

Outcomes

- **Multilateral funding** (USD 48 million) to support country offices
- USD 19 million in activities identified to be **charged directly**, as they can be tied to a specific operation*
- USD 40 million in **one-time activity funding** defined
 - *Human Capital Management Platform* shifted to Capital Budgeting Facility
 - *Investing in WFP People and Private Sector Initiative* shifted to PSA Equalisation Account
- USD 14 million in extra-budgetary funding streams from donors on a **bilateral funding** basis currently identified*

*reviews still ongoing

Five main levers were explored to reduce the baseline recurrent funding gap



Direct charging of activities is being further evaluated

If an activity can be tied directly to a specific operation, then it should be charged directly



An activity transactional by nature, is eligible for direct funding if it can be tied to a specific operation

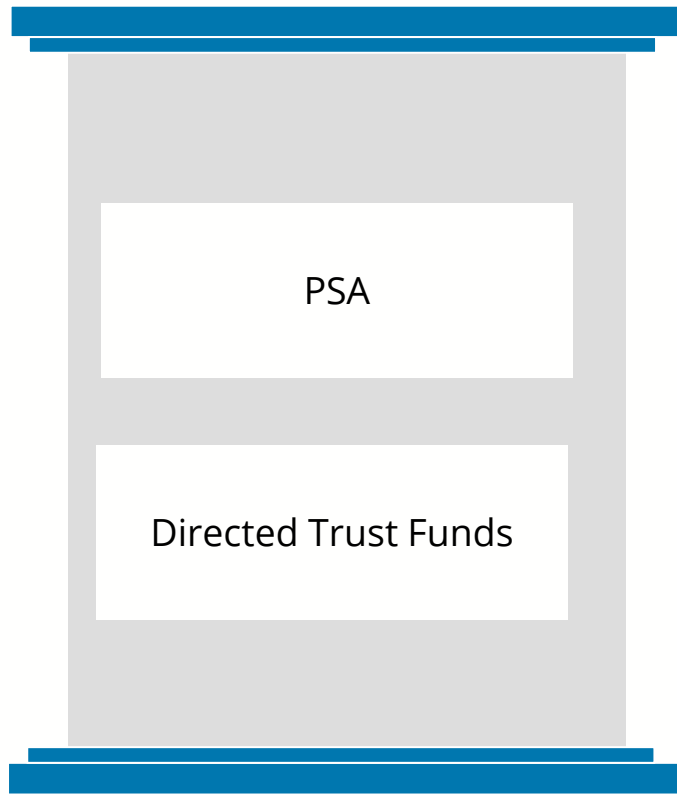


Advance financing is recognised as a pre-requisite for establishing a direct funding model

A normative activity or one related to oversight should remain indirect

The use of funding sources for activities has been further strengthened in alignment with financial rules & regulations

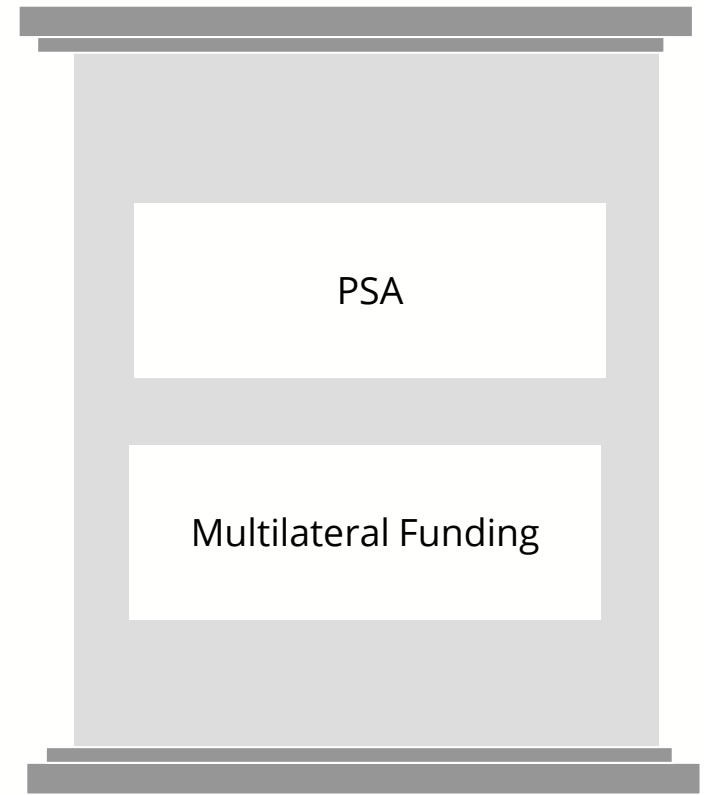
Recurring baseline activities



One-time baseline activities



Country Office support



The review committee supports the development of a budget that better funds corporate priorities and support structures

Activities

- Validate the decisions on number and level of activities that should be direct
- Validate the decisions on one-off costs
- Recommend reductions to the baseline ask in selected divisions by moving activities fully or partially to other services
- Validate which baseline activities are eligible for extra budgetary resources directly from donors
- Recommend on out-posting of positions

Attendees



Eight senior individuals from across the organization



Cross functional knowledge



Independent chair

Outputs

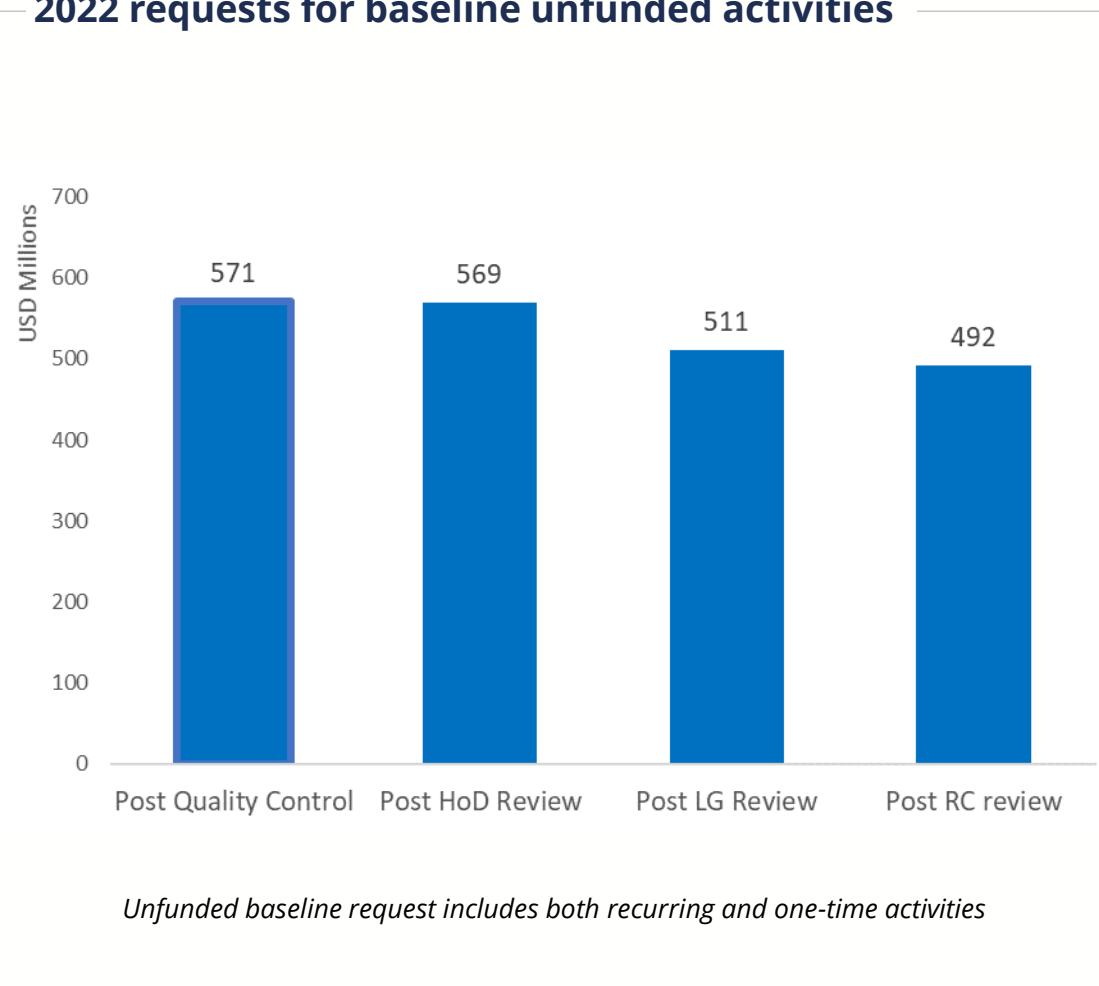
- 1 *Recommendations for the Executive Director, and share with the Leadership Group*
- 2 *Suggestions on additional work for WFP to consider*

Timeline



The unfunded baseline has been successfully reduced

2022 requests for baseline unfunded activities

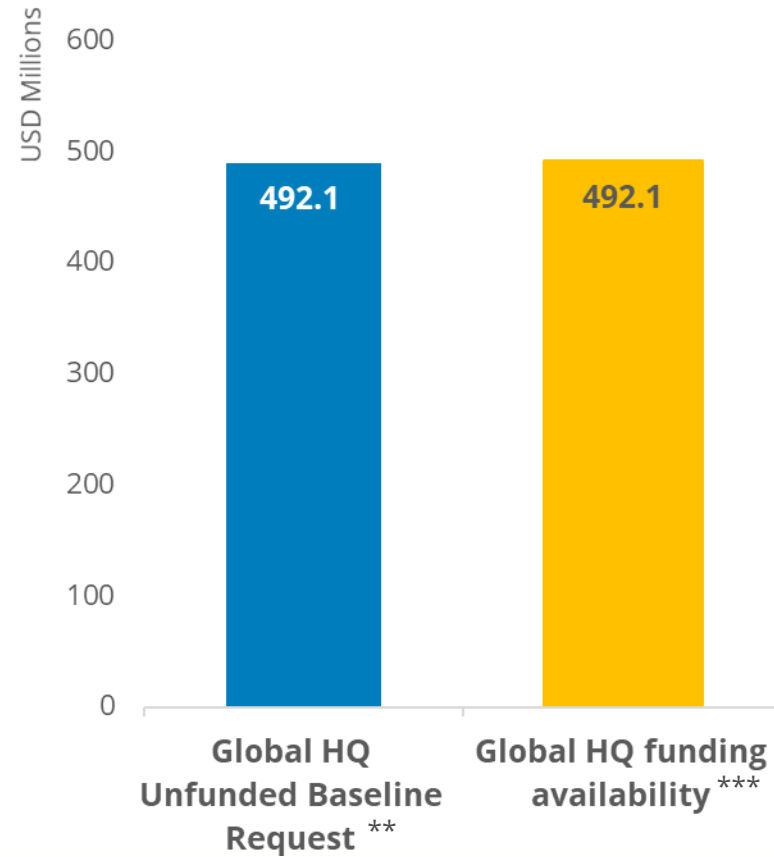


Review process

- Activities have been categorised into baseline and other services
- Activities have undergone a thorough multi-step review process consisting of:
 - Quality control
 - Head of Department (HoD) review
 - Leadership Group (LG) review
 - Review Committee (RC) review
 - **Executive Director endorsement (still to be conducted)**
- Baseline unfunded activities have been reduced consecutively during the process

With the funding gap now fully closed

2022 request vs. available funding



** Unfunded baseline request (based on 2021 Standard Positioning Costs) including recurring and one-time activities

*** Funding available refers to PSA, PSA Equalisation Account and Capital Budgeting Facility

The recommendations from the Review Committee will go to the Executive Director

