

Strategic Use of the PSA Equalization Account

Informal Consultation
01 April 2015



World Food Programme

What is the PSAEA?

Overview

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

What does it do?

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

Terms of Use

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

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

(Figures in USD millions)	2014 Financial Statements	
PSAEA balance as at 1 January 2014	121.3	
ISC Income in 2014	357.7	
PSA Expenditure in 2014	280.5	
Critical Corporate Initiatives	8.7	
PSAEA Balance at 31 December 2014	189.8	
Current PSAEA Target Level	93.9	Target level (four months of PSA expenditure) is USD 93.9 million
PSAEA Surplus Over Current Target	95.9	The balance has exceeded the target level by USD 95.9 million

The PSAEA balance surplus provides strategic opportunities

The surplus is due to unprecedented number of L3 emergencies and donors extraordinary response to funding appeals

The optimal use of the surplus will:

- ✓ Show 'long term' returns better than 'one off' transfers
- ✓ Benefit programming delivery, field staff, and corporate development
- ✓ Improve sustainability of mechanisms
- ✓ Address priorities otherwise not affordable in regular PSA

The optimal use of the PSAEA surplus would be strategic and sustainable

Proposals are within the context of the FFR and ISC review

ISC review, focusing on financial resilience issues, is currently addressing Question 4

- *“As some costs related to support and administration are covered from sources other than the ISC recovery rate, WFP should undertake a detailed analysis of its indirect costs and review the PSA Equalization Account, which serves as a safety net for unplanned fluctuations in ISC recovery. Should WFP continue to consider multiple sources of funding for costs such as security and non-recurring investment?”*

Review suggests two preliminary conclusions

- The PSA Equalization Account is a suitable source of funding for discrete non-recurring investments that are indirect in nature and provide the highest strategic value for WFP (critical corporate initiatives)
[The Informal Consultation on the Financial Framework Review including the review of Indirect Support Cost noted that this conclusion should be expanded to include reserve transfers from the PSAEA]
- WFP should in future use the term “critical corporate initiatives” for such discrete non-recurring investments from the PSA Equalization Account.

Overview of Proposals

An allocation of USD 95 million from the PSA Equalization Account is proposed for three areas

Use	Description	Amount
<p>1</p> <p>Immediate Response Account</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Improve effectiveness and accountability by enhancing the functioning of the account <input type="checkbox"/> Provide timely and predictable funding, allowing quick response to life-threatening situations 	<p>USD 50 million</p>
<p>2</p> <p>Integrated Wellness Programme Fund</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Support employee wellness multi-year initiatives, in field locations where other sources of funding may not be assured 	<p>USD 10 million</p>
<p>3</p> <p>Critical Corporate Initiatives</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Invest in capacities across six focus areas to accelerate the change launched in Fit-for-Purpose 	<p>USD 35 million</p>
		<p>USD 95 million</p>

Investments would be spread over multiple years

(Figures in USD millions)	2015	2016	2017 and beyond	Total
<u>Proposed Use:</u>				
1 Immediate Response Account (IRA)	50	0	0	50
2 Integrated Wellness Programme Fund	1	2	7	10
3 Critical Corporate Initiatives	18	17	0	35
Total Proposed Use	69	19	7	95

Only the most urgent requirements are proposed for approval at the 2015 Annual Session. The remaining proposed requirements would be considered with the Management Plan at the Second Regular Session

Improve the response capacity of the Immediate Response Account (IRA) (I/III)

Proposal

The IRA supports life saving emergency operations. We are looking to improve the capacity and oversight of the IRA through strengthening the revolving capacity of the account

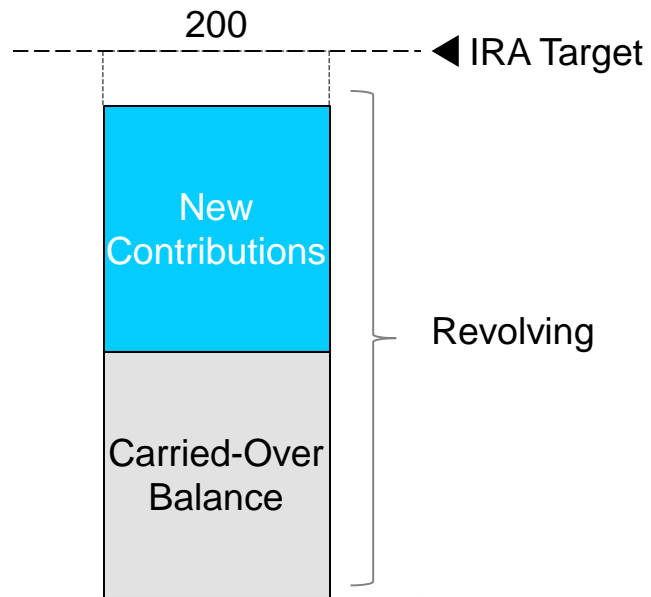
Rationale

- IRA demand is greater than available funding. As a result, IRA funds are often dispersed as loans.
- Donor contributions are currently used to back the loans, which are eventually converted to grants if repayment is not forthcoming
- An internal revolving mechanism would allow for greater oversight because it would allow us to differentiate up-front between a loan and a grant from the IRA

Strengthening the IRA revolving capacity will improve WFP's financing for life-saving activities and allow for greater oversight

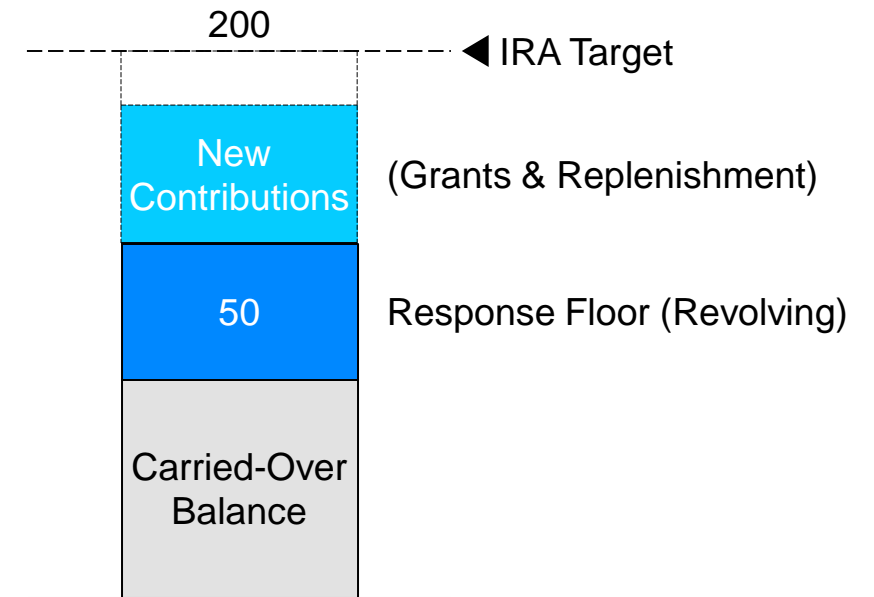
Improve the response capacity of the Immediate Response Account (IRA) (II/III)

Current Scenario



- Demand for IRA greater than available contributions
- Available funds revolved to meet this demand

Proposed Scenario



- Proposed IRA Response Floor complements donor contributions and creates *permanent* internal capacity to provide revolving assistance

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

Expected Benefits	<ul style="list-style-type: none">• The Response Floor would allow for donor contributions to be used as IRA grants to projects requiring life-saving financing, without concern for collateral• Creates greater flexibility, as revolving funds will not have to be bound by timing and fluctuations in contributions• Allows for greater oversight and accountability with up-front agreement about what in the IRA is a grant or revolving, and improves communication / reporting to donors• Enables for IRA to provide more needs-based assistance to operations
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Proposed Amount	One-time transfer of USD 50 million
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An internal IRA loan capacity will allow WFP to improve life saving financing to operations by providing both a loan and a grant option

Improve staff wellness in field-duty stations (I/II)

Proposal

A Wellness Programme Fund to improve staff wellness in field duty-stations for reasons of health, safety or poor living conditions where full financial repayment from a country portfolio cannot be assured

Rationale

- Employee services are inadequate in many places where WFP works
- In some cases, staff lack access to basic health services and facilities
- Staff wellness is crucial for working in emergency settings and serving some of the most needy communities

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

Improve staff wellness in field-duty stations (II/II)

Expected Benefits

- Improved access to basic health services and facilities to help mitigate security incidents and address epidemics and disease outbreaks
- Better overall staff wellness and morale in emergencies and hard-ship duty stations through better staff well being

Proposed Amount

- USD 10 million over a three year period, with a USD 1 million allocation in 2015 to support most immediate and urgent requirements at field level
- Initial experiences would be reviewed at the 2015 Second Regular Session, and further allocations would be presented to the Board for approval

Critical Corporate Initiatives – Accelerating Fit for Purpose (I/II)

Proposal

Additional non-recurring strategic investments in key areas across 2015-2016 to accelerate WFP's organizational effort

Rationale

- Unprecedented emergency demands and changing global conditions have highlighted several areas where organizational capacity can be strengthened urgently to support Fit for Purpose
- Two year horizon to provide greater visibility on WFP's longer term planning

Critical Corporate Initiatives – Accelerating Fit for Purpose (II/II)

Expected Benefits

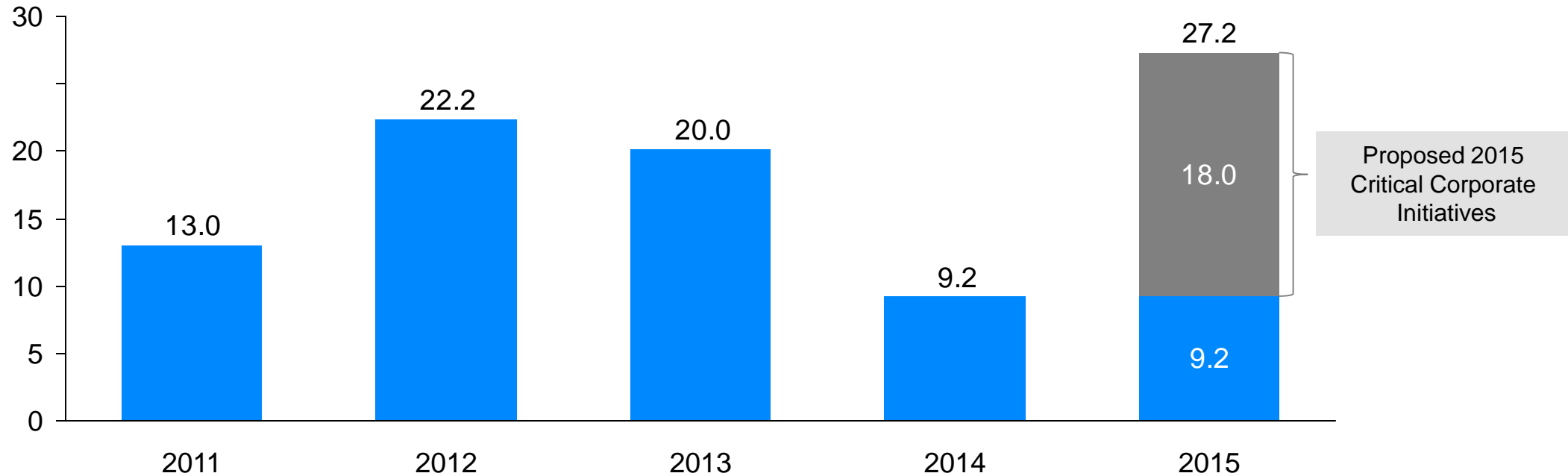
- Strategic investments will focus on strengthening emergency response capacity while also expanding capacity to address hunger in longer term contexts
- Investments will accelerate specific deliverables across several areas that will support the Fit for Purpose journey

Proposed Amount

A proposed allocation of USD 35 million from the PSAEA:

- USD 18 million for approval for 2015
- USD 17 million to be presented at Second Regular Session

Conservative use of PSAEA in the last two Management Plans, despite significant increase in operations



Actual Year-End PSAEA Balance	114.4	102.8	121.3	189.8
PSAEA Target Level (4 months)	79.3	83.0	83.0	93.9

Critical Corporate Initiatives have supported the Fit for Purpose journey since 2013

	2013	2014	2015
Funding	\$10M ¹	\$9.2M	\$9.2M
Highlights	<ul style="list-style-type: none"> Foundation of People Strategy Local Staff Transfer Project 	<ul style="list-style-type: none"> Staff health / well-being programmes Improvement of payroll and benefits administration for national staff 	<ul style="list-style-type: none"> Diversity and Inclusion Strategy Local Staff Transfer Project (cont.)
	<ul style="list-style-type: none"> BPR Scoping Org restructuring / implementation Country Office presence review 	<ul style="list-style-type: none"> BPR Scoping (continuation) Streamlining of non-food procurement processes 	<ul style="list-style-type: none"> Decentralized evaluations WFP supply chain optimization Global Change Team
	<ul style="list-style-type: none"> Corporate Partnership Strategy Review of liaison office presence 	<ul style="list-style-type: none"> Increased capacity for key donor support 	<ul style="list-style-type: none"> Partnership Resource Center Communication platform for public advocacy
		<ul style="list-style-type: none"> New reporting tools to improve accountability 	<ul style="list-style-type: none"> Financial Framework Review

Fit for Purpose has helped set WFP up to meet the challenges of the future efficiently and effectively

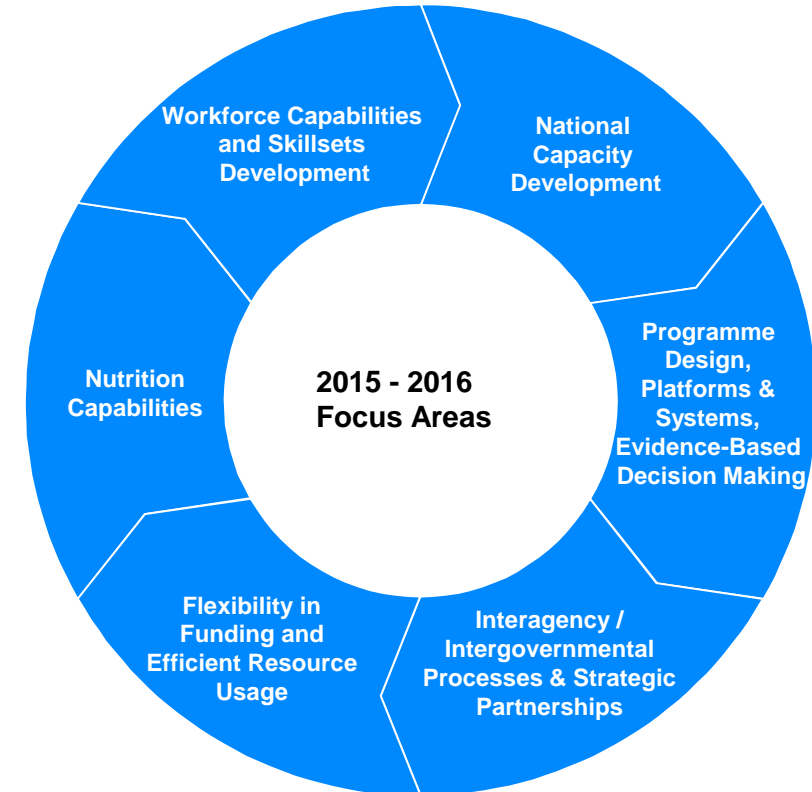
 Related Initiatives

Focus areas for 2015-2016 defined to support Fit for Purpose going forward

Context and Circumstances

- Demands placed on the organization by unprecedented number of L3 emergencies
- Continued shift in WFP programming (e.g. increasing role of Cash and Vouchers)
- Challenge of supporting middle income countries in which pockets of hunger persist
- Several critical global events, dialogues, and processes coming up over next few years

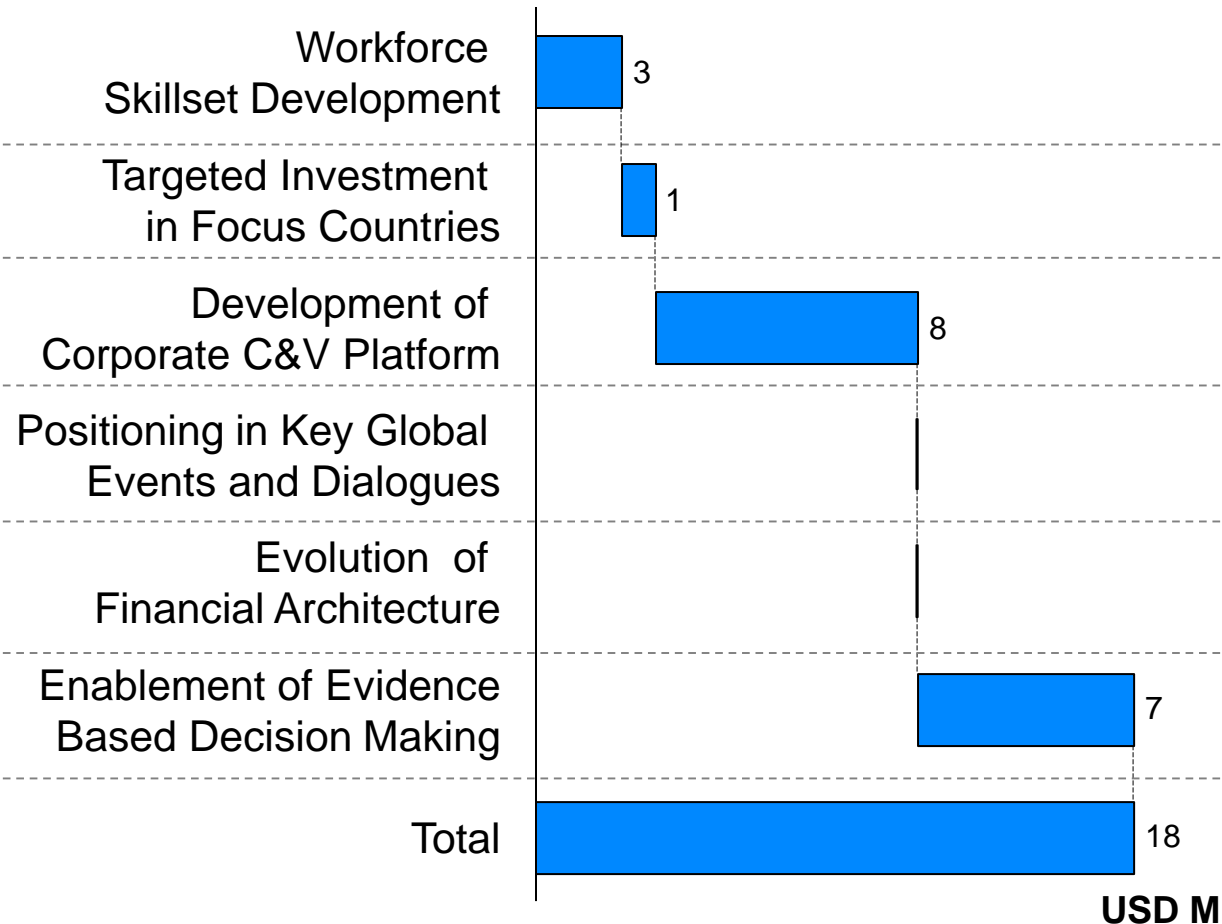
Six Corporate Focus Areas (2015 – 2016)



Additional critical corporate initiatives for 2015 would support focus areas

Proposed additional 2015 Critical Corporate Initiatives to accelerate Fit for Purpose changes

2015 Funding Request



Initiative Overview

- Tailored Humanitarian Leaders Programme, access to targeted skill development content, and training in specific programming skills
- Assisting focus countries to support national capacities developing action plans with specific nutrition / resilience programming
- Development and scale-up of corporate cash and voucher platform
- Communication / advocacy to ensure that nutrition & hunger are well-positioned in key global events, dialogues, and processes
- Standardized approach to resource-based planning, country portfolio based budgeting and communication & advocacy to improve flexibility & predictability of funding
- Development / completion of critical systems to manage info. systematically and support outputs & outcomes analysis

Workforce Skillset Development

Critical Corporate Initiative	Equipping our workforce with the capabilities and skillsets to support emergency surge response and longer-term hunger approaches
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Proposed 2015 Funding	USD 2.6 million
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Description
Equipping our workforce with the capabilities and skillsets to support emergency surge response and longer-term hunger approaches

Deliverables

Related Critical Corporate Initiatives
<ul style="list-style-type: none"> • Continuation of Local Staff Transfer Project and Diversity / Inclusion Strategy (USD 1.9 million through MP 2015) • People Strategy (USD 2.8 million through MP 2014)

2015	<ul style="list-style-type: none"> • Implement cross-functional C&V training for 2,500 participants (incl. 250 external) • Graduate 125 leaders through tailored Humanitarian Leaders Programme • Graduate 50 women leaders through a tailored Women's Career Development Programme • Provide access to learning inputs and targeted training for 2000 national staff
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Outcomes
<ul style="list-style-type: none"> • An equipped workforce with better knowledge and skills to support both emergency surge response and longer-term approaches • Strengthened humanitarian leaders within the organization with improved capability for decision-making

Targeted Investments in Focus Countries

Critical Corporate Initiative	Assisting a number of country offices in identifying areas where investments are required for supporting national capacities to eradicate hunger
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Proposed 2015 Funding	USD 1.0 million
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Description
WFP will assist a number of Governments to build the evidence-base and programme approaches for eradicating hunger

Deliverables

Related Critical Corporate Initiatives
<ul style="list-style-type: none"> • Not Applicable

2015	<ul style="list-style-type: none"> • Identify target countries considering progress made and potential for positive impact with additional support • Conduct gap analysis and design country-specific action plans for target countries • Temporary augmentation with additional expertise (e.g. nutrition, resilience)
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Outcomes
<ul style="list-style-type: none"> • Increasing levels of national capacity and handover to governments • Serve as learning examples for second wave of target countries, in terms of WFP as a partner and the willingness to eradicate hunger at all levels • Best-practice capacity building knowledge & tools

Development of a Corporate C&V Platform

Critical Corporate Initiative	Advancing the development and scale-up of the Corporate C&V platform	Proposed 2015 Funding	USD 7.9 million
Description		Deliverables	
<p>A corporate C&V platform to ensure that WFP COs can design and deliver C&V based interventions rapidly, efficiently, and effectively.</p>		<div style="display: flex; align-items: center;"> <div style="background-color: #e6f2ff; padding: 10px; margin-right: 10px; width: 50px; text-align: center;">2015</div> <ul style="list-style-type: none"> Develop a standardized Corporate C&V platform across entire organization Incorporate an array of tools and options spanning 9 modules Includes both 'back-end' systems at HQ/RB level and 'front-end' support at Country Office level, including emergency solution to be made available to all COs </div>	
Related Critical Corporate Initiatives			
<ul style="list-style-type: none"> Not Applicable 			
Outcomes			
<ul style="list-style-type: none"> Implementation lead time reduced from 8 months to 3 months (on average) C&V costs improved by 33% (annual savings of ~USD 1.3 million per CO) Quality of interventions improved and desired programmatic outcomes ensured, with reduced risk and liability for WFP operations 			

Enablement of Evidence-Based Decision Making

Critical Corporate Initiative	Development or completion of critical systems that allow us to manage information systematically and support analysis on outputs and outcomes	Proposed 2015 Funding	USD 6.5 million
Description		Deliverables	
Standardized business processes for monitoring & reporting through appropriate IT platforms and training for M&E managers and advisors.		<div style="display: flex; align-items: center;"> <div style="background-color: #e6f2ff; padding: 10px; margin-right: 10px; font-weight: bold; font-size: 1.2em;">2015</div> <ul style="list-style-type: none"> Rollout of M&E platform to 4 Regional Bureaus and 49 COs by end of 2015 M&E staff trained in using system for project design, implementation, operational performance reporting. </div>	
Related Critical Corporate Initiatives			
<ul style="list-style-type: none"> Support for decentralized evaluations (USD 0.6 million through MP 2015) 			
Outcomes			
<ul style="list-style-type: none"> Improved transparency and accountability, 20% savings, demonstrated sustainable benefits for beneficiaries through the implementation of standardized business processes and appropriate technology platforms. Improved evidence of shift from food aid to food assistance, sustainable impact for beneficiaries 			