

UPDATE ON THE FINANCIAL FRAMEWORK REVIEW



DRAFT

INFORMAL CONSULTATION

523 September 2016

I. Introduction

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~~**Policy** on Country Strategic Plans (CSPs) and the Corporate Results Framework (CRF). These interrelated ~~component~~**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) 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 FFR is to maximize operational effectiveness through realistic financial planning, enhanced accountability, streamlined processes and harmonized financial and results frameworks. As a component of the Integrated Road Map, the FFR will deliver a country portfolio budget (**CPBCP Budget**) structure that demonstrates the relevance and impact of WFP's work by transparently linking strategy, planning and budgeting, implementation and resources obtained to results achieved. The new financial framework will incentivize managers to deliver better programmes.
4. 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. The 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 **CPBCP 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. Country offices are 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.
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 ~~consultation~~ **consultations** related to budgeting for the operational effectiveness work stream and the proposed **CPBCP 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. ~~Nine~~**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 ~~reviews possible amendments to~~ **provides a note on governance aspects of the WFP General Rules CSPs Policy and Financial Regulations to align them with the Strategic Plan (2017–2021), budgeting for operational effectiveness component of the Policy on CSPs and CPB structure.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.**

II. Background

Earlier Phases of the Financial Framework Review

11. In 2013, with the Board’s approval,¹ 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.² The Board also approved an increased target level of USD 200 million for the Immediate Response Account.³

¹ WFP/EB.A/2010/6-E/1.

² WFP/EB.A/2014/6-D/1.

³ WFP/EB.2/2014/5-A/1.

Internal context: case for change

Strategic shift to food assistance

13. 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 CSPs and the 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. 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.

Inflexible budget structure

15. In country offices, funding is allocated among projects or directed by donor conditions⁴ 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. 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. 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. In 2014, the Secretariat launched a cost benchmarking exercise in four country offices⁵ 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. 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.

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

⁵ Afghanistan, Chad, the Democratic Republic of the Congo and Myanmar.

20. 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 Financial Framework Review

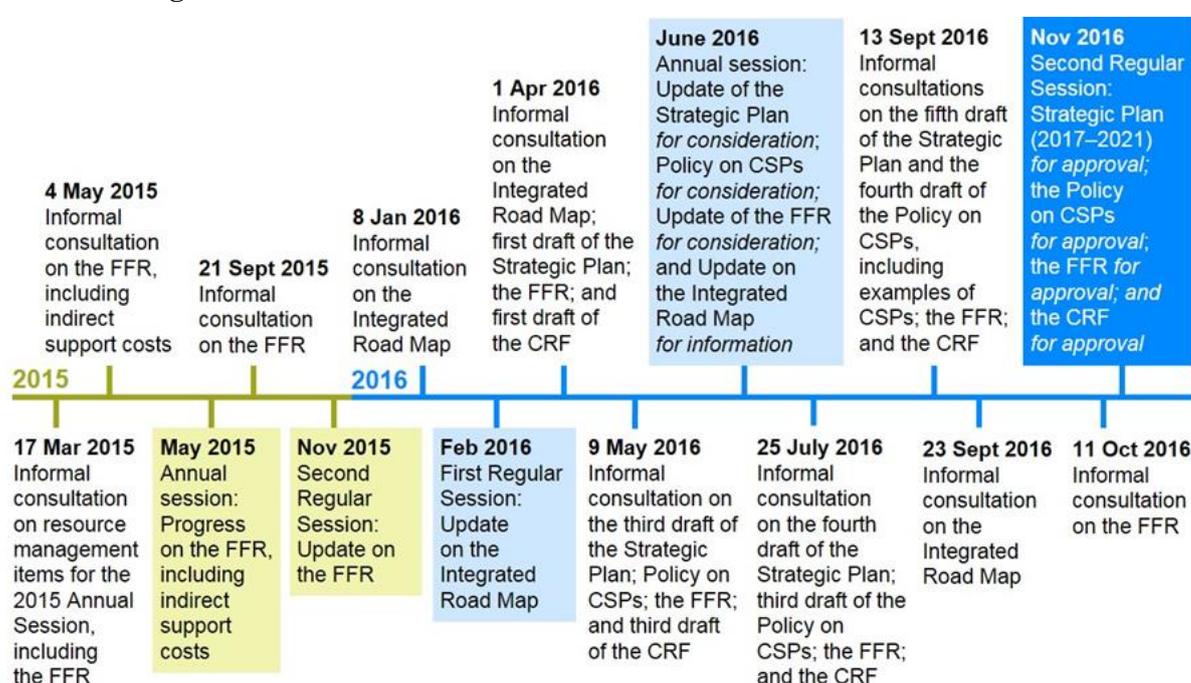
21. In consultation with WFP country directors and the Board,⁶ four goals were developed in early 2015 to guide the work of the FFR:
- increase the predictability of resources so that country offices can optimize operational efficiency and effectiveness;
 - increase flexibility with a view to improving 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.
22. 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. 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 (**CPBCP Budget**). Development of the **CPBCP Budget** structure is aligned with the country strategic planning approach, the Strategic Plan (2017–2021) and the CRF.
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. 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 **CPBCP Budget** model.

⁶ WFP/EB.A/2014/6-D/1.

Engagement of the Board and partners

28. At the 2015 Annual Session, the Board considered progress on the FFR,⁷ particularly the challenges in WFP's current architecture and the requirements for a new financial framework.
29. At the 2015 Second Regular Session, an update on the FFR⁸ 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. At the 2016 First Regular Session, an update on the Integrated Road Map⁹ conveyed the synergies and interrelatedness of the Strategic Plan (2017–2021), the country strategic planning approach and the FFR.
31. At the 2016 Annual Session, an update on the FFR¹⁰ provided details on the emerging design of the **CPBCP Budget** model and progress in the resource-based planning and macro-advance financing work streams and ongoing pilots.
32. 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



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

33. Since September 2015, the Secretariat¹¹ 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.

⁷ WFP/EB.A/2015/6-C/1.

⁸ WFP/EB.2/2015/5-C/1.

⁹ WFP/EB.1/2016-4-F.

¹⁰ WFP/EB.A/2016/5-C/1*.

¹¹ 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.

III. Budgeting for Operational Effectiveness

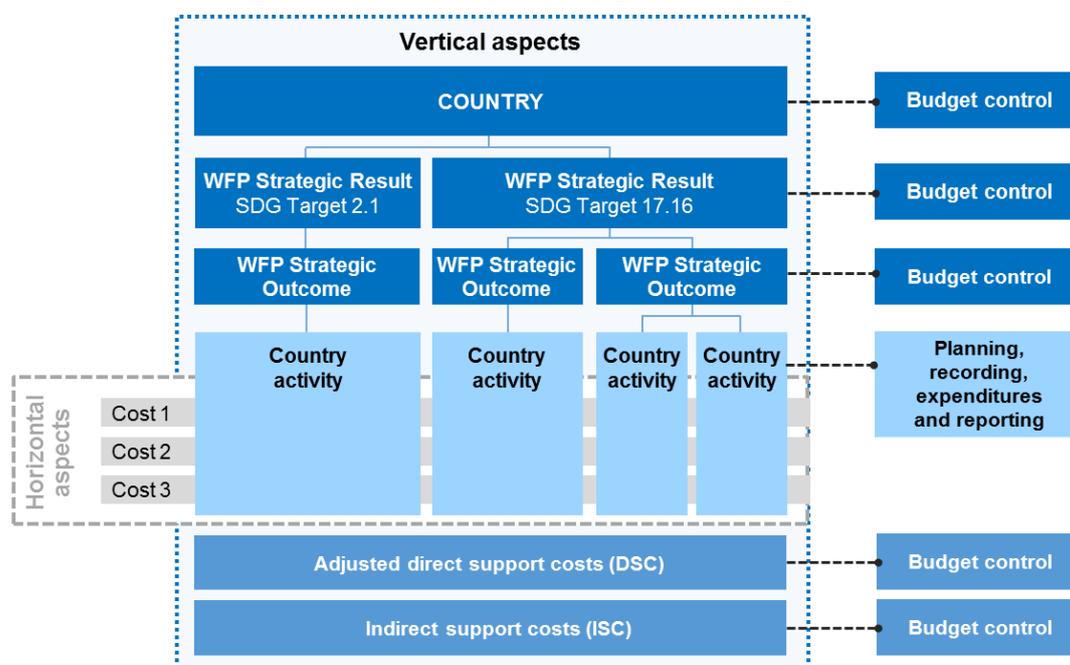
Development and design of the Country Portfolio Budget structure

34. 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 Group¹² 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
 - v) improved accountability.
36. 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. In November 2015, the Budgeting for Operational Effectiveness Expert Working Group considered results from this initial modelling exercise and proposed a **CPBCP 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.

¹² The working group comprises participants from country offices, regional bureaux and Headquarters functional areas.

38. Figure 2 shows the preliminary CPBCP 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 CPBCP 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.¹³ 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 CPBCP Budget structure.
40. 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 CPBCP 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. 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 CPBCP 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

¹³ Comprising Assistant Executive Directors, selected Division Directors, Regional Directors and selected Country Directors, the Project Board provides strategic oversight.

work was discussed with the Board at information consultations on 1 April 2016 and 9 May 2016.

43. In phase II, a **CPBCP 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.
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 **CPBCP 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 **CPBCP 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 **CPBCP 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. 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. The **CPBCP Budget** will replace the multiple programme, project and 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, Interim Country Framework or emergency operation of limited duration.

50. The **CPBCP 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 high-level cost category**¹⁴ will be provided for the duration of the CSP.¹⁵
51. In countries with a CSP, planning and budgeting for unforeseen emergency responses will be 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 use an Interim Country Framework 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 national zero hunger strategic review-informed CSP. The Interim Country Framework ~~shall~~**will** be used during ~~the 2018 transitional period~~, and in exceptional circumstances beyond 2018, when 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 countries where WFP has no operational presence. The CSP, Interim Country Framework and emergency operation of a limited duration will all adopt a country portfolio budget.¹⁶
52. WFP Strategic Outcomes and activities related to a regional response will be included in the **CPBCP Budgets** of countries involved in the 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. A regional budget structure will be adopted where limited regional emergency operations or other regional initiatives are formulated and managed by a regional bureau.
53. WFP Strategic Outcomes or activities will also be tagged with the appropriate context to facilitate reporting on United Nations coordinated humanitarian response plans. These tags 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.**
- ~~54.~~**55.** 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 fund activities for which a country office is responsible and accountable will be included in the **CPBCP Budget**: country-specific trust funds will be allocated directly to the **CPBCP Budget**, while trust funds managed from Headquarters or the regional bureau will be included in the **CPBCP Budget** as activities resourced by trust funds. All 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**.
- ~~55.~~**56.** Planned common/shared services will also be included in the **CPBCP 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 **CPBCP Budget**. When a country office provides common services

¹⁴ **The four high-level cost categories are transfer, implementation, adjusted direct support costs and indirect support costs.**

¹⁵ 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.

¹⁶ 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.

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.¹⁷

~~56~~**57.** The **CPBCP 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.

~~57~~**58.** The objectives of the Policy on CSPs and **CPBCP Budget** structure include maintaining the Board's oversight role, maximizing transparency and enabling the holistic review of strategy, planning, budgeting and results.

~~58~~**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.

~~59~~**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 **CPBCP Budget** for Zimbabwe, an example of a one-year **CPBCP Budget**, and a breakdown of activity costs.

Recommendation 1.0

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

Recommendation 1.1

That ~~the any~~ CSP, Interim Country Framework ~~and/or~~ emergency ~~operations~~ **operation** of a limited duration ~~will all adopt~~ **include** a **CPBCP Budget**.

Recommendation 1.2

That the **CPBCP Budget** be based on ~~a~~ **stated by** calendar year ~~and a year by year budget~~ be provided for the duration of the CSP.

Recommendation 1.3

That ~~the planning and budgeting for,~~ **where a country has a CSP**, the initial response to an emergency be handled ~~through the addition~~ **by either modifying an existing strategic outcome** or ~~augmentation of one or more WFP Strategic Outcomes to the CSP by~~ **introducing new strategic outcomes in a CP Budget**.

Results-oriented approach

~~60~~**61.** 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.

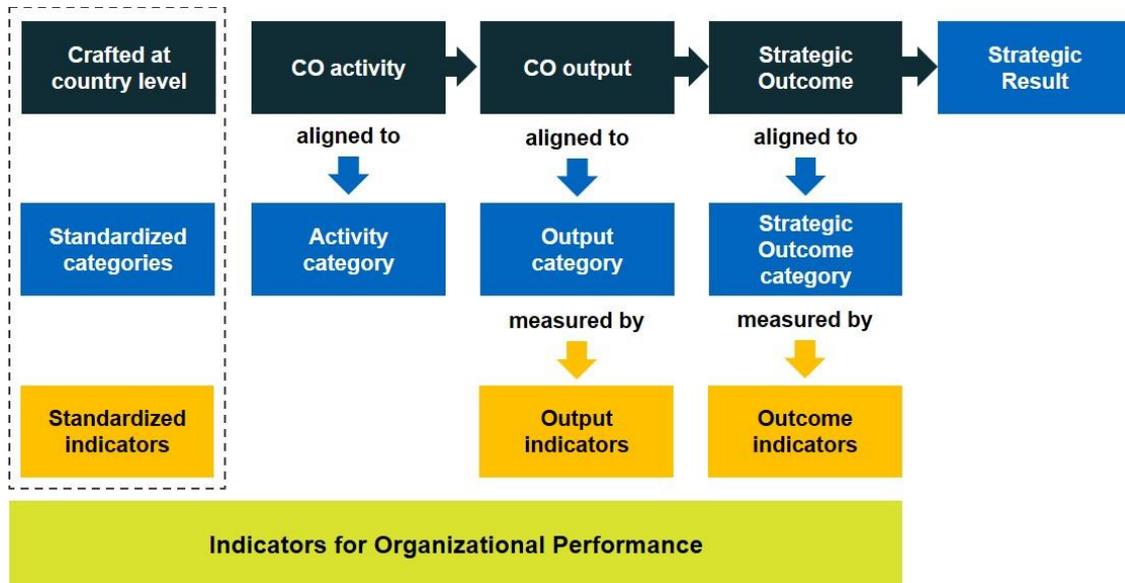
~~61~~**62.** The **CPBCP Budget** structure mirrors the results-oriented focus of the CSP, transparently linking resources to results through the "line of sight" from WFP Strategic Results to WFP Strategic Outcomes to activities to costs. This will facilitate performance management

¹⁷ 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. ~~(xi) Emergency preparedness activities (xii) Analysis and assessment activities.~~

and financial reporting by WFP Strategic Outcome, enabling the Secretariat to communicate the impact of WFP assistance.

62-63. 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



63-64. Country offices will formulate their own strategic outcomes, outputs and activities in line with the standardized corporate categories set out in the CRF. 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.¹⁸

64-65. WFP Strategic Outcomes describe the short- to medium-term effects that contribute to the achievement of national SDG targets and WFP Strategic Results.¹⁹ They describe the people who will benefit from SDG 2 or the entities involved in SDG 17, the geographic scope, the result that is sought and the foreseen timeframe of the programme intervention, and reflect the context in which assistance is provided.²⁰

65-66. Under the **CPBCP 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.

66-67. The activities planned by the country office will form the basis for recording expenditures. The prominence and visibility of activities in the **CPBCP 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.

¹⁸ Details on the design of the CRF and its standardized category can be found in <http://documents.wfp.org/stellent/groups/public/documents/resources/wfp286249.pdf> [link to the CRF document to be added]

¹⁹ WFP/EB.A/2016/5-B and C-14741E-Policy Country Strategic Plans 4th and 5th CSPs – Fifth draft.

²⁰ 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.

- 67-68. Country activities will be linked with corporate activity categories to enable better comparison of activities and cost benchmarking among country offices and activity types.²¹
- 68-69. 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.
- 69-70. The **CPBCP Budget** accompanying the CSP will be divided by WFP Strategic Outcome.²² Budget approval²³ 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.
- 70-71. 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 **CPBCP Budget** and CRF are critical tools in enabling WFP to link results to the resources utilized for better measurement of efficiency and effectiveness. CSPs, the CRF and **CPBsCP 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.
- 71-72. The Secretariat is optimistic that the **CPBCP Budget** structure with its increased transparency and links between resources and results at all levels of the budget hierarchy 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 information on planned results, could provide a basis for donors to provide resources over multi-year periods.

Recommendation 2.0

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

Recommendation 2.1

That ~~budgetary approval~~ **the CP Budget be in accordance with broken down and approved by the total budget per WFP Strategic Results and WFP Strategic Outcomes. Outcome.**

Creation of a new cost structure

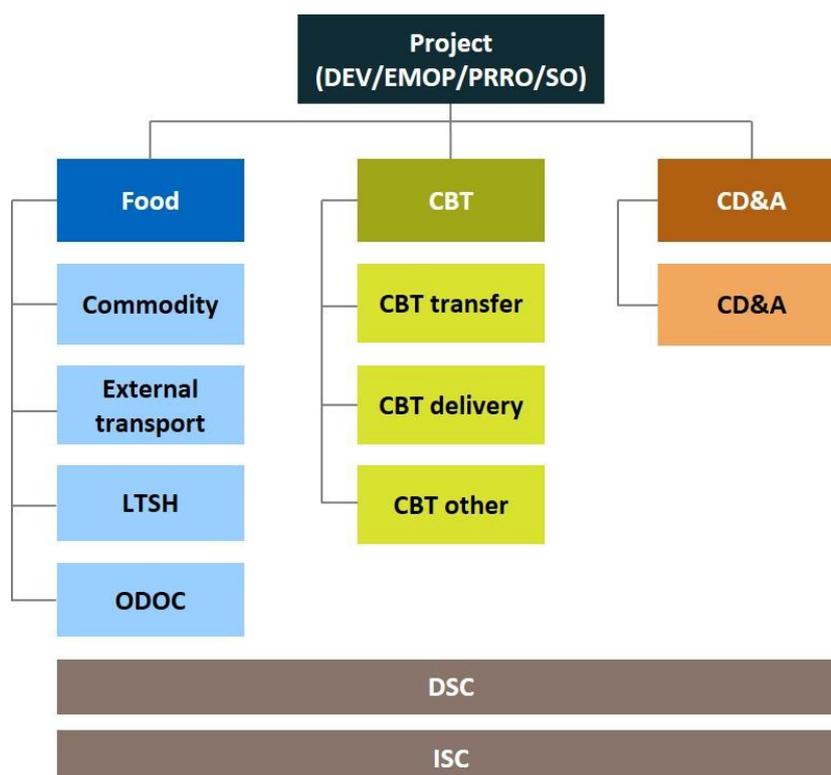
- 72-73. The current cost structure (Figure 4), which is unique to WFP, was designed primarily to support the food aid delivery model. Budget ownership is split by cost category, resulting in fragmented management of the overall budget. Cost categories are input-based and aggregated by modality: food, CBTs and capacity development and augmentation.

²¹ 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.

²² **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.**

²³ The budget approval and revision processes for CSPs, including **CPBsCP Budgets**, are set forth in the Policy on CSPs (Fourth – Fifth Draft). Changes to the delegations of authority will be considered within the context of the FFR.

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.

73:74. Country offices developed the new cost structure by considering 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

74:75. The high-level cost categories in a **CPBCP 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, implementation, adjusted DSC and ISC – will replace the ten current cost components.

Transfer

75:76. This category covers costs that add directly to the transfer value 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.

76.77. 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

77.78. 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, ~~a portion of the costs of WFP cooperating (implementing) partners~~; 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, ~~and partners' fixed programme costs~~, all of which are directly linked to an activity but not a specific transfer modality.

Adjusted Direct Support Costs

78.79. 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.²⁴ These costs can be allocated to activities using ~~appropriate apportionment methods~~. **They 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

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

Detailed planning elements and costs

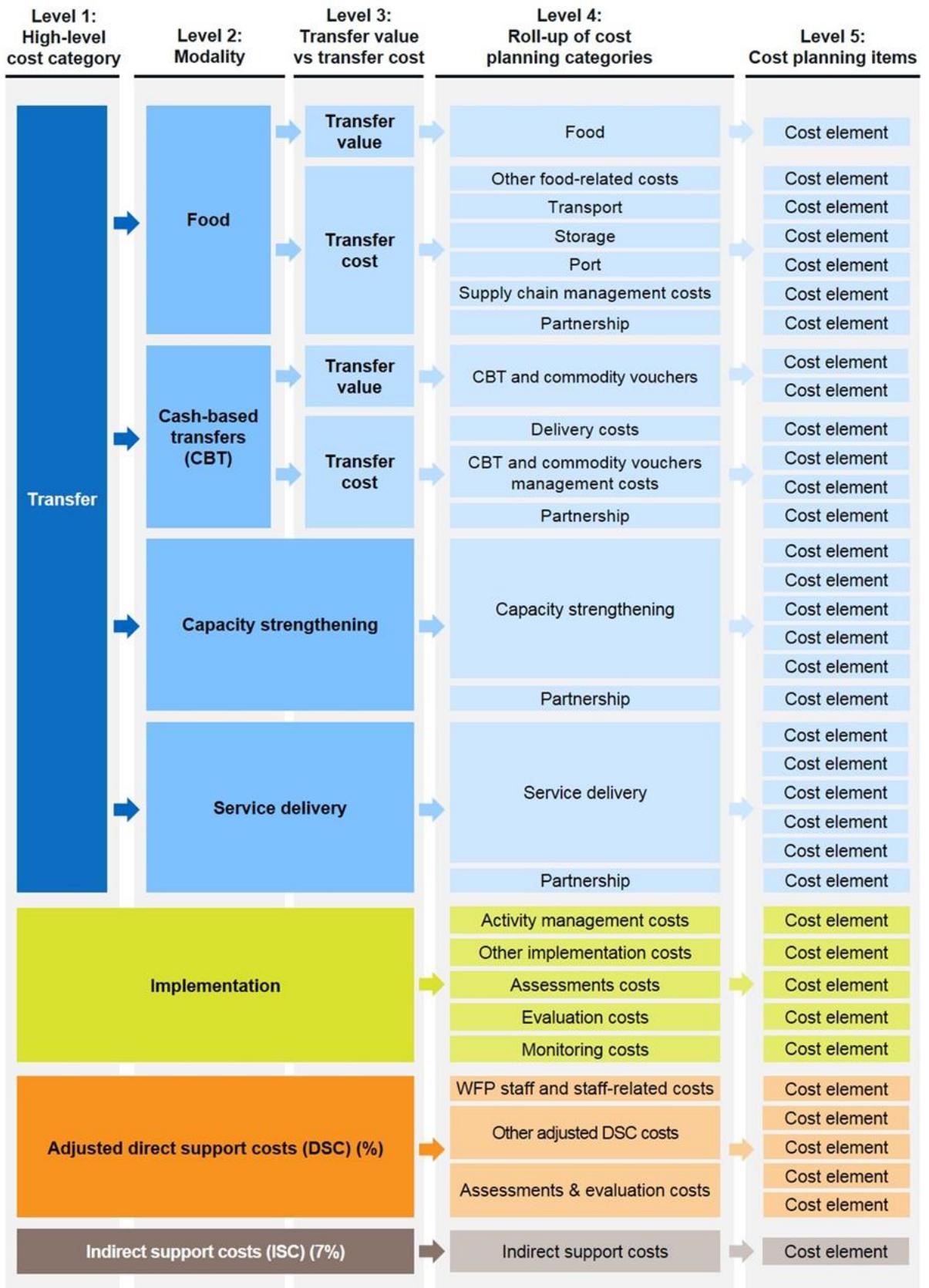
80.81. Costs will be managed at all levels – the cost classification system will allow WFP to break down high-level cost categories into the lowest cost elements for planning. This detailed cost classification will improve WFP's ability to: i) reflect competitiveness; ii) demonstrate transparency and 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.

81.82. 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.

82.83. Figure 5 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.

²⁴ 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.

Figure 5: Country portfolio budget cost classification hierarchy

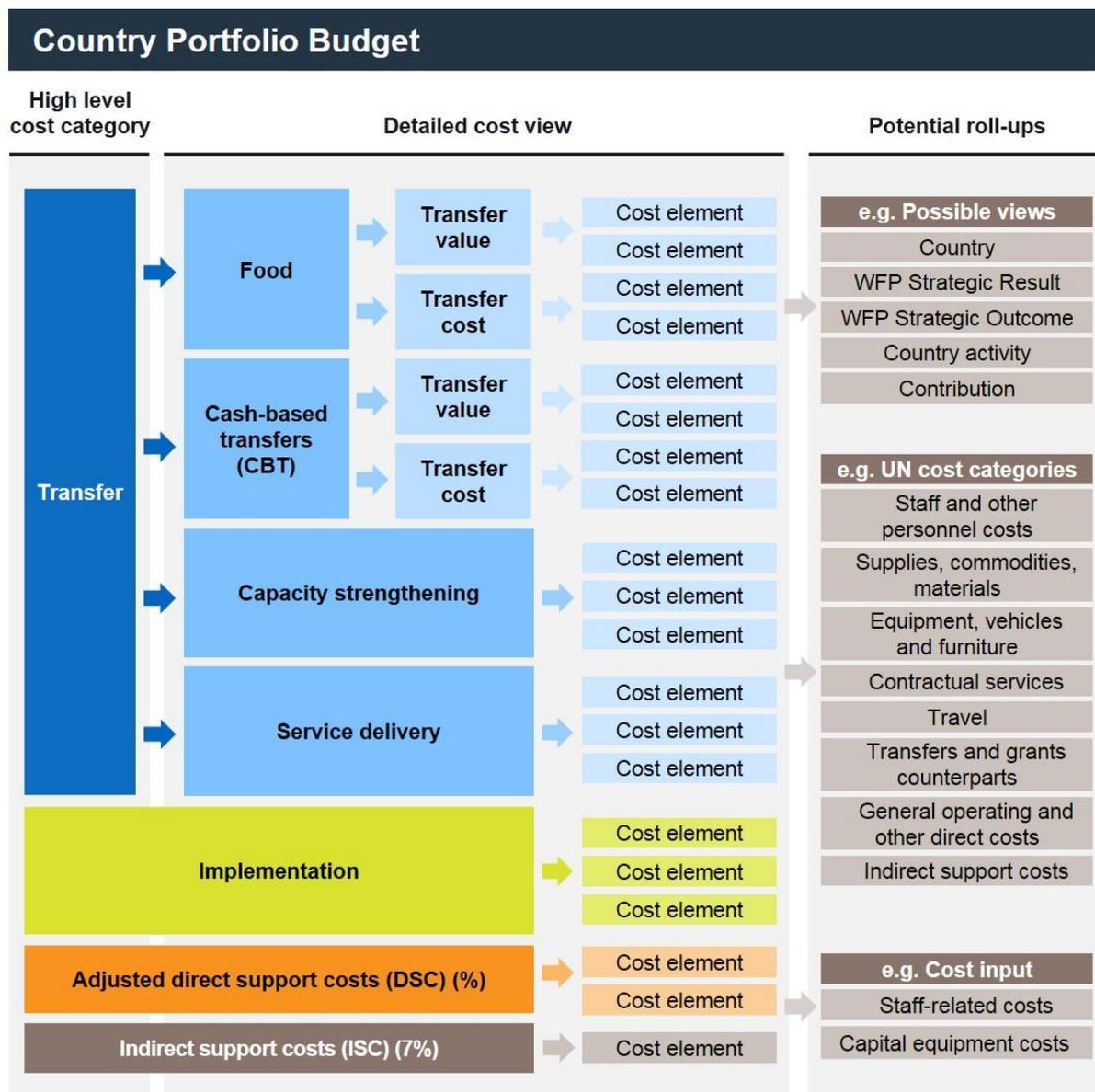


Multi-faceted reporting capability

83.84. 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.

84.85. Figure 6 shows an example of the views that are available in the CPBCP Budget structure.

Figure 6: Example of multi-faceted reporting views



85.86. 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. An annual planning process is being developed to support **Country operations management plans (COMPs) will facilitate the internal management and implementation processes of multi-year CSPs. As part and integrate updated assessments of the annual planning process each country office will develop a Country Operations Management Plan (COMP). needs carried out in collaboration with government counterparts and partners.**

~~86.88.~~ The COMP, ~~which will be defined annually,~~ **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.²⁵ 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.

~~87.89.~~ Information from the COMPs, including activity-level ~~cost~~ 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, ~~in addition to~~ **together with** formal Board processes, will ~~help~~ 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.~~

~~88.90.~~ 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.

~~89.91.~~ In consultation with donors, the Secretariat is also reviewing reporting requirements with a view to increasing transparency and standardizing reporting elements.

~~90.92.~~ 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

~~91.93.~~ The new cost structure will enable managers to view detailed cost items according to the harmonized United Nations cost categories. This is line with the QCPR recommendation for harmonizing business practices and will facilitate joint planning, reporting and clearer comparison among country offices.

~~92.94.~~ Figure 7 shows an example of detailed cost elements linked to the eight harmonized United Nations cost categories.

²⁵ 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.

Figure 7: Example of harmonization with United Nations cost categories²⁶

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	
		United Nations Cost Categories					
Transfer	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		
Implementation	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		
Adjusted DSC (%)	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	
Total by Strategic Outcome (excluding ISC)		89 343 772	11 570 685	79 406 834	9 831 938	3 431 815	193 575 045
Indirect support costs (7%)		6 254 064	809 948	5 558 478	688 236	240 227	13 550 953
Total		95 597 836	12 380 633	84 965 312	10 520 174	3 672 042	207 135 998
GRAND TOTAL							207 135 998

²⁶ Figures are for illustrative purposes only.

Recommendation 3.0

That costs be summarized into four ~~main~~-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 ~~in the new cost structure~~ be aligned with the harmonized United Nations cost categories where possible.

Principle of full-cost recovery

93.95. 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.²⁷

94.96. However, 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.

95.97. In light of the increasing diversity of WFP's assistance, the proposed ~~CPBCP 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 ~~and equitably attributes costs among donors.~~²⁸, **while ensuring that donors provide sufficient cash resources to cover transfer and implementation costs.**²⁹

96.98. 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 plan³⁰ 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.

97.99. The proposal presented to the Board during the 2016 Annual Session and ~~the subsequent informal consultation~~ **consultations** is predicated on the need to distinguish between the principle of full-cost recovery and the treatment of different types of contribution. ~~The proposal focuses on applying the principle of full-~~ **Full-cost recovery for should be based on the high-level cost categories of transfer and implementation costs, adjusted DSC and ISC direct support costs and indirect support costs.** The adjusted DSC component would be

²⁷ Exceptions to full-cost recovery are provided under General Rule XIII.4(g).

²⁸ ~~WFP/EB.A/2016/5 C/1.~~

²⁹ **Exceptions to full-cost recovery are provided under General Rule XIII.4(g).**

³⁰ Pilots in the resource-based planning work stream tested full-cost recovery based on resource-based plans and found that the more realistic budget enabled more accurate programming and more efficient use of resources. ~~Resource-based planning will be~~ **Implementation plans were standardized and mainstreamed in for development of the Management Plan (2017–2019).**

calculated as a 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.³¹

~~98.~~**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.

~~99.~~**101.** Annex VII provides examples of ~~how~~**what** full-cost recovery will ~~be applied to entail~~**for** various types of contribution in Zimbabwe.

Recommendation 4.0

That the principle of full-cost recovery ~~is~~**be** applied to ~~adjusted DSC and ISC,~~**and that employing the attribution high-level cost categories of transfer and implementation costs be equitable and simplified to focus on these, adjusted direct support costs, and indirect support costs.**

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

~~100.~~**102.** Proposed changes to the governance model seek maintain the Board’s fundamental role in the approval process while enhancing its strategic oversight and ensuring that WFP retains its ability to respond quickly to emergencies. The “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.

~~101.~~**103.** The Board will approve all new CSPs with an accompanying CP Budget.³² 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.

~~102.~~**104.** 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 is expected to expand significantly as CSPs 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. 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.

³¹ The ISC rate is approved annually by the Executive Board.

³² 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.

- ~~103.105.~~ As prescribed in the “Policy on Country Strategic Plans – Fifth Draft”, except for revisions related to emergencies, the Board will approve all revisions to a CSP that constitute a fundamental change to the overall strategic focus of WFP in a country, i.e. an addition and/or deletion of one or more WFP Strategic Outcomes.³³
- ~~104.106.~~ To maintain WFP’s ability to respond rapidly, approval of sudden-onset and other unforeseen emergency response assistance³⁴ 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 10.6.
- ~~105.107.~~ It is necessary to review the levels of delegated authority for CSP revisions³⁵ that do not involve fundamental changes into the strategic focus and that are not related to an emergency response, ~~a proposal under consideration is to make such revisions—when above a certain~~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 —available to the Board for a disclosure period, with the option for a member to request discussion of the revision at a subsequent Board session. ~~The Secretariat is undertaking an analysis to determine an appropriate threshold level.~~ levels.
- ~~106.108.~~ ~~The~~**First, the CSP/CPBCP 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 **within which** each project category ~~having~~**has** its own threshold for programme approval or revision; the overall budgetary value of the **CSP/CPBCP Budget** will be significantly higher than that of any single project. ~~The Secretariat has analysed the historical levels and frequencies of budget revisions to determine whether setting thresholds for the Board’s approval is strategically useful and, if so, what thresholds are appropriate.~~
- ~~107.109.~~ **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.³⁶ ~~The use of food value as the basis for setting thresholds reflects the input-based focus of WFP’s financial framework when this system was proposed.~~ **Thresholds based on total budget value would take all transfer modalities into account.**
- ~~108.110.~~ ~~Current thresholds do not reflect the increased size of operations.~~³⁷ **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.**³⁸

³³ 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.

³⁴ Unforeseen during the development of the CSP.

³⁵ 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.

³⁶ Thresholds for EMOPs and DEVs remained the same.

³⁷ In 1994, the threshold of USD 3 million in food value represented 25–50 percent of the average project value.

³⁸ In 1994, the threshold of USD 3 million in food value was equivalent to 25–50 percent of the average project value.

111. ~~The current draft~~Based on its analysis of past levels and frequencies of budget revisions, the Secretariat is considering a proposal, which will be presented at the 5 September informal consultation, is to change the basis for thresholds from food value ~~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 ~~outcome focus~~breadth of WFP's modalities and the portfolio approach of the CSP/CPBCP Budget framework. ~~Country offices would be grouped by size, and both proportional and absolute thresholds would be used to~~This proposal 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 threshold³⁹ for each group. This approach would ensure that the Board ~~considers any revision that requires increased~~had an oversight role in all significant scaling up or poses increased strategic ~~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. ~~This means that~~
- 109-114. Through this approach, the largest budget revisions in dollar terms and relative to the size of the approved CSP would be subject to the Board's approval.⁴⁰ 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.
116. 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. A final proposal for the exact threshold levels for delegation of authority will be presented to the Board for approval at the 2017 Second Regular Session and, if approved, would take effect in 2018.

Transitional Arrangements for 2017

117. The first group of CSPs and the piloting of their associated 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 implementation⁴¹.
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.

³⁹ Thresholds based on absolute values have been considered as an alternative to relative thresholds.

⁴⁰ Budgetary revisions for trust funds which are funded exclusively by host governments would not be subject to these budgetary thresholds; the authority would remain with the Executive Director as per Financial Regulation 5.1 and 5.2.

⁴¹ Pilot CSPs will become CSPs 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.

119. 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 and Financial Regulations; in particular, the Board would authorize derogations from cost categorizations and the simplification of full cost recovery solely where these are necessary to permit application of the aforementioned CP Budget principles in the CP Budgets of the pilot CSPs⁴².

120. As noted in the “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;⁴³ 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. 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 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.

~~110.~~121. 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. Such budgetary revisions would be reported to the Board and would provide useful information for formulation of the revised delegations of authority.

~~111.~~122. The Secretariat 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

~~112.~~123. 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 **CPBCP Budget** structure in 2017 and 2018.

⁴² 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.

⁴³ The FAO Director-General’s role in the approval of emergencies under the delegation of authority will continue.

IV. Resource-based Planning

- ~~113~~**124.** 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 plan⁴⁴ 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.
- ~~114~~**125.** The resource-based planning work stream recognizes that 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 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 Management Plans have also included funding projections by country to create a provisional Prioritized Plan of Work.
- ~~115~~**126.** The objective of the work stream is to standardize resource-based implementation plans as a second layer of operational planning in country offices to clarify the distinction between “needs” and “plans”. This approach will enable country offices to plan their operations 12–18 months in advance, based on projected resources, and will improve planning and performance management.
- ~~116~~**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.
- ~~117~~**128.** 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.
- ~~118~~**129.** The country offices developed their resource-based plans in the following steps:
1. Define operational needs by project, activity, beneficiaries, transfer modality and food type.
 2. Estimate annual projected funding from analysis of past and current funding levels by project, and possibly by donor.
 3. Develop plans based on projected resources, prioritizing activities and adjusting beneficiary numbers, ration sizes and duration of assistance.
- ~~119~~**130.** 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.
- ~~120~~**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 **CPBCP Budget** structure.

⁴⁴ This excludes DEVs, in accordance with General Rule X.8.

- ~~121~~**132.** Participants highlighted the following benefits of the resource-based implementation:
- Increased co-ordination between all functional areas involved in the country office;
 - Better visibility in supply chain and pipeline;
 - Longer-term planning discussion with host Government and partners;
 - More realistic rates for associated cost planning than the needs based plan;
 - Anticipation of possible surplus/deficit on associated costs.
- ~~122~~**133.** Participants also identified the requirements for the transition to a **CPBCP Budget** structure in country offices in 2017 and 2018, including funding projections at strategic outcome level and prioritization of CSP activities.
- ~~123~~**134.** 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

- ~~124~~**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.
- ~~125~~**136.** The macro-advance financing concept is an extension of the current IPL facility, which provides loans to projects using forecast contributions as collateral.⁴⁵ 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.
- ~~126~~**137.** 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".⁴⁶
- ~~127~~**138.** 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.
- ~~128~~**139.** 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 ~~July~~**August** 2016, USD ~~71.890.9~~ million of repayments had been made, all in accordance with donor conditions.
- ~~129~~**140.** At a workshop on resource-based planning and macro-advance financing, on 12–13 July 2016, managers from the five pilot country offices 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;

⁴⁵ Some forecast contributions are not eligible for use as collateral because of donor conditions.

⁴⁶ WFP/EB.2/2015/5-C/1, paragraph 25.

- 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.

~~130-141.~~ Workshop participants observed that improvements needed in the internal management of advances included 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.

~~131-142.~~ It is important to note that 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.

~~132-143.~~ 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.

~~133-144.~~ Table 1 shows the country offices participating in the resource-based planning and macro-advance financing pilots.

TABLE 1: SUMMARY OF RESOURCE-BASED PLANS AND MACRO-ADVANCE FINANCING, JULY/AUGUST 2016					
Country	Project	2016 needs-based plan*	2016 resource-based plan	Macro-advance financing released	Repayment status
		<i>USD million</i>			
Ethiopia	PRRO 200700	163	97	42.1	25.0 42.1
Kenya	PRRO 200737	118	89	11.5	11.5
Kenya	PRRO 200736	114	65	8.3	4.3 5
Kenya	CP 200680	30	27	9.5	3.9 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
TOTAL				100.7	71.8 90.9
* Budget revision in progress. CP = country programme.					

Annexes:

- I. Overview of Zimbabwe Country Strategic Plan and WFP Strategic Outcomes
- II. Example of a 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. ~~WFP General Rules~~ **Note on Governance Aspects of the Country Strategic Plans Policy and the Budgeting for Operational Effectiveness component of the Financial Regulations Requiring Framework Review**
- IX. Policy on Country Strategic Plans – Fifth Draft – Draft Decision**
- X. Financial Framework Review Draft Decision**
- XI. Preliminary Proposal for Budgetary Thresholds**

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.
2. 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.
3. 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.
4. As outlined in the policy,¹ 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.
5. 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.
6. The WFP Strategic Outcomes in the Zimbabwe CSP are:
 - i) 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.
 - 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 ~~demonstrate~~ 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 ~~their~~ basic needs all year round.
 - v) ~~Humanitarian and development programmes in Zimbabwe are reliably supported by world-class, cost-effective and efficient supply chain services.~~

¹ WFP/EB.A/2016/5-B*.

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 – ~~Fourth~~^{Fifth} Draft", 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 down¹ into four high-level cost categories – transfer, implementation, adjusted DSC and ISC. A central feature of the CSP and **CPBCP Budget** is that each WFP Strategic Outcome is tied to a single WFP Strategic Result or SDG target.
4. As indicated in paragraph 6465 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	95 597 836
SO 2	2 236 020	3 194 728	2 815 117	2 314 510	1 820 258	12 380 633
SO 3	16 793 060	17 255 713	18 721 522	16 977 400	15 217 617	84 965 312
SO 4	2 481 283	2 014 015	1 994 314	1 995 587	2 034 975	10 520 174
SO 5	691 627	736 580	740 277	745 949	757 610	3 672 042
Total	34 244 239	47 253 789	46 302 636	42 354 120	36 981 214	207 135 998

Basis of budgetary approval

¹ 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 Zimbabwe²
(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	
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	
	95 597 836	12 380 633	84 965 313	10 520 174	3 672 042	TOTAL
Transfer	64 816 682	8 020 127	46 429 000	6 702 129	2 176 819	128 144 756
Implementation	17 361 863	2 623 994	26 518 408	2 321 867	974 187	49 800 319
Adjusted DSC (%)	7 165 227	926 564	6 459 426	807 942	280 809	15 639 970
Sub-total	89 343 772	11 570 685	79 406 834	9 831 938	3 431 815	193 585 045
ISC (7%)	6 254 064	809 948	5 558 478	688 236	240 227	13 550 953
TOTAL	95 597 836	12 380 633	84 965 312	10 520 174	3 672 042	207 135 998

²The corporate activity categories under development consist of i) unconditional resource transfers to support access to food ii) asset creation and livelihood support activities iii) climate adaptation and risk management activities iv) school meal activities v) nutrition treatment activities vi) malnutrition prevention activities vii) smallholder agricultural market support activities viii) individual capacity strengthening activities ix) institutional (governments and civil society) capacity strengthening activities x) common services and platforms activities [The detailed list of service delivery related activity categories is currently being defined; 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.] xi) emergency preparedness activities xii) analysis and assessment activities xiii) other.

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 **CPBCP 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 **CPBCP 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.²⁰.

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 Support to refugees	1 Nutrition advocacy, policy and programmes 2 Nutrition programming	3 Local food marketing and procurement mechanism 4 Smallholder farmers 7 Productive asset creation for resilience	5 Analytical expertise 6 Innovative risk management, insurance and financing mechanisms 7 Social protection 11 National school feeding programme	8 Logistics and procurement expertise and services 12	
						TOTAL
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
	GRAND TOTAL					47 253 789

Detailed activities:

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

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	-	-	-
	Total transfer	15 021 454	1 610 859	16 632 313
Implementation		4 192 058	89 470	4 281 528
Adjusted DSC (%)		1 438 100	127 267	1 565 367
Subtotal		20 651 612	1 827 596	22 479 208
ISC (7%)		1 445 612	127 932	1 573 544
			TOTAL	24 052 752

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.¹
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.² 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

Standard Country Report Zimbabwe country overview Statement of account for 2017 (US dollars)									
	Country Office (Level 1)	Strategic Result 1 Zero Hunger (SDG 2) (Level 2)	Strategic Outcome 1 (Level 3)	Strategic Outcome 2 (Level 3)	Strategic Outcome 3 (Level 3)	Strategic Result 2 Partnership for the Goals (SDG 17) (Level 2)	Strategic Outcome 4 (Level 3)	Strategic Outcome 5 (Level 3)	
Approved budget 2017	X	X	X	X	X	X	X	X	X
Implementation plan 2017	X	X	X	X	X	X	X	X	X
Confirmed contributions 2017	X	X	X	X	X	X	X	X	X
Expenses 2017									
Transfer	Food	X	X	X	X	X	X	X	X
	CBT	X	X	X	X	X	X	X	X
	Capacity strengthening	X	X	X	X	X	X	X	X
	Service delivery	X	X	X	X	X	X	X	X
	Subtotal transfer	X	X	X	X	X	X	X	X
Implementation	X	X	X	X	X	X	X	X	X
Adjusted direct support costs (DSC) (%)	X	X	X	X	X	X	X	X	X
Indirect support costs (ISC) (7%)	X	X	X	X	X	X	X	X	X
Total expenditures	X	X	X	X	X	X	X	X	X

¹ The Standard Country Report replaces the Standard Project Report.

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

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]

1. 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.
2. 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 Report¹

Zimbabwe Country Portfolio Budget 						
CSP 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					
Strategic Outcome Category 1.1	Maintained/enhanced household access to adequate food			Budget	Actual	
Outcome Indicator 1.1.1	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		
Outcome Indicator 1.1.2	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		
Nutrition-sensitive approach						
Outcome Indicator 1.1.3	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		

¹ The Standard Country Report replaces the Standard Project Report.

Application of Full-Cost Recovery for Zimbabwe

1. As noted in paragraphs ~~93-99~~**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. ~~The proposal focuses on applying the principle of full-cost recovery for~~**Full-cost recovery should be based on high-level cost categories consisting of transfer costs, implementation costs, adjusted DSC direct support costs and ISC indirect support costs.** The principles underlying ISC and its current recovery rate of 7 percent will remain unchanged.²⁸. 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 ~~97~~**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.¹
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.

¹ 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

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

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

 Cash contribution USD 5 million	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)	
	Level 1 Full-cost recovery principle	Level 2 detail Indicative transfer and implementation allocation
Total commodities (mt)	2 895	2 895
Transfer		3 268 428 (65%)
Implementation		979 660 (20%)
Transfer and implementation costs	4 248 088 (85%)	
Adjusted DSC (%)	424 809 (8%)	424 809 (8%)
ISC (7%)	327 103 (7%)	327 103 (7%)
Total contribution	5 000 000 (100%)	5 000 000 (100%)

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

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

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

 Cash contribution USD 5 million	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
Transfer		2 831 598 (57%)
Transfer (CBT)		1 367 234 (27%)
Transfer (capacity strengthening)		1 464 365 (29%)
Implementation		1 416 490 (28%)
Transfer and implementation costs	4 248 088 (85%)	
Adjusted DSC (%)	424 809 (8%)	424 809 (8%)
ISC (7%)	327 103 (7%)	327 103 (7%)
Total contribution	5 000 000 (100%)	5 000 000 (100%)

WFP General Rules and Financial Regulations Requiring Review

1. The below table provides a preliminary list of WFP General Rules and Financial Regulations which may require amendment to support the introduction, beyond the pilot phase, of the revised programmatic and financial framework from 1 January 2018.¹ The Secretariat will hold dedicated informal consultations in 2017 on the proposed amendments before presenting a final package to the Board for approval at the 2017 Second Regular Session. An example of a draft amendment will be presented during the 5 September informal consultation.

Preliminary List of WFP General Rules and Financial Regulations which may require amendment to align with the Country Strategic Plan Policy and Financial Framework Review²	
General Rule/Financial Regulations	Text
General Regulations	
No amendments to the General Regulations are foreseen at this time.	
General Rules	
General Rule II.2: Programme Categories	In order to carry out the purposes of WFP, the Board establishes the following <i>programme categories</i> : <ol style="list-style-type: none"> 1. <i>Development Programme Category, for food aid programmes and projects to support economic and social development. This programme category includes rehabilitation and disaster preparedness projects and technical assistance to help developing countries establish or improve their own food assistance programmes;</i> 2. <i>Emergency Relief Programme Category, for food assistance to meet emergency needs;</i> 3. <i>Protracted Relief Programme Category, for food assistance to meet protracted relief needs; and</i> 4. <i>Special Operations Programme Category</i>
General Rule X.2: Country Programmes for Development Assistance	(a) Within the framework of the Strategic Plan, the Executive Director shall submit to the Board for review and approval <i>multi-year country programmes</i> (b) To facilitate the preparation of a <i>country programme, WFP shall develop.....a Country Strategy Outline (CSO).....</i>
General Rule X.7: Approval of requests	(a) Proposals for <i>development projects</i> and projects for <i>protracted relief operations</i> shall be presented by the Executive Director to the Board for approval.....
General Rule X.8: Availability of Resources	The Executive Director shall ensure that <i>development projects</i> submitted to the Board for approval, and <i>development projects and country programme activities</i> approved under the Executive Director's delegated authority, can be implemented within estimated available resources.....

¹ Changes to the General Rules are approved by the Executive Board, and submitted to ECOSOC and the FAO Council for information. The Executive Board shall draw on the advice of the ACABQ and FAO Finance Committee for General Rule and Financial Regulation changes related to the financial administration of WFP.

² This preliminary list, of a non-exhaustive nature, has been developed on the basis of the current information available in relation to Policy on Country Strategic Plans (WFP/EB.2/2016/X.X/X) and the Financial Framework Review (WFP/EB.2/2016/X.X/X). Accordingly, there is a reasonable expectation that further amendments to the General Rules and Financial Regulations—including introduction of new provisions—may be required at a later stage, depending on and to reflect further developments in the Policy on Country Strategic Plans (WFP/EB.2/2016/X.X/X) and Financial Framework Review (WFP/EB.2/2016/X.X/X). Due to its preliminary nature, the present indicative list highlights only changes deemed substantive at this stage, and not those of a stylistic nature.

Preliminary List of WFP General Rules and Financial Regulations

which may require amendment to align with the Country Strategic Plan Policy and Financial Framework Review²

General Rule/Financial Regulations	Text
General Rule XIII.2: Specification of contributions	<p>Contributions for the purposes of WFP as set out in Article II of the General Regulations may be made without restriction as to use or for one or more of the following:</p> <ul style="list-style-type: none"> (a) programme categories; (b) specific country programmes, projects or activities within programme categories; or (c) such other activities as the Board may decide from time to time.
General Rule XIII.4: Types of contributions	<p>In accordance with General Regulation XIII.2, the following shall apply to the various types of contributions to WFP:</p> <ul style="list-style-type: none"> (a) Donors contributing food commodities or cash designated for food purchases shall provide sufficient cash, acceptable services, or acceptable non food items to cover the full operational and support costs related to their commodity contribution, using the following criteria for the calculation of operational and support costs: <ul style="list-style-type: none"> (i) commodities: to be valued in accordance with General Rule XIII.6; (ii) external transport: actual cost; (iii) landside transport, storage and handling (LTSH): average per ton rate for the project; (iv) other direct operational costs: average per ton rate applicable to the food component of the project; (v) direct support costs: percentage of the direct operational costs of the project; and (vi) indirect support costs: percentage of direct costs of the project, including direct operational costs and direct support costs, as determined by the Board. (b) Donors contributing cash designated for activities that do not include food distribution shall provide sufficient cash to cover the full operational and support costs related to their contribution, using the following criteria for the calculation of operational and support costs: <ul style="list-style-type: none"> (i) direct operational costs: actual costs; (ii) direct support costs: percentage of the direct operational costs of the project; and (iii) indirect support costs: percentage of direct costs of the project, including direct operational costs and direct support costs, as determined by the Board. (c) Donors contributing acceptable non food items not directly associated with other contributions shall provide sufficient cash or acceptable services to cover the full operational and support costs related to their contribution. (d) Donors contributing acceptable services not directly associated with other contributions shall provide sufficient cash or other acceptable resources to cover the full operational and support costs related to their contribution. (e) Donors providing cash contributions which are not designated in any way or are designated to the Immediate Response Account (IRA) or to Programme Support and Administrative (PSA) or related activities shall not be required to provide additional cash or services to cover the full operational and support costs related to their contribution, provided that such contributions do not result in any additional reporting burden to the Programme. (f) Governments of developing countries, countries with economies in transition, and other non traditional donors as determined by the Board, may make contributions of commodities or services only, provided that: <ul style="list-style-type: none"> (i) the full operational and support costs are covered by another donor or donors, by the monetization of part of the contribution and/or by resort to the WFP Fund; (ii) such contributions are in the interests of the Programme and do not result in any disproportionate administrative or reporting burden to the Programme; and

Preliminary List of WFP General Rules and Financial Regulations which may require amendment to align with the Country Strategic Plan Policy and Financial Framework Review²	
General Rule/Financial Regulations	Text
	<p>(iii) the Executive Director considers that accepting the contribution is in the interests of the beneficiaries of the Programme.</p> <p>(g) Exceptionally, the Executive Director may reduce or waive indirect support costs in respect of any contribution in kind to cover direct support costs of an activity or activities where the Executive Director determines that such reduction or waiver is in the best interests of the beneficiaries of the Programme, provided that:</p> <p>(i) such contributions do not result in any additional administrative or reporting burden on the Programme; and</p> <p>(ii) in the case of a waiver, the indirect support costs otherwise applicable have been determined by the Executive Director to be insignificant.</p> <p>(h) Contributions under paragraph (f) and reductions or waivers under paragraph (g) above shall be reported to the Executive Board at its Annual Session.</p>

Preliminary List of WFP General Rules and Financial Regulations

which may require amendment to align with the Country Strategic Plan Policy and Financial Framework Review²

General Rule/Financial Regulations	Text
Appendix to the General Rules: Delegation of Authority to the Executive Director	<p>The following is the authority delegated to the Executive Director by the Board in accordance with Regulation VI.2 (c):</p> <p><i>(a) Development projects</i></p> <p>Reallocation of resources among programme components on the basis of assessment of the situation, needs and performance of the components of a country programme, subject to the availability of resources.</p> <p>Approval of projects for which the food value does not exceed US\$3 million, excepting the following which shall be referred to the Executive Board:</p> <p><i>(i)</i> complex projects or those requiring the coordination of a large number of agencies;</p> <p><i>(ii)</i> projects involving innovative approaches, or embracing controversial steps;</p> <p><i>(iii)</i> projects for which two or more expansions have already been approved;</p> <p><i>(iv)</i> projects that include a large proportion (greater than 50 percent) of open market commodity monetization (not including sales of WFP commodities for the purpose of purchasing food products for direct distribution, a modality regarded as commodity exchange and not considered as monetization by the Committee on Food Aid Policies and Programmes in its discussion at the Twenty fourth Session in October 1987).</p> <p><i>(b) Emergency operations</i></p> <p>All emergency operations whose food value does not exceed US\$3 million. Above that level, approval will be afforded jointly between the Executive Director and the Director-General.</p> <p><i>(c) Protracted relief and recovery operations</i></p> <p>Approval of protracted relief and recovery operations whose food value does not exceed US\$20 million.</p> <p><i>(d) Special Operations</i></p> <p>Approval of all special operations.</p> <p><i>(e) Project budget revisions</i></p> <p><i>(i)</i> Approval of budget revisions for a food value of up to US\$3 million for development programmes and projects and emergency operations, and US\$20 million for protracted relief and recovery operations.</p> <p><i>(ii)</i> Approval of change in the orientation of a country programme component through a budget revision, not exceeding the overall approved value of the country programme. Where there is an increase over the overall approved budget, it should not exceed the approved delegated authority level as cited in (i) above.</p> <p><i>(iii)</i> Approval of budget revisions for all special operations.</p> <p><i>(iv)</i> The total of such increases for any country in any calendar year may not exceed twice the authority delegated to the Executive Director for project approval. However, the Executive Director may receive and programme any additional directed resources to country programmes and projects, keeping the Board regularly informed.</p>

Preliminary List of WFP General Rules and Financial Regulations which may require amendment to align with the Country Strategic Plan Policy and Financial Framework Review²	
General Rule/Financial Regulations	Text
Financial Regulations	
Financial Regulation 1.1: Definitions	<p>For the purposes of these Regulations, and the rules promulgated thereto, the following definitions shall apply:</p> <p>...</p> <p>Broad-based Appeal</p> <p>Contribution</p> <p>Country Programmes</p> <p>Directed Multilateral Contribution</p> <p>Direct Support Cost</p> <p>Full Cost Recovery (subject to the understanding that the principle will continue to remain relevant but the component costs thereunder may be subject to further revisions)</p> <p>General Fund</p> <p>Indirect Support Cost (subject to the understanding that this type of cost will continue to remain relevant but may be subject to further revisions to reflect changes in the Financial Framework Review)</p> <p>Multilateral contribution</p> <p>Operational Costs</p> <p>Programme category</p> <p>Programme Category Fund</p> <p>Project</p> <p>Project agreement</p> <p>Trust fund</p> <p>WFP Budget</p> <p>WFP Fund</p> <p><i>Potential changes in the above definitions may result in a “domino” effect and require introduction of further amendments to the Financial Regulations, unforeseeable at this stage.</i></p>
Financial Regulation 4.2	<p>Contributions to support the purposes of WFP shall be recorded under the following funds and accounts:</p> <p>(a) <i>Programme category funds;</i></p> <p>(b) <i>The General Fund;</i></p> <p>(c) <i>Trust funds; or</i></p> <p>(d) <i>Special accounts.</i></p>
Financial Regulation 4.5	The donor shall also be responsible for ...all associated <i>operational and support costs</i>
Financial Regulation 8.1	<i>Approval of a Country Programme, project or operation shall normally constitute authority for the Executive Director to issue allotments, incur obligations and expend resources for the Country Programme, project or operation, subject to signature of the Country Programme, project or operation agreement. However, the Executive Director may incur obligations and expend resources during project preparation, if necessary, to fill the food pipeline for the project for the first three months, not exceeding one quarter of total funding requirements</i>
Financial Regulation 9.3	The proposed Management Plan shall include the estimated resources and expenditures for each <i>programme category</i> and shall show proposed appropriations for <i>programme support</i>

Preliminary List of WFP General Rules and Financial Regulations which may require amendment to align with the Country Strategic Plan Policy and Financial Framework Review²	
General Rule/Financial Regulations	Text
	and administrative services in such separate main appropriation lines as may be decided by the Board.
Section X: WFP Fund Financial Regulation 10.1	The WFP Fund shall be subdivided into a General Fund, <i>programme category funds, trust funds</i>
Section X: WFP Fund Financial Regulation 10.2.	All contributions to WFP shall be credited to the relevant <i>programme category</i> fund, trust fund, General Fund or special account.....
Financial Regulation 10.8	The resources of the WFP Fund shall be used exclusively for the operational and support expenses of WFP. Furthermore, resources of the WFP Fund may be used to advance working capital to projects based on forecast contributions up to a ceiling which will be approved and reviewed periodically by the Board.

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”).³ 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.⁴
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”)⁵ 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?

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

³ 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.

⁴ 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.

⁵ 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.

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 point⁶, 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

⁶ See Annex X.

Executive Director where necessary under the terms of the CSP Policy.⁷ 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.⁸

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.

⁷ 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.

⁸ 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.**

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 FFR workstreams];~~ **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 (CSPs) ~~[WFP/EB.2/2016/xxx] (the “CSP- Policy”)~~ each **Country Strategic Plan (CSP will) shall include a country portfolio budget (CPBCP 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 ~~the,~~ **CSPs containing pilot CP Budgets (Pilot CSPs)** shall be submitted for Executive Board approval **in 2017,** and *requests* the Executive Director to ensure that **the experience from the pilot Country Strategic Plans (CSPs) of such Pilot CSPs informs the final design of the Country Portfolio CP Budget (CPB) structure;**
- iv. *notes* that the ~~full roll-out~~ **rollout across WFP** of the ~~CPBCP Budget~~ **CP Budget** structure throughout WFP is expected to begin in 2018, following ~~its~~ **finalization of and the structure and approval of** amendments to the General Rules ~~and,~~ **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 ~~CPBs~~ **CP Budgets** in 2017 and the finalization of the ~~CPBCP Budget~~ **CP Budget** structure:
 - a. that the ~~CPB structure~~ **CP Budget structure** encompass all operations in all contexts ~~and replace, replacing~~ the multiple programme, project and trust fund budgets that currently exist within a country;
 - b. that the CSP, Interim Country Framework ~~and,~~ **or** emergency operation of a limited duration ~~will all adopt~~ **include a CPBCP Budget, broken down and approved by total budget per WFP Strategic Outcome;**
 - c. that the ~~CPB be~~ **CP Budgets CP Budget** be results-oriented with clear links from WFP Strategic Results to WFP Strategic Outcomes to activities to costs; ~~and~~
 - d. ~~that the principle of full-cost recovery is applied to~~ **that costs be summarized into four cost categories, including transfer costs, implementation costs,** adjusted direct support costs, and indirect support costs; ~~and that~~
 - ~~d.e.~~ **that the principle of full-cost recovery will be applied employing the attribution high-level cost categories** of costs ~~be equitable~~ **transfer and simplified to focus on these costs for the simplification of** **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. Consistent with these principles, the Executive Board *further approves* the following elements for inclusion in the ~~CPBCP Budget~~ **CP Budget** structure:

- a. ~~that the CPBCP Budget be based on a standard~~ **stated by** calendar year ~~and;~~
- a. ~~that, where a country has a year by year budget provided for the duration of the CSP;~~
- b. ~~the planning and budgeting for, the initial response to emergencies~~ **an emergency** be handled ~~through the introduction, within the context of the CSP, of one~~ **by either modifying an existing strategic outcome or by introducing new strategic outcomes in a CP Budget**
- b. ~~that more separate WFP Strategic Outcomes or the augmentation of a WFP Strategic Outcome(s) in the country portfolio budget.~~
- e. ~~budgetary approval be in accordance with WFP Strategic Results and WFP Strategic Outcomes;~~
- d. ~~costs summarized into four main cost categories of transfer, implementation, adjusted direct support costs and indirect support costs;~~
- e.c. 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. ~~notes that the application of these~~ **the principles and elements** set forth above would derogate from, and eventually require amendment of ~~certain,~~ provisions of the General Rules and Financial Regulations, ~~notably those related~~ **relating** to cost categorizations and **the manner in which full-cost recovery is achieved;**
- viii. ~~expects that experience from~~ **of** the pilot CSPs will ~~be of significant importance~~ **assist** in completing the design of the ~~CPBCP 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. ~~authorizes, as a temporary measure, pending the Executive Board's approval of amendments of the WFP General Rules and Financial Regulations expected to be approved at EB.2/2017, derogations from existing provisions of such norms concerning cost categorizations and full cost recovery [including General Rule XIII.4 and Financial Regulations~~ **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 ~~aforementioned country portfolio budget principles and elements~~ **CP Budget principles that are listed at point v of this decision in the 2017 pilot CSPs;**
- x. ~~notes that the CSP framework will necessitate~~ **require** revision of the programme category terminology and the budgetary thresholds ~~for Delegation~~ **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 a~~ **revised Delegation** ~~Delegations~~ of Authority to the Executive Director, **which shall be informed by the experience of the Pilot CSPs;**
- xii. ~~grants, as an interim~~ **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 will** ~~shall~~ be reported promptly to the Executive Board; **and**

~~xiii.~~ *requests* the Executive Director to finalize the CPB structure and propose the necessary decisions, including amendments to the WFP General Rules and Financial Regulations, to the Executive Board at EB.2/2017; and

~~xiv.~~ ~~xiii.~~ *notes* *notes* the preliminary resourcing requirements for transition to and implementation of the **CPBCP 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]

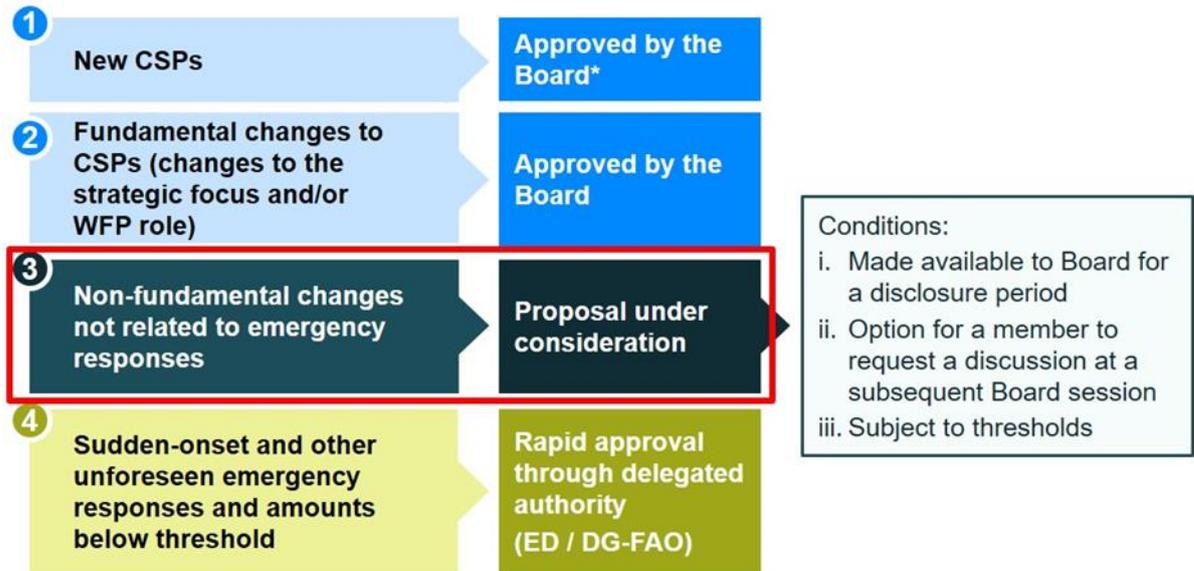
1. As noted in paragraphs 102–116, and as described in the “Policy on Country Strategic Plans – Fifth Draft”, the Executive Board will approve all new CSPs with an accompanying CP Budget. The Board will also approve all revisions to a CSP that constitute a fundamental change to the overall strategic 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.
2. 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.

Table A.XI.1: Proposed thresholds for Board approval of budget revisions				
Size of CP Budget (USD millions)	Very large > 2 000	Large 2 000–500	Medium 500–100	Small < 100
Annual relative threshold	15%	20%	30%	n/a*
<small>*Board notified of revisions with authority delegated to the Executive Director unless budget revisions exceed USD 100 million over a 12-month period.</small>				

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 billion⁹ – 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.

⁹ 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.

Acronyms used in the document

CBT	cash-based transfer
COMP	Country Operations Management Plan
CPBCP Budget	Country Portfolio Budget
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
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