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Agenda Item 5

WFP/EB.A/2016/5-C/1\*

Policy Issues

**For consideration**

Executive Board documents are available on WFP's Website (<http://executiveboard.wfp.org>).

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## **Update on the Financial Framework Review**

### **Executive summary**

WFP's financial framework was established in the 1990s with a view to supporting the delivery of food aid, primarily in emergencies. Subsequent revisions have involved the introduction of tools such as advance financing and cash-based transfers, but the budget structure itself has only been modestly adjusted to accommodate WFP's transition to food assistance.

Through the Financial Framework Review the Secretariat is proposing fundamental changes to increase WFP's effectiveness and meet the requirements of stakeholders, Agenda 2030 and the Sustainable Development Goals. Three prioritized work streams are currently in pilot and prototype phases at the country office level. The Secretariat will present its final recommendations for approval at the Board's 2016 Second Regular Session.

The budgeting for operational effectiveness work stream is part of the Integrated Road Map.<sup>1</sup> The aim is to develop a country portfolio budget structure that is aligned with the country strategic planning approach and the Strategic Plan (2017–2021). Country portfolio budgets will replace the current project-based system to enhance results-based management and support a country-based approach to strategy, planning, implementation, budgeting and reporting. The country portfolio budget structure will cover all WFP operations in a country, thereby reducing the internal fragmentation resulting from multiple projects and numerous cost components, and will maximize transparency, flexibility, predictability and accountability. The model is currently in phase II of prototyping at the country office level.

The Secretariat is seeking the Board's feedback on the country portfolio budget structure so that it can move on to discussion of elements such as full-cost recovery, context and governance.

Additional work streams are driven by internal resource management needs. The resource-based planning work stream will standardize the process whereby country offices match operational plans with anticipated funding levels to improve planning and performance management. Pilots are under

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

#### **Focal points:**

Mr M. Juneja  
Assistant Executive Director  
Resource Management Department and Chief Financial  
Officer  
tel.: 066513-2885

Mr S. O'Brien  
Director  
Resource Management Integration and Support Division  
tel.: 066513-2682

way in nine country offices: the lessons learned will inform the roll-out of resource-based planning tools to all country offices, complementing the current needs-based planning approach.

The macro advance financing work stream addresses resource predictability such as uncertainties related to the timing and level of contributions by giving country offices budgetary authority to incur expenditures on the basis of aggregated forecasts. Pilots in 2016 will test the concept, assess WFP's risk appetite and evaluate the operational benefits in terms of effectiveness and efficiency.

The Secretariat accepts that the Financial Framework Review must reflect the realities of donors' funding approaches and is committed to full engagement with stakeholders at bilateral meetings and informal consultations.

### **Draft decision\***

Having considered the Update on the Financial Framework Review (WFP/EB.A/2016/5-C/1\*) the Board:

- i) takes note of the ongoing work of the Financial Framework Review; and
- ii) looks forward to the conclusions of the Financial Framework Review, including a country portfolio budgeting and planning structure, to be presented for approval at the 2016 Second Regular Session.

## **Introduction**

1. This document describes the progress of the Financial Framework Review (FFR) and sets out the proposed country portfolio budget (CPB) structure. Discussion on the key elements of the proposed structure, which represents a critical revision to the financial architecture, will contribute to the development of elements such as full cost recovery, context and governance.
2. The informal consultation on 1 April 2016 considered emerging results of the pilot and prototype phases; the Secretariat appreciated the feedback from stakeholders, whose questions and comments from the consultation and bilateral meetings have been taken into consideration.

## **Overview of the Financial Framework Review**

### **Context**

3. At its 2016 Second Regular Session, the Board will consider proposals for WFP's support for the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) through the WFP Strategic Plan (2017–2021), the country strategic planning approach, a new planning and budget structure under the FFR, and the new Corporate Results Framework (CRF). This holistic approach will enable WFP to link strategy, planning, implementation, resources and results to demonstrate the effectiveness and efficiency of its programmes.
4. In view of the Quadrennial Comprehensive Policy Review recommendation that United Nations organizations should harmonize their business practices where possible, the FFR began with a review of the financial frameworks of other United Nations agencies. It will next consider the harmonized cost classification model adopted by the United Nations Development Programme, the United Nations Population Fund, the United Nations Children's Fund and UN-Women and the work of the High-Level Committee on Management Finance and Budget Network, the High-Level Panel on Humanitarian Financing and outcomes from the World Humanitarian Summit (WHS).

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\* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

## Background

5. The objectives of the FFR, which is a component of the Integrated Road Map (WFP/EB.1/2016/4-F), are to maximize operational effectiveness through realistic planning, enhanced accountability, streamlined processes and harmonized financial and results frameworks.
6. At its 2015 Annual Session, the Board considered structural issues affecting the current financial framework in terms of fragmented budget authority, multiple budget entities at the country level and an inflexible budget structure.<sup>2</sup> At the Board's 2015 Second Regular Session, the Secretariat described the prioritized work streams of the FFR and the associated risks.<sup>3</sup>
7. The FFR has three underlying principles: i) WFP will continue to be a 100 percent voluntary-funded organization; ii) full cost recovery will continue to apply to all contributions, although the way in which it is applied may change; and iii) WFP will maintain its ability to track contribution-specific expenditures and will work with donors to simplify and harmonize reporting requirements.

## Financial Framework Review: Prioritized Work Streams

8. The FFR involves the following work streams:
  - *Budgeting for operational effectiveness* is intended to reduce internal fragmentation, simplify processes and maximize transparency, flexibility, predictability and accountability; it will deliver the CPB structure and is aligned to the country strategic planning approach.
  - *Resource-based planning* standardizes resource-based plans at the country office level to improve planning and performance management.
  - *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.

## Budgeting for Operational Effectiveness: The Country Portfolio Budget

9. The proposed CPB will harmonize WFP's strategies and operations at the country level in conjunction with the Strategic Plan, the country strategic planning approach and the CRF.
10. This work stream is based on a review of WFP's current budget structure and of the financial frameworks of other United Nations organizations, non-governmental organizations and private-sector entities. Interviews with managers during country office visits identified budgeting challenges in various functional and operational contexts.
11. A summary presented to the Budgeting for Operational Effectiveness Expert Working Group<sup>4</sup> in September 2015 identified the requirements for 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. Requirements include:
  - an overview of all operations in all contexts in line with the country strategic planning approach;
  - clear "line of sight" from strategy, planning, implementation and resourcing to results;
  - a simple and unified structure for implementing operations;
  - clear demonstration of outcomes, cost-effectiveness and cost-efficiency; and
  - improved accountability.

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<sup>2</sup> WFP/EB.A/2015/6-C/1.

<sup>3</sup> WFP/EB.2/2015/5-C/1.

<sup>4</sup> Comprises participants from country offices, regional bureaux and Headquarters.

12. Two preliminary budget types were developed, one based on country office activities, the other on country office results. Current budgets in Colombia, Indonesia, Jordan, Uganda and Zimbabwe were modelled under both structures, with the country offices to test their feasibility, practicality and effectiveness, and to identify governance and fundraising implications. Feedback from the country offices indicated that activities, while derived from WFP Strategic Results and WFP Strategic Outcomes, needed to be central to the budget structure from an operational management perspective.
13. In November 2015 the Budgeting for Operational Effectiveness Expert Working Group considered the results from the preliminary modelling exercises and proposed a CPB structure involving:
  - a single planning period encompassing all operations in all contexts for a calendar year, with a minimum of one year;
  - a results-oriented approach in accordance with WFP Strategic Results and WFP Strategic Outcomes, with activities as the primary dimension for operational planning;
  - a clear “line of sight” from WFP Strategic Results to WFP Strategic Outcomes to activities to costs;
  - identification of activity costs in terms of transfers or implementation;
  - new cost definitions harmonized where possible with other United Nations agencies to facilitate reporting and comparison;
  - adjusted direct support costs and indirect support costs<sup>5</sup> to be managed on a country-wide basis and not linked to specific activities; and
  - introduction of one or more separate WFP Strategic Outcomes or augmentation of WFP Strategic Outcomes for the initial response to emergencies.

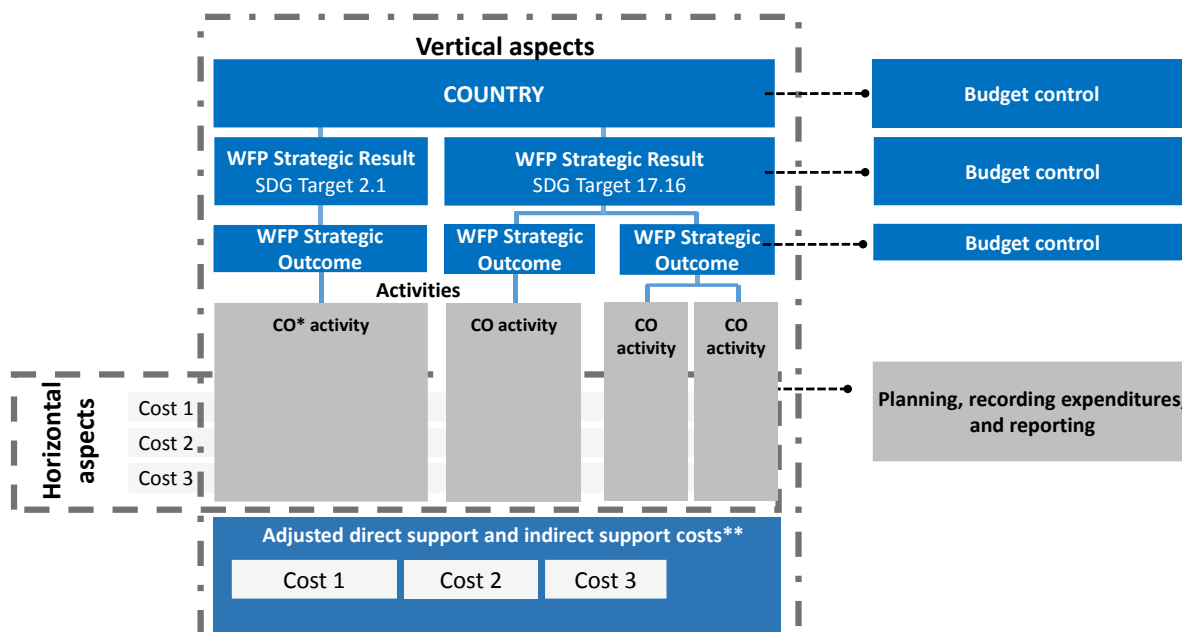
### **Preliminary Country Portfolio Budget Structure**

14. The preliminary CPB structure is intended to be all-inclusive of WFP’s operations and resources in a given country for a calendar year. By moving to a portfolio approach, the preliminary CPB structure integrates the strategic orientation of WFP’s assistance with the Country Strategic Plan (CSP) and performance management. The results-oriented focus of the CSP is mirrored in the CPB to link strategic, programmatic and operational planning and enhance performance management by showing the resources deployed and the results achieved.
15. The structure is based on a budget control hierarchy at the country level and at the WFP Strategic Result and WFP Strategic Outcome levels. Figure 1 shows the “vertical” aspects of the CPB and the budget control hierarchy.
16. The top level of budget control is at the country level. The next level of control is at the WFP Strategic Result, equivalent to SDG targets. Under a given CSP, WFP will contribute to national SDG targets in accordance with outcomes related to each WFP Strategic Result. The third and lowest level of budget control is at the Strategic Outcome level. Each Strategic Outcome can be linked to only one Strategic Result.
17. The fourth vertical layer of the CPB links country office activities to a single Strategic Outcome and its Strategic Result. This layer, the lowest planning level for a country office, is solely for the purposes of planning, recording expenditures and reporting; it is not part of the budget control hierarchy.

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<sup>5</sup> The concepts and terminology will be adjusted in accordance with feedback from country offices and the Board.

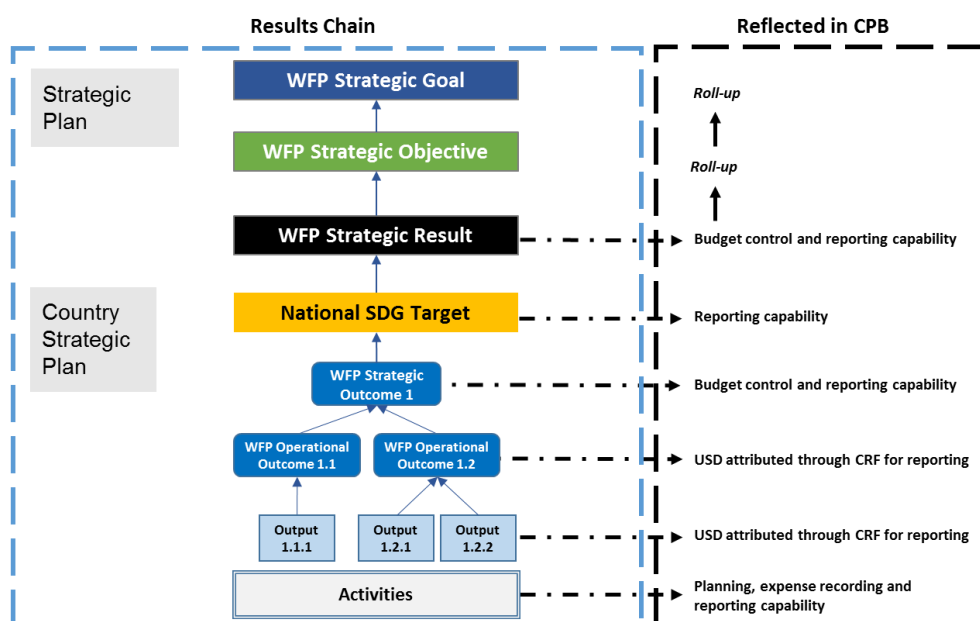
**Figure 1: Preliminary country portfolio budget model**



\* country office  
 \*\* Support cost presentation and approach being reviewed.

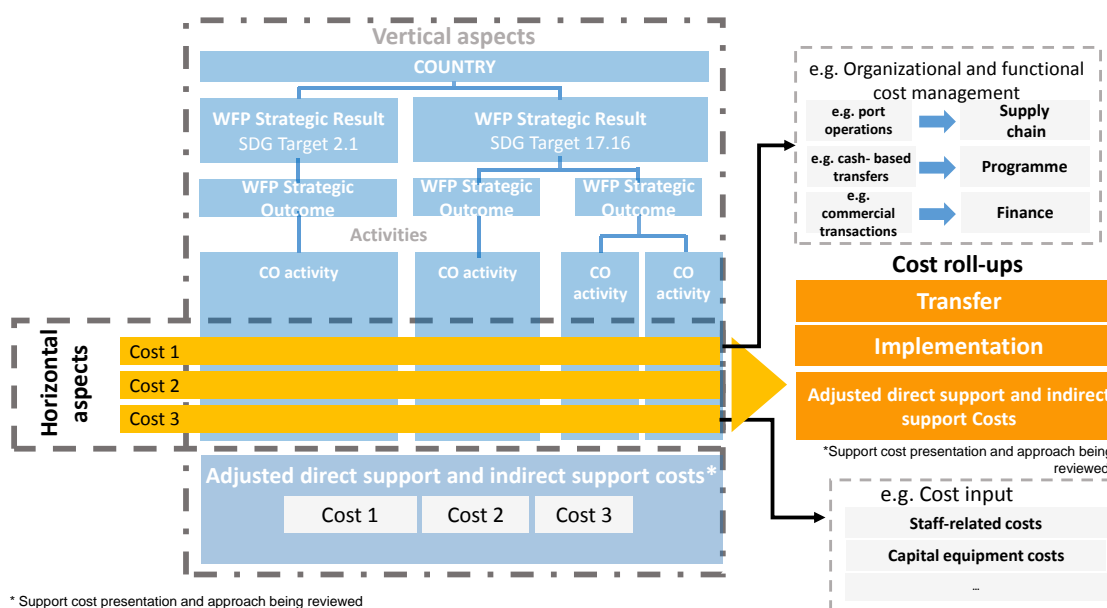
18. Following the informal consultation on 1 April 2016, the Strategic Outcomes are now part of the budget control hierarchy in recognition of their centrality to the CSP and performance reporting. Managing budgets by WFP Strategic Outcomes will also provide an opportunity for more context-specific budget management.
19. The WFP results chain (Figure 2) is the core of WFP’s results-based management approach at the country level. The link with the CPB is shown on the right, where the budget control hierarchy and reporting capabilities are set out. The results chain shows how the vertical dimensions of the preliminary CPB model ensure the “line of sight” from operations to results achieved. This enables managers to assess how outputs contribute to near-term and longer-term outcomes and the impact at the country and SDG level. This is a fundamental change from the current budget framework of multiple project budgets broken down by cost categories with no clear links to results.

**Figure 2: Example of WFP’s results chain in a country**



20. Figure 3 shows the “horizontal” aspects – the cost components of the preliminary CPB model that will be used for planning, funds management, cost recording and reporting.

**Figure 3: Horizontal aspects of the preliminary country portfolio budget model**



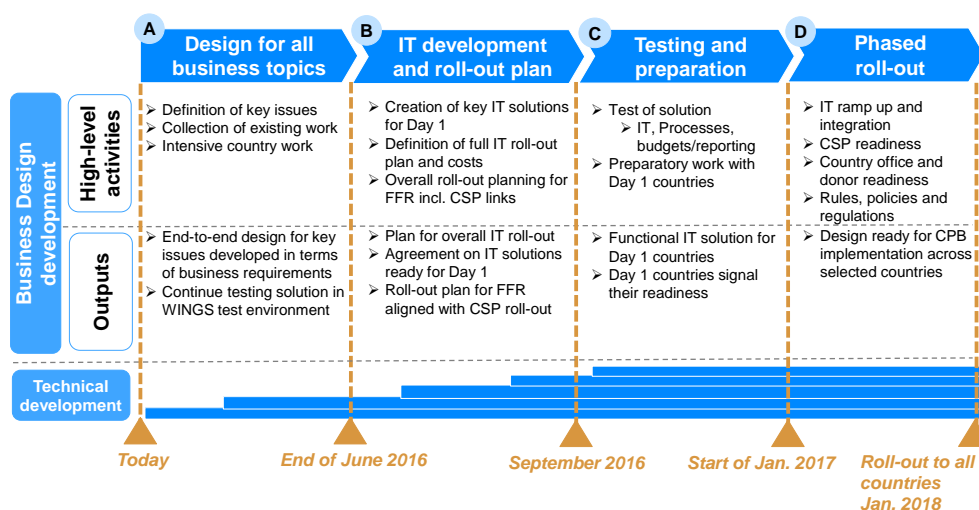
21. Using the WFP Strategic Results and WFP Strategic Outcomes as a guide, activities will be planned by cost component under a new cost structure. WFP’s current cost structure was developed in the 1990s for its then food-aid model: the new structure will enhance visibility as to the transfer and implementation costs of any activity, with links to the results. The new cost structure will be based on the harmonized cost definitions of the United Nations which will support the facilitation of a joint United Nations approach to budgeting in the field when needed. It will replace current cost components relating to other direct operational costs, landside transport, storage and handling, etc. The CPB model supports the management of organizational and functional costs by making it possible to manage cost components collectively when necessary, for example functional costs related to the supply chain.
22. The current budget framework does not provide enough detail to identify cost drivers reliably in different projects. The CPB model will make it more practicable to compare activity costs and to identify cost drivers across country offices and link them to outputs, WFP Strategic Outcomes and WFP Strategic Results, which will enhance transparency.
23. There is recognition it may be appropriate and effective to manage some costs on a country-wide basis. The “adjusted direct support costs and indirect support costs” box in Figure 3 refers to costs incurred by a country office that cannot be linked directly to the implementation of an activity. This concept will be explored in phase II of the Budgeting for Operational Effectiveness (BOE) prototype process (see paragraphs 36–38).
24. Flexibility is fundamental for operational effectiveness. Because the new planning and budget processes must provide for rapid response to sudden-onset emergencies, it is envisioned that one or more separate WFP Strategic Outcomes will be introduced or existing Strategic Outcome(s) augmented to respond and account for emergency needs in the portfolio budget. This approach will ensure the “line of sight” by linking WFP Strategic Results, WFP Strategic Outcomes and resources with any emergency response, and will enhance visibility, support fundraising and enable advances from the Internal Project Lending facility. When conditions permit after the emergency period has ceased, the Strategic Outcomes and supporting activities can be integrated into the CSP and budget.

25. The CPB model provides an opportunity to enhance:
- operational effectiveness – managers will be able to view operations in all contexts allowing functions, support and management to work more effectively to deliver;
  - the “line of sight” from strategy, planning, implementation and resourcing to results;
  - the demonstration of competitiveness and transparency to stakeholders;
  - flexibility – country offices will be able to respond to needs without artificially imposed constraints in budget entities;
  - accountability – the responsibilities of Country Directors will be clearer; and
  - simplicity – streamlined processes will be aligned with operations.
26. The CPB model will take into account the ways in which reporting requirements for gender equality and women’s empowerment can be aligned with the CRF.

### Phased Prototype Process

27. The CPB model and its supporting features are being tested in country offices in phases during the first six months of 2016. They will be adapted and finalized during the prototype phase in light of the outcomes, and the model may change to maximize operational effectiveness. Country offices are leading the tests and presenting interim assessments to the Project Board,<sup>6</sup> with support from The Boston Consulting Group.
28. Most of the country offices participating in the prototype phase also took part in the initial budget modelling exercise. Indonesia and Zimbabwe have completed their CSPs; Colombia, Jordan and Uganda are still in the process. The Kenya country office will join the phase II prototyping; additional country offices will be considered, including a country with a Level 3 emergency.
29. Figure 4 shows the anticipated timeline for development of the CPB structure.

**Figure 4: Timeline of CPB model, 2016–2017**



30. Following its assessment of phase I, the Secretariat determined that several issues must be resolved before an information technology (IT) solution can be developed. Therefore phase III, as described at the 1 April 2016 informal consultation, will be brought forward and merged with phase II.

<sup>6</sup> Consists of Assistant Executive Directors, Regional Directors and some divisional Directors and Country Directors.

### ***Phase I results***

31. Phase I, from January to March 2016, refined the budget planning structure to establish a “line of sight” from the WFP Strategic Results level to country-office activities. Country offices began prototype testing by working on the strategy and planning aspects of the all-inclusive budget structure.
32. The Indonesia and Jordan country offices aligned their operations and budgets with the WFP Strategic Results to create the “line of sight” from strategy to implementation. A representative sample of transactions was recorded in a parallel CPB testing environment in order to test its practicality and refine the CPB concepts.
33. An initial cost-accounting model was set up to ensure that the value of direct transfers, implementation costs, and costs managed on a country-wide basis – i.e. adjusted direct support costs and indirect support costs – were captured. The Indonesia country office was one of the first to develop a CSP, which made it possible to validate the alignment of the CSP approach with the CPB model.
34. Initial assessments from the country office teams of the CPB concept and prototype results were largely positive. The Jordan country office noted that the focus on activities and grouping by Strategic Results reflected operational realities, and that the “line of sight” would improve effectiveness and transparency. The Indonesia country office appreciated the improvements in accountability and the empowerment of budget owners. The organization of both country offices was largely aligned with the CPB model, but additional change-management measures and a review of delegations of authority will be required to ensure that the required organizational structures are in place.
35. Phase I revealed areas where additional work was required: i) a review of terminology and management approach with regard to “adjusted direct support costs and indirect support costs” (see Figure 3);<sup>7</sup> and ii) updating of current cost components and full cost recovery to better reflect WFP’s toolbox and assistance at the country level. These and any other challenges will be addressed in phase II prototyping.

### ***Phase II objectives***

36. In phase II, which is ongoing, country offices will simulate the CPB model with a view to resolving problems and finalizing the solution. The objectives are to create an inclusive budget structure, define cost-accounting procedures, consider the application of full cost recovery, and identify context and governance requirements.
37. Country offices will test a budget structure that encompasses all country-office operations and common services, service-level agreements, trust funds, regional operations and sudden-onset emergencies. They will also: i) consider ways of harmonizing cost classifications with other United Nations agencies where appropriate; ii) define ways of measuring and reporting results and value for money under the proposed CRF; iii) identify changes required in policies, procedures and regulations; and iv) provide an initial costing of the investments needed for implementation.
38. Phase II will be conducted in Colombia, Indonesia, Jordan, Kenya, Uganda and Zimbabwe. Additional country offices will be considered, including one in a Level 3 emergency.

### ***Foreseen roll-out plan, 2016–2017***

39. The development and roll-out plan for the IT solution will be defined in the third quarter of 2016 and tested in the fourth quarter to verify that the CPB and associated systems can support implementation of CSPs in 2017, following the Board’s approval of the recommendations of the FFR and the CSP policy paper.

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<sup>7</sup> Originally termed “core” costs at the 1 April 2016 informal consultation.



### ***Resource requirements***

40. Integrated development of the Strategic Plan, CSP, CRF and FFR and increased engagement with country offices for prototyping have increased resource requirements from the 2016 FFR work plan, particularly in the BOE work stream. An investment case for 2017 is also being prepared.

### **Topics for Discussion**

#### ***Governance***

41. Governance issues to be explored include the ways in which authority is conferred or delegated under the CSP and CPB and the information required to enable the Board to fulfil its governance and oversight role. Approval authority for development programmes, protracted relief and recovery operations, special operations and changes to annual project budget plans and budget revisions currently rests with the Board, in accordance with General Regulation VI.2 except as delegated under subsection (c).
42. If there is agreement to move forward with CSPs and CPBs, the Board could consider how to authorize interventions and budgets in the new framework. This could include a shift from project-based approval under General Regulation VI.2 and the budget revision process. A CSP structured by WFP Strategic Outcomes could become the Board's primary governance document. The Secretariat will seek the Board's guidance as to the level of authority to be delegated to the Executive Director.
43. The Secretariat will discuss with the Board, donors, partners and stakeholders the level of information to be provided annually for the Board to support its governance and oversight functions. In line with the WHS and the report of the High-Level Panel on Humanitarian Financing, WFP aims at maximum transparency with regard to its operations, costs and results.
44. The Secretariat recognizes that these topics will require significant dialogue with the Board and is committed to ensuring all the implications are analysed and clearly communicated before any proposal is made.

#### ***Context***

45. Context is reflected in WFP's programme categories. With the anticipated shift away from programme categories, the issue of context will be reviewed in light of the CPB approach. The introduction of WFP Strategic Outcomes into the budget control hierarchy of the CPB model is intended to facilitate partners' context identification.
46. The Secretariat is aware that changes to WFP's budget structure can affect partners' funding approaches and will continue to discuss the CPB model with them to ensure that their views are considered.
47. The High-Level Panel on Humanitarian Financing has observed that descriptors such as "humanitarian" and "development" create artificial divisions and that "... there are growing inter-linkages between humanitarian, development, peace-keeping and climate change-related interventions and this should be reflected in the funding responses". The Secretariat is optimistic that a new planning and budget structure with increased transparency and links between resources and results will encourage more multilateral contributions and incentivize partners to contribute at higher levels in the structure or by thematic area.

#### ***Full cost recovery***

48. The full cost recovery principle requires that all costs related to implementing activities funded by contributions are covered by WFP and shared equitably among donors (see General Regulation XIII.2). Because WFP is entirely funded by voluntary contributions, it must ensure that all costs incurred in delivering programmes are covered by donated funds.

49. General Rule XIII.4 determines the application of the full cost recovery principle to cover operational costs, direct support costs and indirect support costs. It is primarily managed by reserving a rate to every contribution to cover related implementation costs – the 7 percent indirect support cost rate or a percentage or rate per ton for certain cost components are prominent examples.
50. This approach has, however, led to a fragmented and inflexible budget structure. Contributions at the country-office level are allocated to projects and trust funds, within which they are subdivided into cost components. The cost component's budget envelope acts as a budgetary limit or constraint for managers. This makes it difficult for managers to shift funding between cost components without a budget revision and can result in unspent balances and returns of funds, and may reduce operational effectiveness.
51. In view of the proposed CPB model and changes to cost components, application of the principle must be reviewed. Country offices in phase II of the prototyping process will therefore consider: i) changes to cost categories for the proposed structure; ii) ways to improve the articulation of costs; and iii) the application of full cost recovery to contributions. WFP is committed to ensuring that costs are equitably distributed among donors; the Secretariat will provide examples of full cost recovery in the CPB model as part of its discussions with the Board in informal consultations. Consideration of these issues will be informed by the outcomes of the WHS.

### **Resource-Based Planning**

52. WFP's current programme of work consists of projects designed on the basis of needs assessments in collaboration with government counterparts and partners. It is a needs-based response plan<sup>8</sup> that effectively constitutes an appeal for the resources to implement operations, and it will continue to be the basis of WFP's advocacy for full funding of its responses to beneficiaries' requirements.
53. The resource-based planning work stream recognizes that operational requirements consistently exceed the level of actual contributions; many country offices currently address this by prioritizing assistance according to foreseen resources. The work stream aims to mainstream resource-based planning as a secondary operational planning layer in all country offices. Resource-based plans from individual country offices are aggregated to produce the prioritized plan of work in the annual Management Plan.
54. Standardized resource-based planning is expected to provide the following benefits:
  - *Effectiveness.* The integration of funding projections, distribution and implementation plans and resource-based budgets will enable country offices to use resources efficiently to achieve optimum results.
  - *Resource mobilization.* Country offices will be able to show the effects of shortfalls more clearly when seeking funds.
  - *Direction.* Operational planning and the prioritization of activities will be more coherent and focused.
  - *Problem anticipation.* Country offices will be able to address problems such as pipeline breaks or adverse weather proactively, thereby minimizing the effects on beneficiaries and maximizing resource availability.
  - *Visibility.* In annual funding projections country offices will be able to prioritize their activities according to needs; the information will be available to Headquarters units and the regional bureaux.
  - *Data centralization and standardization.* Country-office funding projections, monthly projected expenditures and prioritized activities will be collected in a single system in a standard format: this will make the data traceable, optimize data flows and minimize the time required for analysis.

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<sup>8</sup> This excludes development projects, in accordance with General Rule X.8.

**Pilots**

55. Pilots are under way in selected country offices with a view to standardizing resource-based planning. Inputs from a workshop in October 2015 involving staff from country offices, regional bureaux and Headquarters have been incorporated in the pilot process and the resource-based planning tool. Pilots are being implemented using existing tools.
56. A resource-based plan enables more accurate comparison of planned versus actual costs and enhances accountability. As part of the results-based planning approach, projects in the pilot countries are applying the principle of full cost recovery using their resource-based plan with a view to stabilizing project rates.
57. The Ethiopia, Guatemala, Kenya, Lesotho, Mali, Nicaragua, Pakistan, Sudan and Zimbabwe country offices participated in the resource-based planning pilot, whose results will be assessed in July 2016. The lessons learned will inform the development of a long-term solution that may also require new tools and systems to reflect changes in the budget structure.

**Macro Advance Financing**

58. The Internal Project Lending facility provides loans to projects using forecast contributions<sup>9</sup> as collateral. It 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.
59. Macro advance financing is an internal resource-management process whereby WFP owns the risk under the Internal Project Lending facility. It is intended to give country offices the authority to incur costs, for example from the start of a financial period. Macro advances are not tied or linked to donor-specific forecasts of cash contributions: they are linked to an anticipated level of resources that a country office expects for a given year on the basis of historical trends and knowledge of donors' likely intentions. All donor conditions are respected when advances are repaid.
60. The potential effects of macro advance financing for operations include:
  - greater predictability of funding, stability and continuity of implementation;
  - procurement and transport savings through timely food purchases;
  - continuity of nutrition activities whose results are sensitive to interruptions;
  - effective implementation of time-sensitive activities such as asset creation and school feeding; and
  - improved productivity and staff well-being as a result of long contracts.

**Pilots**

61. At the Board's 2015 Second Regular Session, the Secretariat stated its intention to "... manage a small number of pilots through the IPL facility, which is backed by the Operational Reserve: USD 150 million to USD 200 million is proposed to be set aside from the IPL ceiling of USD 570 million."<sup>10</sup> Pilot countries were selected on the basis of: i) historical funding trends; ii) stability in terms of 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.

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<sup>9</sup> Some forecast contributions are ineligible for use as collateral because of donor conditions.

<sup>10</sup> WFP/EB.2/2015/5-C/1, paragraph 25.

62. Macro advances for four pilot countries were approved by the Strategic Resource Allocation Committee and endorsed by the Executive Director (Table 1). Commitments and expenditures will be made against the advances, and contributions received will be used to repay them in accordance with donors' conditions.
63. At the conclusion of the pilot, The Boston Consulting Group will help to quantify gains in efficiency and effectiveness; the Secretariat will assess its risk appetite and will establish ways of maximizing the operational value of the advances. The pilots will be compared with the current model to demonstrate potential for increased efficiency and improved delivery of assistance to beneficiaries.

### *Country examples*

64. Table 1 lists the country offices participating in the resource-based planning and macro-advance financing pilots. Table 2 shows the benefits anticipated in the participating country offices.

<b>TABLE 1: SUMMARY OF RESOURCE-BASED PLANS AND MACRO-ADVANCE FINANCING</b>				
<b>Country</b>	<b>Project</b>	<b>2016 plan*</b>	<b>2016 resource-based plan</b>	<b>Released macro-advance financing (to date)</b>
<i>USD million</i>				
Ethiopia	PRRO 200700	163	97	25.0
Kenya	PRRO 200737	118	89	11.5
Kenya	PRRO 200736	114	65	8.3
Kenya	CP 200680	30	27	9.5
Mali	PRRO 200719	106**	73	15.0
Sudan	PRRO 200808	347	270	13.0
<b>Total for macro-advances</b>				<b>82.3</b>

\* WINGS, 3 March 2016

\*\* Budget revision in progress. CP: country programme

<b>TABLE 2: SUMMARY OF EXPECTED BENEFITS FROM RESOURCE-BASED PLANS AND MACRO-ADVANCE FINANCING</b>		
<b>Country</b>	<b>Project</b>	<b>Benefits</b>
Ethiopia	PRRO 200700	Enables the country office to mitigate pipeline breaks that would affect refugees' nutritional status and to reduce operational costs by shifting to cash-based transfers. Enables the country office to introduce the use of biometrics to improve targeting of beneficiaries
Kenya	PRRO 200737	Enables smooth cash flows for timely procurement and delivery of food between in-kind contributions. Maintains continuity of funding for the cash component of hybrid rations. Maintains continuity of nutrition activities whose results are sensitive to interruptions.
Kenya	PRRO 200736	Provides advance planning and continuity to ensure the success of the asset-creation programme, which will also facilitate the Food and Agriculture Organization of the United Nations and the International Fund for Agricultural Development activities.
Kenya	CP 200680	Provides continuity for the school feeding programme to ensure smooth transition to the Government during 2016.
Mali	PRRO 200719	Enables timely purchase of nutrition products to reduce lead-times and prevent pipeline breaks. Enables the launch of resilience activities at appropriate times. Procurement of locally grown cereals at the start of the harvest is likely to result in significant savings.
Sudan	PRRO 200808	Enables timely procurement of food for pre-positioning in West Darfur and South Kordofan ahead of the rainy season. Ensures uninterrupted implementation of nutrition activities from January to June 2016. Ensures sustainability of cash-based transfers to refugees in Kassala.

### Next Steps

65. Informal consultations with the Board and meetings with the membership on the FFR and other elements of the Integrated Road Map will take place before the Board's 2016 Second Regular Session. Recognizing that there could be implications for partners' systems and policies, the Secretariat will continue to take into account their views on the CSP and CPB processes, as well as other aspects of the FFR.
66. Implementation of the CSP and CPB processes, with country offices at the centre, will transform the way WFP works. The prototype approach will integrate the Strategic Plan (2017–2021), the country strategic planning approach and the CRF to maximize the operational effectiveness of the overall framework. The resource requirements for the project will be reviewed, and an investment case for 2017 is being prepared.

**Acronyms Used in the Document**

BOE	Budgeting for Operational Effectiveness
CO	country office
CPB	country portfolio budget
CRF	Corporate Results Framework
CSP	Country Strategic Plan
FFR	Financial Framework Review
IT	information technology
SDG	Sustainable Development Goal
WHS	World Humanitarian Summit