



World Food  
Programme



# **BOTTOM UP STRATEGIC BUDGETING EXERCISE BUSBE**

Executive Board Update

May 2021

SAVING  
LIVES  
CHANGING  
LIVES

# **BUSBE Overview**

BUSBE – Executive Board Update

# Following the successful completion of phase I in 2020, BUBSE phase II for Global HQ is underway

2020

## *Phase I – Foundational*



- Budget frameworks successfully reviewed

Recommendations provided on:

- Budget governance structures
- Cost recovery practices
- CO PSA allocation

2021

## *Phase II – Implementation*



Conduct a detailed and rigorous budgeting exercise for Global HQ:

- Roll out new budget framework
- Support 2022 MP development

2022

## *Realization of BUSBE benefits*



Greater consistency, transparency and a more optimum use of resources

**Global HQ refers to headquarters, regional bureaux and liaison offices**

# **BUSBE Phase I Updates: Budget Governance**

BUSBE – Executive Board Update

# A review of corporate level budget governance was established following the BUSBE recommendation (CPP)

## Problem Statement

*How should budget needs be identified, analyzed and optimally funded?*

### Corporate budget focus areas

Budgeting  
(MP and off-cycle requests)

Resourcing and management of  
funding sources

Budget Monitoring & Reporting

### Key principles

Engagement of the field

Greater focus of LG in strategy and  
priority setting

Strong corporate governance

### Review topics

*Budgeting  
methodology*

*Decision-making  
structure*

*Committees*

*Secretariat and  
related processes*

*Monitoring and  
performance  
management*

# The review is ongoing, with a final update to be shared with the Board in July (CPP)

## What work has been done

- Review of budget governance and SRAC **documentation**, including budgeting and funding allocation methodologies
- Interviews with **40+ stakeholders** (including SRAC members and Regional, Divisional and Country Directors) and with **sister agencies** (FAO, UNHCR, UNICEF)
- Report of **review findings and recommendations** is being finalized
- **Initial findings** have been presented to the Leadership Group

## Budget Governance Review

## What are the next steps?

- **Decisions on budget governance** are being sought from the Leadership Group and the Executive Director over the coming weeks
- **Implementation** of agreed recommendations will follow
- **Final update on the review** will be provided to the Board as part of the BUSBE update in July

# **BUSBE Phase I Updates: Cost Recovery**

BUSBE – Executive Board Update

# Cost Recovery workstream under BUSBE (FIN)

- The analysis of cost recovery across the organization performed as part Phase 1 of BUSBE highlighted that **cost recovery is an increasingly common method for funding the provision of internal services** and that there is an opportunity for the organization to introduce corporate standards that will ensure **transparency and equality**.
- BUSBE identified that **corporate guidance** is required for:



## Objective of the Cost Recovery Working Group:

1. **Support the development of corporate guidance on the cost recovery within WFP**, through:
  - analysis of existing internal cost recovery mechanisms,
  - identification of activities currently funded from the ISC, but which can be potentially funded from the direct support cost lines of the country offices' CPBs,
  - development of a clear plan before the end of 2021 on how this transition could be undertaken.
2. **Contribute to developing future cost recovery mechanisms** should WFP move towards a more direct service-oriented organization.



# Existing corporate cost recovery mechanisms (FIN)

The Cost Recovery Working Group progressed analysis of the current internal cost recovery models in place between HQ and country offices. The analysis focused on corporate level cost attribution mechanism of internal services provided on consolidated basis by Global HQ and charged to users' organizational units.

Bilateral agreements for specific services provided between HQ and CO as well as by CO to CO (f.e. corridor services) are excluded.

## Management Cost Recovery (MCR) on Food/NFI/Service Sales

- Global Commodity Management Facility
- UNHRD
- Aviation
- FITTEST
- Supply Chain services

## HQ technical assistance

with costs apportioned using determined cost drivers

- LESS
- Food Quality and Safety
- IT Per Capita (partial)
- Assets Imagery Monitoring

## Charges included in Standard Position Costs

- Termination Fund
- Corporate Level Staff Costs (e.g. to cover staff incumbency during extended period needs)
- UNDSS / Security Emergency Fund (partial)
- Wellness Programme
- Unfunded portion of after-service staff liabilities

### **The overall assessment of internal review:**

Limited and fragmented application of cost attribution that would benefit from enhanced methodology, guidance and application.

# Peer review of direct cost attribution practices (FIN)



## Type of services

- |   |   |  |  |   |
|---|---|--|--|---|
| <ul style="list-style-type: none"> <li>• Payments</li> <li>• Invoicing/receivables</li> <li>• Vendor data management</li> <li>• Treasury/banking operations</li> <li>• Reporting on grants/projects (standard/specialized)</li> </ul> | <ul style="list-style-type: none"> <li>• Recruitment costs</li> <li>• Contracts management</li> <li>• Entitlements management</li> <li>• Payroll</li> <li>• Staff learning and other support</li> </ul> | <ul style="list-style-type: none"> <li>• Goods/services procurement</li> <li>• Tendering</li> <li>• Awards</li> <li>• Contracts management</li> <li>• Supplier management</li> </ul> | <ul style="list-style-type: none"> <li>• Connectivity</li> <li>• Maintenance of corporate systems/hardware</li> <li>• Software licences</li> <li>• Help desks</li> </ul> | <ul style="list-style-type: none"> <li>• Centrally managed costs associated with ensuring a safe and secure working environment for personnel including security personnel and equipment</li> </ul> |
|---|---|--|--|---|

***Frequently administered via Shared Service Centre*** 

## Methodologies for cost attribution

- |   |   |   |  |  |
|---|---|---|--|--|
| <ul style="list-style-type: none"> <li>• Costs of activities are attributed using cost drivers such as transactions/monetary size of project</li> <li>• Re-attribution of costs frequently manual process on a periodic basis (i.e. monthly)</li> </ul> | <ul style="list-style-type: none"> <li>• Cost of activities determined using trends and estimates</li> <li>• Costs are attributed using staff headcount/contract type as a cost driver</li> <li>• Re-attribution via payroll surcharge or via manual process</li> </ul> | <ul style="list-style-type: none"> <li>• Costs of activities are attributed on transactional basis</li> <li>• Re-attribution via purchase orders</li> </ul> | <ul style="list-style-type: none"> <li>• Costs of activities are attributed using cost drivers such as IT account holder or staff headcount</li> <li>• Re-attribution via payroll or via manual process</li> </ul> | <ul style="list-style-type: none"> <li>• Costs charged per transaction/employee</li> <li>• Re-attribution via payroll or via manual process</li> </ul> |
|---|---|---|--|--|

# Potential for WFP to apply enhanced cost attribution (FIN)



Based on peer review & technical budgeting exercise

- **Analysis** performed using the BUSBE technical budgeting modelling exercise on 2021 PSA budget
- **Pillar B (Business Services)** budget amounts to USD 192 million of which **USD 53** million relate to identified direct business operations services
- Estimated **14%** of total Pillar B tentatively identified with **potential for direct cost attribution**, in particular related to HR, IT, Finance and Supply Chain services



Next steps

- Proceed with detailed activities analysis of underlying costs to **determine cost drivers**
- Prepare **impact analysis** of how the re-attribution would impact programmes, extra-budgetary activities and PSA
- Determine **priority areas** for potential cost attribution from 2022 aligned to BUSBE and Management Plan processes
- Formalize **corporate principles and guidelines** for internal cost recovery mechanisms

# **BUSBE Phase I Updates: Country Office Support**

BUSBE – Executive Board Update

# BUSBE Phase I Workstream Update: Country Office Support (OMS)

## (DRAFT) 2022 Country Office PSA Allocation Model

	Standard PSA (77 offices)	Non-standard PSA (11 offices)	TOTAL
<b>Staffing</b>	USD 71,807,505	USD 4,982,216	USD 76,789,721
<b>Office Running Costs</b>	USD 21,464,212	USD 2,020,487	USD 23,484,699
<b>SUB-TOTAL</b>	<b>USD 93,271,717</b>	<b>USD 7,002,703</b>	<b>USD 100,274,420</b>
<b>CO PSA Contingency Fund</b>			USD 1,500,000
<b>TOTAL</b>			<b>USD 101,774,420</b>

1. Standard staffing costs include two international staff (CD + second international) and nine local staff. This has been designed on the basis of the definitions of country office PSA appearing in Executive Board documents in 1998 (i.e., to fund a standard minimal country office structure considered essential for a WFP presence, including for management and administration purpose).
2. Standard office running costs include office rent, vehicle, communication, Internet, office equipment and IT costs.
3. Non-standard country office PSA allocations include: Fiji, Iran, Morocco, Cape Verde, Gabon, Sao Tome & Principe, Angola, Eritrea, Paraguay, Panama and Barbados.
4. For 2021, the total country office PSA allocation was USD 101.3 millions, inclusive of centralized services.

# **2022 Budget Process Introduction**

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# Phase II is delivering a rigorous assessment of global HQ budget submissions

***Phase II will...***



# Baseline and other services have been introduced



**Baseline**

Minimum resources required to support the organization based on income projections and corporate priorities

**Including, but not limited to;**

- Activity critical to country office operations
- Necessary business or management process
- Regulatory, audit oversight or policy requirement



**Other services**

*"Above the Line"*

Surge, scaling or bridging shortfall

**Initiatives**

Timebound and new

**The planned activities should match the overall operational workplan level set at the 2021 resource level**



# The organization will commit to funding baseline



## ***BASELINE WILL BE FUNDED***

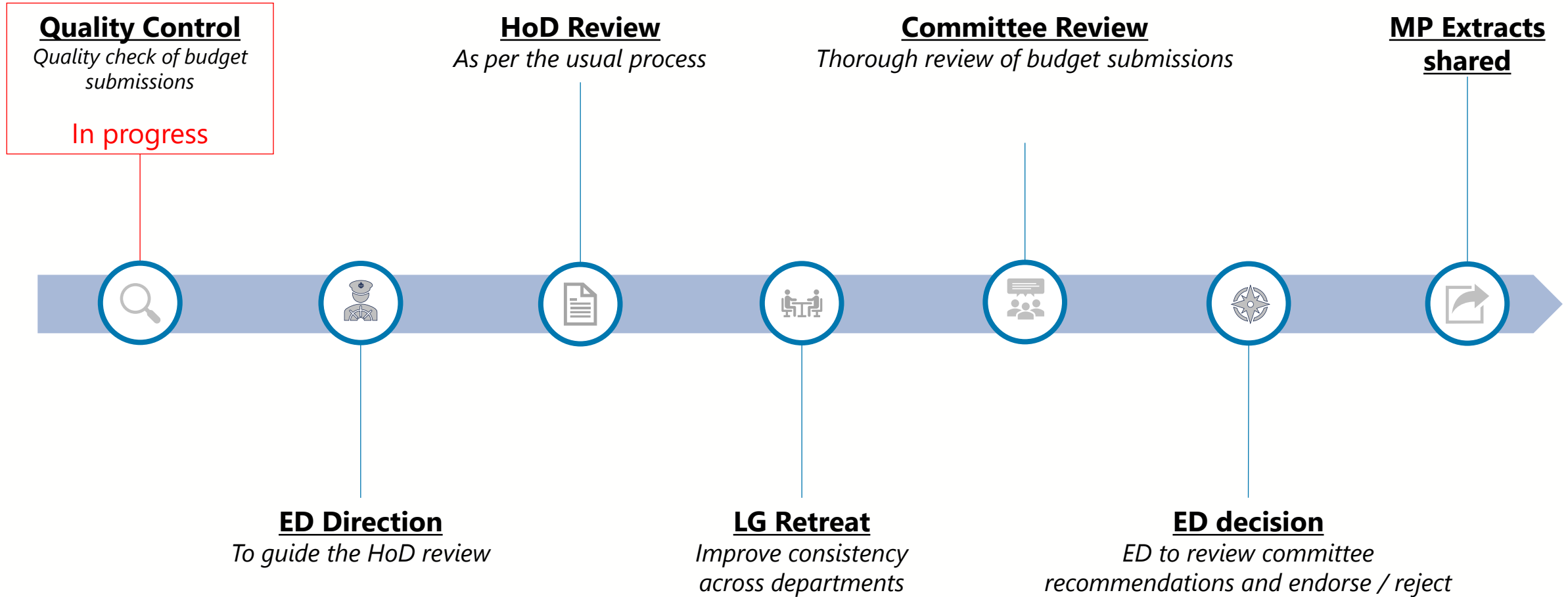
*If an activity is baseline the organization is committing to fund it*



## ***BASELINE DOES NOT EQUAL PSA***

*This exercise is moving away from a focus on funding sources towards a strategic understanding of what activities we need to prioritize and then the appropriate funding source*

# Quality control is currently underway



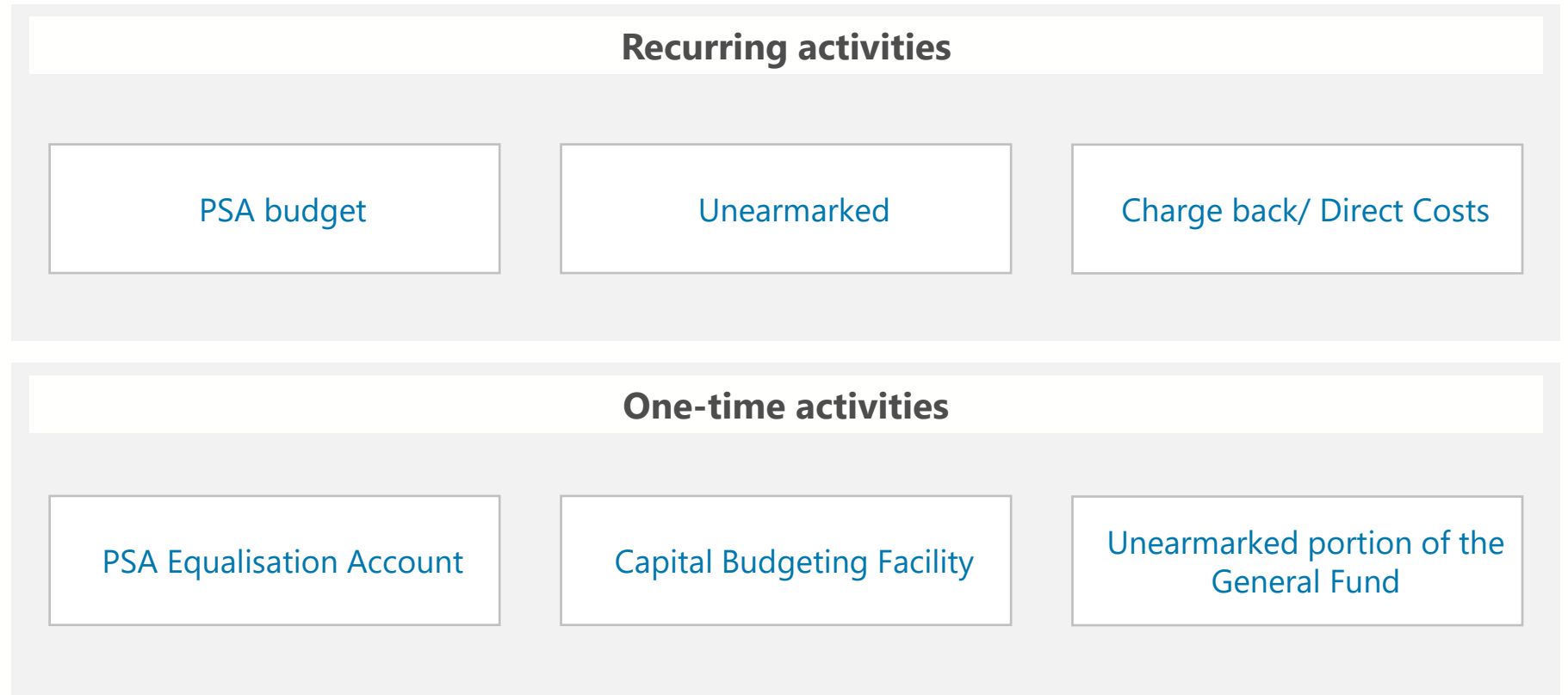
# **2022 Global HQ Funding Availability**

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# There are various funding sources for global HQ



*Types of Activities*



**Global HQ refers to headquarters, regional bureaux and liaison offices**

# Funding for recurring global HQ activities is limited to USD 440 million

<i>Funding</i>	<i>USD million</i>	
2022 projected income	8,300	
2022 PSA budget*	495	
PSA available for global HQ (Excluding CO portion)	392	=
Additional global HQ funding (10% of total Unearmarked)	48	
		<b>Funding for recurring activities</b>
		<b>USD 440 million</b>

# One-time activities could be funded from other sources

## PSA Equalization Account

1



PSAEA **records gaps** between PSA expenditures and ISC income, **source of CCIs**

## Capital Budgeting Facility

2



Revolving facility, enabling WFP to provide **advances for multi-year projects**, with **repayment** over an agreed timescale

## Unearmarked General Fund

3



Consists mainly of investment income and exchange rate gains and has been **allocated following board approval**

# **2022 Budget Process Preliminary Findings**

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# The organization has made a significant effort this year



## Dedicated Support

*A dedicated team running the 2022 budget process, providing guidance, trainings and 1:1 support*



## Global HQ Engagement

*Divisions, Bureaux and Liaison offices committed significant time and attention to the exercise*



## Leadership Sponsorship

*The Executive Director, Chief of Staff, Department Heads and Regional Directors ensured the successful completion of budget submissions*



# All activities for global HQ have been initially categorized

	UNFUNDED	FUNDED
Baseline	<p><u>The organization will commit to funding</u> (may have previously been funded from PSA, unearmarked or direct contributions)</p>	<p><u>Funded based on forecast/historical trends</u> (e.g. from a Trust Fund or Special Account)</p>
Other services	<p><u>Will be funded if sufficient resources are available</u></p>	<p><u>Funded based on forecast/historical trends</u> (e.g. from a Trust Fund or Special Account)</p>

# There are caveats to the initial findings

1

**HoD reviews will** change the figures

2

**One-time costs** are being identified

3

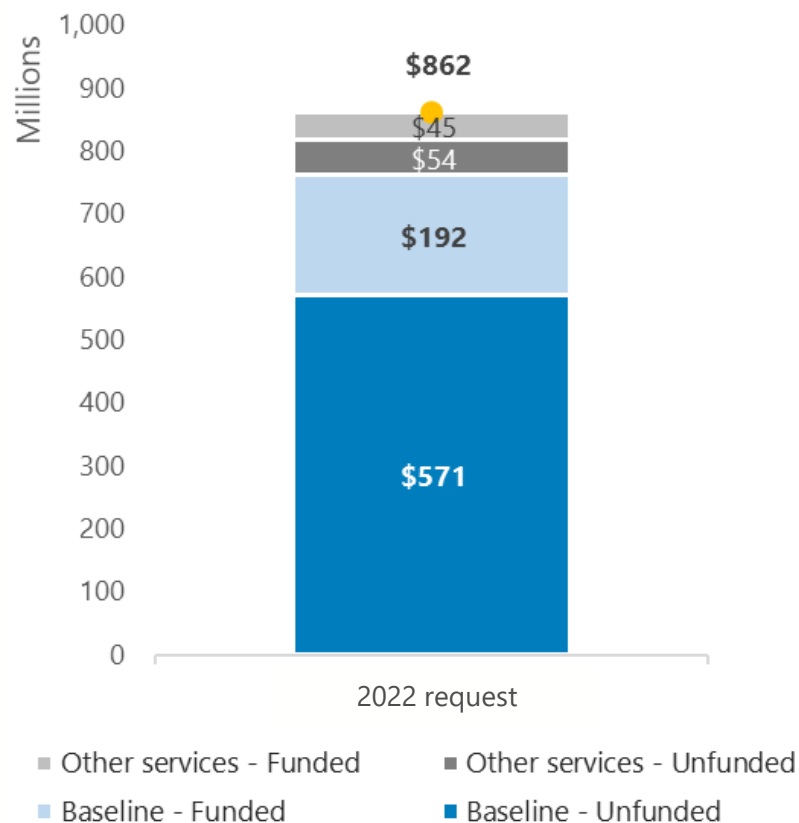
A **further review** will be conducted by the Review Committee who will make recommendations to the Executive Director

4

**Quality control** of data will continue and adjustments made

# Global HQ activities requested total USD 862 million

Total budget request by activity type and funding



## Total budget request

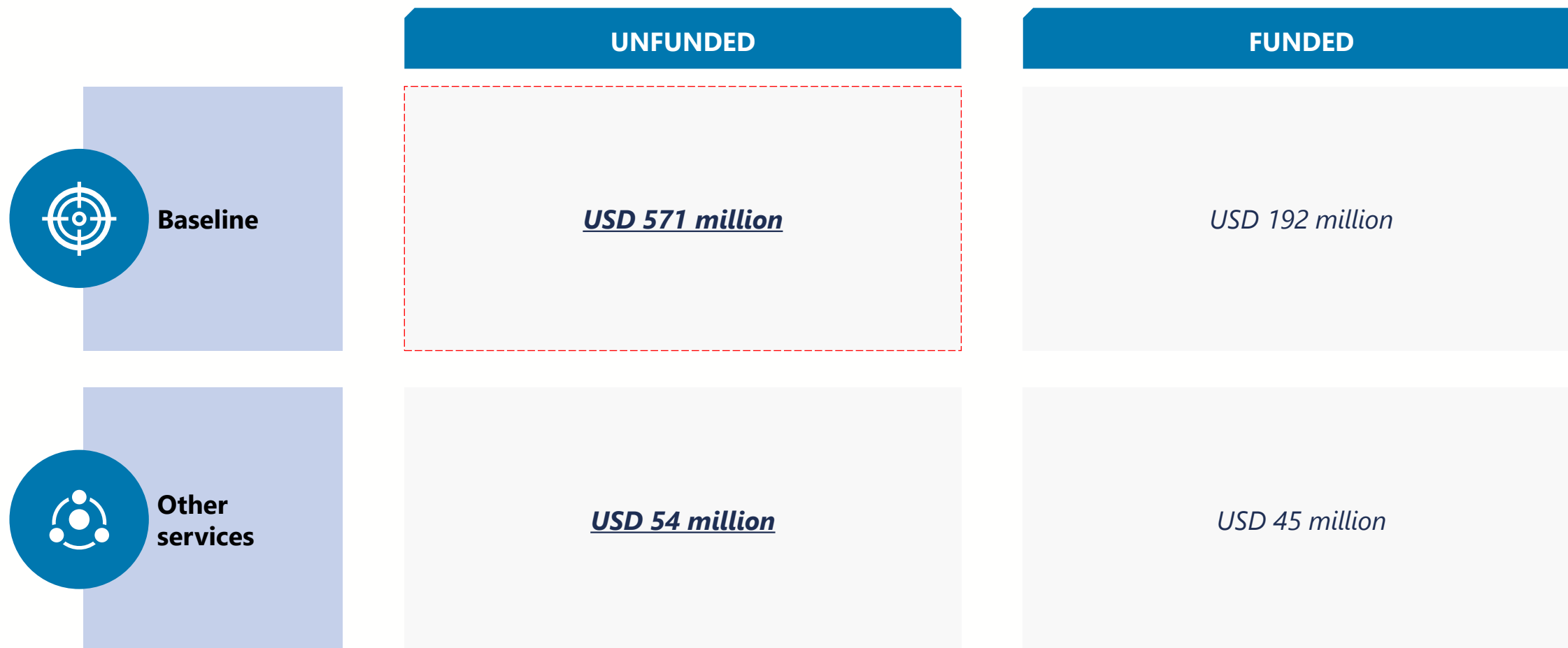
USD 862 million\*

## Total unfunded (one-time and recurring)

USD 625 million\*

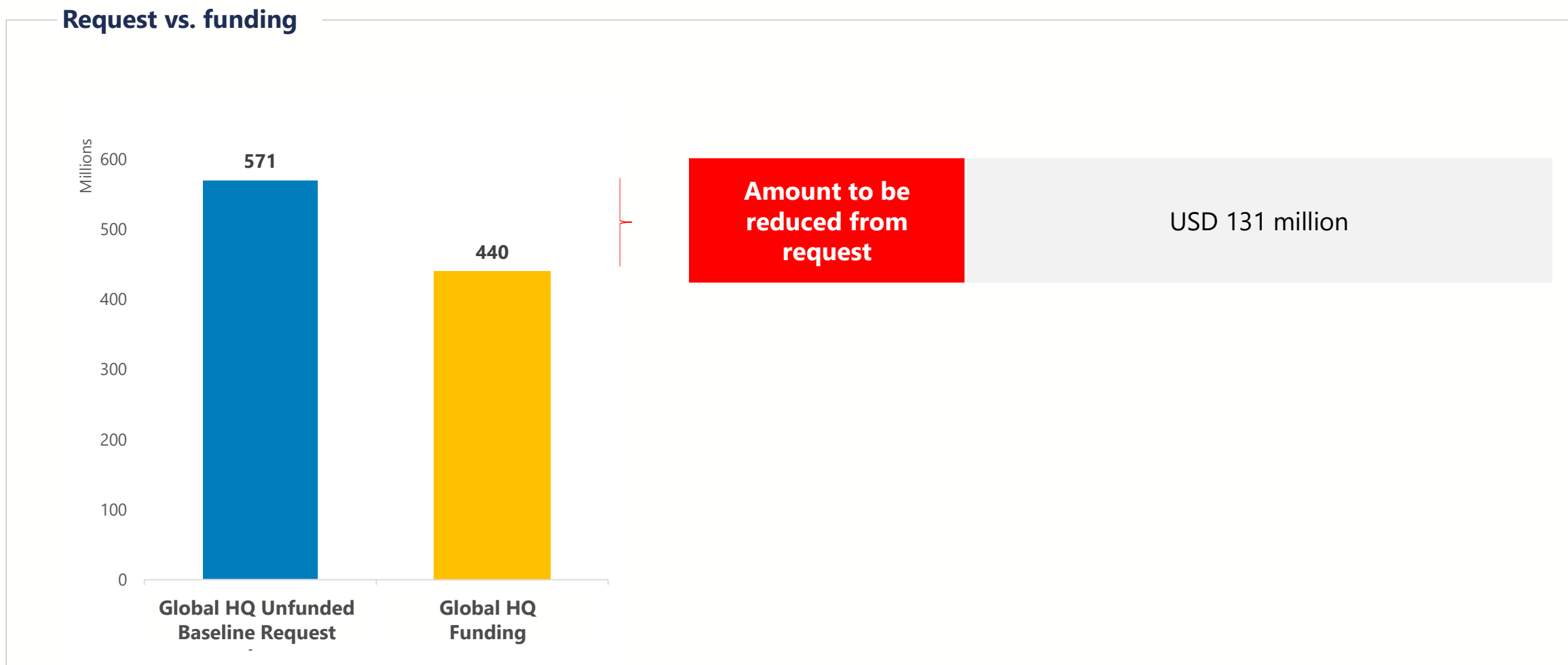
\*excluding PSA support to country offices, this has already been factored in

# Unfunded needs for global HQ equals USD 625 million



**USD 625 million**

# Recurring needs cannot exceed USD 440 million



# Approaches to reduce unfunded needs

## Reduction of unfunded needs

### Identification of one-time unfunded needs

- Activities that are essential (e.g. a system upgrade or a response to an audit) that are one-time
- These could be funded from PSAEA, Capital Budgeting Facility and the unarmarked portion of the General Fund

**Funding to be determined in coming months**

### Reduction of recurring unfunded needs

- Head of Department reviews and the Review Committee will address
- Ensuring our recurring activities do not exceed our operational level and available resources

**USD 440 million**

# Next steps

**The Executive Director has provided guidance**

1



*The ED has shared guidance with Heads of Department to shape their reviews*

**Further reviews will take place**

2



*Heads of Department and the Review Committee will examine budget requests*

**Executive Director will take decisions**

3



*The ED will take decisions based on recommendations from the Review Committee*

**The Board will remain informed**

4



*BUSBE remains committed to providing updates to member states*