

**ADDENDUM TO
DRAFT UPDATE ON THE
FINANCIAL FRAMEWORK REVIEW**



Informal Consultation

7 October 2016

World Food Programme
Rome, Italy

Addendum to “Draft Update on the Financial Framework Review”

1. This addendum complements the “Draft Update on the Financial Framework Review,” circulated to the Executive Board on 21 September 2016. It provides additional information on three issues relating to the alignment to funding lines; the Country Strategic Plan and annual planning process; and governance thresholds. All three issues will provide the basis for discussions during the informal consultation on 7 October 2016. Section I lays out the Secretariat’s approach to aligning our corporate architecture in the 2017 pilot Country Strategic Plans (CSPs) and Country Portfolio Budgets (CP Budgets) to partners’ funding architecture to facilitate resource mobilization and funding decisions. Section II provides additional detail on the annual planning process and the activity-level information that will be made to Member States as part of the Country Operations Management Plan (COMP). Finally, Section III provides more information on governance arrangements on budgetary thresholds.

I. Alignment to Funding lines

2. Donor policies and systems in many cases enable funding from discrete humanitarian and development funding lines. This distinction allows donors to commit development funds to provide the predictability and stability needed for longer-term investments, whilst at the same time protecting the ability to release humanitarian funds quickly in response to emergencies. These two streams often come with different procedures and accountabilities, sometimes from different departments or agencies. WFP’s current programme category structure – made up of emergency operations, protracted relief and recovery operations, development projects, and special operations – align to some, but not all, of the discrete humanitarian and development funding lines of partners.
3. The Secretariat appreciates the commitments made at the World Humanitarian Summit to overcome the humanitarian/development divide by enabling coherent financing that avoids fragmentation by supporting collective outcomes and the pledges to increase multi-year funding in humanitarian contexts. Indeed, a number of donor partners have come forward with multi-year funding for WFP operations which are more humanitarian in nature.
4. The proposed CSPs and CP Budget structure will move away from programme categorization to provide a less fragmented and more strategic, holistic view of operations within a country. The new corporate architecture must support partners’ ability to commit funds as well as provide assurances that funding is deployed appropriately to different contexts, in accordance with their legislative or policy requirements. To ensure full alignment of the corporate architecture to the funding lines, WFP will expand on various approaches in the pilot CSP countries in 2017.
5. The first step is providing visibility on the nature of the intervention in the formulation of WFP Strategic Outcomes. Country offices will formulate their own Strategic Outcomes 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. As described in the Policy on CSPs, WFP Strategic Outcomes describe the short- to medium-term effects that contribute to the achievement of national SDG targets and WFP Strategic Results.
6. Corporate guidance on the formulation of WFP Strategic Outcomes is being developed to ensure they are drafted with standard, coherent elements. The country-driven WFP Strategic Outcomes are tied to one Strategic Result and one Focus (crisis response, resilience building, or root causes). They will 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. Strategic Outcome statements will have a primary focus (Crisis Response, Resilience Building, or Root Causes) and will be formulated in a manner that makes the Focus explicit. Piloting in 2017 will ensure that this level of information provided in the CSP, CP Budget and COMP is sufficient to facilitate resource mobilization and funding decisions. Figure 1 outlines the formulation of Strategic Outcomes.

Figure 1: Formulation of WFP Strategic Outcomes

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

7. The formulation of the Strategic Outcomes, supported by the linkage to outputs and activities, will give clarity on the alignment to funding lines to ensure the accurate deployment of funding, in accordance with partner’s legislative or policy requirements.
8. The second step is exploring outcome tags or categories to distinguish between Strategic Outcomes. In initial internal discussions, the Secretariat identified two potential methods:
 - i. Option 2a: Tagging context across all Strategic Outcomes. This methodology would use the four broad types of situational context outlined in the Strategic Plan (2017–2021): disruption, structural poverty, transitions/recovery, or disaster prevention and risk mitigation. However, further analysis, has determined that situational contexts could often overlap for some Strategic Outcomes which would make the one to one relationship unfeasible.
 - ii. Option 2b: Mutually exclusive tagging across all Strategic Outcomes. This would use the “Focus” categories developed for Strategic Outcome formulation as system tags (crisis response, resilience building, root causes). Strict rules would apply under this method, whereby only one category would apply to each Strategic Outcome.
9. A third step entails enhancing our ability to communicate results. The CP Budget structure will allow WFP to accept funds from different accounts, for different purposes, and to “track and trace” through the completion of activities to the achievement of outcomes.
10. The CSP, CP Budget and new Corporate Results Framework (CRF) will facilitate a new degree of transparency and reporting on WFP’s impact to our partners, donors and beneficiaries. If a partner needs to account for funding, whether directed or “multilateral”, for example in emergencies, WFP will be able to provide that more precisely and transparently than before through the CRF and enhanced donor reporting, including corporate reports on the use of multilateral funds at the Strategic Outcome level, for example, and the decision-making process for multilateral allocation at the Strategic Outcome level.

11. There are risks associated with “tagging” and closely aligning our corporate architecture to donor funding lines. The first identified risk is that the new architecture will not be aligned completely to all donor funding streams. The second risk is that fragmentation of funding streams could increase at the country office level and be managed by the country director. The third risk is the potential for increased earmarking. Finally, the Secretariat recognizes that tags, categories and the formulation of the WFP Strategic Outcomes will be only as good as the guidance provided and that significant capacity development and training will be required across the organization.
12. The Secretariat is committed to testing all aspects of the steps outlined above within the 2017 pilot CSPs and CP Budgets and engaging with donors at each step. Discussions regarding the sufficiency of information for making funding decisions and sharing lessons learned with the Executive Board will help refine the programmatic and financial framework before the roll-out in 2018.

II. Country Strategic Plan and Annual planning process

13. The Secretariat is committed to making available to Member States the full extent of information required to meet governance and oversight requirements and facilitate funding decisions.
14. Country Strategic Plans will have the same level of information that is currently available in project documents, for example in a protracted relief and recovery operation. This information includes:
 - i. Modality of transfers by Strategic Outcome and Activity;
 - ii. An overview of beneficiaries, broken down by age group, and by status (e.g. internally displaced persons; refugees; etc);
 - iii. Beneficiaries by Strategic Outcome and Activity, disaggregated by gender; and
 - iv. Food rations or transfers by activity (g/person/day) for each Strategic Outcome and Activity. This will also include total kilocalories per day; number of feeding days per year or per month, as applicable; and cash-based transfers per person per day.
 - v. For non-humanitarian outcomes, a concise plan providing an overview of programme prioritization in line with resourcing trends and funding projections.

Additional details will be provided during the Informal Consultation on the Policy on CSPs on 11 October 2016.

15. Updated information on the above CSP variables will be provided annually as a result of the Secretariat’s planning process through COMPs, which will take the form of an online portal. In addition, COMPs will link resources to results which will consist of Strategic Outcome budgets broken down by activity with respective planned results (output/outcome targets).
16. All quantitative information will be available by dollar value by Strategic Outcome and activity and by tonnage, where applicable.
17. This approach will be applied to all pilot CSPs in 2017. In mid-2017, the Secretariat will assess the information that should be retained within the CSP; the balance of information that could be made available at the time of the CSP approval, for example, through an online portal; and/or information that could be moved to the Country Operations Management Planning Process. Member States can also use the portal to access and create reports at any time and for any period.
18. The on-line portal will also be periodically updated with expenditure information and the outputs delivered, together with a description of the activities prioritized according to the available funding.
19. This holistic view of operations, together with formal Board processes of CSP and Management Plan approval, as well as its review of the Annual Performance Report and Standard Country Reports will help facilitate the Board’s fulfilment of its oversight role. It will also contribute to the information required by Member States for fundraising purposes. The Secretariat expects that the portal will be functional by the second quarter of 2018.

20. The Board will also be provided with the following information annually:
 - i. 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
 - ii. reviews of implementation through the Annual Performance Report and a revised Standard Project Report format, such as Standard Country Reports.
21. In consultation with donor partners, the Secretariat is also reviewing reporting requirements with a view to increasing transparency and standardizing reporting elements. Corporate reports on the allocation of multilateral funding will continue.

III. Approach to Budgetary Thresholds and Delegations of Authority

22. Annex XI of the 23 September “Update on the Financial Framework Review” outlines how the Secretariat would explore new budgetary thresholds for approval, based on CSP revisions that do not involve fundamental changes in the strategic focus and which are not related to an emergency response.
23. Recognising that this is an early discussion, with Informal Consultations expected to take place over the coming six to nine months, the Secretariat is proposing to take the next six to nine months to have a more structured discussion around this issue around the following:
 - i. Determination of whether a sliding scale of approval is required as opposed to a single percentage, as expressed in Annex XI, or an absolute amount. Here, there could be different delegations based on size or single threshold.
 - ii. Extent to which there will be sufficient Executive Board visibility for the smaller CSPs, recognising that not all risks are financial in nature.
 - iii. If percentages or absolute amounts are used when considering thresholds, determination of whether these are appropriate.
24. The Secretariat recognises the importance of ensuring that the amounts to be considered and the ensuing processes provide sufficient governance and oversight. It is therefore recommending that the preliminary proposal under Annex XI be used as a basis for discussion, with a view to hold a more strategic governance-oriented discussion, based around the above points, in the coming months.