

## **Supplementary information note to Annex II: Changing Lives Transformation Fund, of the “Update on the WFP management plan (2022–2024)” (WFP/EB.A/2022/6-D/1) to be presented for approval at the 2022 annual session of the Executive Board under agenda item 6**

This document has been drafted to provide additional information related to the establishment of the Changing Lives Transformation Fund, guided by discussions with Member States, including during the WFP resource management seminar, list meetings and the FAO Finance Committee, which were held in May/June 2022.

### **The Changing Lives Transformation Fund**

1. The WFP strategic plan (2022-2025) outlines WFP’s work in saving lives and changing lives, supporting countries in their achievement of Sustainable Development Goals (SDGs) 2 and 17. Saving lives, including through crisis response, is core to WFP’s service to the world. Changing lives covers the spectrum of activities and services that WFP can provide to help countries achieve zero hunger. In its efforts to reduce the gap between the needs and those we are able to serve, WFP is seeking to implement sustainable programmes that change lives and better position WFP country offices to secure funds. This requires a multi-track approach, which must reduce the number of people who require food assistance while leveraging diverse sources of funding.
2. The strategic evaluation of funding of WFP’s work (2014–2019) found that WFP operations in less visible crises and resilience building and development activities have not tapped into financing at scale. This has been echoed by WFP regional and country directors, and their respective counterparts in host governments. The Changing Lives Transformation Fund (CLTF) will address this finding.
3. At this moment of a global food crisis, there is recognition that humanitarian response alone cannot mitigate the scale of the crisis. Rather, it must be complemented by both short- and medium-term investments in systemic solutions. Both saving lives and changing lives solutions will be required. Additional, predictable resources are to be secured to ensure the breadth of response, while preserving WFP’s capacity to deliver emergency assistance.
4. Since 2019, WFP has demonstrated increasing success in securing funds directly from national governments, including drawing on resources from international financial institutions (IFIs). These successes have demonstrated the potential for WFP to leverage its comparative advantages to secure funds and implement activities in support of national government objectives. In contexts such as Somalia and Haiti, this has allowed WFP to implement sustainable solutions alongside humanitarian response. They have shone light on areas where WFP can invest to better align, provide capacity, and scale programmes with potential for transformative impact.
5. The CLTF will provide country offices with demonstrated potential to access new resources, with a different investment model to help them engage in a sustained manner. This, in turn, should reduce pressure on the donor partners funding humanitarian response.
6. From 2020, WFP carried out a review of the various efforts that have been undertaken to enhance financing models and access new resources. Based on extensive internal and external consultations, and a review of potential funding streams, the original concept of the CLTF was estimated based on USD 5-10 million for 10-15 countries, for a total of USD 70 million. Taking into consideration the demand for the Immediate Response Account,

and the potential for proposals that would not require that magnitude of funds, the proposal was adjusted to USD 55 million over three years, the equivalent of one week of a major emergency response. The initial allocation of USD 55 million is deemed a reasonable funding level to generate the desired momentum, with each application now anticipated to be between USD 2 million to USD 7 million. This would allow 10–15 countries to benefit over the lifecycle of the allocation to the fund, with an average expenditure of USD 1.2 million/year per country.

7. The USD 2 million to USD 7 million allocation per country is not intended to support the full scaling of activities. Its catalytic nature means that it will better position WFP to access funds that will enable implementation at scale, in complementarity with other stakeholders. Rather than filling the funding gap in current WFP programmes, funds will be used for actions seen as transformative, innovative, scalable, and replicable. This approach supports the intentions of the current strategic plan, and to consolidate strategic partnership opportunities. It provides adequate time to implement, monitor, and report on the achievements. This, in turn, will inform whether the Fund is replenished.
8. A country's context informs WFP's comparative advantage. However, sustained and targeted investments in the changing lives portfolio are rare. The Fund will enable WFP to analyse the strategic entry points, align its capacities to access new streams of financing to implement the country strategic plans (CSPs) in collaboration with host governments and IFIs. In turn, this should position WFP to access new streams of financing, including implementing government-led approaches.

### **The criteria for country selection and allocation mechanism**

9. The allocation mechanism of the Fund will be determined by two pillars: country context readiness with need for disruptive long-term socioeconomic programmes as well as WFP country offices' ability to manage and implement such projects. The selection process of eligible countries will be initiated by a formal call for proposal to country offices and followed by the following robust three-step assessment approach.
10. Step 1 will assess the country context readiness and need for a CLTF project. This initial assessment, directed by the portfolio manager and a technical team, which will ensure technical support and review on behalf of the Programme and Policy Development Department, the Partnerships and Advocacy Department and the Resource Management Department, will rely on quantitative metrics, such as the World Bank Group Government Effectiveness Index and the Global Hunger Index, data on potential financing pipelines from IFIs and others in the country as well as the level of spending of other development actors. All countries can be considered, engagement will be guided by context. For example, projects might be implemented in support of national government-led approaches, or working in support of core government institutions, the aim is the achievement of national objectives within outcomes covered in the CSPs.
11. Step 2 will assess the WFP country office's ability to drive a transformative project. Here, the likelihood of success of the country office will be assessed along a number of pre-defined dimensions/criteria, including among others, the maturity of relationship with (local/regional/national) government, the likelihood to enter a scaling phase, the root causes/resilience proposal capacity, as well as the maturity of relations with IFIs. This will be done by the portfolio manager and the technical team with the Director of the Programme – Humanitarian and Development Division and Director of the Strategic Partnerships Division, in consultation with the respective regional directors.

12. Step 3 will prioritize submissions for consideration by the CLTF Committee. It will include the initial review of the short-listed submissions by country offices to the portfolio manager. The technical team, supported by the Operations Management Support Office, will carry out the review, and validate the potential of the proposed projects for impact. Thematic areas could include, but not be limited to climate adaptation, resilient food systems, and social protection, including school-based programmes. The elaborated project proposals and recommendations will be submitted to the CLTF Committee, chaired by a member of the Leadership Group. The Committee will review the countries to receive the allocation, based on submissions and the recommendations.
13. The CLTF Committee will examine and share the prioritized countries, and recommended allocations, with the Multilateral Budget Committee to endorse the fund allocations for final approval by the Executive Director. Allocations will be reported through annual country reports and the global annual performance report, and the overall Fund will undergo a review at the end of the current tranche. The process will be overseen by the governance structure of the Changing Lives Transformation Fund, covered in annex II (para 27).
14. The CLTF Committee will also ensure a corporate learning cycle. The calls for proposals will serve as a platform for knowledge exchange, learning, and refinement. Each allocation cycle will be monitored by the portfolio manager and followed by a corporate dialogue which will include feedback on proposals, emerging trends, and opportunities for improvement in order to promote organizational learning and inform the next cycle of CLTF proposals.

### **Why WFP is best placed to engage in the proposed work**

15. WFP is not seeking to compete with governments or partners, but to leverage its comparative advantages to support the achievement of national objectives where requested and supported by the government to do so. In some countries, the government itself may be leading the process; in others, WFP may be working with, and in support of, government institutions. It is adaptive and context driven. The CLTF will help country offices frame the WFP offer in response to demand that exists.
16. At the outset of the proposal design phase, a rigorous planning process will be required to understand where and how WFP can complement existing efforts by partners, especially the government, to reduce and prevent future needs. WFP will also aim to partner closely with national stakeholders to build national capacities, aligned to our CSP approach. WFP will work with the communities we serve, while ensuring existing partners in-country are at the centre of planning, delivering and fine-tuning our collective responses.
17. Likewise, WFP will explore opportunities to work with United Nations partners. This may include joint project design and/or implementation. It may also include exploring different funding mechanisms including with the FAO Investment Centre, and/or with IFAD/UNCDF, among others.

### **Evidence of impact of previous related investments**

18. WFP has implemented previous seed funding efforts. In the development of the CLTF, lessons learned from these were applied.
19. The **2030 Fund** provided small allocations for investments. Now exhausted, the fund was able to test short-term impact and solutions, however it did not enable transformative and longer-term impact.

20. The **critical corporate initiative on “Programme and partnership support initiative at country office level”** was established to address gaps in country-level project design and corporate support to identify and successfully pursue diversified and longer-term financing opportunities for priority programmatic areas. The mapping of the funding landscapes – including by donor, financial institution, and theme – demonstrated the importance of field-based support to advise country offices and liaise with host countries on national development plans. The mapping of the landscape was then used to provide small allocations to country offices to identify context-specific priorities and entry points, while also identifying changes needed to country, regional and global level processes, staff and systems.
21. Even as the supported activities continue to be implemented, the potential for impact in the changing lives arena is being seen. However, to fully leverage this sort of opportunity and position for sustainable engagement and partnerships, more robust investments are required to demonstrate a return on investment at scale.

### **Alignment to country strategic plans’ theory of change**

22. Activities that are funded by the CLTF will be part of approved CSPs and allocation will be made to the CSP’s country portfolio budget. Activities will be budgeted for as per WFP’s regular budgeting guidance. The CLTF will enable country offices to enhance their capability in saving and changing lives, and the link between the two, including through enhancing capacity through augmenting existing staffing structures, both by bringing in new capacity, and supporting capacity development where appropriate. For example, adjustments to monitoring and evaluation, partnership structures, and programme design might be required. The approach should enable sustained investment and reorientation in order to enhance the changing lives offer.
23. The envisioned outcomes described in each proposal to the CLTF, will align with the respective CSP’s outcomes, which reflect the theory of change exercise which is undertaken at the CSP design stage. Each proposal will be expected to articulate and demonstrate the linkages between CSP outcomes and national priorities. Activities outlined in a CLTF proposal are also expected to complement the preconditions and requirements necessary to achieve the change articulated in the CSP, thereby demonstrating ‘how’ to enable or achieve change. The CLTF, currently estimated at USD 55 million, in comparison to a global CSP portfolio of USD 17.1 billion, is expected to complement and align with the other mechanisms and efforts to contribute to achieving SDGs 2 and 17.

### **How progress and impact will be measured**

24. The principal stakeholders in the CLTF are host governments. This demands that WFP align itself, as a supporting partner, to the partner government’s national objectives. The contribution that WFP makes relies on a successful and complementary partnership not only with the government, but other actors including IFIs, United Nations organizations and civil society, amongst others. It will be important that the comparative advantage of all stakeholders, beyond government, IFIs and WFP is harnessed.

25. Impact is measured through quantitative key performance indicators (KPIs), which will be defined during the design phase of the project proposal and linked to the project's theory of change. The main KPIs will be related to the capacity of the transformation projects to catalyse programming and financing through building and consolidating strong partnerships with government, IFIs and bilateral donors. Secondary KPIs may include new funding for WFP to supplement the initial CLTF investment at the country level.
26. By demonstrating the proof of concept and potential for transformation, the approaches must be able to identify sustainable, longer-term financing solutions, and possible potential for integration into national systems. The benchmark in each country would be the return on investment, demonstrated through the value of additional directed funds to the project at the beginning, at the mid-point and at the end of each project's lifecycle. In addition, national development indicators would be used for each proposal to determine the transformative impact of WFP's activities in the target areas, over time. After two years, an initial review will be undertaken to assess programmatic outcomes, and to establish if expected value-addition is being achieved and that potential for scalability is adequate. CSP baseline data from Strategic Reviews as well as national development indicators may be used and tracking of investments by governmental and non-governmental stakeholders will be undertaken.

### **Sustainability of the Fund**

27. The success of this CLTF will inform how it is used and replenished. With a demonstrated return on investment, options for replenishment will be explored, including the potential for partners to contribute directly to the Fund. Continued funding is anticipated from host governments, IFIs and donors at the country office level. At the global level, donor and Executive Board funding is anticipated based on the CLTF's track record. Potential options include:
  - New replenishments as has been done for the Emerging Donor Matching Fund.
  - Direct donor contributions.
  - Unearmarked individual giving donations.