



Distribution: General

Date: 16 October 2016

Original: English

Agenda Item 5

WFP/EB.2/2016/5-B/1

Resource, Financial and Budgetary Matters

**For approval**

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## Financial Framework Review

### Executive Summary

1. The Financial Framework Review (FFR) is one of four elements in the Integrated Road Map, together with the Strategic Plan (2017–2021), the Policy on Country Strategic Plans (CSPs) and the Corporate Results Framework (CRF). These interrelated components define the transformative changes required to facilitate and demonstrate WFP's contribution to achieving the goals of the 2030 Agenda, particularly Sustainable Development Goal (SDG) Goals 2, "End hunger, achieve food security and improved nutrition and promote sustainable agriculture" and SDG-17, "Strengthen the means of implementation and revitalize the global partnership for sustainable development". The four processes build on WFP's strengths and effectiveness in emergencies to prepare WFP for its crucial roles in implementing the 2030 Agenda and supporting the Grand Bargain that emerged from the World Humanitarian Summit.

2. The Integrated Road Map introduces a new corporate architecture that strengthens WFP's core business of emergency response while enabling the organization to operationalize its Strategic Plan more effectively in the field through country portfolios rather than the current project-based approach. It will change the way WFP plans, manages and reports on programmes, with a view to improving operational effectiveness to maximize impact for beneficiaries.

3. The objective of the **Financial Framework Review** is to maximize operational effectiveness through realistic financial planning, enhanced accountability, streamlined processes and harmonized financial and results frameworks. **The Financial Framework Review involves three work streams: budgeting for operational effectiveness; resource-based planning; and macro-advance financing.** As a component of the Integrated Road Map, the **Financial Framework Review** will deliver a country portfolio budget (CP Budget) structure that demonstrates the relevance, performance and impact of WFP's work by transparently creating a "line of sight" linking strategy, planning and budgeting, implementation and resources obtained to results achieved. **The new financial framework will incentivize managers to deliver better programmes. This document sets out the principles and elements underlying the country portfolio budget structure, the Board's governance and oversight role, and transitional arrangements.**

**The guiding principles of the country portfolio budget structure include: i) consolidation of all operations and resources into a single structure; ii) summary of the country portfolio budget into**

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four high-level cost categories; iii) inclusion of a country portfolio budget – broken down into the four high-level cost categories and approved by total budget per WFP Strategic Outcome – in all Country Strategic Plans, Interim Country Strategic Plans and limited emergency operations; iv) clear links between resources obtained and results achieved; and v) simplified application of full-cost recovery.

The key features of the country portfolio budget structure include: i) use of a calendar year for planning and budgeting; ii) planning and budgeting of emergency responses through the addition or augmentation of a WFP Strategic Outcome in the Country Strategic Plan, Interim Country Strategic Plan or limited emergency operation; iii) more detailed cost elements linked to the United Nations harmonized cost categories; and iv) provision of country-level operational and budgetary information to Member States to complement Country Strategic Plans.

The Secretariat will submit up to 16 Country Strategic Plans with pilot country portfolio budgets to the Board for approval at the 2017 First Regular Session and the Annual Session. Lessons learned during the pilot will inform all aspects of the final design of the country portfolio budget structure, which will be rolled-out to all country offices in 2018. The transitional arrangements for piloting the new programmatic and financial framework in 2017 will require certain derogations from WFP General Rules and Financial Regulations, including granting the Executive Director authority to make necessary revisions during the pilot period, subject to existing delegations of authority with respect to emergency operations. At the 2017 Second Regular Session the Board will consider the amendments to the WFP General Rules and Financial Regulations and the revised budgetary thresholds for delegations of authority.

The document also provides an update on the resource-based planning and macro-advance financing work streams that are geared towards supporting internal resource management and were piloted in 2016.

### Draft decision\*

Having considered the Financial Framework Review (WFP/EB.2/2016/5-B/1), the Executive Board:

- i) *notes* that the FFR is composed of three work streams: “budgeting for operational effectiveness”; “resource-based planning”; and “macro-advance financing”;
- ii) *notes*, in connection with the “budgeting for operational effectiveness” work stream, that under the Policy on Country Strategic Plans [WFP/EB.2/2016/4-A/1] (CSP Policy) each Country Strategic Plan, Interim Country Strategic Plan and limited emergency operation shall include a country portfolio budget (CP Budget), to which the approval mechanisms and transition and implementation arrangements set forth in the CSP Policy will apply;
- iii) *notes* that, under the CSP Policy, Country Strategic Plans containing pilot CP Budgets (Pilot CSPs) shall be submitted for Board approval in 2017, and *requests* the Executive Director to ensure that the experience of such Pilot CSPs informs the final design of the CP Budget and CSP structure;
- iv) *notes* that the roll-out across WFP of the CP Budget structure is expected to begin in 2018, following its finalization and the approval of amendments to the General Rules, Financial Regulations and Executive Director delegations of authority at EB.2/2017;
- v) in line with the recommendations set forth in this paper, *approves* the following principles to guide the introduction of pilot CP Budgets in 2017 and the finalization of the CP Budget structure:

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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.

- a. that the CP Budget structure encompass all operations in all contexts, replacing the multiple programme and project budgets and also reflecting the trust fund budgets where possible, that currently exist within a country;
  - b. that the CP Budget be summarized in four high-level cost categories – transfer costs, implementation costs, adjusted direct support costs, and indirect support costs;
  - c. that each CSP include a CP Budget, broken down by the four high-level cost categories set forth in point v) b of this decision and approved by total budget per WFP Strategic Outcome;
  - d. that the CP Budget be results-oriented with clear links from WFP Strategic Results to WFP Strategic Outcomes to activities to costs; and
  - e. that the principle of full-cost recovery, which applies to contributions, shall employ the high-level cost categories of transfer and implementation costs, adjusted direct support costs, and indirect support costs; and that the full-cost recovery norms approved by the Executive Board in the General Rules be simplified.
- vi) Consistent with these principles, the Executive Board further approves the following elements for inclusion in the CP Budget structure:
- a. that the CP Budget be stated by calendar year;
  - b. that, where a country has a Country Strategic Plan or Interim Country Strategic Plan, the initial response to an emergency be handled by either modifying an existing strategic outcome or by introducing new strategic outcomes in a CP Budget;
  - c. that more detailed cost planning elements be aligned with harmonized United Nations cost categories, where possible; and
  - d. that, as a complement to CSPs, country-level budget and operational information from WFP's annual planning process be made available for information purposes to Member States, as outlined in paragraphs 50–57 of the Financial Framework Review (WFP/EB.2/2016/5-B/1);
- vii) notes that the application of the principles set forth above would derogate from, and eventually require amendment of, provisions of the General Rules and Financial Regulations relating to cost categorizations and the manner in which full-cost recovery is achieved;
- viii) *expects* that experience of the Pilot CSPs will assist in identifying the necessary normative amendments to the General Rules and Financial Regulations, and *requests* the Executive Director to present the necessary proposals for approval at EB.2/2017;
- ix) authorizes, as a temporary measure, pending the Executive Board's approval of amendments of the WFP General Rules and Financial Regulations at EB.2/2017, derogations from provisions of General Rule XIII.4 and Financial Regulation 1.1 and 4.5 concerning cost categorizations and the manner in which full-cost recovery is achieved, solely where these are necessary to permit application to the 2017 Pilot CSPs of the CP Budget principles that are listed at point v of this decision;
- x) *notes* that adoption of the CSP framework will require revision of the programme category terminology and the budgetary thresholds that are included in the Delegations of Authority to the Executive Director and *looks forward* to the Secretariat's proposal on the revised Delegations of Authority, to be presented to the Executive Board for approval at EB.2/2017;
- xi) *grants*, as a temporary measure for 2017, authority to the Executive Director to make revisions to the Pilot CSPs, subject to existing delegations of authority with respect to emergency operations, with the understanding that any such revisions shall be reported promptly to the Executive Board; and

- xii) **notes that informal consultations will be scheduled in 2017 to ensure informed and extensive engagement with the Board regarding the finalization of the CP Budget structure and approval of amendments to the General Rules, Financial Regulations and Executive Director delegations of authority at EB.2/2017.**

REVISION MODE

## I. Introduction

- 4.1. The current financial framework was designed in the 1990s to support food aid delivery through a project-based model. At the country office level, managers must balance the efficient delivery of assistance with fragmented funding directed to multiple projects and requiring fund management at the project and cost component levels. The complexity of this framework leads to lack of coherence among the planning, management, costing and expenditure of operations. Outside WFP, it creates perceptions of lack of transparency in identifying cost drivers and articulating results.
- 5.2. The **Financial Framework Review (FFR)** involves the following work streams:
- i) *Budgeting for operational effectiveness* aims to reduce internal fragmentation, simplify processes and maximize transparency, flexibility and accountability. It will deliver the **Country Portfolio Budget (CP Budget)** structure and is aligned with the country strategic planning approach.
  - ii) *Resource-based planning* standardizes implementation plans – previously called resource-based plans – at the country office level to improve planning and performance management.
  - iii) *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.
- 6.3. Country offices are **at the central focus** of the FFR, with country directors and staff from 15 country offices engaged in development of the three work streams. ~~Country directors and their management teams lead and participate in working groups, pilots and prototyping exercises to ensure that their collective experience is fully utilized in capturing operational realities and future requirements since 2015.~~
7. ~~The Secretariat has provided Member States with updates on progress in the FFR. Dialogue during Board sessions, informal consultations and bilateral meetings has informed and benefited the design of the new financial framework.~~
8. ~~This document provides information on issues raised during the 25 July and 13 September informal consultations related to budgeting for the operational effectiveness work stream and the proposed CP Budget structure, including reporting and accountability, the cost classification structure and hierarchy, governance and the potential for threshold levels, full cost recovery and coordinated emergency responses. It also provides an update on the resource-based planning and macro-advance financing work streams and pilots.~~
9. ~~Along with its recommendations and preliminary draft decision, this document serves as a working draft of the formal board document to be considered at the 2016 Second Regular Session. It will be updated to reflect feedback from the Board and any developments in the FFR.~~
10. ~~Eleven annexes develop the concepts presented in the document using examples from the Zimbabwe country office, where possible. Annex I outlines Zimbabwe's draft CSP and Strategic Outcomes; the final Zimbabwe CSP will be presented to the Board for approval during the First Regular Session in February 2017. Annex II shows the budget information that will provide the basis for budgetary approval for CSPs, and the format of the five-year country portfolio budget. Annex III provides a one-year budget view by Strategic Outcome and activity, which will form part of the annual planning cycle. Annex IV provides a one-year activity view by Strategic Outcome. Annexes V and VI provide working examples of the financial information and the information for resources to results reporting that could be shown in a Standard Country Report. Annex VII shows how full cost recovery would be applied to various types of contribution for an activity in Zimbabwe. Annex VIII provides a note on governance aspects of the CSPs Policy and the budgeting for operational effectiveness component of the FFR. Annex IX sets out the draft decision contained in the "Policy on Country Strategic Plans – Fifth Draft". Annex X outlines the preliminary draft decision on the FFR for approval by the~~

Board at its session in November 2017. Annex XI provides the preliminary proposal for budgetary thresholds for delegations of authority to be considered in 2017.

## **IV. Background**

### **Earlier Phases of the Financial Framework Review**

11. In 2013, with the Board's approval,<sup>1</sup> the Secretariat implemented changes to the financial framework to support WFP's shift from food aid to food assistance as outlined in the Strategic Plan (2008–2013). These changes included a revised project structure to facilitate the use of operational modalities such as cash-based transfers (CBTs) and capacity development activities, and a modified funding model for direct support costs (DSC) as a percentage of direct operational costs rather than a rate per ton.
12. In 2014, the next FFR phase focused on increasing the predictability and flexibility of resources by improving the functionality of the Working Capital Financing Facility. With the Board's endorsement, the Secretariat separated the advance financing mechanisms in the facility; established a ceiling of USD 570 million for the Internal Project Lending (IPL) facility; increased the ceiling of the Global Commodity Management Facility to USD 350 million; and established a ceiling of USD 70 million for corporate service advances.<sup>2</sup> The Board also approved an increased target level of USD 200 million for the Immediate Response Account.<sup>3</sup>

### **Internal context: case for change**

4. Annex I provides an overview of the approach to three FFR work streams and the intensive engagement with partners that has occurred so far.

## **II. Context**

### **Internal Context: Case for Change**

#### *Strategic shift to food assistance*

- 13.5. In 2008, WFP made a fundamental shift from food aid to food assistance. However, its financial framework continued to be geared to food aid delivery, primarily in emergencies, and tracking the metric tonnage transported and associated input costs. Operationalization of the Strategic Plan (2017–2021), the **Policy on CSPs** and the **Corporate Results Framework (CRF)** requires a revised financial framework that facilitates better delivery of results, increases operational effectiveness and provides value for money in meeting the demands of the 2030 Agenda, stakeholders and beneficiaries.

#### *Fragmented budget authority*

- 14.6. Budget authority refers to a manager's ability to incur costs for a project. Currently, authority is extended only when contributions are received or internal advances granted against forecasts. Uncertainty in the timing of contributions leads to piecemeal authority, short-term focus on operations and higher transaction costs. Mechanisms such as internal project lending help reduce this fragmentation. However, in 2014 and 2015 only 42 percent of all contributions to WFP qualified for advances.

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<sup>1</sup> WFP/EB.A/2010/6 E/1.

<sup>2</sup> WFP/EB.A/2014/6 D/1.

<sup>3</sup> WFP/EB.2/2014/5 A/1.

***Inflexible budget structure***

15.7. In country offices, funding is allocated among projects or directed by donor conditions<sup>4</sup> and is programmed into cost components. Funds are managed at the cost component level with the budget envelope of each cost component acting as a budgetary limit or constraint. Managers have limited flexibility to move funding among cost components without a budget revision, and unspent balances and returned funds can affect operational efficiency and effectiveness.

***Multiple budget entities***

16.8. Each project in a country is considered a separate budget entity with its own life cycle and budget. Implementation of multiple projects in a country creates fragmented funding streams and complicated programming. Varying project life cycles makes it difficult for managers to achieve a holistic view of strategy or operations in a country for a given period.

***Input orientation***

17.9. The current budget structure is based on inputs, and resource allocations are not linked to stated objectives and outcomes. WFP's cost categories are not aligned with data for performance reporting and have little meaning outside WFP.

***Cost benchmarking***

18.10. In 2014, the Secretariat launched a cost benchmarking exercise in four country offices<sup>5</sup> to analyse cost drivers with a view to improving cost management and increasing accountability through transparent articulation and monitoring of country-specific cost structures. However, cost analysis among countries or projects was challenged by the fragmentation of the current financial architecture. For example, project structures – which are amalgamations of activities – vary widely among countries, making it difficult to meaningfully compare project costs. It was also difficult to separate costs within certain existing cost components.

***External context***

19.11. The United Nations' 2030 Agenda, the SDGs and the outcomes of the World Humanitarian Summit set the strategic direction for global humanitarian and development assistance for the next 15 years and beyond. WFP must align its strategy and reform its corporate architecture to support the overarching vision of achieving zero hunger.

20.12. The FFR incorporates recommendations from the Quadrennial Comprehensive Policy Review– (QCPR) on harmonizing the business practices of United Nations organizations, particularly by aligning cost classifications with the United Nations' harmonized cost categories where possible, to improve joint planning at the field level.

### **Approach to the III. Budgeting for Operational Effectiveness: Reform of WFP's Financial Framework Review**

21.1. In consultation with WFP country directors and the Board,<sup>6</sup> four goals were developed in early 2015 to guide the work of the FFR:

- ~~increase the predictability of resources so that country offices can optimize operational efficiency and effectiveness;~~
- ~~increase flexibility with a view to improving responses to operational needs and maintaining discipline in financial management, reporting and analysis;~~
- ~~enhance accountability by linking resource management to performance outcomes; and~~
- ~~simplify the resource management framework.~~

<sup>4</sup> Donors direct funding to particular projects or activities, food types or transfer modalities, areas of implementation or phases of a project, increasing fragmentation.

<sup>5</sup> Afghanistan, Chad, the Democratic Republic of the Congo and Myanmar.

<sup>6</sup> WFP/EB.A/2014/6-D/1.

~~22.1. It was agreed that three underlying principles will remain in place: the voluntarily funded nature of WFP, the principle of full cost recovery, and contribution-specific expenditure tracking. However, the Secretariat noted its intention to review and simplify the application of full cost recovery to contributions.~~

23. In line with the goals and objective of the FFR, the Secretariat prioritized three work streams: budgeting for operational effectiveness, resource-based planning and macro advance financing. The work streams are being undertaken as separate but linked modules in 2015 and 2016 to achieve benefits for each work stream and for the overall financial framework.

24.13. The aim of the budgeting for operational effectiveness work stream is to reduce fragmentation by consolidating all interventions in a country into a single budget entity—the Country Portfolio Budget (CP Budget). Development of the design a CP Budget structure is aligned with that supports the country strategic planning approach, the Strategic Plan (2017–2021) and the CRF.<sup>7</sup>

25. The resource-based planning and macro advance financing work streams support internal resource management. The resource-based planning work stream will standardize the process whereby country offices match implementation plans—previously called resource-based plans—with anticipated funding levels to improve planning for the coming 12–18 months and facilitate performance management by making it easier to compare results with plans. The aggregation of all implementation plans will continue to be included in the annual Management Plan as the Prioritized Plan of Work.

~~26.1. The macro advance financing work stream addresses resource predictability and uncertainties in the timing and level of contributions by providing country offices with budgetary authority to incur expenditures on the basis of aggregated forecasts.~~

27. The Secretariat has employed a bottom-up approach to the FFR. From the start, country offices have shared their experiences by cataloguing field-level demands and the constraints of the current financial framework and defining future requirements. Frequent missions, teleconferences and workshops for sharing ideas and lessons learned have helped ensure wide participation in the design and implementation of the work streams. Pilots of resource-based planning and macro advance financing are under way in nine and five country offices respectively, while eight country offices have been involved in prototyping the CP Budget model.

#### **Engagement of the Board and partners**

~~28.1. At the 2015 Annual Session, the Board considered progress on the FFR,<sup>8</sup> particularly the challenges in WFP's current architecture and the requirements for a new financial framework.~~

~~29.1. At the 2015 Second Regular Session, an update on the FFR<sup>9</sup> set out the objectives, associated risks and approach for each of the three work streams. The Board noted the progress achieved, the proposed timeline and cost estimates for 2015 and 2016.~~

~~30.1. At the 2016 First Regular Session, an update on the Integrated Road Map<sup>10</sup> conveyed the synergies and interrelatedness of the Strategic Plan (2017–2021), the country strategic planning approach and the FFR.~~

~~31.1. At the 2016 Annual Session, an update on the FFR<sup>11</sup> provided details on the emerging design of the CP Budget model and progress in the resource-based planning and macro advance financing work streams and ongoing pilots.~~

<sup>7</sup> See Annex I for the approach to the budgeting for operational effectiveness work stream and prototype phases.

<sup>8</sup> WFP/EB.A/2015/6 C/1.

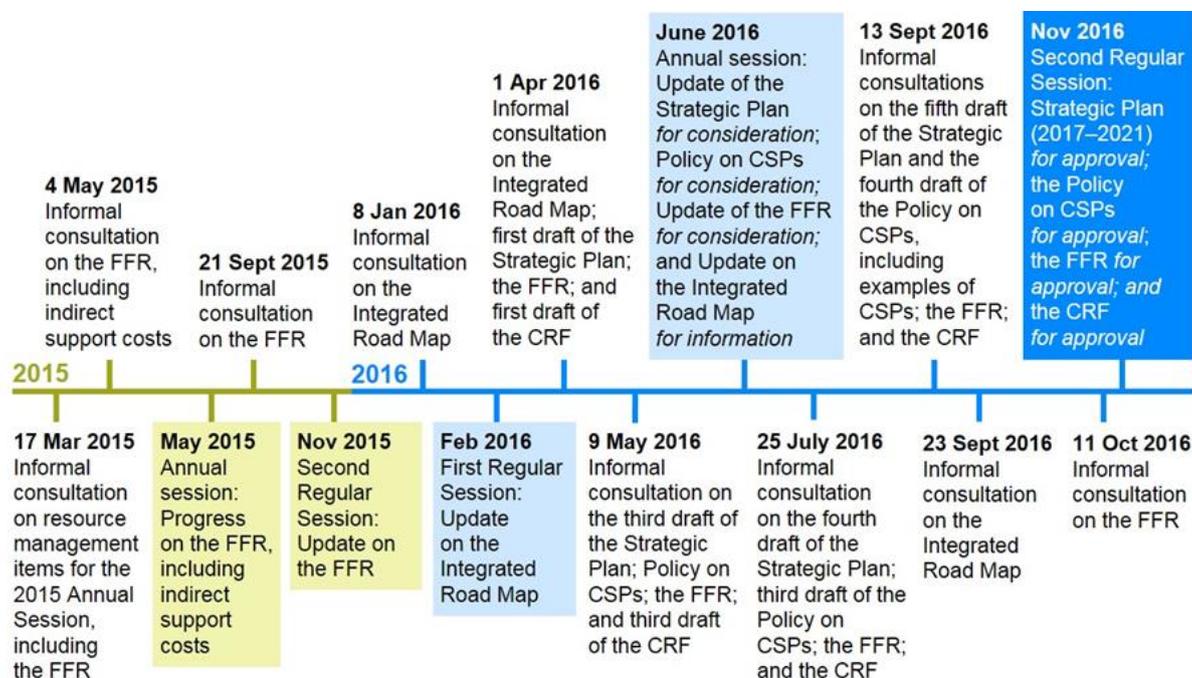
<sup>9</sup> WFP/EB.2/2015/5 C/1.

<sup>10</sup> WFP/EB.1/2016 4 F.

<sup>11</sup> WFP/EB.A/2016/5 C/1\*.

~~32.1. Complementing formal Board sessions, the Secretariat has held seven informal consultations from 17 March 2015 to 25 July 2016 to present emerging designs and assessments of pilots and prototypes (Figure 1). The Board's feedback and guidance over this period have been invaluable in helping to shape work on the FFR.~~

**Figure 1: Board consultations on the Financial Framework Review**



~~33. SP: Strategic Plan; CSPs: Country Strategic Plans; FFR: Financial Framework Review; CRF: Corporate Results Framework. Since September 2015, the Secretariat<sup>12</sup> has worked with WFP's partners to build common understanding of the components of the Integrated Road Map and various aspects of the FFR and to identify the potential implications for partners' systems and policies.~~

## V. Budgeting for Operational Effectiveness

### Development and design of the Country Portfolio Budget structure

~~34.1. The analysis phase of the budgeting for operational effectiveness work stream began in mid-2015 with a review of WFP's budget structure and the financial frameworks of other United Nations organizations, non-governmental organizations and private sector entities. Interviews with managers at country offices provided perspectives on budgeting challenges in different contexts.~~

~~35. A summary of the analysis was presented to the Budgeting for Operational Effectiveness Expert Working Group<sup>13</sup> in September 2015 to identify the characteristics of a budget structure that: i) maximizes WFP's ability to respond efficiently and effectively to prioritized operational needs; ii) provides for disciplined financial management, reporting and analysis; and iii) facilitates fundraising. Essential design characteristics of a planning and budgetary framework include:~~

- ~~i) — an overview of all operations within a country office, in line with the CSP;~~
- ~~ii) — a clear "line of sight" from strategy, planning and resourcing to results;~~
- ~~iii) — a simplified and unified structure for implementing operations;~~
- ~~iv) — clear demonstration of impact, cost effectiveness and cost efficiency; and~~

<sup>12</sup> Particularly directors from the Policy and Programme Division, the Budget and Programming Division, the Performance Management and Monitoring Division and the Resource Management Integration and Support Office.

<sup>13</sup> The working group comprises participants from country offices, regional bureaux and Headquarters functional areas.

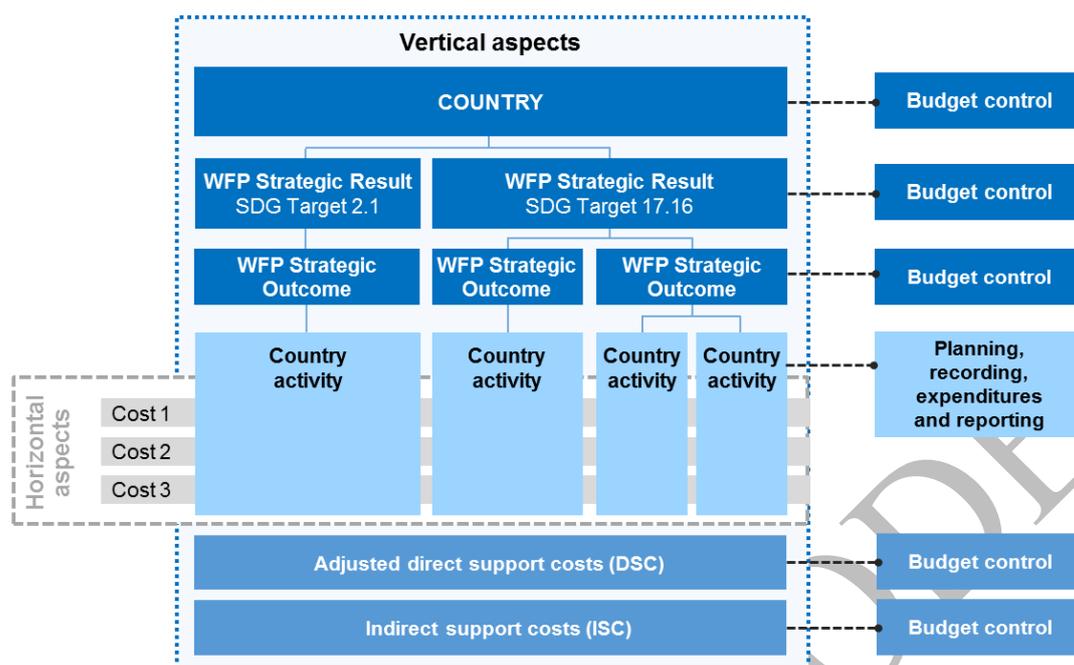
v) — improved accountability.

~~36.1. Two preliminary budget structures were developed: one based on country office activities, the other on WFP Strategic Results. Budgets for the Colombia, Indonesia, Jordan, Uganda and Zimbabwe country offices were modelled under both structures to test the feasibility, practicality and effectiveness of each and identify governance and fundraising implications. Feedback from the country offices indicated that activities, while derived from WFP Strategic Results, had to be central to the budget structure from an operational planning, implementation and management perspective.~~

~~37.1. In November 2015, the Budgeting for Operational Effectiveness Expert Working Group considered results from this initial modelling exercise and proposed a CP Budget structure with:~~

- ~~i) — a single planning period encompassing all operations in all contexts for a calendar year;~~
- ~~ii) — a results-oriented approach in line with WFP Strategic Results and WFP Strategic Outcomes, with activities as the primary dimension for operational planning;~~
- ~~iii) — a clear “line of sight” from WFP Strategic Results to WFP Strategic Outcomes to activities to costs;~~
- ~~iv) — identification of activity costs in terms of transfers or implementation;~~
- ~~v) — new cost definitions harmonized where possible with those of other United Nations agencies to facilitate reporting and comparison;~~
- ~~vi) — adjusted DSC directly support multiple activities related to the transfer of assistance and implementation of programmes; can be apportioned among activities; and~~
- ~~vii) — addition or augmentation of one or more WFP Strategic Outcomes for the initial response to emergencies.~~

~~38.1. Figure 2 shows the preliminary CP Budget structure based on these considerations. At the beginning of 2016, this prototype structure and related concepts were phased in at the five country offices participating in the initial modelling exercise — Colombia, Indonesia, Jordan, Uganda and Zimbabwe — and later in the Kenya, Niger and Yemen country offices to ensure regional representation and coverage of diverse operational contexts, including a Level 3 emergency. Indonesia and Zimbabwe have drafted their CSPs while Colombia, Jordan and Uganda are still in the process. Prototyping of the CP Budget structure in CSP countries ensures that the structure supports the CSP approach.~~

**Figure 2: Preliminary country portfolio budget structure**

Note: This is an example of the CPB structure. The Strategic Results can include any of the eight from the Strategic Plan.

39. Country directors and their teams led the testing and presented assessments at the conclusion of each phase to the Project Board.<sup>14</sup> The Boston Consulting Group supported country directors in identifying changes required at the conclusion of each phase and in communicating the cost benefits of the CP Budget structure.
- ~~40.1. From January to March 2016, the Indonesia and Jordan country offices led phase I of the testing to refine the “vertical” aspects of the structure. The portfolios of activities and associated budgets of these country offices were mapped on to the preliminary CP Budget structure to create the desired “line of sight” from WFP Strategic Results to WFP Strategic Outcomes to activities to costs. Country offices recorded a sample of transactions in the WFP Information Network and Global System (WINGS) for further testing and refinement of the structure.~~
- ~~41.1. An initial cost accounting model was set up to ensure that the values of direct transfers, implementation costs and costs managed country wide adjusted DSC and indirect support costs (ISC) were captured.~~
- ~~42. Phase I assessments were largely positive. The Jordan country office noted that the CP Budget concept and its “line of sight” would improve effectiveness and transparency while the focus on activities reflected operational realities. The Indonesia country office appreciated the improved accountability and empowerment of budget owners. Phase I also identified additional areas that required the development of country driven solutions in phase II of the testing. This work was discussed with the Board at information consultations on 1 April 2016 and 9 May 2016.~~
- ~~43.1. In phase II, a CP Budget structure was simulated to inform the design of solutions for areas including definition of cost accounting procedures; application of full cost recovery; the treatment of emergencies and regional operations; and identification of operational contexts and governance requirements. Country offices tested a budget structure that encompasses all country office operations and shared services, service level agreements, trust funds, regional operations and sudden onset emergencies.~~

<sup>14</sup> Comprising Assistant Executive Directors, selected Division Directors, Regional Directors and selected Country Directors, the Project Board provides strategic oversight.

44. ~~The business solutions identified were discussed in May 2016, first by country directors and focal points from the eight country offices and the regional bureaux involved in phase II, and then by the eight country directors and the directors of ten Headquarters divisions that will be affected. In June 2016, the eight country offices considered and validated the business solutions, enabling the development of an information technology (IT) system solution to begin in July 2016.~~
45. ~~Country office assessments and detailed results from the phase II testing demonstrated that the CP Budget structure can support WFP's operations and that the business solutions identified are viable. The country offices involved recognized that the budget structure and improved processes for managing budgets and contributions will streamline planning and resource management processes. Early assessments from phase II were discussed with the Board at the 2016 Annual Session and an informal consultation on 25 July 2016.~~
46. ~~Following the two phases of prototype testing, country offices, functional leads and the Resource Management Integration and Support Division identified the business requirements for design of the IT system solution for the CP Budget structure. These requirements represent the minimum elements that will need to be in place to support the first wave of pilot CSPs in February 2017. The requirements identified formed the first part of a more comprehensive blueprint for design of the IT solution and systems implementation for the CP Budget structure.~~
47. ~~The business requirements reflect the needs of country offices and Headquarters units and are linked to areas such as governance, resourcing, grant management, programming, expenditure certification, annual and country portfolio budget closures, reporting, RACI responsibility matrix mapping (Responsible, Accountable, Consulted and Informed), and systems integration. They have been considered and validated by country directors. Work on the blueprint is coordinated with work on the country strategic planning approach and the CRF to ensure alignment and integration, with a view to testing the IT system solution in the fourth quarter.~~

## Reform of WFP's financial framework

### Inclusivity

- 48.14. The current financial architecture supports the project-based approach to delivering assistance and creates multiple budget entities with varying life cycles and separate funding streams within a single country office. This approach leaves managers with a fragmented view of operations and resources within a country, with impacts on the efficiency and effectiveness of planning, budgeting and performance management.
- 49.15. The CP Budget will replace the multiple programme, ~~and project and budgets, and where possible also reflect~~ trust fund budgets that currently exist within a country. As the single structure for managing the flow of resources in a country office, it will include all the resources, outcomes and activities foreseen in the CSP, **the Interim Country Strategic Plan (ICSP) or the limited emergency operation.** The CP Budget will provide managers with a holistic view of resources to improve planning, budgeting and performance management. The consolidated nature of the country portfolio budget will improve efficiency and operational effectiveness. ~~Interim Country Framework or emergency operation of limited duration.~~
- 50.16. The CP Budget will create a single period for planning, implementation and reporting based on the calendar year. ~~The CP Budget will create a single period for planning, implementation and reporting based on the calendar year.~~ A year-by-year budget divided by WFP Strategic Outcome and **the four high-level cost category<sup>15</sup> categories – transfers, implementation, adjusted direct support costs (DSC) and indirect support costs (ISC) –** will be provided for the duration of the CSP.<sup>16</sup> **The CP budget will consist of Strategic Outcomes developed on the basis**

<sup>15</sup> The four high-level cost categories are transfer, implementation, adjusted direct support costs and indirect support costs.

<sup>16</sup> The budget will consist of Strategic Outcomes developed on the basis of needs assessments and/or identified Outcomes based on Strategic Reviews or similar analysis in collaboration with government counterparts and partners. The budget for development-related Strategic Outcomes will be guided by estimated available resources as per General Rule X.8.

of needs assessments and/or identified Outcomes based on strategic reviews or similar analysis in collaboration with government counterparts and partners. The CP budget for development-related Strategic Outcomes will be guided by estimated available resources as per General Rule X.8.

17. Notwithstanding paragraph 80, the Board will consider the total budget broken down by WFP Strategic Outcome and the four high-level cost categories and will grant budgetary approval by total budget per WFP Strategic Outcome for the duration of the CSP framework (Figure 1).

**Figure 1: Proposed country portfolio budget approval at total budget per WFP Strategic Outcome for the duration of the CSP framework**

INDICATIVE COST BREAKDOWN BY STRATEGIC OUTCOME (USD)					
	SR.X/SDG X.X	SR.X/SDG X.X	SR.X/SDG X.X	SR.X/SDG X.X	Total
	Strategic Outcome 1	Strategic Outcome 2	Strategic Outcome 3	Strategic Outcome 4	
Transfers					
Implementation					
Adjusted DSC (%)					
Subtotal					
ISC (7%)					
<b>Total</b>					

18. In countries with a CSP or ICSP, planning and budgeting for unforeseen emergency responses will be **implemented under the authority delegated by the General Regulations and Rules to the Executive Director; where required, the Strategic Outcome specific to the emergency response will be approved by the Director-General of the Food and Agriculture Organization of the United Nations (FAO).** In some cases, the emergency situation may elicit a significant or drastic change in the context and require WFP to develop a new CSP, through the CSP revision process. In countries where WFP does not have an operational presence or a CSP in place, planning and budgeting will be through the limited duration emergency operation. ~~In some cases, the emergency situation may elicit a significant or drastic change in the context and require WFP to develop a new CSP.~~ To ensure flexible and rapid adaptation of WFP's response to a sudden change in context or to sustain humanitarian assistance, WFP ~~may~~**will** use an Interim Country Framework **ICSP** as a bridge, ~~from a limited duration emergency operation or where a significant or drastic change in context renders the CSP inadequate,~~ to a new **CSP informed by a national zero hunger strategic review-informed CSP.** ~~The Interim Country Framework.~~
19. ~~The ICSP will be used during the 2018, and in exceptional circumstances beyond transitional period. Beyond 2018, the ICSP will be used when a CSP informed by a strategic review-informed CSP cannot be developed owing to ongoing conflict or instability that undermines governance, including the functioning of national institutions; and in.~~
- ~~51.~~**20.** In countries where WFP ~~has no~~**does not have an operational presence or a CSP in place, planning and budgeting will be through a limited emergency operation.** The CSP, ~~Interim Country Framework~~**ICSP** and limited emergency operation of a limited duration will all ~~adopt~~**include** a country portfolio budget **CP Budget.**<sup>17</sup>

~~52.~~ WFP Strategic Outcomes and activities related to a regional response will be ~~included in~~**the implemented through individual CSPs and CP Budgets** of countries involved in the

<sup>17</sup> Rapid needs assessment will continue to be conducted and fundraising appeals developed at the onset of an emergency. Access to mechanisms such as IPL and the Immediate Response Account will be maintained.

regional response. These Strategic Outcomes/activities will be tagged at the country office level to enable regional- and global-level monitoring and reporting on resources mobilized for the regional response. ~~The regional budget structure bureau will be adopted where limited regional emergency operations or~~ **coordinate the planning, design and pursuit of these strategic outcomes and other regional initiatives are.** ~~Limited emergency operations formulated and managed by a regional bureau.~~

~~21. WFP Strategic Outcomes or activities bureaux will also be tagged with the used as and when appropriate context to.~~

~~53.~~**22.** ~~To facilitate reporting on,~~ **WFP Strategic Outcomes or activities will also be aligned to the humanitarian outcomes laid out in** United Nations coordinated humanitarian response plans. ~~These tags~~ **This alignment** will enable WFP to manage, track and report on contributions that are earmarked for humanitarian response, and can be adjusted as WFP's response in the country evolves.

~~54. The Secretariat is also reviewing the possibility of tagging WFP Strategic Outcomes or activities with their situational contexts to facilitate resource mobilization and funding decisions. In 2017, a potential tagging methodology will be tested in pilot CSP countries. More information will be provided during the informal consultation planned for on 23 September.~~

~~55.~~**23.** ~~Some activities or outcomes will continue to be funded by trust funds. The programme framework and rationale for these activities will be included in the CSP. Trust~~<sup>18</sup> **Where possible, trust** fund activities for which a country office is responsible and accountable will be included in the CP Budget: country-specific trust funds will be allocated directly to the CP Budget, while trust funds managed from Headquarters or the regional bureau will be included in the CP Budget as activities resourced by trust funds. ~~All~~ **In all cases,** expenditures against a trust fund will be grant-specific to eliminate the potential for cross-subsidization, and reporting on trust fund expenditures will be in the local currency, where necessary, and in US dollars.

~~56.~~**24.** ~~Planned~~ **Service delivery, i.e. planned** common/shared services, will also be included in the CP Budget and linked, through the results chain, from corporate activity to WFP Strategic Outcome to the Strategic Result related to SDG 17. The common services received by a country office will be clearly distinguished in the CP Budget. When a country office provides common services to another country office, it will not link them to an SDG or include them in the CSP because the related costs will be considered in the budget of the country office receiving the services.<sup>19</sup>

~~57. The CP Budget will provide managers with a holistic view of resources to improve planning, budgeting and performance management. The consolidated nature of the country portfolio budget will improve efficiency and operational effectiveness.~~

~~58. The objectives of the Policy on CSPs and CP Budget structure include maintaining the Board's oversight role, maximizing transparency and enabling the holistic review of strategy, planning, budgeting and results.~~

~~59. As articulated in General Regulation Article VI.2(c), a fundamental role of the Board is the approval of WFP programmes, projects and activities. Analysis of budgetary approvals over the past five years underscores the Board's central role in approving an average of USD 4 billion a year in budgetary value, representing an average of 52 percent of the annual Programme of Work.~~

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<sup>18</sup> The programme framework and rationale for these activities will be included in the CSP.

<sup>19</sup> Common services and platforms activities are currently being defined under the corporate activity category. It will likely include activity categories such as: United Nations Humanitarian Air Service; United Nations Humanitarian Response Depot; Global Logistics Cluster; Supply chain bilateral services; Emergency Telecommunications Cluster; engineering services; and activities related to establishing and maintaining common cash-based transfer delivery platforms.

60. The primary vehicle for the Board's approval will be the CSP. In approving the CSP, the Board will also be approving the total budget and the budget for each strategic outcome for the duration of the CSP. Annexes I, II, III and IV provide, respectively, an overview of the draft CSP for Zimbabwe, an example of the budget information on which budgetary approval would be based and an example of a CP Budget for Zimbabwe, an example of a one-year CP Budget, and a breakdown of activity costs.

***Recommendation 1.0***

That the CP Budget structure encompass all operations in all contexts, replacing the multiple programme, project and trust fund budgets that currently exist within a country.

***Recommendation 1.1***

That any CSP, Interim Country Framework or emergency operation of a limited duration include a CP Budget.

***Recommendation 1.2***

That the CP Budget be stated by calendar year.

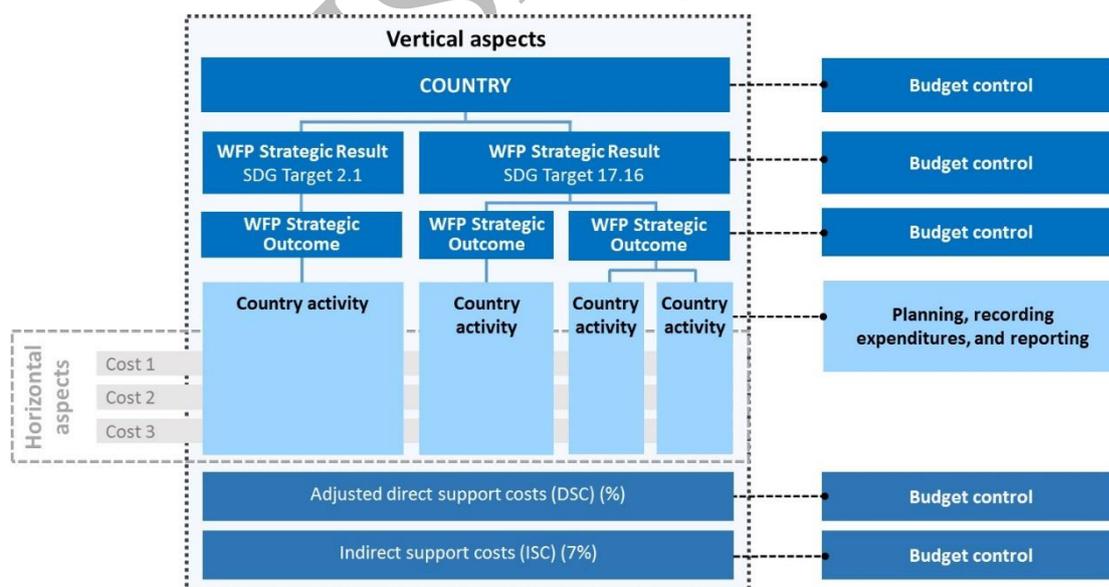
***Recommendation 1.3***

That, where a country has a CSP, the initial response to an emergency be handled by either modifying an existing strategic outcome or by introducing new strategic outcomes in a CP Budget.

**Results-oriented approach**

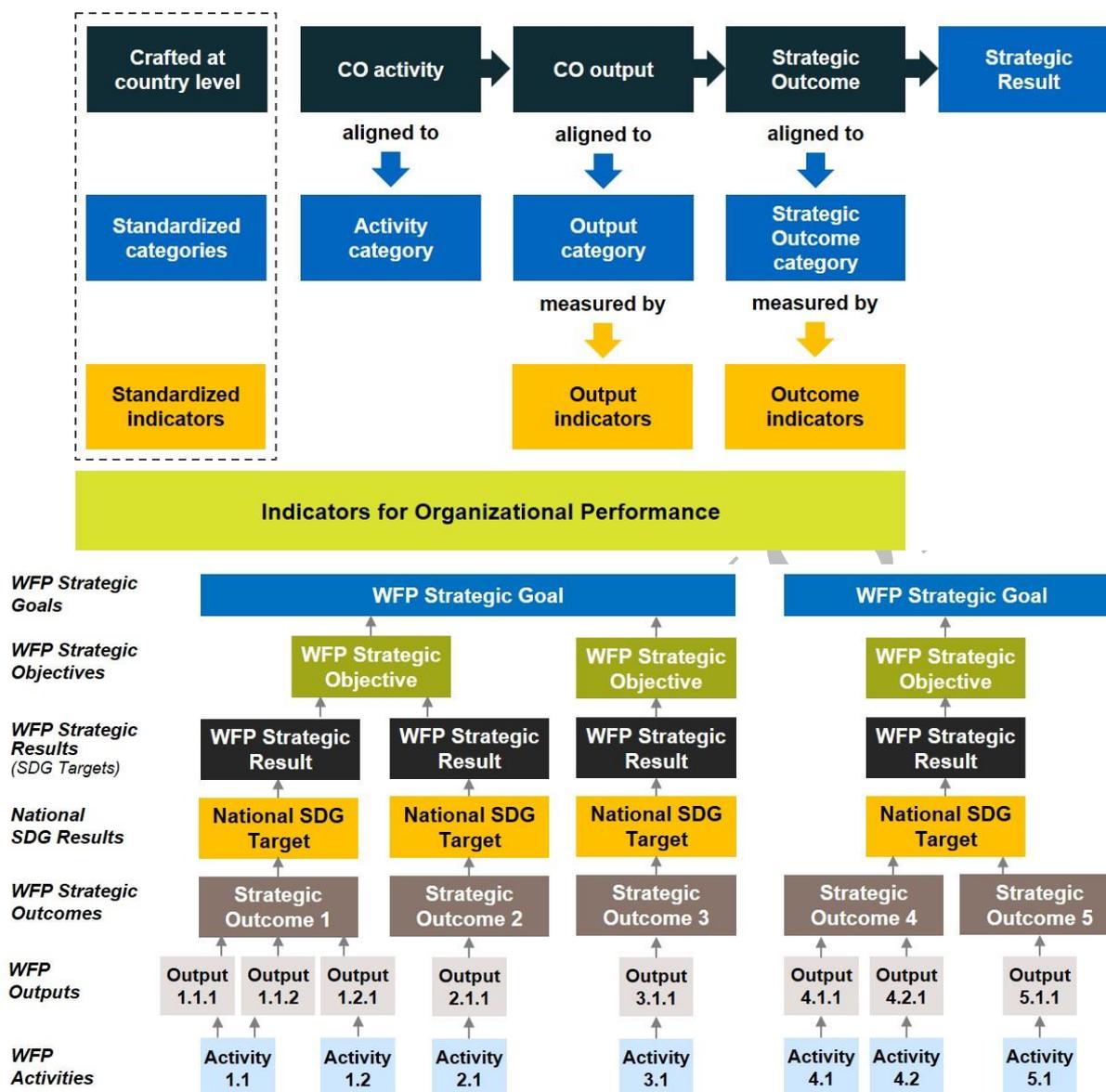
- 61-25. The current input-oriented cost components and fragmented budget structure make it difficult to communicate the results or impacts of WFP's assistance and to demonstrate value for money.
- 62-26. The CP Budget structure mirrors the results-oriented focus of the CSP, transparently linking resources to results through the "line of sight" from WFP Strategic Results to WFP Strategic Outcomes to activities to costs. (Figure 2). This will facilitate performance management and financial reporting by WFP Strategic Outcome, enabling the Secretariat to communicate the impact of WFP assistance.

**Figure 2. CP Budget Structure**



- 63-27. The WFP results chain (Figure 3) is the core of WFP's results-oriented management approach at the country level.

Figure 3: WFP results chain



64.28. Country offices will formulate their own strategic outcomes, outputs and activities in line with the standardized corporate categories set out in the CRF: **and in accordance with the United Nations harmonized terminology for results-based management adopted by the United Nations Office for the Coordination of Humanitarian Affairs and the United Nations Development Group.** While this system gives country offices the flexibility to select appropriate outcomes, outputs and activities for the country context, the use of standardized categories will enable aggregation of results from all countries for corporate reporting and performance management.<sup>20</sup>

65.29. WFP Strategic Outcomes describe the short- to medium-term effects that contribute to the achievement of national SDG targets and WFP Strategic Results.<sup>21</sup> They describe the people who will benefit from SDG 2 or the and entities involved in SDG 17, the geographic scope, the result

<sup>20</sup> Details on the design of the CRF and its standardized categories can be found in [Link to the CRF document to be added](#) WFP/EB.2/2016/4-B/1.

<sup>21</sup> WFP/EB.A2/2016/5-B and Policy on CSPs – Fifth draft 4-C/1.

that is sought and the foreseen timeframe of the programme intervention, ~~and reflect the context in which assistance is provided.~~<sup>22</sup>.

~~66~~**30.** Under the CP Budget structure each WFP Strategic Outcome is tied to a single WFP Strategic Result or SDG target, and a single Strategic Objective. To ensure a clear “line of sight” there should be relatively few strategic outcomes; in cases of ambiguity a strategic outcome may need to be reformulated or divided into two result statements to show the links between cause and effect.

~~67~~—The activities planned by the country office will form the basis for recording expenditures. The prominence and visibility of activities in the CP Budget structure will enable managers to identify and compare cost drivers in similar activities in all country portfolios and will inform management and programme decisions. ~~Annex IV provides an example of activity planning under WFP Strategic Outcomes.~~

~~68~~**31.** Country activities will be linked with corporate activity categories to enable better comparison of activities and cost benchmarking among country offices and activity types.<sup>23</sup>

~~69~~**32.** To facilitate integration with the CRF and corporate reporting, each country-defined strategic outcome will be linked to a single corporate outcome category, and each country-defined output will be linked to a single corporate output category.

~~70~~**33.** The primary vehicle for the Board’s approval will be the CSP. The CP Budget accompanying the CSP will be ~~divided~~**the total budget broken down by the four high-level cost categories and approved by total budget per WFP Strategic Outcome.**<sup>24</sup> ~~Budget for the duration of the CSP framework. The budget approval~~<sup>25</sup> will therefore create a budget envelope for each WFP Strategic Outcome. This will reinforce the results-oriented approach to budgeting and represents a fundamental change from the current budget envelopes at the cost component level, which restrict managers’ flexibility.

~~71~~**34.** The Secretariat is reviewing the information required for management to deliver reliable metrics for demonstrating value for money to Member States and donors. In WFP, value for money is defined as “getting the best results for our beneficiaries by wisely using our resources”. The CP Budget and CRF are critical tools in enabling WFP to ~~link~~**create a “line of sight” that links** results to the resources utilized for better **performance management and** measurement of efficiency and effectiveness. CSPs, the CRF and CP Budgets will be designed to enable the Secretariat to monitor value-for-money metrics at the global level. With costing performed at the activity level and links to standardized corporate categories for comparison purposes, the Secretariat will be better able to identify cost drivers.

~~72~~**35.** The Secretariat is optimistic that the CP Budget structure with its increased transparency and ~~links~~**“line of sight”** between resources and results at all levels of the budget hierarchy **will increase the focus on performance, both internally and with donors,** and will lead to more multilateral contributions and encourage partners to contribute at higher levels of the budget structure or by thematic area. In addition, the multi-year nature of CSPs, with outcome

<sup>22</sup> ~~Country offices participating in phase II agreed that operational context is relevant to country level planning and fundraising, and should be reflected in the WFP Strategic Outcome and/or activity layer of the budget structure. Following discussions at the World Humanitarian Summit, the Secretariat will work with other agencies to harmonize notions of context.~~

<sup>23</sup> ~~The following corporate activity categories are being developed: i) unconditional resource transfers to support access to food; ii) asset creation and livelihood support; iii) climate adaptation and risk management; iv) school meals; v) nutrition treatment; vi) malnutrition prevention; vii) smallholder agricultural market support; viii) capacity strengthening for individuals; ix) institutional — governments and civil society — capacity strengthening; x) common services and platforms, which will likely include the United Nations Humanitarian Air Service, the United Nations Humanitarian Response Depot, the humanitarian clusters and common cash based transfer delivery platforms; xi) emergency preparedness; xii) analysis and assessment; and xiii) other.~~

<sup>24</sup> ~~The CP Budget will also provide a breakdown, for information, by the four high level cost categories: transfer, implementation, adjusted direct support costs and indirect support costs.~~

<sup>25</sup> ~~The budget approval and revision processes for CSPs, including CP Budgets, are set forth in the Policy on CSPs — Fifth Draft). Changes to the delegations of authority will be considered within the context of the FFR.~~

information on planned results, could provide a basis for donors to provide resources over multi-year periods.

***Recommendation 2.0***

~~That the CP Budgets be results-oriented with clear links from WFP Strategic Results to WFP Strategic Outcomes to activities to costs.~~

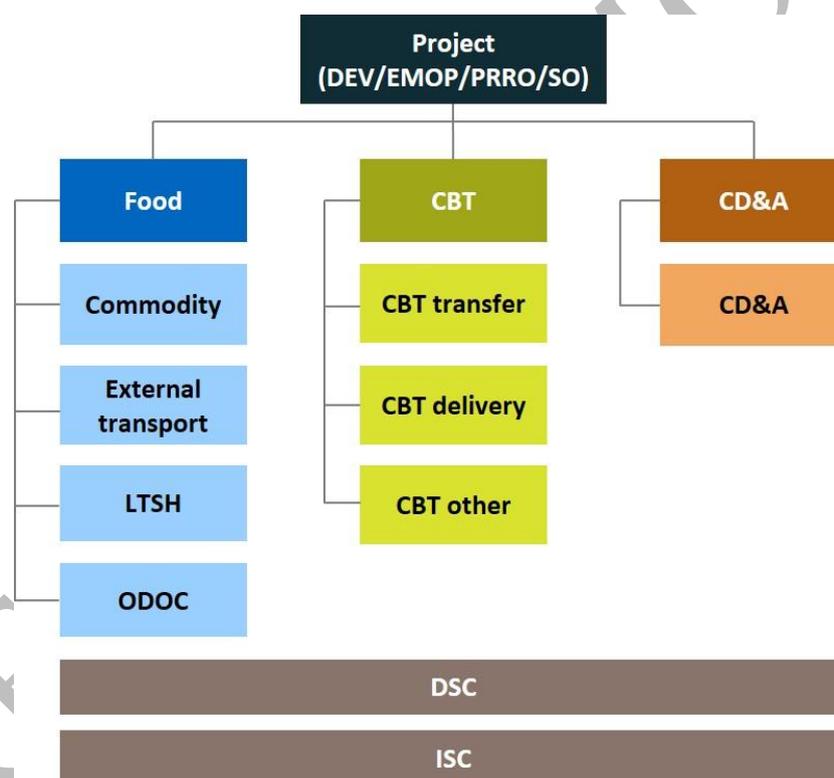
***Recommendation 2.1***

~~That the CP Budget be broken down and approved by the total budget per WFP Strategic Outcome.~~

***Creation of a new cost structure***

73.36. The current cost structure (Figure 4), which is unique to WFP, was designed primarily to support the food aid delivery model. Budget ownership is split by cost category, resulting in fragmented management of the overall budget. Cost categories are input-based and aggregated by modality: food, CBTs and capacity development and augmentation.

**Figure 4: Existing cost components and structure**



DEV: development project.  
 PRRO: protracted relief and recovery operation.  
 SO: special operation.  
 LTSH: landside transport, storage and handling.  
 ODOC: other direct operational costs.  
 CD&A: capacity development and augmentation.

74.37. ~~Country offices developed the~~**The** new cost structure ~~by considering~~**considers** four requirements:

- i) tracking four types of transfer modality – food, CBT, capacity strengthening and service delivery – as the default;
- ii) establishing a cost classification system that allows the aggregation of cost information in high-level cost categories that can then be disaggregated;
- iii) establishing the ability to drill down to detailed costs; and
- iv) including an ability to aggregate costs in line with harmonized United Nations cost categories and other classifications as required.

### **High-level cost categories**

**75.38.** The high-level cost categories in a CP Budget will reflect aggregations of detailed costs. They ~~should be~~ clear and transparent, to facilitate communication of operational results and value for beneficiaries to Member States and other actors. Four high-level categories – transfer costs, implementation costs, adjusted DSC and ISC – will replace the ten current cost components.

### **Transfer**

**76.39.** This category covers costs that add directly to the transfer value of food and CBT modalities and transfer cost of food assistance, CBTs, capacity strengthening and service delivery activities and are directly related to the specific transfer modality. In the case of food and CBTs, the costs under Transfer relate strictly to the transfer of assistance to beneficiaries. In the case of capacity strengthening and service delivery, they relate to the provision of goods or services to recipients, e.g. host governments, United Nations agencies and other partners. All costs under the Transfer category will be tracked by modality.

**77.40.** Examples of transfer costs include, but are not limited to, the purchase price of a commodity and related costs such as for transport and storage; the costs of cash or vouchers and related costs such as for setting up the delivery mechanism; distribution costs; partners' costs associated with transfer of resources; and costs directly attributable to capacity strengthening and service delivery activities.

### **Implementation**

**78.41.** This category covers costs directly attributable to implementing activities associated with a transfer. These costs do not add direct value to the transfer and are not always modality-specific. Examples include, and are not limited to, WFP staff working on an activity, assessments, monitoring and evaluation related directly to the activity; and WFP field office expenses linked to the activity. They can also include costs of assessments, monitoring and evaluations, and beneficiary management costs – targeting, sensitization, registration – non-food inputs for activity implementation, that are directly linked to an activity but not a specific transfer modality.

### **Adjusted Direct Support Costs**

**79.42.** This category covers costs that are managed at the country level and directly support several activities related to transfer of assistance and implementation of programmes.<sup>26</sup> These costs can be allocated to activities using a country-specific percentage of transfer and implementation costs. The percentage will be based on the country's annual transfer and implementation costs as planned in the implementation plan. These costs are relevant to WFP's presence in a country and influenced by the scale of activities in the country. Examples include, but are not limited to, country office management costs, such as for heads of units; rental costs for the country office; assessments and country portfolio evaluations not directly linked to a specific activity; and certain security costs.

### **Indirect ~~support costs~~ Support Costs**

**80.43.** ISC includes costs that support the execution of activities but cannot be directly linked with their implementation.

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<sup>26</sup> Analysis to date has focused on country-specific costs. Ongoing analysis of support costs will determine the implications of this approach for Programme Support and Administrative costs that are not related to a specific country.

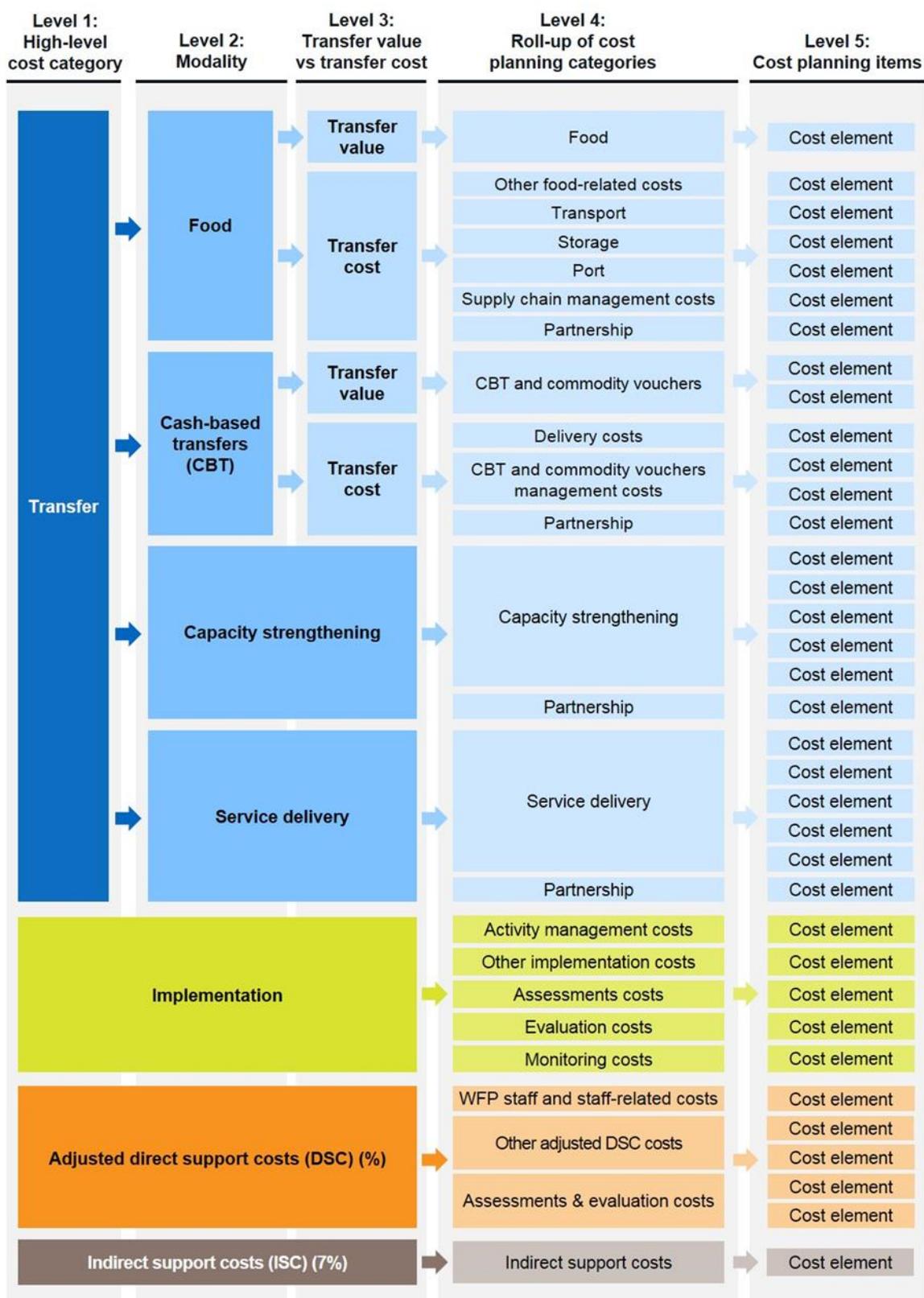
***Detailed planning elements and costs***

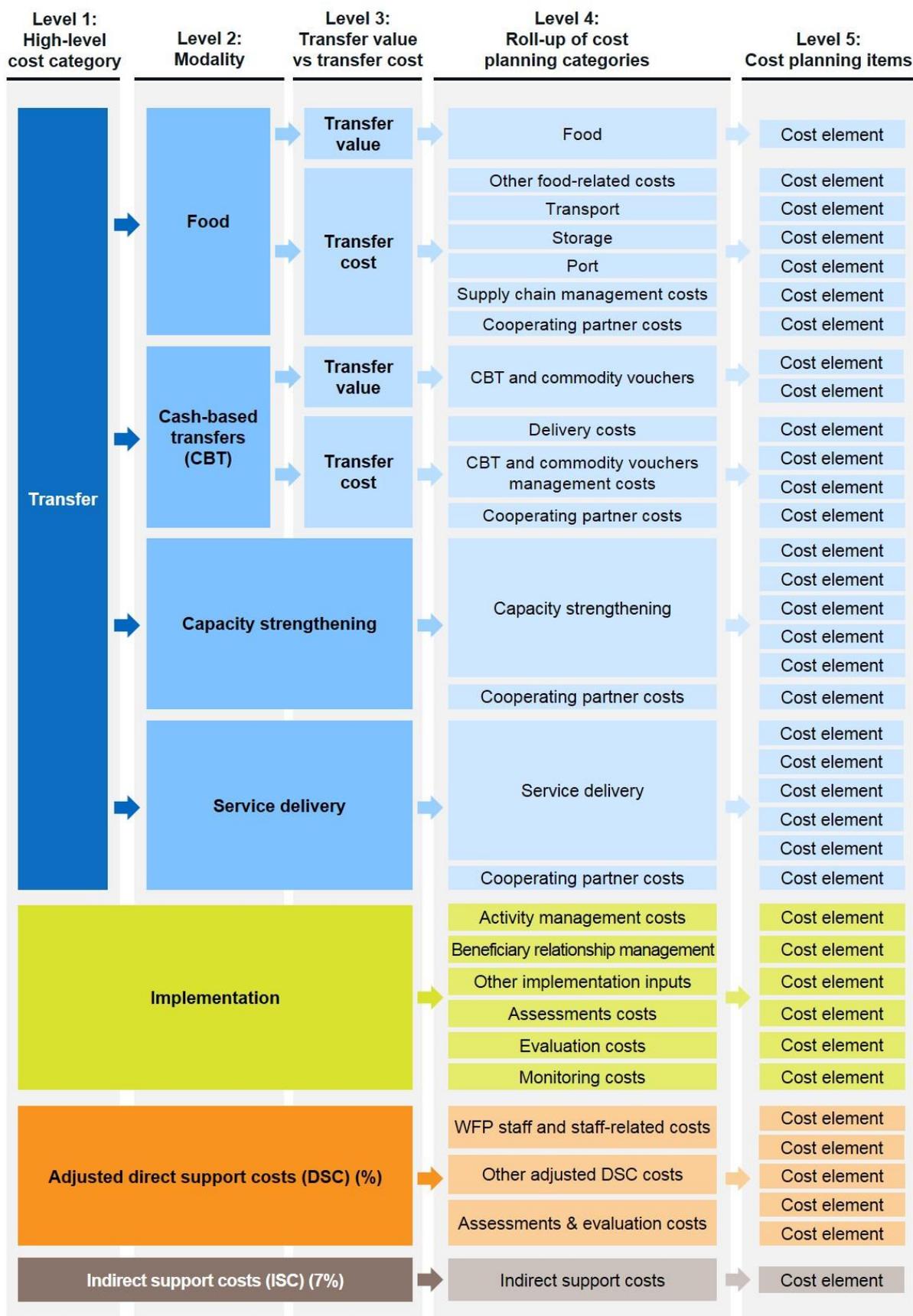
- 81.44.** Costs will be managed at all levels – the cost classification system will allow WFP to break down high-level cost categories into the lowest cost elements for planning. This detailed cost classification will improve WFP’s ability to: i) reflect competitiveness; ii) demonstrate transparency and accountability; and iii) understand how costs are linked to the implementation of activities and/or provision of services, to facilitate reliable costing and cost benchmarking.
- 82.45.** Managers will use activity-level planning and detailed cost information to analyse cost drivers and critical metrics such as average cost per ration, to help choose the most cost-efficient and operationally effective activity.
- 83.46.** Figure 54 provides an example of the detailed cost classification hierarchy that will enable managers to drill down from the four high-level cost categories to detailed costs.

REVISION MODE

**Figure 54: Country portfolio budget cost classification hierarchy**

REVISION MODE



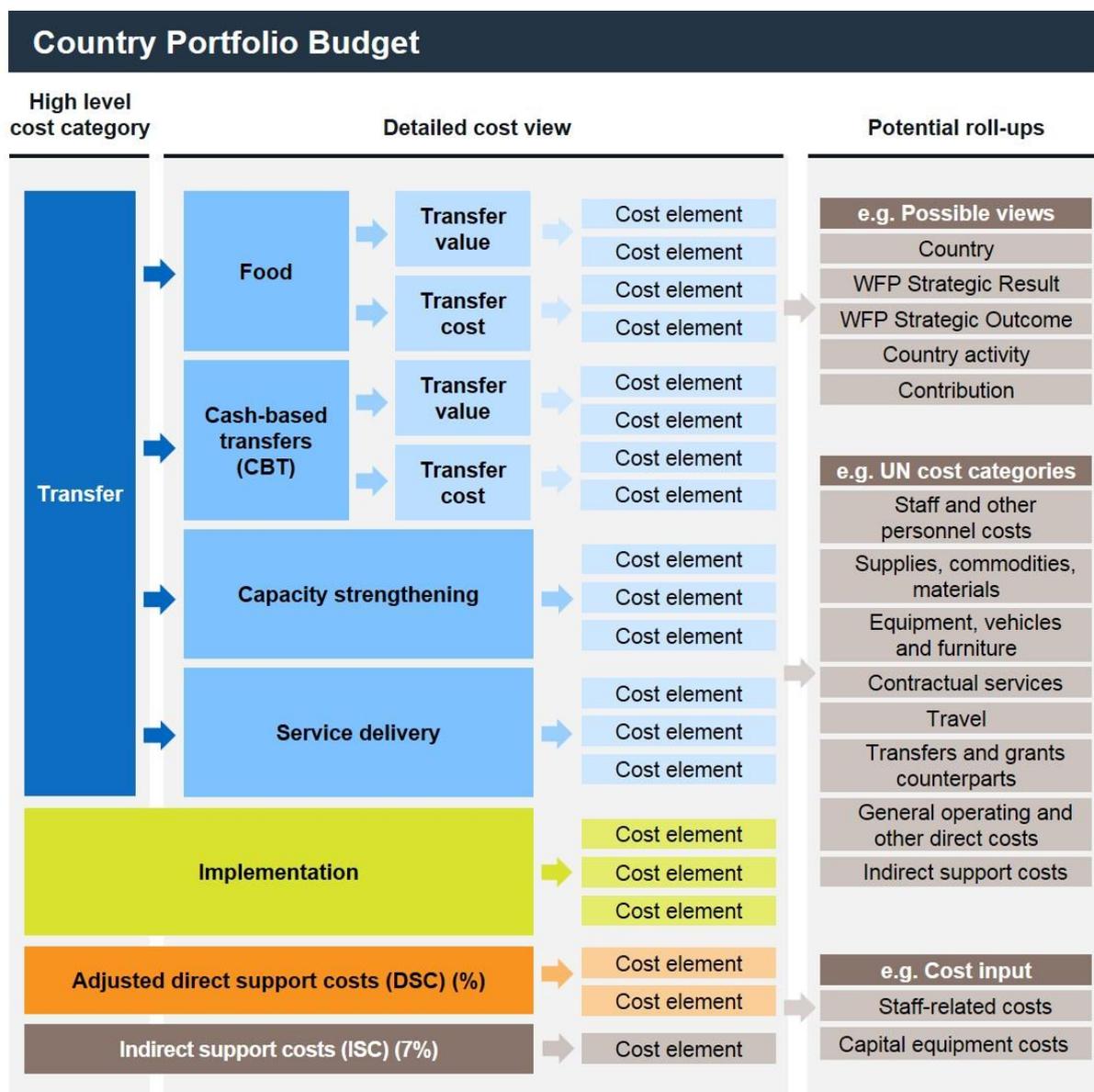


### Multi-faceted reporting capability

84.47. In addition to drilling down to detailed cost items, the cost classification hierarchy will also allow the aggregation of costs by country, strategic result, strategic outcome category, functional area, activity category or contribution, for reporting and to inform internal management decisions.

85. Figure 6 shows an example of the views that are available in the CP Budget structure.

**Figure 6: Example of multi-faceted reporting views**



86.48. In consideration of the World Humanitarian Summit and the High-Level Panel Report on Humanitarian Funding, WFP is committed to maximum transparency with regard to its operations, costs and results through simplified and harmonized reporting to the Board, partners, donors and beneficiaries.

### Annual planning process

87. Country operations management plans (COMPs) will facilitate the internal management of CSPs and integrate updated assessments of needs carried out in collaboration with government counterparts and partners.

88. The COMP will form the basis of the annual planning cycle, and will consist of a country's programme of work, including budgets for needs based and resource based implementation

plans.<sup>27</sup> The implementation plans will outline the resources expected to be made available by Strategic Outcome and activity. The aggregation of all country offices' implementation plans will be included in WFP's Management Plan as the Prioritized Plan of Work.

89. Information from the COMPs, including activity level details, will be made available to Member States via an online portal. Rather than only receiving WFP created reports in an annual cycle, Member States can use the portal to access and create reports at any time and for any period. The on-line portal will be regularly updated with expenditure information. This holistic view of operations, together with formal Board processes, will facilitate the Board's fulfilment of its oversight role and provide the Member States with information for fundraising purposes. The Secretariat expects that the portal will be functional by the second quarter of 2018.

90. At a minimum, the Board will also be provided with the following information annually:

- i) extracts of updated operational and budgetary plans, presented with the Management Plan for information;
- ii) post factum reports on the use of delegations of authority for the approval of CSP revisions, limited duration emergency responses or Interim Country Frameworks; and
- iii) reviews of implementation through the Annual Performance Report and a revised Standard Project Report format, such as Standard Country Reports.

91. In consultation with donors, the Secretariat is also reviewing reporting requirements with a view to increasing transparency and standardizing reporting elements.

92. Corporate reports on the allocation of multilateral funding will continue. Annexes V and VI provide working examples of the financial information and information for resources to results reporting linked to the CRF that could be included in Standard Country Reports to demonstrate the increased transparency and links to Strategic Outcomes and results achieved.

#### *Harmonization with United Nations cost categories*

93.49. The new cost structure will enable managers to view detailed cost items according to the harmonized United Nations cost categories, **where possible**. This is line with the QCPR recommendation for harmonizing business practices and will facilitate joint planning, reporting and clearer comparison among country offices **with other organizations**.

#### *Annual planning process*

50. **Country operation management plans (COMPs) will support the implementation of CSPs as part of WFP's internal management process. The COMP forms the basis of the annual planning cycle and will consist of a country's programme of work, including budgets for needs-based and resource-based implementation plans.**

51. **Operational and budgetary information from the COMPs, including activity-level details, will be made available to Member States via an online portal. Specific information will be provided on an annual basis for the full duration of the CSP. This will include:**

- a) **modality of transfers by Strategic Outcomes and Activity;**
- b) **an overview of beneficiaries, broken down by age group, and by status;**
- c) **beneficiaries by Strategic Outcome and Activity, disaggregated by gender;**
- d) **food rations or transfers by activity for each Strategic Outcome and Activity;**
- e) **breakdown of transfers by modality; and**

<sup>27</sup> The budget will consist of Strategic Outcomes developed on the basis of needs assessments and/or identified Outcomes based on Strategic Reviews or similar analysis in collaboration with government counterparts and partners. The budget for development related Strategic Outcomes will be guided by estimated available resources as per General Rule X.8.

- f) **quantitative information will be available by dollar value by Strategic Outcome and activity and by tonnage, where applicable.**
- 52. In addition to receiving WFP-created reports in an annual cycle, Member States can use the portal to access and create reports at any time and for any period. The online portal will also link resources to results which will consist of Strategic Outcome budgets broken down by activity with respective planned results (output/outcome targets).**
- 53. This information will be applied to all CSPs in 2017. In mid-2017, the Secretariat, in consultation with the Board, will assess the information that should be retained within the CSP framework; the balance of information that could be made available at the time of the CSP approval; and/or information that could be moved to the COMP process.**
- 54. The online portal will be periodically updated with expenditure information and the outputs delivered, together with a description of the activities prioritized according to the available funding.**
- 55. This holistic view of operations, together with formal Board processes of CSP and Management Plan approval, as well as its annual review of the Annual Performance Report, Standard Country Reports and post-factum reports on the use of delegations of authority will facilitate the Board's fulfilment of its oversight role. It will also contribute to the information required by Member States for fundraising purposes.**
- 56. The Secretariat expects that the online portal will be functional by the second quarter of 2018. Until then, information from the COMP will be shared through an alternative mechanism for all CSP pilots in 2017 and all CSPs and ICSPs in the first quarter of 2018.**
- ~~94. In consultation with donors, the Secretariat is also reviewing reporting requirements with a view to increasing transparency and standardizing reporting elements. Figure 7 shows an example of detailed cost elements linked to the eight harmonized United Nations cost categories.~~

57. Corporate reports on the allocation of multilateral funding will continue, as will contribution-specific expenditure tracking.

*Alignment to funding lines*

58. Donor policies and systems in many cases enable funding from discrete humanitarian and development funding lines. This distinction allows donors to commit development funds to provide the predictability and stability needed for longer-term investments, whilst at the same time protecting the ability to release humanitarian funds quickly in response to emergencies. These two streams often come with different procedures and accountabilities, sometimes from different departments or agencies. WFP's current programme category structure – made up of emergency operations, protracted relief and recovery operations, development projects, and special operations – align to some, but not all, of the discrete humanitarian and development funding lines of partners.
59. The Secretariat appreciates the commitments made at the World Humanitarian Summit to overcome the humanitarian/development divide by enabling coherent financing that avoids fragmentation by supporting collective outcomes and the pledges to increase multi-year funding in humanitarian contexts. Indeed, a number of donor partners have come forward with multi-year funding for WFP operations which are more humanitarian in nature.
60. The new corporate architecture must support partners' ability to commit funds as well as provide assurances that funding is deployed appropriately to different contexts, in accordance with their legislative or policy requirements. To ensure closer alignment of the corporate architecture to the funding lines, WFP will expand on various approaches in the pilot CSP countries in 2017.
61. The first step is to provide visibility on the nature of the intervention in the formulation of WFP Strategic Outcomes. Corporate guidance on the formulation of WFP Strategic Outcomes is being developed to ensure they are drafted with standard, coherent elements. The country-driven WFP Strategic Outcomes are tied to one Strategic Results and one focus area – crisis response, resilience building or root causes. They will describe the people and entities, the geographic scope, the result that is sought and the foreseen timeframe of the programme intervention. Piloting in 2017 will ensure that this level of information provided in the CSP framework, CP Budget and COMP is sufficient to facilitate resource mobilization and funding decisions. Figure 5 outlines an example of the formulation of Strategic Outcomes.

Figure 75: Example of harmonization with United Nations Costa formulation of WFP Strategic Outcomes

1 WHO Target population	2 WHERE Geographic location	3 WHAT	4 WHEN Expected change and strategic focus
Children	In prioritized districts with high poverty and malnutrition rates	Have <u>stunting rates trends</u> in line with the national and global targets	By 2025 SR2
Food insecure communities and individuals, and institutions	In areas with high vulnerability to climate change	Have <u>adapted to climate change</u>	By 2021 SR4
Refugees, displaced person and other food insecure people affected by a shock	In Ecuador	Have <u>access to adequate food and nutrition</u>	All year long SR1
Food insecure people including refugees	In the most affected districts	Are enabled to <u>meet basic food and nutrition requirements</u>	During severe seasonable shocks or other disruptions SR1

62. The formulation of Strategic Outcomes, supported by the linkage to activities, will clarify alignment with partners' funding lines to ensure the accurate deployment of funding, in accordance with partners' legislative or policy requirements.
63. The second step is to explore outcome tags or categories to distinguish among Strategic Outcomes. Two potential methodologies – based on the situational contexts identified in the Strategic Plan and on the focus areas – were examined. The Secretariat identified a preference for the latter, in view of the overlapping situational contexts under the Strategic Plan, which would make the mandatory one-to-one relationship required to ensure alignment with funding lines unfeasible.
64. Mutually exclusive tagging across all Strategic Outcomes would therefore use the focus area categories<sup>28</sup> developed for Strategic Outcome formulation as system tags (crisis response, resilience building, root causes). Strict rules would apply under this method, whereby only one category would apply to each Strategic Outcome:

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<sup>28</sup> Figures are for illustrative purposes only.

## Zimbabwe Country Portfolio Budget (2017-2021)



	Strategic Outcome 1	Strategic Outcome 2	Strategic Outcome 3	Strategic Outcome 4	Strategic Outcome 5	
	Food insecure people, including refugees, in the most affected districts are enabled to meet their basic food and nutrition requirements during severe seasonal shocks or other disruptions	Children in prioritized districts have stunting rate trends in line with the achievement of national and global targets by 2025	Food insecure rural households and smallholder farmers achieve food security and demonstrate resilience to seasonal shocks and stresses	The social protection system in Zimbabwe ensures that chronically vulnerable populations across the country are able to meet their basic needs all year round	Humanitarian and development programmes in Zimbabwe are reliably supported by world-class, cost effective and efficient supply chain services	
	<b>United Nations Cost Categories</b>					
<b>Transfer</b>	Staff and other personnel costs	792 627	22 095	1 774 442	1 298 614	
	Supplies, commodities, materials	57 881 292	5 176 545	36 710 302		2 176 819
	Equipment, vehicles and furniture including depreciation			530 000	680 000	
	Contractual services	500 000	2 220 000	3 107 630	3 339 062	
	Travel		150 000		100 000	
	Transfers and grants to counterparts	2 591 808	451 487	2 002 626	1 159 453	
	General operating and other direct costs	3 050 957		2 304 000	125 000	
<b>Implementation</b>	Staff and other personnel costs	7 227 673	332 186	3 347 206	1 662 399	974 187
	Supplies, commodities, materials					
	Equipment, vehicles and furniture including depreciation	693 735	57 928	134 970	72 857	
	Contractual services	405 896	44	824	403 630	
	Travel	736 665	4 685	58 899	31 250	
	Transfers and grants to counterparts	6 658 456	2 136 000	22 750 000		
	General operating and other direct costs	1 639 439	93 151	226 508	151 731	
<b>Adjusted DSC (%)</b>	Staff and other personnel costs	5 496 822	710 816	4 955 365	619 815	215 423
	Supplies, commodities, materials					
	Equipment, vehicles and furniture including depreciation	474 814	61 400	428 043	53 539	18 608
	Contractual services	69 536	8 992	62 686	7 841	2 725
	Travel	87 551	11 322	78 927	9 872	3 431
	Transfers and grants to counterparts					
	General operating and other direct costs	1 036 503	134 034	934 404	116 875	40 621
<b>Total by Strategic Outcome (excluding ISC)</b>	<b>89 343 772</b>	<b>11 570 685</b>	<b>79 406 834</b>	<b>9 831 938</b>	<b>3 431 815</b>	<b>193 575 045</b>
<b>Indirect support costs (7%)</b>	<b>6 254 064</b>	<b>809 948</b>	<b>5 558 478</b>	<b>688 236</b>	<b>240 227</b>	<b>13 550 953</b>
<b>Total</b>	<b>95 597 836</b>	<b>12 380 633</b>	<b>84 965 312</b>	<b>10 520 174</b>	<b>3 672 042</b>	<b>207 135 998</b>
<b>GRAND TOTAL</b>						<b>207 135 998</b>

**Recommendation 3.0**

That costs be summarized into four cost categories: transfer costs, implementation costs, adjusted DSC and ISC.

**Recommendation 3.1**

That, as a complement to CSPs, country level information from WFP's annual planning cycle be made available for information purposes to Member States.

**Recommendation 3.2**

That more detailed cost planning elements be aligned with the harmonized United Nations cost categories where possible.

- i) ***Crisis response:*** The response occurs in the context of a crisis. The objective is to provide relief and maintain food security and nutrition. The response could also include recovery efforts to restore livelihoods. This outcome category targets internally displaced persons, refugees, vulnerable host communities, and malnourished and food-insecure populations affected by a shock – conflict, natural disaster, economic crisis.
  - ii) ***Resilience building:*** WFP responds in the context of building resilience to future crisis. WFP’s objective is to support the response of people and institutions to future shocks and enable communities and institutions to develop their assets and capacities and, in some cases, also to recover from crises. This outcome category typically includes people, communities and institutions in food-insecure areas, poor areas, hazard-prone areas or areas vulnerable to climate change.
  - iii) ***Root causes:*** WFP’s response occurs in the context of long-standing and/or unaddressed needs and vulnerabilities. It addresses the underlying, root causes of vulnerability, including unavailability of food, poverty, poor access to education and basic social services, etc. The objective is to ensure and protect the food security and nutrition of the most vulnerable people and communities while strengthening institutional capacity to respond to their needs. This outcome category typically targets people and communities suffering from chronic food insecurity, persistent poverty and limited access to services.
65. A third step entails enhancing our ability to communicate results. The CP Budget structure will allow WFP to accept funds from different accounts, for different purposes, and to “track and trace” through the completion of activities to the achievement of outcomes.
66. The CSP framework, CP Budget and new CRF will facilitate a new degree of transparency and reporting on WFP’s impact to our partners, donors and beneficiaries. If a partner needs to account for funding, whether directed or “multilateral”, for example in emergencies, WFP will be able to provide that more precisely and transparently than before through the CRF and enhanced donor reporting, including, for example, corporate reports on the use of multilateral funds at the Strategic Outcome level. The decision-making process for allocating multilateral funds will also be updated.
67. There are risks associated with “tagging” and closely aligning our corporate architecture to donor funding lines. The first identified risk is that the new architecture will not be aligned completely to all donor funding streams. The second risk is that fragmentation of funding streams could increase at the country office level. The third risk is the potential for increased earmarking. Finally, the Secretariat recognizes that tags, categories and the formulation of the WFP Strategic Outcomes will be only as good as the guidance provided and that significant capacity development and training will be required across the organization.
68. The Secretariat is committed to testing all aspects of the steps outlined above within the 2017 pilot CSPs and CP Budgets and engaging with donors at each step. Discussions regarding the sufficiency of information for making funding decisions and sharing lessons learned with the Board will help refine the programmatic and financial framework.

#### ***Principle of full-cost recovery***

95-69. As WFP is funded entirely by voluntary contributions, the principle of full-cost recovery must be retained when considering reform of the financial architecture. General Regulation XIII.2, which outlines the full-cost recovery principle, ensures that donors provide sufficient cash contributions to cover all operational and support costs related to the implementation of activities each contribution.<sup>29</sup>

<sup>29</sup> Exceptions to full-cost recovery are provided under General Rule XIII.4(g).

~~96.70. However~~ **With the principle and General Regulation remaining in force**, the Secretariat notes that the current application of full-cost recovery was designed primarily for contributions of in-kind food and cash for food. General Rule XIII.4 defines the application of full-cost recovery to different types of contribution to cover operational costs, DSC and ISC. Full-cost recovery is managed primarily by reserving a proportion of every contribution to cover related ~~implementation costs—examples include the 7 percent ISC rate, or a percentage or rate per ton for certain cost components.~~ **costs and is described in detail in General Rule XIII.4; examples include other direct operational costs where an average per ton rate is applied to the food component of the project. It is envisaged that the full-cost recovery principle will be embedded as a high-level policy in the General Rules, rather than the current detailed level.**

97.71. In light of the increasing diversity of WFP's assistance, the proposed CP Budget structure and changes to the cost structure, the Secretariat reviewed the application of full-cost recovery with a view to developing a simplified design that is applicable to all types of contribution, while ensuring that donors provide sufficient cash resources to cover **related** transfer and implementation costs.<sup>30</sup>

98.72. Most projects are not 100-percent funded, resulting in frequent revisions of full-cost recovery rates and subjecting projects to budgetary surpluses or deficits. It is therefore proposed that full-cost recovery calculations be based on the annual resource-based implementation plan<sup>31</sup> to reflect the country office's operational reality, including the scale of country operations and related costs. Coupled with more accurate programming, this method is expected to minimize the need to revise full-cost recovery rates.

99.73. ~~The proposal presented to the Board during the 2016 Annual Session and subsequent informal consultations~~ **The new methodology for achieving full-cost recovery** is predicated on the need to distinguish between the principle of full-cost recovery and the treatment of different types of contribution. Full-cost recovery ~~should~~ **would continue to be applied at the contribution level, and would** be based on the high-level cost categories of transfer and implementation costs, adjusted ~~direct support~~ **DSC and ISC. Transfer and implementation costs and indirect support costs.** ~~The would be calculated according to the level at which the contribution was committed – the activity, strategic outcome or strategic result level – and the adjusted DSC component would be calculated as a country-wide proportion of the consolidated transfer and implementation costs, which will vary by country. ISC and its current recovery rate of 7 percent would remain unchanged.~~<sup>32</sup>

100. ~~It is envisioned that the full cost recovery principle will be embedded as a high level policy in the General Rules rather than at the detailed level currently prescribed. Therefore, additional internal guidance or policies on the treatment and handling of particular types of contribution will be provided, such as through Executive Director Circulars. For example, contributions that are tied to commodities—including both in-kind contributions and those for purchases—will have to include sufficient cash resources to cover related transfer and implementation costs.~~

101. ~~Annex VII provides examples of what full cost recovery will entail for various types of contribution in Zimbabwe.~~

#### ***Recommendation 4.0***

**That the principle of full cost recovery be applied employing the high level cost categories of transfer and implementation costs, adjusted direct support costs, and indirect support costs.**

<sup>30</sup> ~~Exceptions to full cost recovery are provided under General Rule XIII.4(e).~~

<sup>31</sup> Pilots in the resource-based planning work stream tested full-cost recovery based on resource-based **implementation** plans and found that the more realistic budget enabled more accurate programming and more efficient use of resources. Implementation plans were standardized and mainstreamed for development of the Management Plan (2017–2019).

<sup>32</sup> The ISC rate is approved annually by the Executive Board.

**Recommendation 4.1**

For the simplification of full-cost recovery norms approved by the Executive Board in the General Rules, with more detailed guidance on their application issued by the Executive Director in internal instruments.

**Governance**

74. As articulated in General Regulation Article VI.2(c), a fundamental role of the Board is the approval of WFP programmes, projects and activities. Analysis of budgetary approvals over the past five years underscores the Board's central role, approving an average of USD 4 billion a year in budgetary value, or approximately 52 percent of WFP's approved project budgets.
- 102.75. Proposed changes to the governance model seek to maintain the Board's ~~fundamental~~ role in the approval process while enhancing its strategic oversight and ~~ensuring that WFP retains its retaining~~ WFP's ability to respond quickly to emergencies. The ~~"CSP Policy on Country Strategic Plans—Fifth Draft"~~ sets forth the approval process for CSPs and their revisions, noting that the Board will need to review the Executive Director's authorities related to programme approvals and budget revisions.<sup>33</sup>
103. ~~The~~ **Notwithstanding paragraph 80,** the Board will approve all new CSPs with an accompanying CP Budget.<sup>34</sup> ~~The Board's strategic oversight role will be strengthened and informed by the results-oriented portfolio approach. Country offices will develop WFP Strategic Outcomes aligned with WFP's results framework and in accordance with the United Nations harmonized terminology for results-based management adopted by the United Nations Office for the Coordination of Humanitarian Affairs and the United Nations Development Group.~~
- 104.76. ~~Over the last five years, the Board has approved approximately 52 percent of WFP's approved budget projects. Under the new governance model, the Board's role in approving new operations~~ This is ~~expected to expand significantly~~ a significant change as ~~CSPs~~ CSP frameworks will include elements that are currently not approved by the Board, including ~~trust funds, small operations below current thresholds, and~~ emergency and special operations that are protracted, predictable and/or recurring, as well as trust funds where possible. In addition, ~~the results-oriented portfolio approach will inform and strengthen the Board's oversight.~~ This expanded role would result in a *more strategic and less fragmented engagement* with the Board, giving it a more global perspective on WFP's work.
- 105.77. As prescribed in the ~~"CSP Policy on Country Strategic Plans—Fifth Draft"~~, and noting ~~paragraph 80,~~ except for revisions related to emergencies, the ~~Board will approve all approval of revisions to a CSP that constitute~~ will be sought from the Board in the event of a fundamental change to the overall strategic focus of WFP in a country, ~~i.e. involving~~ an addition and/or deletion of one or more WFP Strategic Outcomes.<sup>35</sup> **in the CSP.**
- 106.78. To maintain WFP's ability to respond rapidly, approval of sudden-onset and other unforeseen emergency response assistance<sup>36</sup> would continue to be delegated to the Executive Director and the Director-General of the Food and Agriculture Organization of the United Nations (FAO), in line with General ~~Rule~~ **Regulation 10.6.**

<sup>33</sup> Changes to the delegations of authority will be considered within the context of the FFR.

<sup>34</sup> Some CSPs may not be presented to the Board for approval. When a CSP is funded entirely by the host government it may be approved by the Executive Director according to Financial Regulations 5.1 and 5.2 and subject to General Regulation X.6.

<sup>35</sup> Some fundamental changes to CSPs may not be presented to the Board for approval. When a new Strategic Outcome is added to a CSP and funded entirely by the host government, it may be approved by the Executive Director according to Financial Regulation 5.1 and 5.2 and subject to General Regulation X.6.

<sup>36</sup> Unforeseen during the development of the CSP.

107. ~~It is necessary to review the levels of delegated authority. Notwithstanding paragraph 80, for CSP revisions<sup>37</sup> that do not involve fundamental changes to the strategic focus and that are not related to an emergency response, it is necessary to review the levels of delegated authority~~ to ensure that the Board's governance role is cost-effective, risk-based and not overly burdensome. ~~There are three reasons for needing to change the basis for delegations of authority and the related threshold levels.~~
108. ~~First, the CSP/CP Budget framework, which consolidates all project types into a single portfolio for a period of up to five years, will replace the current system of approving individual projects and budgets in which each project category has its own threshold for programme approval or revision; the overall budgetary value of the CSP/CP Budget will be significantly higher than that of any single project.~~
109. ~~Second, current delegations of authority are based solely on food value and do not consider WFP's expansion from in kind food to other modalities such as CBTs and capacity strengthening. In 1994, the Board delegated authority to the Executive Director to approve programmes and budget revisions for all project types up to USD 3 million in food value. In 2004, this delegated authority was increased to USD 20 million in food value for PRROs.<sup>38</sup> Thresholds based on total budget value would take all transfer modalities into account.~~
110. ~~Third, since 1994, operations have grown significantly in size, and the differences between large, medium and small operations have increased. For example, in 1994, two country offices had budgets greater than USD 100 million — representing 28 percent of WFP's Programme of Work — compared with 13 country offices, representing 80 percent, in 2015. Current thresholds do not reflect the increased size of operations.<sup>39</sup>~~
111. ~~Based on its analysis of past levels and frequencies of budget revisions, the Secretariat is considering a proposal for disclosing non fundamental, non emergency related revisions to a CSP within a threshold to the Board for a period, with the option for a Board member to request discussion of the revision at a subsequent Board session.~~
112. ~~Under this proposal, thresholds would be based on total budget value rather than food value, which would better reflect the breadth of WFP's modalities and the portfolio approach of the CSP/CP Budget framework. This proposal that considers lessons learned from the pilot CSPs will be refined during 2017 in close engagement with Member States, and will be presented to the Board for approval at the 2017 Second Regular Session.~~
113. ~~The proposal also includes grouping country offices by size and setting a relative threshold<sup>40</sup> for each group. This approach would. **Informal consultations scheduled for 2017 will include presentations of analyses and data on potential thresholds** to ensure that the Board had an oversight role in all significant scaling up or down of WFP Strategic Outcomes and in all sizes of operation, without being over burdensome. The proposal would set lower relative thresholds for large operations to account for the larger financial risk.~~
114. ~~Through this approach, the largest budget revisions relative to the size of the approved CSP would be subject to the Board's approval. Smaller revisions related to day to day implementation would be delegated to the Executive Director.~~
115. ~~It is proposed that budget revisions above the relative thresholds would be circulated electronically to the Board, with the option for a Board member to request that a revision be discussed at a subsequent Board session.~~
79. Annex XI provides a preliminary proposal for budgetary thresholds for delegations of authority. As noted in paragraph 112, this proposal will be refined during 2017 in close engagement with Member States and taking into consideration lessons learned from the pilot testing process is informed. A final proposal for the exact threshold levels for ~~delegation~~**delegations** of authority

<sup>37</sup> Budgetary revisions for trust funds that are funded exclusively by host governments would not be subject to these budgetary thresholds; authority would remain with the Executive Director as per Financial Regulation 5.1 and 5.2.

<sup>38</sup> Thresholds for EMOPs and DEVs remained the same.

<sup>39</sup> In 1994, the threshold of USD 3 million in food value was equivalent to 25–50 percent of the average project value.

<sup>40</sup> Thresholds based on absolute values have been considered as an alternative to relative thresholds.

will be presented to the Board for approval at the 2017 Second- Regular Session and, if approved, would take effect in 2018. **The Secretariat also proposes that approved threshold levels for delegations of authority be reviewed after a set number of years of implementation.**

**116.80. As explained in the Policy on Country Strategic Plans, in cases where a CSP or new strategic outcome is entirely funded by the host country, it will be subject to the provisions of Financial Regulations 5.1 and 5.2, which delegate approval of bilateral projects to the Executive Director, unless the host government elects to have the CSP or strategic outcome approved through the regular CSP approval process. During the 2017 pilot phase, further consideration will be given to the interaction between the Board approval processes for CSPs and CSP revisions and the Executive Director's authority to approve bilateral projects under Financial Regulation 5.**

#### **Transitional Arrangements for 2017**

~~117.81.~~ **The first group of CSPs and the piloting of their associated containing pilot CP Budgets are** expected to be presented to the Board for approval at the 2017 First Regular Session. A second group will be presented at the 2017- Annual- Session. The Secretariat will report back to the Board on the pilots' implementation, along with any recommendations for further refinement of the underlying programme and financial frameworks based on this implementation.<sup>41</sup>

~~118. ——— By the start of 2017, the IT system will be ready to support implementation of the pilot CSPs and piloting of their CP Budgets. This pilot period will provide an opportunity for reviewing support structures, organizational readiness and amendments to WFP's General Rules and Financial Regulations. The Secretariat will also consult partners regarding their system readiness.~~

~~119.82.~~ Application of the new financial framework for the 2017 CP Budgets will cause certain inconsistencies with provisions of WFP's current General Rules and Financial Regulations. Thus, the Board will need to authorize – solely for the pilot CSPs approved during the transitional period from the 2017 First Regular Session to 31 December 2017 – specific derogations from particular provisions of WFP's General Rules **Rule XIII.4** and Financial Regulations; ~~in particular, the Board would authorize derogations from~~ **Regulation 1.1 and 4.5 concerning cost categorizations and the simplification of manner in which full-cost recovery is achieved**, solely where these are necessary to permit application of the aforementioned CP Budget principles in the **pilot CSPs and CP Budgets of the pilot CSPs**<sup>42</sup>.

**83.** As noted in the ~~“CSP Policy on Country Strategic Plans – Fifth Draft”~~, to support introduction of the revised programme and financial frameworks from 2018, WFP's General Rules and Financial Regulations will later need to be amended –in three main areas: i) delegations of authority to the Executive Director and the FAO Director-General;<sup>43</sup> ii) application of full-cost recovery and introduction of new cost categories; and iii) terminology and definitions to align with the new cost structure. Changes to the WFP's General Regulations are not foreseen.

~~120.84.~~ The Secretariat will hold informal consultations on the proposed amendments throughout 2017 before presenting them to the Board for approval at the 2017 Second Regular Session. ~~The Advisory Committee on Administrative and Budgetary Questions and the FAO Finance~~

<sup>41</sup> Pilot CSPs will become CSPs. The piloting of CP Budgets will occur in 2017 only. Accordingly, the pilot country portfolio budget components of CSPs approved by the Board in 2017 will become country portfolio budgets without the need for further Board consideration or approval, unless necessary, once the revised normative and financial framework is introduced in 2018. Thereafter, these CSPs will be governed by the financial and normative framework to be finalized and approved by the Board at EB.2/2017.

<sup>42</sup> Annex VIII provides guidance on the governance and legal aspects of the Policy on CSPs and the Budgeting for Operational Effectiveness component of the FFR.

<sup>43</sup> The ~~role of the FAO Director-General's role~~ **General** in the approval of emergencies under the delegation of authority will continue.

Committee will provide advice on amendments to the Financial Regulations and General Rules related to the financial administration of WFP in advance of the 2017 Second Regular Session. Once approved by the Board, amendments to the General Rules will be shared, for information, with the United Nations Economic and Social Council and the FAO Council.<sup>44</sup>

121.85. In the meantime, it is proposed that the Executive Director be granted temporary authority until the end of 2017 to make revisions to the budgets of the pilot CSPs, when necessary-, **subject to existing delegations of authority with respect to emergency operations.** Such budgetary revisions would be reported to the Board and would provide useful information for formulation of the revised delegations of authority.

122.86. ~~The Secretariat~~ **By the start of 2017, the information technology (IT) system will be ready to support implementation of the pilot CSPs and piloting of their CP Budgets. This pilot period will provide an opportunity for reviewing support structures, organizational readiness and amendments to WFP's General Rules and Financial Regulations. The Secretariat will consult partners regarding their system readiness and** will provide the Board with regular updates on implementation of the pilots and any recommendations for refinement of the programmatic and financial frameworks.

***Recommendation 5.0***

~~That the Board be provided with further information on the WFP-wide transition from the current to the new programme and financial frameworks throughout 2017.~~

**~~Preliminary resourcing requirements~~ Resourcing Requirements**

123.87. An investment case for transition to the new financial framework in 2017 and early 2018 is currently under review by KPMG. An update will be provided once the investment case has been finalized, reviewed and endorsed by senior management.

***Recommendation 6.0***

~~That the Board take note of the preliminary resourcing requirements for the transition to and implementation of the CP Budget structure in 2017 and 2018.~~

**IV.IV. Resource-based Planning**

124.88. WFP's current Programme of Work consists of projects designed on the basis of needs assessments in collaboration with government counterparts and partners. It is a needs-based response plan<sup>45</sup> that constitutes an appeal for resources to implement operations, and it will continue to be the basis for WFP's advocacy for full funding of its response to beneficiaries' requirements.

125.89. ~~The resource-based planning work stream recognizes that operational~~ **Operational** requirements consistently exceed the level of actual contributions; many country offices currently address this gap by prioritizing assistance according to foreseen resources. In response to a Board request, ~~the Secretariat included the first prioritization exercise~~ **was included** in the Management Plan (2014–2016) to show how managers planned to adjust programming, and the consequent effects on beneficiaries, if only a portion of operational needs were funded. Subsequent

<sup>44</sup> The Advisory Committee on Administrative and Budgetary Questions and the FAO Finance Committee will provide advice on amendments to the Financial Regulations and General Rules related to the financial administration of WFP in advance of the 2017 Second Regular Session. Once approved by the Board, amendments to the General Rules will be shared, for information, with the United Nations Economic and Social Council and the FAO Council.

<sup>45</sup> This excludes DEVs, in accordance with General Rule X.8.

Management Plans have also included a **Prioritized Plan of Work** based on funding projections by country to create a provisional Prioritized Plan of Work.

~~126.~~**90.** The objective of the **resource-based planning** work stream is **driven by internal resource management needs. The objective is to standardize resource-based implementation plans**<sup>46</sup> as a second layer of operational planning in country offices to clarify the distinction between “needs” and “plans”. ~~This~~**The approach will enable as piloted in nine** country offices to plan their operations 12–18 months in advance, based on projected resources.<sup>47</sup> **Staff from pilot country offices, regional bureaux and will improve planning and performance management. Headquarters noted the following benefits of implementation plans:**

~~127.~~ The work stream takes into account: i) various approaches and models informally adopted by country offices to align funding with implementation; and ii) development of the provisional Prioritized Plan of Work for the Management Plan and WFP’s pipeline management processes.

~~128.~~**1.** ~~Nine country offices — Ethiopia, Guatemala, Kenya, Lesotho, Mali, Nicaragua, Pakistan, the Sudan and Zimbabwe — were selected to develop resource-based plans for 2016 to pilot this internal resource management tool. These pilot country offices were selected using the following criteria: i) a mix of operational sizes; ii) diversity of donors; iii) commitment of country office management; iv) resource management capacity; and v) likelihood of at least minimum funding.~~

~~129.~~**1.** ~~The country offices developed their resource-based plans in the following steps:~~

- ~~i) 1. Define operational needs by project, activity, beneficiaries, transfer modality and food type.~~
- ~~i) 2. Estimate annual projected funding from analysis of past and current funding levels by project, and possibly by donor.~~
- ~~i) 3. Develop plans based on projected resources, prioritizing activities and adjusting beneficiary numbers, ration sizes and duration of assistance.~~

~~130.~~**1.** ~~At the outset of the pilot, it was agreed that to mitigate risk, WFP will: i) continue to communicate operational needs and advocate for full funding; ii) develop metrics for linking shortfalls to particular outcomes, to indicate the effects on beneficiaries; and iii) clarify the distinction between needs and plans in its fundraising.~~

~~131.~~ Results and lessons learned from the pilots were assessed at a workshop in mid July 2016 involving staff from country offices, regional bureaux and Headquarters. Lessons learned from the pilot phase will inform the development of any new tools and systems required for the CP Budget structure.

~~132.~~ Participants highlighted the following benefits of the resource-based implementation:

- ~~Increased co-ordination between~~**enabled country offices able to plan their operations 12–18 months in advance, based on projected resources;**
- **improved planning and performance management; increased coordination among all functional areas involved in the country office;**
- ~~Better~~**better** visibility in ~~the~~ supply chain and pipeline;
- ~~Longer~~**longer**-term planning ~~discussion~~**discussions** with host ~~Government~~**governments** and partners;
- ~~More~~**more** realistic rates for associated cost planning than ~~their~~ needs-based ~~plan;~~**plans;** and

<sup>46</sup> Previously referred to as resource-based plans.

<sup>47</sup> See Annex I for the approach to the resource-based planning work stream and pilots.

- ~~Anticipation~~ **anticipation** of possible surplus/deficit on associated costs.

**91.** As part of development of the Management Plan (2017–2019), each country office prepared a resource-based implementation plan for 2017. Participants **These plans were aggregated to create the global Prioritized Plan of Work.**

~~133.~~ **92. Lessons learned from the pilot phases** also identified the **future** requirements for ~~the transition~~ **transitioning** to ~~at~~ the CP Budget structure in country offices in 2017 and 2018, including funding projections at strategic outcome level and prioritization of CSP activities.

~~134. ——— V. As part of development of the Management Plan (2017–2019), each country office prepared a resource-based implementation plan for 2017. These plans will be aggregated to create the global Prioritized Plan of Work.~~

## **V. Macro-advance Financing**

~~135. ———~~ The objective of the macro-advance financing work stream is to provide 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.

~~136. ———~~<sup>48</sup> The macro-advance financing concept is an extension of the current IPL facility, which provides loans to projects using forecast contributions as collateral.<sup>49</sup> ~~The IPL facility has a ceiling of USD 570 million and is backed by the operational reserve of USD 95 million — a leverage factor of 6 to 1. Macro-advances are not tied or linked to donor-specific forecasts of cash contributions: they are linked to the level of resources that a country office expects for a given year on the basis of historical trends and knowledge of donors' likely intentions.~~

~~137.1. Macro~~ ~~At the Board's 2015 Second Regular Session, the Secretariat stated its intention to "manage a small number of pilots through the IPL facility, which is backed by the Operational Reserve: USD 150 million to USD 200 million is proposed to be set aside from the IPL ceiling of USD 570 million"~~<sup>50</sup>

~~138.1. Pilot countries were selected on the basis of: i) historical funding trends; ii) stability as reflected in needs and risk assessments; iii) participation in the resource-based planning pilot with a validated resource-based plan; and iv) an accountability agreement acknowledging the responsibilities and obligations associated with the macro-advance.~~

~~139.1. A first tranche of USD 82.3 million of funding for four pilot countries — Ethiopia, Kenya, Mali and the Sudan — was endorsed by the Strategic Resource Allocation Committee and approved by the Executive Director. Subsequently, a macro-advance of USD 1.3 million was approved for the Nicaragua country programme and a second tranche, of USD 17 million, was released to the Ethiopia PRRO. These releases bring the total advanced in the macro-advance pilot to USD 100.7 million. As of August 2016, USD 90.9 million of repayments had been made, all in accordance with donor conditions.~~

~~140.~~ **93.** At a workshop on resource-based planning and macro-advance financing, on 12–13 July 2016, ~~managers~~ **pilots are ongoing in five countries.**<sup>51</sup> ~~Managers~~ from the five pilot country offices ~~have~~ highlighted the benefits:

- increased predictability of resources, facilitating longer-term planning of ration composition and reducing the number of periodic ration cuts;
- increased supply chain efficiency, resulting from direct delivery from the port to the country and reduced transshipment costs – storage and handling;

<sup>48</sup> See Annex I for the approach to the macro-advance financing work stream and pilots.

<sup>49</sup> Some forecast contributions are not eligible for use as collateral because of donor conditions.

<sup>50</sup> WFP/EB.2/2015/5-C/1, paragraph 25.

<sup>51</sup> Piloting and repayment of the macro-advances will continue throughout 2016.

- reduced lead-times in procurement, transport and delivery of food to final distribution points;
- reduced pipeline breaks, by covering initial CBT requirements before contributions arrived;
- increased operational effectiveness, by pre-positioning food ahead of the rainy season and achieving lower transport costs;
- increased cost savings, by procuring commodities at harvest, when prices are lower;
- an improved forecasting framework, enabling better planning of resource mobilization; and
- increased accountability for providing reliable and realistic contribution forecasts.

~~141.94. Workshop participants~~**Managers** observed that ~~improvements needed in the internal management of advances included~~**could be improved, including through** more timely clearance of macro-advance financing requests and more rapid release of funding by Headquarters to enhance the increase in resource predictability and the reduction in pipeline breaks. ~~Country offices also noted that the relatively small pilot macro advances generated insufficient DSC to test whether increased efficiencies could be achieved through longer term organizational planning and greater continuity in staff contracts.~~

~~142.95. It is important to note that implementation~~**Implementation** of the macro-advance financing pilot has been constrained by donor conditions attached to contributions. Earmarking and other donor restrictions reduce a country office's ability to repay macro-advances, limiting the predictability and flexibility to maximize delivery of food assistance to beneficiaries. The validity dates on grants posed a particular challenge, with country offices facing difficulties with repayments when the validity date of a grant did not match the timeframe in which a macro-advance was utilized.

~~143.96. Piloting and repayment of the macro advances will continue throughout 2016.~~The Boston Consulting Group will carry out an analysis in the first quarter of 2017 to identify any gains in efficiency and effectiveness, and the associated risks. The Secretariat will share the results of this analysis with partners as part of its advocacy for relaxing donor conditions that have negative impacts on the delivery of food assistance.

~~144.97.~~ Table 1 shows the country offices participating in the resource-based planning and macro-advance financing pilots.

<b>TABLE 1: SUMMARY OF RESOURCE-BASED PLANS AND MACRO-ADVANCE FINANCING, AUGUST 2016</b>					
<b>Country</b>	<b>Project</b>	<b>2016 needs- based plan*</b>	<b>2016 resource- based plan</b>	<b>Macro-advance financing released</b>	<b>Repayment status</b>
		<i>USD million</i>			
Ethiopia	PRRO 200700	163	97	42.1	42.1
Kenya	PRRO 200737	118	89	11.5	11.5
Kenya	PRRO 200736	114	65	8.3	4.5
Kenya	CP 200680	30	27	9.5	5.7
Mali	PRRO 200719	106*	73	15.0	13.8
Nicaragua	CP 200434	9.9*	7.5	1.3	0.3
Sudan	PRRO 200808	347	270	13.0	13.0
<b>TOTAL</b>				<b>100.7</b>	<b>90.9</b>
* Budget revision in progress. CP = country programme.					

**Annexes:**

~~I. Overview of Zimbabwe Country Strategic Plan and WFP Strategic Outcomes~~

Example of a

~~II. Country Portfolio Budget for Zimbabwe~~

~~III. Example of a One-year Budget for the Zimbabwe Country Strategic Plan~~

~~IV. Activity View under WFP Strategic Outcomes~~

~~V. Working Example: Statement of Account as Part of a Standard Country Report~~

~~VI. Working Example: Information for Resources to Results Reporting linked to the Corporate Results Framework in a Standard Country Report~~

~~VII. Application of Full Cost Recovery for Zimbabwe~~

~~VIII. Note on Governance Aspects of the Country Strategic Plans Policy and the Budgeting for Operational Effectiveness component of the Financial Framework Review~~

~~IX. Policy on Country Strategic Plans – Fifth Draft – Draft Decision~~

~~X. Financial Framework Review Draft Decision~~

~~XI. Preliminary Proposal for Budgetary Thresholds~~

## ANNEX I

## Approach to the Financial Framework Review and Partner Engagement

### 1. In consultation with WFP country directors and the Board,<sup>1</sup> four goals were developed to guide the work of the FFR:

- increase the predictability of resources so that country offices can optimize operational efficiency and effectiveness;
- increase flexibility with a view to improving responses to operational needs and maintaining discipline in financial management, reporting and analysis;
- enhance accountability by linking resource management to performance outcomes; and
- simplify the resource management framework.

### ~~Overview of Zimbabwe Country Strategic Plan and WFP Strategic Outcomes~~

- ~~1. The CSP for Zimbabwe is most likely to be presented for approval at the Board's 2017 First Regular Session. It is therefore a work in progress. The information in Annexes I to VII is drawn from the working draft to illustrate the concepts outlined in this Update on the Financial Framework Review. The Board will have the opportunity to discuss the final CSP proposal for Zimbabwe in the coming months.~~
- ~~1. The CSP operationalizes the Strategic Plan (2017–2021) at the country level, defines WFP's portfolio of assistance within a country and specifies the strategic outcomes WFP will help to achieve.~~
- ~~2. Development of the Zimbabwe CSP began with a zero hunger strategic review and discussion with the Government, donors and partners to identify the major programmatic, resourcing and capacity challenges to achieving zero hunger.~~
- ~~3. As outlined in the policy,<sup>2</sup> the strategic outcomes in CSPs: i) make a substantive contribution to meeting humanitarian needs and achieving national priorities; ii) reflect the goal or the target implied or established in a country's national plan and regional framework to which WFP's assistance contributes; and iii) identify the target populations, institutions and systems to be supported. WFP and its partners contribute to strategic outcomes through the outputs of their activities. Strategic outcomes are typically included in United Nations strategic planning frameworks and national development and humanitarian plans. Attribution of results at the strategic outcome level typically combines contributions from WFP and other actors.~~
- ~~4. WFP Strategic Outcomes are aligned with the Zimbabwe United Nations Development Assistance Framework 2016–2020 and national goals for food and nutrition security, gender equality, HIV and AIDS, poverty reduction and value addition, public administration and governance, and social services and protection.~~
- ~~5. The WFP Strategic Outcomes in the Zimbabwe CSP are:
 
  - ~~i) Food insecure people, including refugees, in the most affected districts are enabled to meet basic food and nutrition requirements during severe seasonal shocks or other disruptions.~~
  - ~~ii) Children in prioritized districts have stunting rate trends in line with the achievement of national and global targets by 2025.~~
  - ~~iii) Food insecure rural households and smallholder farmers achieve food security and resilience to seasonal shocks and stresses.~~
  - ~~iv) The social protection system in Zimbabwe ensures that chronically vulnerable populations across the country are able to meet basic needs all year round.~~~~

<sup>1</sup> WFP/EB.A/2014/6-D/1.

<sup>2</sup> WFP/EB.A/2016/5-B\*.

~~Humanitarian and development programmes in Zimbabwe are supported by cost effective and efficient supply chain services.~~

REVISION MODE

## ANNEX II

**Example of a Country Portfolio Budget for Zimbabwe**

1. The shift to country level planning with a portfolio approach integrates the strategic orientation of WFP's assistance with the budgeting process.
2. As described in the Policy on Country Strategic Plans – Fifth Draft<sup>2</sup>, in approving the CSP, the Board will also approve the total budget and the budgets for each strategic outcome for the entire duration of the CSP (Figure A.II.1).
3. Figure A.II.2 shows an example of the five year budget structure for the Zimbabwe CSP with illustrative figures. The structure consists of five WFP Strategic Results and five WFP Strategic Outcomes, three of which are mapped to SDG 2 and two to SDG 17. The WFP Strategic Outcomes are broken down<sup>1</sup> into four high level cost categories – transfer, implementation, adjusted DSC and ISC. A central feature of the CSP and CP Budget is that each WFP Strategic Outcome is tied to a single WFP Strategic Result or SDG target.
4. As indicated in paragraph 65 of the document, WFP Strategic Outcomes are formulated also to articulate the context under which assistance will be provided.

**Figure A.II.1: Example of budget information which will provide the basis for budgetary approval for the Zimbabwe Country Strategic Plan**  
(figures are illustrative)

Zimbabwe Country Portfolio Budget (5 years)						
(USD millions)						
Strategic Outcome	Year 1	Year 2	Year 3	Year 4	Year 5	Total
SO 1	12 042 249	24 052 752	22 031 406	20 320 675	17 150 754	<b>95 597 836</b>
SO 2	2 236 020	3 194 728	2 815 117	2 314 510	1 820 258	<b>12 380 633</b>
SO 3	16 793 060	17 255 713	18 721 522	16 977 400	15 217 617	<b>84 965 312</b>
SO 4	2 481 283	2 014 015	1 994 314	1 995 587	2 034 975	<b>10 520 174</b>
SO 5	691 627	736 580	740 277	745 949	757 610	<b>3 672 042</b>
<b>Total</b>	<b>34 244 239</b>	<b>47 253 789</b>	<b>46 302 636</b>	<b>42 354 120</b>	<b>36 981 214</b>	<b>207 135 998</b>

Basis of budgetary approval

<sup>1</sup> WFP Strategic Outcomes will also be broken down into country activities in the Country Operations Management Plan. Further details are provided in Annex III.

**Figure A.II.2: Example of a five-year country portfolio budget for Zimbabwe**  
(all figures are illustrative and in USD)

Total CSP						
Zimbabwe Country Portfolio Budget (2017-2021) 						
WFP Strategic Results/SDG Targets	SR1 / SDG 2.1 Access to food	SR2 / SDG 2.2 End malnutrition	SR4 / SDG 2.4 Sustainable food systems	SR5 / SDG 17.9 Capacity strengthening	SR8 / SDG 17.16 Enhance global partnership	
	95 597 836	12 380 633	84 965 313	10 520 174	3 672 042	
<b>WFP Strategic Outcomes</b>	Food-insecure people, including refugees, in the most affected districts are enabled to meet basic food and nutrition requirements during severe seasonal shocks or other disruptions	Children in prioritized districts have stunting rate trends in line with the achievement of national and global targets by 2025	Food-insecure rural households and smallholder farmers achieve food security and resilience to seasonal shocks and stresses	The social-protection system in Zimbabwe ensures that chronically vulnerable populations across the country are able to meet basic needs all year round	Humanitarian and development programmes in Zimbabwe are supported by cost-effective and efficient supply chain services	
	95 597 836	12 380 633	84 965 313	10 520 174	3 672 042	<b>TOTAL</b>
<b>Transfer</b>	64 816 682	8 020 127	46 429 000	6 702 129	2 176 819	128 144 756
<b>Implementation</b>	17 361 863	2 623 994	26 518 408	2 321 867	974 187	49 800 319
<b>Adjusted DSC (%)</b>	7 165 227	926 564	6 459 426	807 942	280 809	15 639 970
<b>Sub-total</b>	89 343 772	11 570 685	79 406 834	9 831 938	3 431 815	193 585 045
<b>ISC (7%)</b>	6 254 064	809 948	5 558 478	688 236	240 227	13 550 953
<b>TOTAL</b>	95 597 836	12 380 633	84 965 312	10 520 174	3 672 042	<b>207 135 998</b>

REVISION

**ANNEX III****Example of a One-year Budget for the Zimbabwe Country Strategic Plan**

~~{For discussion purposes only. Not to be included in the Financial Framework Review for approval at EB.2/2016}~~

- ~~1. Figure A.III.1 shows an example of the 2018 CP Budget for Zimbabwe, focusing on activity implementation and outputs. The budget will reflect updated assessments of needs, and implementation plans based on contextual developments. The budget, broken down by WFP Strategic Outcome and activity, will be used in appeals for resources, including United Nations coordinated humanitarian response plans relevant to the CSP, and will be made available to Member States via an online portal.~~
- ~~2. The CP Budget, which will be prepared as part of the annual planning cycle, will be complemented by the implementation plan—previously known as the resource-based plan—broken down by WFP Strategic Outcome and activity. The implementation plan will also be developed on an annual basis to prioritize the WFP Strategic Outcomes and activities and adjust targets in accordance with projected resources. The aggregation of country office implementation plans will be part of the Management Plan as the Prioritized Plan of Work.~~
- ~~3. To facilitate integration with the CRF and corporate reporting of results, each country defined strategic outcome will be linked to a single corporate outcome category, and each country defined output will be linked to a single corporate output category.~~
- ~~4. Each country defined activity will be linked to one of the corporate activity categories.~~

**Figure A.III.1: Example of a one-year country portfolio budget for Zimbabwe**  
(all figures are illustrative and in USD)

Total CSP						
Zimbabwe Country Portfolio Budget (2018) 						
WFP Strategic Results/SDG Targets	SR1 / SDG 2.1 Access to food	SR2 / SDG 2.2 End malnutrition	SR4 / SDG 2.4 Sustainable food systems	SR5 / SDG 17.9 Capacity strengthening	SR8 / SDG 17.16 Enhance global partnership	
	24 052 752	3 194 728	17 255 713	2 014 015	736 580	
WFP Strategic Outcomes	Food-insecure people, including refugees, in the most affected districts are enabled to meet basic food and nutrition requirements during severe seasonal shocks or other disruptions	Children in prioritized districts have stunting rate trends in line with the achievement of national and global targets by 2025	Food-insecure rural households and smallholder farmers achieve food security and resilience to seasonal shocks and stresses	The social-protection system in Zimbabwe ensures that chronically vulnerable populations across the country are able to meet basic needs all year round	Humanitarian and development programmes in Zimbabwe are supported by cost-effective and efficient supply chain services	
	24 052 752	3 194 728	17 255 713	2 014 015	736 580	
Country activities	Lean season assistance <sup>1</sup>	Nutrition advocacy, policy and programmes <sup>3</sup>	Local food marketing and procurement mechanism <sup>5</sup>	Analytical expertise <sup>8</sup>	Logistics and procurement expertise and services <sup>12</sup>	
	Support to refugees <sup>2</sup>	Nutrition programming <sup>4</sup>	Smallholder farmers <sup>6</sup>	Innovative risk management, insurance and financing mechanisms <sup>9</sup>		
			Productive asset creation for resilience <sup>7</sup>	Social protection <sup>10</sup>		
				National school feeding programme <sup>11</sup>		
						<b>TOTAL</b>
Transfer	16 632 313	2 101 716	9 339 599	1 317 700	435 364	29 826 692
Implementation	4 281 528	676 096	5 664 224	433 484	205 092	11 260 424
Adjusted DSC (%)	1 565 367	207 915	1 123 012	131 073	47 937	3 075 304
Subtotal	22 479 208	2 985 727	16 126 835	1 882 257	688 393	44 162 420
ISC (7%)	Indirect Support Costs (ISC) (7%)					3 091 369
	<b>GRAND TOTAL</b>					<b>47 253 789</b>

**Detailed activities:**

- <sup>1</sup> Provide cash and/or food transfers to the most vulnerable households affected by seasonal food shortages (activity category 1)
- <sup>2</sup> Provide unconditional cash and/or food transfers for refugees in camps (activity category 1)
- <sup>3</sup> Build evidence for nutrition advocacy, policy direction and programme decision-making (activity category 12)
- <sup>4</sup> Support the Government's nutrition programming at national and sub-national levels (activity category 6)
- <sup>5</sup> Support the development of an efficient local food marketing and procurement mechanism (activity category 9)
- <sup>6</sup> Enable farmers' organizations to aggregate and market surplus production (activity category 7)
- <sup>7</sup> Support the creation and rehabilitation of assets for sustainable food and nutrition security (activity category 2)
- <sup>8</sup> Provide expertise that supports the planning and management of solutions and responses (activity category 12)
- <sup>9</sup> Support innovative risk management, insurance and financing mechanisms (activity category 3)
- <sup>10</sup> Support the consolidation, administration and implementation of social transfer programmes under the national social protection system (activity category 9)
- <sup>11</sup> Support re-establishment of the national school feeding programme (activity category 4)
- <sup>12</sup> Provide logistics and procurement expertise and services (activity category 10)

## ANNEX IV

**Activity View under WFP Strategic Outcomes**

[For discussion purposes only. Not to be included in the Financial Framework Review for approval at EB.2/2016]

1. Figure A.IV.1 shows country office planning for the WFP Strategic Outcome “Food insecure people, including refugees, in the most affected districts are enabled to meet their basic food and nutrition requirements during severe seasonal shocks or other disruptions”.
2. The two activities planned to achieve this WFP Strategic Outcome consist of providing assistance during the lean season and providing support to refugees. An example of a needs-based budget for each activity linked to the Strategic Outcome is provided. Country defined activities will be linked to a single corporate activity category—in this example, both activities are linked to the corporate activity category “Unconditional resource transfers to support access to food”.

**Figure A.IV.1: Example of planning at the country activity level**  
(all figures are illustrative and in USD)

Zimbabwe Country Portfolio Budget (2018)				
WFP Strategic Results/ SDG Targets		SR1 / SDG 2.1 Access to food		
WFP Strategic Outcomes		Food insecure people, including refugees, in the most affected districts are enabled to meet their basic food and nutrition requirements during severe seasonal shocks or other disruptions		
Country activities		Lean Season Assistance	Support to Refugees	TOTAL (for Strategic Outcome)
Transfer	Food	8 473 330	64 424	8 537 754
	CBT	6 327 300	1 546 297	7 873 597
	Capacity strengthening	220 824	137	220 961
	Service delivery	-	-	-
	<b>Total transfer</b>	<b>15 021 454</b>	<b>1 610 859</b>	<b>16 632 313</b>
<b>Implementation</b>		<b>4 192 058</b>	<b>89 470</b>	<b>4 281 528</b>
<b>Adjusted DSC (%)</b>		<b>1 438 100</b>	<b>127 267</b>	<b>1 565 367</b>
<b>Subtotal</b>		<b>20 651 612</b>	<b>1 827 596</b>	<b>22 479 208</b>
<b>ISC (7%)</b>		<b>1 445 612</b>	<b>127 932</b>	<b>1 573 544</b>
			<b>TOTAL</b>	<b>24 052 752</b>

**ANNEX V****Working Example: Statement of Account as Part of a Standard Country Report**

1. ~~Figure A.V.1 shows an example of the statement of account that could accompany the Standard Country Report.<sup>1</sup>~~
2. ~~The first two rows of the report—Approved budget and Implementation plan—distinguish between the needs-based approved budget and the resource-based implementation plan. Increased emphasis on the more realistic implementation plan will facilitate more accurate comparison of actual with planned resource utilization for performance management and reporting.~~
3. ~~The presentation of Confirmed contributions and the breakdown into in-kind, cash, and stock transfers are expected to remain the same as in the current statement of account.<sup>2</sup> However, rows related to expenses will now reflect the four high-level cost categories of transfer, implementation, adjusted DSC and ISC. The transfer category will be broken down into the four types of modality: food, CBTs, capacity strengthening and service delivery.~~
4. ~~The most fundamental change in the draft report format is the inclusion of Strategic Goals and Strategic Outcomes to increase transparency in the links from WFP Strategic Outcomes, to resources utilized to results achieved. Readers will be able to drill down from level 1 Country office total to level 2 Strategic Goal to level 3 Strategic Outcome.~~

**Figure A.V.1: Example of a statement of account as part of a Standard Country Report**

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<sup>1</sup>The Standard Country Report replaces the Standard Project Report.

<sup>2</sup>Corporate reporting on the allocation of multilateral funding and on contribution-specific expenditure tracking will continue.



## ANNEX VI

### Working Example: Information for Resources-to-Results Reporting Linked to the Corporate Results Framework in a Standard Country Report

[For discussion purposes only. Not to be included in the Financial Framework Review for approval at EB.2/2016]

6. In line with WFP's results chain, each of the strategic outcomes defined at the country level will be linked to a standardized corporate outcome category and an approved budget amount indicative of the resources utilized. For each Strategic Outcome category, standardized outcome indicators will be used to demonstrate the results achieved.
7. Figure A.VI.1 shows a working example of how the Standard Country Report and the CRF clarify the link between resources utilized and results achieved.

**Figure A.VI.1: Information for resources-to-results reporting linked to the Corporate Results Framework in a Standard Country Report<sup>†</sup>**

Zimbabwe Country Portfolio Budget 						
<b>CSP Strategic Outcome 1:</b>		Food insecure people, including refugees, in the most affected districts are enabled to meet their basic food and nutrition requirements during severe seasonal shocks or other disruptions				
<b>Strategic Outcome Category 1.1</b>	Maintained/enhanced household access to adequate food			<b>Budget</b>	<b>Actual</b>	
<b>Outcome Indicator 1.1.1</b>	Food consumption score (FCS)				USD 22.48 million	USD 16.86 million
	Base value	Previous follow-up	Latest follow-up	Target		
% of households with acceptable FCS	20	37	54	>50		
Female-headed households	24	42	60	>50		
Refugee households	15	28	42	>50		
<b>Outcome Indicator 1.1.2</b>	Coping Strategy Index (CSI)					
	Base value	Previous follow-up	Latest follow-up	Target		
% of households with reduced CSI	0	10	15	20		
Refugee households	0	5	12	20		
<b>Nutrition-sensitive approach</b>						
<b>Outcome Indicator 1.1.3</b>	Minimum dietary diversity (Women)					
	Base value	Previous follow-up	Latest follow-up	Target		
% women with minimum dietary diversity	15	30	52	>50		
Female refugees	5	20	31	>50		

<sup>†</sup> The Standard Country Report replaces the Standard Project Report.

REVISION MODE

## ANNEX VII

### Application of Full-Cost Recovery for Zimbabwe

1. ~~As noted in paragraphs 95–100 of the document, the proposal for the application of full cost recovery is predicated on the need to distinguish between the principle of full cost recovery and the treatment of different types of contribution. Full cost recovery should be based on high level cost categories consisting of transfer costs, implementation costs, adjusted direct support costs and indirect support costs. The principles underlying ISC and its current recovery rate of 7 percent will remain unchanged. It is important to recognize that the recovery rate for adjusted DSC will vary by country.~~
2. ~~Following requests made at the 25 July informal consultation, examples of the application of full-cost recovery and the programming of contributions are provided in Figures A.V.1 to A.V.4. As the full cost recovery policy will be based on consolidated transfer/implementation costs, adjusted DSC and ISC, the examples provide additional detail on how costs may be broken down further. It should be noted that these additional details are indicative only and are not intended to be fixed amounts.~~
3. ~~The figures illustrate four scenarios of how a contribution of USD 5 million may be received and programmed towards different strategic outcomes (Strategic Outcomes 1 and 3) and associated activities. All calculations are based on the 2017 implementation plan for Zimbabwe. As noted in paragraph 99, the adjusted DSC is calculated as a proportion of the consolidated transfer and implementation costs. ISC and its current recovery rate of 7 percent will remain unchanged.<sup>1</sup>~~
4. ~~In scenario 1, a USD 5 million contribution consisting of in kind assistance, maize and vegetable oil and associated costs is allocated to WFP Strategic Outcome 1 “Food insecure people, including refugees, in the most affected districts are enabled to meet their basic food and nutrition requirements during severe seasonal shocks or other disruptions”, Activity 1 “Lean season assistance”. Views of the contribution are provided at two levels:
  - a. ~~Level 1 reflects the full cost recovery principle, with the contribution broken down into a consolidated transfer and implementation budget of USD 4.25 million or 85 percent, adjusted DSC of USD 0.42 million or 8 percent, and ISC of USD 0.33 million or 7 percent –these shares are the same in all examples; and~~
  - b. ~~Level 2 provides a breakdown of transfer and implementation costs.~~~~
5. ~~While these values are only indicative –and not fixed– the approach for defining them is as follows:
  - a. ~~Commodity and external transport costs are both based on estimated US dollar per metric ton rates.~~
  - b. ~~Other transfer costs are calculated as proportions, based on the tonnage.~~
  - c. ~~Implementation costs are calculated as a proportion of transfer costs.~~~~

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<sup>1</sup>Consistent with the principles of full cost recovery under Financial Regulation 1.1, indirect support cost (ISC) rates are applied to all trust funds as follows: a) a rate of 7 percent applies when a trust fund relies on the services of a regional bureau or Headquarters in addition to the country office. b) a reduced rate of 4 percent applies when the trust fund is planned and managed at the country office level with minimal Regional Bureau or Headquarters administrative support. c) a single ISC rate of 10 per cent currently applies to contributions from all private sector donations (including corporations, individuals, foundations and NGOs), irrespective of where the trust fund is planned and managed.

**Figure A.VII.1: Scenario 1: In-kind donation, earmarked**

 <b>In-kind contribution USD 5 million</b>	<b>Funding proposal based on 2017 Annual Budget Scenario 1: In-kind donation (maize and vegetable oil) Activity 1 – Lean season assistance (SR1/SO1)</b>	
	<b>Level 1 Full-cost recovery principle</b>	<b>Level 2 detail Indicative transfer and implementation allocation</b>
<b>Total commodities (mt)</b>	3 862	3 862
<b>Transfer</b>		3 268 428 (65%)
<b>Implementation</b>		979 660 (20%)
<b>Transfer and implementation costs</b>	4 248 088 (85%)	
<b>Adjusted DSC (%)</b>	424 809 (8%)	424 809 (8%)
<b>ISC (7%)</b>	327 103 (7%)	327 103 (7%)
<b>Total contribution</b>	<b>5 000 000 (100%)</b>	<b>5 000 000 (100%)</b>

6. In scenario 2, a USD 5 million cash contribution is used for local purchases of commodities—in this case local peas—for WFP Strategic Outcome 1, Activity 1. Two levels of detail are similar to those in scenario 1, with slightly different breakdowns:

- Level 1 reflects the full cost recovery principle, with the contribution broken down into a consolidated transfer and implementation budget (USD 4.25 million, or 85 percent), adjusted DSC (USD 0.42 million, or 8 percent) and ISC (USD 0.33 million, or 7 percent); and
- Level 2 provides a further level of detail, with an indicative breakdown of transfer and implementation costs.

**Figure A.VII.2: Scenario 2: Cash for food purchased locally**

 <b>Cash contribution USD 5 million</b>	<b>Funding proposal based on 2017 Annual Budget Scenario 2: Cash for food with local food purchases (local peas) Activity 1 – Lean season assistance (SR1/SO1)</b>	
	<b>Level 1 Full-cost recovery principle</b>	<b>Level 2 detail Indicative transfer and implementation allocation</b>
<b>Total commodities (mt)</b>	2 895	2 895
<b>Transfer</b>		3 268 428 (65%)
<b>Implementation</b>		979 660 (20%)
<b>Transfer and implementation costs</b>	4 248 088 (85%)	
<b>Adjusted DSC (%)</b>	424 809 (8%)	424 809 (8%)
<b>ISC (7%)</b>	327 103 (7%)	327 103 (7%)
<b>Total contribution</b>	<b>5 000 000 (100%)</b>	<b>5 000 000 (100%)</b>

7. In scenario 3, a USD 5 million cash contribution is allocated to CBTs for Strategic Outcome 3 “Food insecure rural households and smallholder farmers achieve food security and demonstrate resilience to seasonal shocks and stresses”, Activity 7 “Productive asset creation for resilience”. Again, the two levels of detail are similar to those in scenario 1, with slightly different breakdowns.

- a) Level 1 reflects the full cost recovery principle, with the contribution broken down into a consolidated transfer and implementation budget (USD 4.25 million, or 85 percent), adjusted DSC (USD 0.42 million, or 8 percent) and ISC (USD 0.33 million, or 7 percent); and
- b) Level 2 provides an indicative breakdown of transfer and implementation costs.

**Figure A.VII.3: Scenario 3: Cash for cash-based transfers**

 <b>Cash contribution USD 5 million</b>	<b>Funding proposal based on 2017 Annual Budget Scenario 3: Cash for Cash-based Transfers Activity 7 – Asset creation and livelihood support (SR4/SO3)</b>	
	<b>Level 1 Full-cost recovery principle</b>	<b>Level 2 detail Indicative transfer and implementation allocation</b>
<b>Transfer</b>		3 827 107 (77%)
<b>Implementation</b>		420 982 (8%)
<b>Transfer and implementation costs</b>	4 248 088 (85%)	
<b>Adjusted DSC (%)</b>	424 809 (8%)	424 809 (8%)
<b>ISC (7%)</b>	327 103 (7%)	327 103 (7%)
<b>Total contribution</b>	<b>5 000 000 (100%)</b>	<b>5 000 000 (100%)</b>

8. In scenario 4, a USD 5 million cash contribution to WFP Strategic Outcome 3 is allocated to three activities: Activity 5 “Local food marketing and procurement mechanism”; Activity 6 “Smallholder farmers”; and Activity 7 “Productive asset creation for resilience”. These activities include a mixture of CBTs and capacity strengthening. As in the previous scenarios, the two levels of detail are similar to those in scenario 1:

- a) Level 1 reflects the full cost recovery principle, with the contribution broken down into a consolidated transfer and implementation budget (USD 4.25 million, or 85 percent), adjusted DSC (USD 0.42 million, or 8 percent) and ISC (USD 0.33 million, or 7 percent); and
- b) Level 2 provides an indicative breakdown of transfer and implementation costs, from which one can also see the proportion of the transfer that is available for cash based transfers and for capacity strengthening.

**Figure A.VII.4: Scenario 4: Cash, earmarked at the Strategic Result level**

	Funding proposal based on 2017 Annual Budget Scenario 4: Cash earmarked at the Strategic Result level (SR4) Activity 5 – Local food marketing and procurement mechanism (SR4/SO3) Activity 6 – Smallholder farmers (SR4/SO3) Activity 7 – Productive asset creation for resilience (SR4/SO3)	
	Level 1 Full-cost recovery principle	Level 2 detail Indicative Transfer and Implementation allocation
<b>Transfer</b>		2 831 598 (57%)
Transfer (CBT)		1 367 234 (27%)
Transfer (capacity strengthening)		1 464 365 (29%)
<b>Implementation</b>		1 416 490 (28%)
<b>Transfer and implementation costs</b>	4 248 088 (85%)	
<b>Adjusted DSC (%)</b>	424 809 (8%)	424 809 (8%)
<b>ISC (7%)</b>	327 103 (7%)	327 103 (7%)
<b>Total contribution</b>	<b>5 000 000 (100%)</b>	<b>5 000 000 (100%)</b>

REVISION MODEL

## **Note on Governance aspects of the Policy on Country Strategic Plans and the Budgeting for Operational Effectiveness component of the Financial Framework Review**

1. ~~The Policy on Country Strategic Plans (“CSP Policy”) and the Budgeting for Operational Effectiveness component of the Financial Framework Review (“FFR”) are intended, together, to establish a new approach to the classification and implementation of WFP’s programmes, projects and activities (the “CSP Approach”). If the CSP Approach is approved by WFP’s Executive Board, programmes, projects and activities in a country will normally be consolidated into a single Country Strategic Plan (“CSP”) that would include a Country Portfolio Budget (“CP Budget”).<sup>1</sup> The CSP Approach is also intended to simplify WFP’s cost categories and its application of the principle of full cost recovery.~~
2. ~~The CSP Approach would revise WFP’s programmatic and financial framework. It would not require modification of any provision of the Programme’s constitutional document, the WFP General Regulations, and would not accordingly necessitate any action by the General Assembly and FAO Conference. Instead, the CSP Approach may be approved by the Executive Board of WFP, under authorities granted to it by WFP’s General Regulations, through the issuance of policies and the amendment of existing General Rules, Delegations of Authority, and Financial Regulations.<sup>2</sup>~~
3. ~~The CSP Approach is expected to be deployed in two stages.~~
4. ~~The first, “pilot”, stage would encompass 2017, during which 16 CSPs with pilot CP Budgets (“Pilot CSPs”) are expected to be submitted to the Executive Board for approval. The Pilot CSPs will afford an opportunity for member states, WFP’s two parent organizations, and other WFP stakeholders to look beyond the principles of the CSP approach, and see how it works in practice. Indeed, it is expected that the Pilot CSPs will yield results and data that can inform the CSP Approach before it is finalized at EB.2/2017.~~
5. ~~In the second stage of deployment, beginning in 2018, the CSP Approach is expected, after the Executive Board approves its roll out and enacts the necessary normative amendments at EB.2/2017, to be introduced across WFP through CSPs and Interim Country Frameworks (“ICF”)<sup>3</sup> and rapid onset emergency responses.~~
6. ~~In accordance with its General Regulations, WFP will seek the advice of the Finance Committee of FAO and the Advisory Committee on Administrative and Budgetary Questions throughout both stages, and report on General Rule revisions to the FAO Council and Economic and Social Council.~~

### **What normative action will be required in order for the CSP Approach to be deployed?**

<sup>1</sup> CP Budgets will apply to the entirety of programme categories, which include Interim Country Frameworks and rapid onset emergency responses, to be introduced by the CSP Policy.

<sup>2</sup> General Regulations VI.2(b)(vi) and VI.2(b)(vii), and VI.2(c) respectively grant the Executive Board the authority to make the necessary revisions to the General Rules, Financial Regulations and Delegation of Authority to the Executive Director.

<sup>3</sup> The ICF will be used in exceptional circumstances when a strategic review may not be undertaken owing to ongoing conflict or instability that undermines governance, including the functioning of national institutions. The ICF articulates WFP’s strategic orientation, programme framework and strategic outcomes in a country, pending a strategic review and is aligned with the CP Budget structure. The ICF should to the extent possible be based on national consultations and coordination with United Nations agencies. In countries where WFP has no operational presence and during the transitional period of 2017-2018, the ICF may be used while a full CSP is developed. During the transition period, ICFs will combine all existing WFP activities in a country into a framework that is based on the CSP template and structured around strategic outcomes aligned with the WFP Strategic Plan. Countries that do not plan to submit a CSP for EB.1/2018 must submit an ICF for approval by the Executive Director by 31 December 2017.

7. ~~As already indicated, the CSP Approach is consistent with WFP's highest constitutional document, the General Regulations, and its approval is within the authority of the Executive Board. By exercising the authority that the General Regulations grant to it, the Executive Board will be in a position to approve the CSP Approach and make certain necessary amendments of WFP's General Rules and Financial Regulations—more specifically, to adjust references to existing WFP programme categories, which will be phased out, so that they refer to CSP framework terminology instead; to simplify guidance on cost management and full cost recovery; and to bring up to date the current Delegations of Authority to the Executive Director with regard to programme approvals and revisions (the “Delegations of Authority”) so they are consistent with the CSP Approach and the context in which WFP assistance is provided.~~
8. ~~While it is already possible to foresee in general terms what amendments will be required (the provisions of the General Rules and Financial Regulations are laid out Annex VIII of the first draft of the FFR paper), the Secretariat proposes that normative changes only be presented for approval at EB.2/2017, after WFP has had the opportunity to consider the experience of the Pilot CSPs, which may usefully affect the ultimate form of the CSP Approach and therefore the normative changes that will be required in order to implement it.~~
9. ~~Pending the normative revisions, the Board will be asked, for the limited purpose of facilitating the effective implementation of the Pilot CSPs, to authorize temporary derogations from specific provisions of the General Rules and Financial Regulations. In particular, the Executive Board would be requested to authorize, solely for the purpose of implementation of the Pilot CSPs in 2017:~~
- ~~i. The application of references in the General Rules and Financial Regulations to current WFP programme categories (e.g. EMOPs, PRROs, Development and Country Programmes) as if such references were to Country Strategic Plans; and~~
  - ~~ii. The application of General Rules and Financial Regulations concerning budgetary cost categories and full cost recovery (General Rule XIII.4, Financial Regulations 1.1 and 4.5) in a manner consistent with principles approved in advance by the Executive Board as part of the FFR decision point.~~
10. ~~In addition, to facilitate and inform the development of new Delegations of Authority, the Board will be requested to grant to the Executive Director, for 2017 only, the authority to make any necessary revisions to the Pilot CSPs themselves. (The General Regulation Article X.6 requirement that emergency requests for assistance to be decided jointly by the Executive Director and Director General of FAO where the food value exceeds USD 3 million, as described in the FFR paper decision point<sup>4</sup>, be maintained.) The Executive Director would report any use of this authority promptly to the Board, and will ensure that it informs the development of more permanent Delegations of Authority beyond the pilot stage. The Secretariat will present, for the Executive Board's approval at EB.2/2017, revised Delegations of Authority that employ the CSP's new programme category terminology and budgetary thresholds that are consistent with WFP General Regulation X.6 with respect to emergency operations.~~
11. ~~It is important to note that because, in 2017, the CSP Approach would be limited to CSP Pilots only, all other WFP programmes, projects and activities would continue to be managed in the same way as before, applying the existing General Rules and Financial Regulations and Delegations of Authority.~~
12. ~~At EB.2/2017 it is expected that the Board, informed by the experience of the Pilot CSPs, would approve the roll out of the CSP Approach across WFP, enact the necessary revisions to the General Rules, Financial Regulations, and Delegations of Authority, and call for CSPs to be presented to it for approval beginning at EB.1/2018, with ICFs to be approved by the Executive Director where~~

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<sup>4</sup> See Annex X.

necessary under the terms of the CSP Policy.<sup>5</sup> During the deployment phase that would follow, the revised General Rules, Financial Regulations and Delegations of Authority would be brought into effect and apply to programmes, projects and activities across the organization.<sup>6</sup>

### **Proposed Decision Points**

- ~~13. The decision points with respect to the CSP Policy and FFR, included at Annexes IX and X of the FFR paper respectively, would give effect to the two-stage approach that is described above.~~
- ~~14. With its CSP Policy decision point, the Board would approve the CSP Policy, as presented in [DOCUMENT NUMBER]. In addition, the Board would request pilot CSPs to be undertaken in 2017 and authorize derogations from the programmatic terminology of the General Rules and Financial Regulations in order to facilitate their implementation. Furthermore, to accommodate the revised programmatic framework, the Board would request proposals on permanent amendments to the General Rules and Financial Regulations to be presented for its approval at EB.2/2017.~~
- ~~15. With its FFR decision point, the Board would approve the principles and elements that will guide the CP Budget model. In addition, the Board would note the introduction of Pilot CSPs and their role in finalizing the CP Budget model, and acknowledge that the CP Budget model will necessitate the revision of current cost categories in the General Rules and Financial Regulations. The Board would, for 2017 Pilot CSPs only, authorize the Secretariat to apply the General Rules and Financial Regulations (notably, General Rule XIII.4, Financial Regulations 1.1 and 4.5) in a manner consistent with the CP Budget model principles and elements. The decision point would also grant authority to the Executive Director to make the necessary revisions to the Pilot CSPs pending finalization of the Pilot Approach in 2017, save for emergencies (for which the current emergency operations delegation requiring joint approval by the Executive Director and the FAO Director General where the food value exceeds USD 3 million will continue to apply) and direct the Executive Director to report on any revisions to the Board. In addition, the Board would request that proposed revisions to the General Rules and Financial Regulations and Delegations of Authority, intended to adjust them to the CSP Approach, be proposed for approval at EB.2/2017.~~

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<sup>5</sup> ICFs with a duration of up to two years will be approved by the Executive Director, subject to General Regulation Article X.6, thereafter ICFs will be approved by the Executive Board, if the conditions for a national strategic review still do not exist.

<sup>6</sup> Except where, because a CSP or ICF has not yet been approved, existing programmes projects and activities would necessarily continue to be governed by the unrevised version of WFP's General Rules, Financial Regulations, and Delegations of Authority.

**Annex IX****Draft decision point as set forth in the Fifth draft of the CSP Policy**

~~[For discussion purposes only. Not to be included in the Financial Framework Review for approval at EB.2/2016]~~

~~The Executive Board:~~

- ~~• approves the Policy on Country Strategic Plans (WFP/EB.2/2016/xxx) (the CSP Policy);~~
- ~~• requests the Executive Director to submit Country Strategic Plans containing pilot country portfolio budgets for Executive Board approval in 2017 (pilot CSPs);~~
- ~~• notes that the CSP Policy provides for modification of WFP's existing programme categories, and accordingly authorizes, pending normative amendments expected to be approved at EB.2/2017, the temporary application to the pilot CSPs of provisions of the WFP General Rules and Financial Regulations referring to existing programme categories as if such references were to the Country Strategic Plan; and~~
- ~~• requests the Secretariat to propose for Executive Board approval at EB.2/2017 amendments to the programmatic terminology employed in WFP General Rules and Financial Regulations to accommodate the Country Strategic Plans framework.~~

REVISION REQUIRED

## Financial Framework Review Draft Decision

Having considered the Financial Framework Review (WFP/EB.2/2016/X X/X), the Executive Board:

- ~~i) notes that the FFR is composed of three~~**Three** work streams: “budgeting for operational effectiveness”; “resource-based planning”; and “macro-advance financing”;
- ~~ii) notes, in connection with the “~~**were prioritized: budgeting for operational effectiveness”, resource-based planning, and macro-advance financing. The work streams were undertaken as separate but linked modules in 2015 and 2016 to achieve benefits for each work stream, that** under the Policy on Country Strategic Plans [WFP/EB.2/2016/xxx] (CSP Policy) each Country Strategic Plan (CSP) shall include a country portfolio budget (CP Budget), to which the approval mechanisms and transition and implementation arrangements set forth in the CSP Policy will apply;
- ~~iii) notes that, under the CSP Policy, CSPs containing pilot CP Budgets (Pilot CSPs) shall be submitted for Board approval in 2017, and requests the Executive Director to ensure that the experience of such Pilot CSPs informs the final design of the CP Budget structure;~~
- ~~iv) notes that the rollout across WFP of the CP Budget structure is expected to begin in 2018, following its finalization and the approval of amendments to the General Rules, Financial Regulations and Executive Director delegations of authority at EB.2/2017;~~
- ~~v) in line with the recommendations set forth in this paper, approves the following principles to guide the introduction of pilot CP Budgets in 2017 and the finalization of the CP Budget structure:~~
  - ~~a. that the CP Budget structure encompass all operations in all contexts, replacing the multiple programme, project and trust fund budgets that currently exist within a country;~~
  - ~~b. that the CSP, Interim Country Framework, or emergency operation of a limited duration include a CP Budget, broken down and approved by total budget per WFP Strategic Outcome;~~
  - ~~c. that the CP Budgets be results oriented with clear links from WFP Strategic Results to WFP Strategic Outcomes to activities to costs;~~
  - ~~d. that costs be summarized into four cost categories, including transfer costs, implementation costs, adjusted direct support costs, and indirect support costs; and~~
  - ~~e. that the principle of full cost recovery will be applied employing the high level cost categories of transfer and implementation costs, adjusted direct support costs, and indirect support costs, and that the full cost recovery norms approved by the Executive Board in the General Rules be simplified, with detailed guidance on implementation issued by the Executive Director in internal instruments.~~
- ~~vi) and for Consistent with these principles, the Executive Board further approves the following elements for inclusion in the CP Budget structure:~~
  - ~~a. that the CP Budget be stated by calendar year;~~

- b. ~~that, where a country has a CSP, the initial response to an emergency be handled by either modifying an existing strategic outcome or by introducing new strategic outcomes in a CP Budget~~
- c. ~~that more detailed cost planning elements be aligned with harmonized United Nations cost categories where possible; and~~
- d. ~~that, as a complement to CSPs, country level information from WFP's annual planning cycle be made available for information purposes to Member States.~~
- vii.i) ~~notes that the application of the principles set forth above would derogate from, and eventually require amendment of, provisions of the General Rules and Financial Regulations relating to cost categorizations and the manner in which full cost recovery is achieved;~~
- viii) ~~expects that experience of the pilot CSPs will assist in completing the design of the CP Budget structure and identifying the necessary normative amendments to the General Rules and Financial Regulations, and requests the Executive Director to present the necessary proposals for approval at EB.2/2017;~~
- ix.i) ~~authorizes, as a temporary measure, pending the Executive Board's approval of amendments of the WFP General Rules and Financial Regulations at EB.2/2017, derogations from provisions of General Rule XIII.4 and Financial Regulation 1.1 and 4.5 concerning cost categorizations and the manner in which full cost recovery is achieved, solely where these are necessary to permit application to the 2017 Pilot CSPs of the CP Budget principles that are listed at point v of this decision;~~
- x) ~~notes that the CSP framework will require revision of the programme category terminology and the budgetary thresholds that are included in the Delegations of Authority to the Executive Director;~~
- xi) ~~requests the Secretariat to propose for Executive Board approval at EB.2/2017 revised Delegations of Authority to the Executive Director, which shall be informed by the experience of the Pilot CSPs;~~
- xii) ~~grants, as a temporary measure for 2017, authority to the Executive Director to make revisions to the pilot CSPs, subject to existing delegations of authority with respect to emergency operations, with the understanding that any such revisions shall be reported promptly to the Executive Board; and~~
- xiii) ~~notes the preliminary resourcing requirements for transition to and implementation of the CP Budget structure in 2017 and 2018.~~

## **Preliminary Proposal for Budgetary Thresholds**

[For discussion purposes only. Not to be included in the Financial Framework Review for approval at EB.2/2016]

1. ~~As noted in paragraphs 102–116, and as described in the “Policy on Country Strategic Plans—Fifth Draft”, the Executive Board will approve all new CSPs with an accompanying CP Budget. The Board will also approve all revisions to a CSP that constitute a fundamental change to the overall strategic focus of WFP in a country. To maintain WFP’s ability to respond rapidly, approval of sudden-onset and other unforeseen emergency response assistance would continue to be delegated to the Executive Director and the FAO Director-General.~~**financial framework.**
1. **The Secretariat has employed a bottom-up approach to the FFR. From the start, country offices have shared their experiences and participated in the design and implementation of work streams. Resource-based planning has been piloted in nine country offices, and macro-advance financing in five, while eight country offices have been involved in prototyping the CP Budget model.**

### **Approach to Budgeting for Operational Effectiveness: Development and Design of a Country Portfolio Budget Structure**

2. At the outset, it was agreed that three underlying principles would remain in place: the voluntarily funded nature of WFP, the principle of full-cost recovery, and contribution-specific expenditure tracking. However, the Secretariat noted its intention to review and simplify the application of full-cost recovery to contributions.
3. The analysis phase of the budgeting for operational effectiveness work stream began in mid-2015 with a review of WFP’s budget structure and the financial frameworks of other United Nations organizations, non-governmental organizations and private-sector entities. Interviews with managers at country offices provided perspectives on budgeting challenges in different contexts.
4. A summary of the analysis was presented to the Budgeting for Operational Effectiveness Expert Working Group<sup>7</sup> in September 2015 to identify the characteristics of a budget structure that: i) maximizes WFP’s ability to respond efficiently and effectively to prioritized operational needs; ii) provides for disciplined financial management, reporting and analysis; and iii) facilitates fundraising.
5. Two preliminary budget structures were developed: one based on country office activities, the other on WFP Strategic Results. Budgets for the Colombia, Indonesia, Jordan, Uganda and Zimbabwe country offices were modelled under both structures to test the feasibility, practicality and effectiveness of each and identify governance and fundraising implications. Feedback from the country offices indicated that activities, while derived from WFP Strategic Results, had to be central to the budget structure from an operational planning, implementation and management perspective.

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<sup>7</sup> The working group comprises participants from country offices, regional bureaux and Headquarters functional areas.

6. In November 2015, the Budgeting for Operational Effectiveness Expert Working Group considered results from this initial modelling exercise and proposed a CP Budget structure with:
- a single planning period encompassing all operations in all contexts for a calendar year;
  - a results-oriented approach in line with WFP Strategic Results and WFP Strategic Outcomes, with activities as the primary dimension for operational planning;
  - a clear “line of sight” from WFP Strategic Results to WFP Strategic Outcomes to activities to costs;
  - identification of activity costs in terms of transfers or implementation;
  - new cost definitions harmonized where possible with those of other United Nations agencies to facilitate reporting and comparison;
  - adjusted DSC directly support multiple activities related to the transfer of assistance and implementation of programmes; can be apportioned among activities; and
  - addition or augmentation of one or more WFP Strategic Outcomes for the initial response to emergencies.
7. At the beginning of 2016, the prototype structure with these concepts was phased in at the five country offices participating in the initial modelling exercise – Colombia, Indonesia, Jordan, Uganda and Zimbabwe – and later in the Kenya, Niger and Yemen country offices to ensure regional representation and coverage of diverse operational contexts, including a Level 3 emergency. Indonesia and Zimbabwe have drafted their CSPs while Colombia, Jordan and Uganda are still in the process. Prototyping of the CP Budget structure in CSP countries ensures that the structure supports the CSP approach.
8. From January to March 2016, the Indonesia and Jordan country offices led phase I of the testing to refine the “vertical” aspects of the structure. The portfolios of activities and associated budgets of these country offices were mapped on to the preliminary CP Budget structure to create the desired “line of sight” from WFP Strategic Results to WFP Strategic Outcomes to activities to costs. Country offices recorded a sample of transactions in the WFP Information Network and Global System (WINGS) for further testing and refinement of the structure.
9. An initial cost-accounting model was set up to ensure that the values of direct transfers, implementation costs and costs managed country-wide – adjusted DSC and indirect support costs (ISC) – were captured.
10. Phase I assessments were largely positive. The Jordan country office noted that the CP Budget concept and its “line of sight” would improve effectiveness and transparency while the focus on activities reflected operational realities. The Indonesia country office appreciated the improved accountability and empowerment of budget owners. Phase I also identified additional areas that required the development of country-driven solutions in phase II of the testing.
11. In phase II, a CP Budget structure was simulated to inform the design of solutions for areas including definition of cost-accounting procedures; application of full-cost recovery; the treatment of emergencies and regional operations; and identification of operational contexts and governance requirements. Country offices tested a budget structure that encompasses all country office operations and shared services, service-level agreements, trust funds, regional operations and sudden-onset emergencies.
12. Country office assessments and detailed results from the phase II testing demonstrated that the CP Budget structure can support WFP’s operations and that the business solutions identified are viable. The country offices involved recognized that the budget structure and improved processes for managing budgets and contributions will streamline planning and resource management processes.

13. Following the two phases of prototype testing, country offices, functional leads and the Resource Management Integration and Support Division identified the business requirements for design of the IT system solution for the CP Budget structure. These requirements represent the minimum elements that will need to be in place to support the first wave of pilot CSPs in February 2017. The requirements identified formed the first part of a more comprehensive blueprint for design of the IT solution and systems implementation for the CP Budget structure. Work on the blueprint is coordinated with work on the country strategic planning approach and the CRF to ensure alignment and integration, with a view to testing the IT system solution in the fourth quarter of 2016.

#### Approach to Resource-Based Planning

14. The resource-based planning work stream will standardize the process whereby country offices match implementation plans with anticipated funding levels to improve planning for the coming 12–18 months, and facilitate performance management by making it easier to compare results with plans. The aggregation of all country offices’ resource-based implementation plans will be included in WFP’s Management Plan as the Implementation Plan.
15. The work stream takes into account: i) various approaches and models informally adopted by country offices to align funding with implementation; and ii) development of the Prioritized Plan of Work for previous Management Plans and WFP’s pipeline management processes.
16. Nine country offices – Ethiopia, Guatemala, Kenya, Lesotho, Mali, Nicaragua, Pakistan, the Sudan and Zimbabwe – were selected to develop resource-based plans for 2016 to pilot this internal resource management tool. These pilot country offices were selected using the following criteria: i) a mix of operational sizes; ii) diversity of donors; iii) commitment of country office management; iv) resource management capacity; and v) likelihood of at least minimum funding.
17. The country offices developed their resource-based plans in the following steps:
- i) Define operational needs by project, activity, beneficiaries, transfer modality and food type.
  - ii) Estimate annual projected funding from analysis of past and current funding levels by project, and possibly by donor.
  - iii) Develop plans based on projected resources, prioritizing activities and adjusting beneficiary numbers, ration sizes and duration of assistance.
18. At the outset of the pilot, it was agreed that to mitigate risk, WFP will: i) continue to communicate operational needs and advocate for full funding; ii) develop metrics for linking shortfalls to particular outcomes, to indicate the effects on beneficiaries; and iii) clarify the distinction between needs and plans in its fundraising.

#### Approach to Macro-Advance Financing

19. The macro-advance financing work stream addresses resource predictability and uncertainties in the timing and level of contributions by providing country offices with budgetary authority to incur expenditures on the basis of aggregated forecasts.
20. At the Board’s 2015 Second Regular Session, the Secretariat stated its intention to “... manage a small number of pilots through the IPL facility, which is backed by the Operational Reserve; USD 150 million to USD 200 million is proposed to be set aside from the IPL ceiling of USD 570 million”<sup>8</sup>.
21. Pilot countries were selected on the basis of: i) historical funding trends; ii) stability as reflected in needs and risk assessments; iii) participation in the resource-based planning pilot with a

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<sup>8</sup> WFP/EB.2/2015/5-C/1, paragraph 25.

validated resource-based plan; and iv) an accountability agreement acknowledging the responsibilities and obligations associated with the macro-advance.

- 22.** A first tranche of USD 82.3 million of funding for four pilot countries – Ethiopia, Kenya, Mali and the Sudan – was endorsed by the Strategic Resource Allocation Committee and approved by the Executive Director. Subsequently, a macro-advance of USD 1.3 million was approved for the Nicaragua country programme and a second tranche, of USD 17 million, was released to the Ethiopia PRRO. These releases bring the total advanced in the macro-advance pilot to USD 100.7 million. As of August 2016, USD 90.9 million of repayments had been made, all in accordance with donor conditions.

### **Engagement of the Board and partners**

- 23.** At the 2015 Annual Session, the Board considered progress on the FFR,<sup>9</sup> particularly the challenges in WFP's current architecture and the requirements for a new financial framework.
- 24.** At the 2015 Second Regular Session, an update on the FFR<sup>10</sup> set out the objectives, associated risks and approach for each of the three work streams. The Board noted the progress achieved, the proposed timeline and cost estimates for 2015 and 2016.
- 25.** At the 2016 First Regular Session, an update on the Integrated Road Map<sup>11</sup> conveyed the synergies and interrelatedness of the Strategic Plan (2017–2021), the country strategic planning approach and the FFR.
- 26.** At the 2016 Annual Session, an update on the FFR<sup>12</sup> provided details on the emerging design of the CP Budget model and progress in the resource-based planning and macro-advance financing work streams and ongoing pilots.
- 27.** Complementing formal Board sessions, the Secretariat held 12 informal consultations between 17 March 2015 and 24 October 2016 to present emerging designs and assessments of pilots and prototypes (Figure A.I.1). The Board's feedback and guidance over this period have been invaluable in helping to shape work on the FFR.

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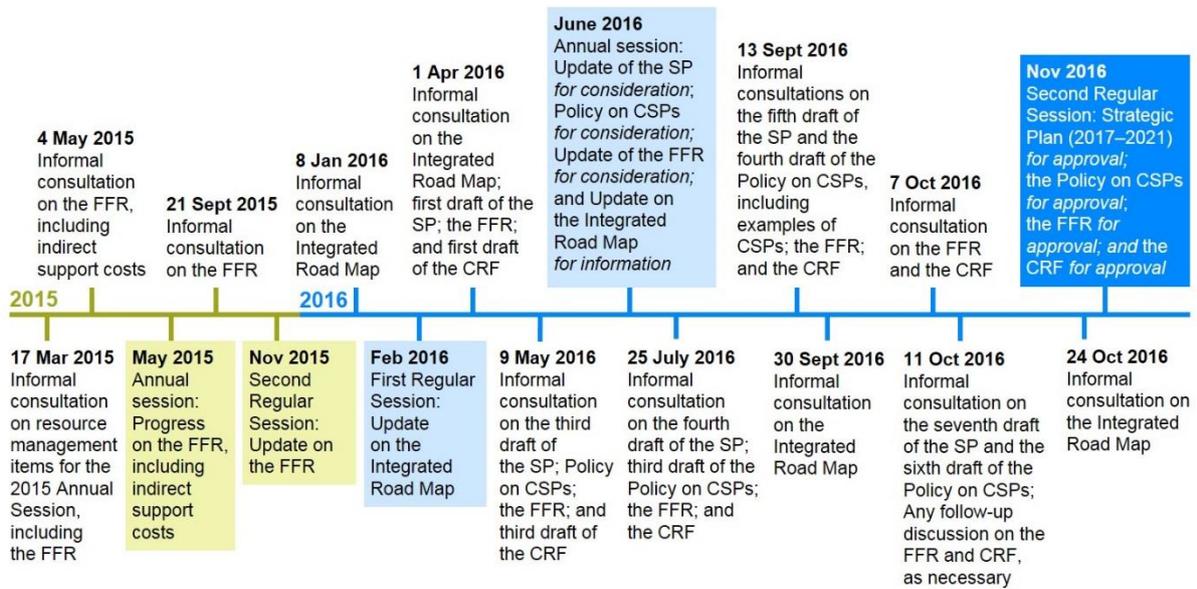
<sup>9</sup> WFP/EB.A/2015/6-C/1.

<sup>10</sup> WFP/EB.2/2015/5-C/1.

<sup>11</sup> WFP/EB.1/2016-4-F.

<sup>12</sup> WFP/EB.A/2016/5-C/1\*.

**Figure A.I.1: Board consultations on the Financial Framework Review**



SP: Strategic Plan; CSPs: Country Strategic Plans; FFR: Financial Framework Review; CRF: Corporate Results Framework.

28. Since September 2015, the Secretariat<sup>13</sup> has worked with WFP's partners to build common understanding of the components of the Integrated Road Map and various aspects of the FFR and to identify the potential implications for partners' systems and policies.

<sup>13</sup> Particularly directors from the Policy and Programme Division, the Budget and Programming Division, the Performance Management and Monitoring Division and the Resource Management Integration and Support Office.

2. Acronyms For CSP revisions that do not involve fundamental changes in the strategic focus and which are not related to an emergency response, the Secretariat is exploring new budgetary thresholds for their approval. The Secretariat presented an initial draft proposal at the 13 September 2016 informal consultation, which it is continuing to refine. It is based on the following principles:

- Thresholds would be based on total budget value of the CSP.
- Country offices would be grouped by size.
- Relative thresholds would be used to ensure that the Board considers any revision that requires increased oversight or poses increased strategic or financial risk. This means that the largest budget revisions relative to the size of the approved CSP would be subject to the Board's approval.

## Used in the Document

**Table** cash-based transfer

**A.XI.1:**

**Proposed  
thresholds  
for Board  
approval of  
budget  
revisions**  
CB  
T

**COMP** country operations management plan

<b>Size of CP Budget</b> (USD millions)	<b>Country Portfolio Budget</b>	<b>Very large</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>
	> 2 000		8.29. 2 000– 500	9.30. 500– 100	10.31. < 100

Annual relative threshold	15%	20%	30%	n/a*
*Board notified of revisions with authority delegated to the Executive Director unless budget revisions exceed USD 100 million over a 12-month period.				

3. In keeping with the Appendix to the General Rules—Delegation of Authority to the Executive Director, this threshold is proposed to be applied on an annual basis.
4. The Secretariat's analysis indicates that if CSPs had been in place and these thresholds applied over the last five years, the Board's oversight would have increased from USD 20 billion to approximately USD 25 billion<sup>14</sup>—an increase of approximately 27 percent.
5. As noted in paragraph 116, the Secretariat will closely engage with the Member States through 2017 to continue to develop its proposal on budgetary thresholds related to delegated authority, considering lessons learned from the pilot period, before presenting a final proposal for approval in the 2017 Second Regular Session.

<sup>14</sup>Inclusive of budget revisions.

**Figure A.XI.1: Governance and oversight for programme approval**



\*Some CSPs may not be approved by the Board. When a CSP is funded entirely by the host government it may be approved by the Executive Director further to Financial Regulations 5.1 and 5.2, subject to General Regulation X.6.

\*\*Some fundamental changes to CSPs may not be approved by the Board. When a new strategic outcome not previously foreseen is added to a CSP and funded entirely by the host government, it may be approved by the ED further to Financial Regulations 5.1 and 5.2, subject to General Regulation X.6.

REVISION 1

**Acronyms used in the document**

<del>CBT</del>	<del>cash-based transfer</del>
<del>COMP</del>	<del>Country Operations Management Plan</del>
<del>CP Budget</del>	<del>Country Portfolio Budget</del>
CRF	Corporate Results Framework
CSP	Country Strategic Plan
DEV	development project
DSC	direct support costs
EMOP	emergency operation
FAO	Food and Agriculture Organization of the United Nations
FFR	Financial Framework Review
<b>ICSP</b>	<b>Interim Country Strategic Plan</b>
IPL	Internal Project Lending
ISC	indirect support costs
IT	information technology
PRRO	protracted relief and recovery operation
QCPR	Quadrennial Comprehensive Policy Review
SDG	Sustainable Development Goal
SO	special operation
WINGS	WFP Information Network and Global System