

Update on the Financial Framework Review

WFP/EB.2/2015/5-C/1

Executive Board
Second Regular Session
09-12 November 2015



World Food Programme

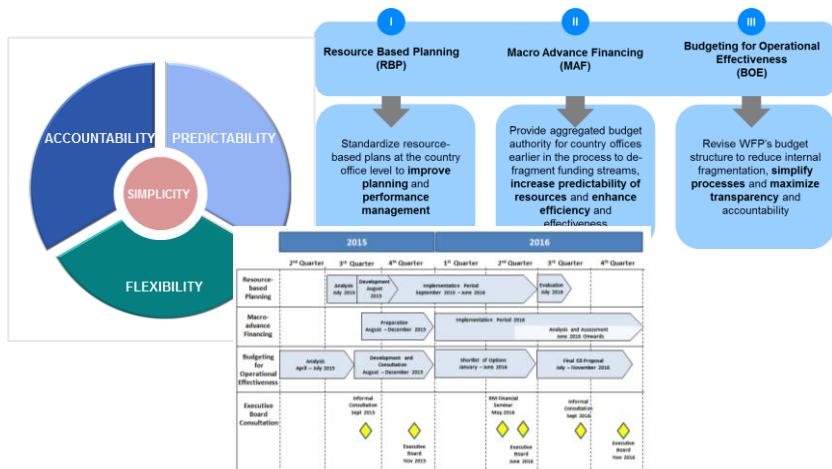


Financial Framework Review

'Update on the Financial Framework Review' is comprised of two distinct issues

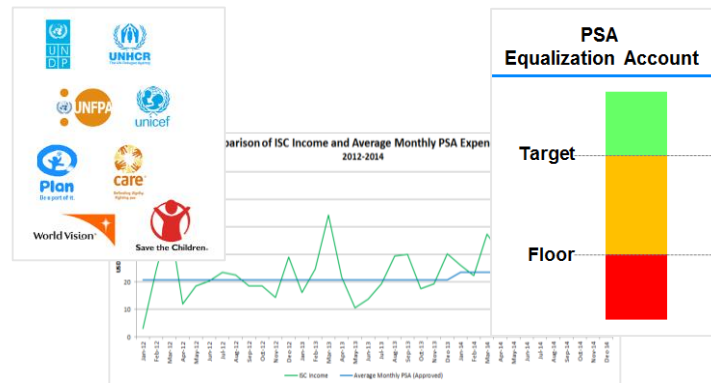
Part I: Financial Framework Review Overview

- Goals of the FFR
- Overview of prioritized workstreams
- Timeline and cost estimates for 2015 and 2016



Part II: PSA Equalization Account Target Level Review

- Overview of Purpose
- Review of established practices in UN Organizations and NGOs
- Optimizing the PSA Equalization Account



Part 1: Financial Framework Review

WFP's approach to achieving Zero Hunger involves four interrelated processes that are under development



Expected outcomes:

- ✓ Align Strategic Plan and objectives with relevant Sustainable Development Goal on ending hunger
- ✓ Provide holistic view of operational and management results in a Corporate Results Framework
- ✓ Define WFP's role and portfolio of assistance through the Country Strategic Planning approach
- ✓ Better align resources and results to improve decision-making with an alternative financial management structure developed through the Financial Framework Review

During the 2016 Second Annual Session, the Board will consider the Strategic Plan (2017-2021), the Country Strategic Plan approach and an alternative planning and financial management structure

Restructuring WFP's financial framework involves three prioritized workstreams

I

Resource Based Planning (RBP)

Standardize resource-based plans at the country office level to **improve planning** and **performance management**

II

Macro Advance Financing (MAF)

Provide aggregated budget authority for country offices earlier in the process to de-fragment funding streams, **increase predictability of resources** and **enhance efficiency** and effectiveness

III

Budgeting for Operational Effectiveness (BOE)

Revise WFP's financial structure to reduce internal fragmentation, **simplify processes** and **maximize transparency** and accountability

Resource Based Planning and Macro Advance Financing will be piloted in parallel in eight Country Offices

Current Pilot Country Offices:

1 Ethiopia

3 Kenya

5 Mali

7 Sudan

2 Guatemala

4 Lesotho

6 Pakistan

8 Zimbabwe

Piloted Jointly

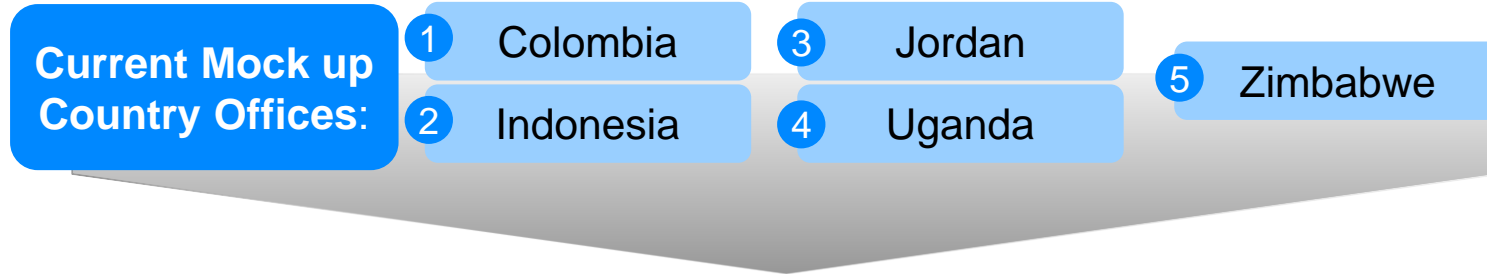
Resource Based Planning

- Country Directors reviewing 2016 funding projections and forecasts
- Standardized tool circulated
- Next step: Develop 12-month resource-based, prioritized plan

Advance Financing

- Assess risk of each country's projected funding
- Determine appropriate level of macro-advance for each country, if any
- Submit assessments to Strategic Resource Allocation Committee for consideration, endorsement and advance from Internal Project Lending facility

Budgeting for Operational Effectiveness has concluded its analysis phase and will shift to developing options



Budgeting for Operational Effectiveness

- Conceptual operational budget structure options will be reviewed in the Country Offices with the support of the Boston Consulting Group
- Mock-ups will be conducted in alignment with the Country Strategic Planning approach
- Lessons learned will be used to develop a planning and budget structure

Part 2: Review of the PSA Equalization Account Target Level

WFP reviewed the PSA Equalization Account target level to ensure financial resilience and optimize the reserve's use

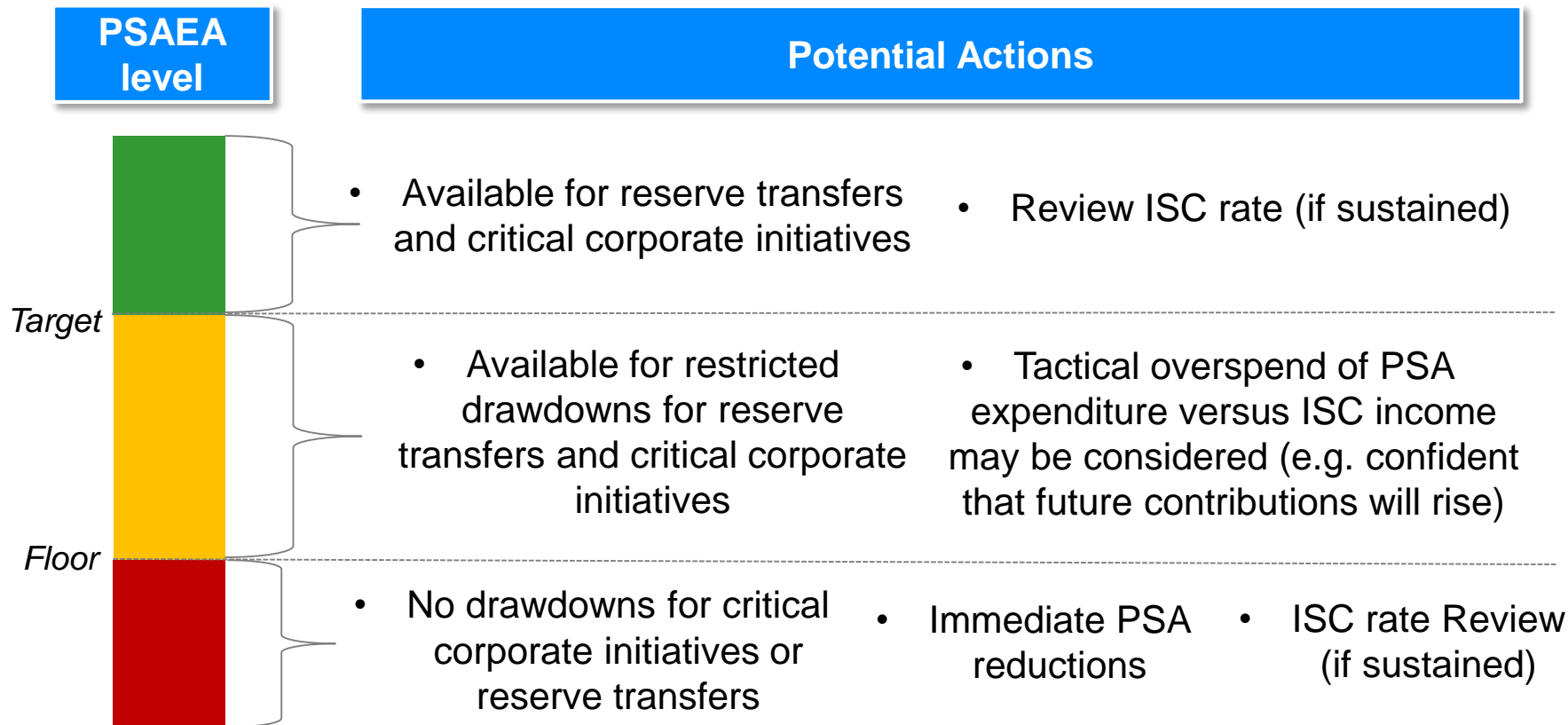
Extent of Review

- Income and expenditure analysis
- Review of practices in other United Nations organizations and NGOs
- 'Stress Test' analysis considering two income scenarios

Conclusions

- Increasing the target level to 5 months would enable less conservative forecasting and medium-term PSA planning
- Establishing a 'floor' equivalent to two months will ensure primary functions of reserve are fulfilled

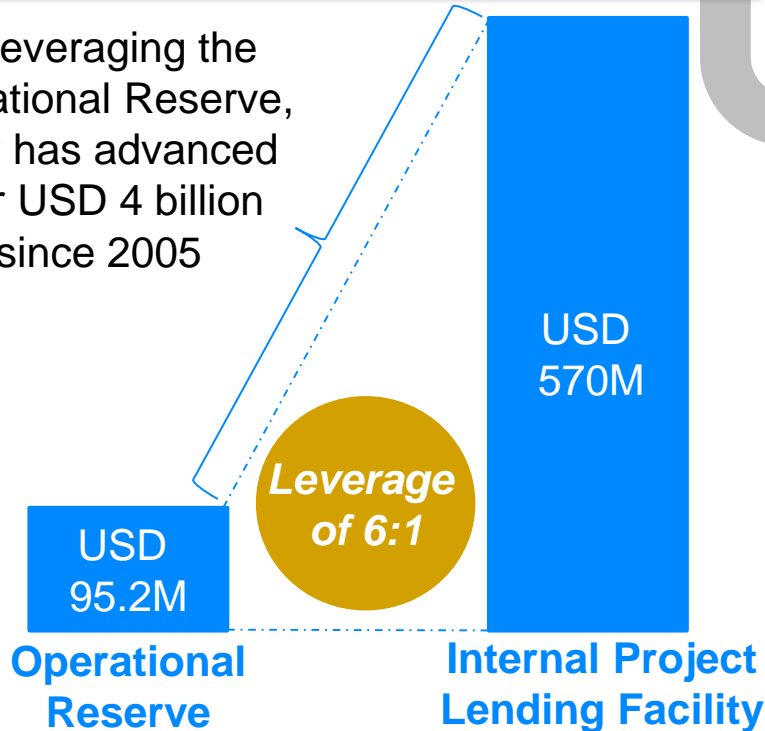
The Secretariat will establish two levels to meet all purposes of the PSA Equalization Account (PSAEA)



The Financial Framework Review will look to reduce the opportunity cost associated with the PSA Equalization Account balance

How leveraging benefits WFP:

By leveraging the Operational Reserve, WFP has advanced over USD 4 billion since 2005



How could the PSAEA be a more effective safety net?

- Leveraging the PSAEA could generate more value to WFP's operations outside of annual PSA planning

Draft Decision



Draft Decision

Having considered the “Update on the Financial Framework Review” (WFP/EB.2/2015/5-C/1) the Board:

- i) Takes notes of the ongoing work of the Financial Framework Review, the proposed timeline and cost estimates for 2015 and 2016;
- ii) Takes note of the review of the Programme Support and Administrative Equalization Account target level and the Secretariat's conclusion that the target level should be increased from the equivalent of four months of approved Programme Support and Administrative expenditure to five months; and that a “floor” should be established equivalent to two months of approved Programme Support and Administrative expenditure; and
- iii) Looks forward to regular updates on the Financial Framework Review.

THANK YOU