

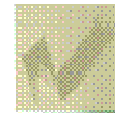
# FINANCIAL POLICY REVIEW



Financial Seminar April 3, 2008

# Today's Objectives

- Initiate dialogue on Financial Policy Framework review
- Define what is meant by Financial Policy Framework
- Outline key components of FPF
- Propose next steps for review



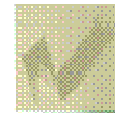
# Today's Agenda

1. Context and History

2. What is financial policy?

3. Policy texts

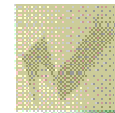
4. Way Forward



# Background - Programmes

WFP in the early 1990's:

- ▶ 100 % Voluntary Funded
- ▶ Programmes included:
  - ▶ Development (funded from regular resources);
  - ▶ Protracted relief (funded from regular and extra-budgetary)
  - ▶ Emergency (IEFR - funded from extra-budgetary) and
  - ▶ Special Emergency Operations (funded from extra-budgetary)



# Background - Funding

## Historically:

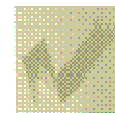
- ▶ One-third contribution in cash to regular resources for:
  - ▶ All transport and associated costs for development programme, and
  - ▶ and ALL support costs

## However, by the early 1990's:

- ▶ Development resources and associated cash were declining
- ▶ Increasing emergency portfolio without overhead contribution
- ▶ Serious funding problem for support costs
- ▶ Support cost expenditure without secure resource levels

## Mid 1990's:

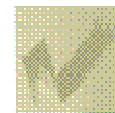
- ▶ Interim measure: support cost levied on emergency and relief operations
- ▶ The need for each programme to be fully self financing was noted
- ▶ Governing body established Formal Working Group to review options



# Financial Policies - History

## Resources and Long Term Financing Policy (RLTF):

- ▶ Adopted in 1995 (effective January 1996)
  
- ▶ Setting out the 4 pillars of WFP financial framework:
  - ▶ Programme Categories
  - ▶ Funding Windows
  - ▶ Cost Categories
  - ▶ Full Cost Recovery



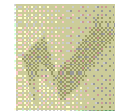
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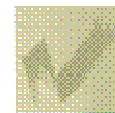
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# Financial Policies – Definition

Financial Policy Framework:

1. 'Programme Category' concept
2. 'Funding Window' concept
3. 'Cost Components' concept
4. Principle of Full Cost Recovery





# Financial Policies

## 1. 'Programme Categories' to classify programmes:

- ▶ Development (DEV)
- ▶ Emergency Relief (EMOP)
- ▶ Protracted Relief and Recovery Operations (PRRO)
- ▶ Special Operations (SO)



# Financial Policies

## 2. 'Funding Windows' to classify contributions:

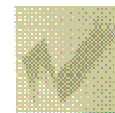
- ▶ Multilateral
- ▶ Directed Multilateral
- ▶ Bilateral



# Financial Policies

## 3. 'Cost Components' to classify costs:

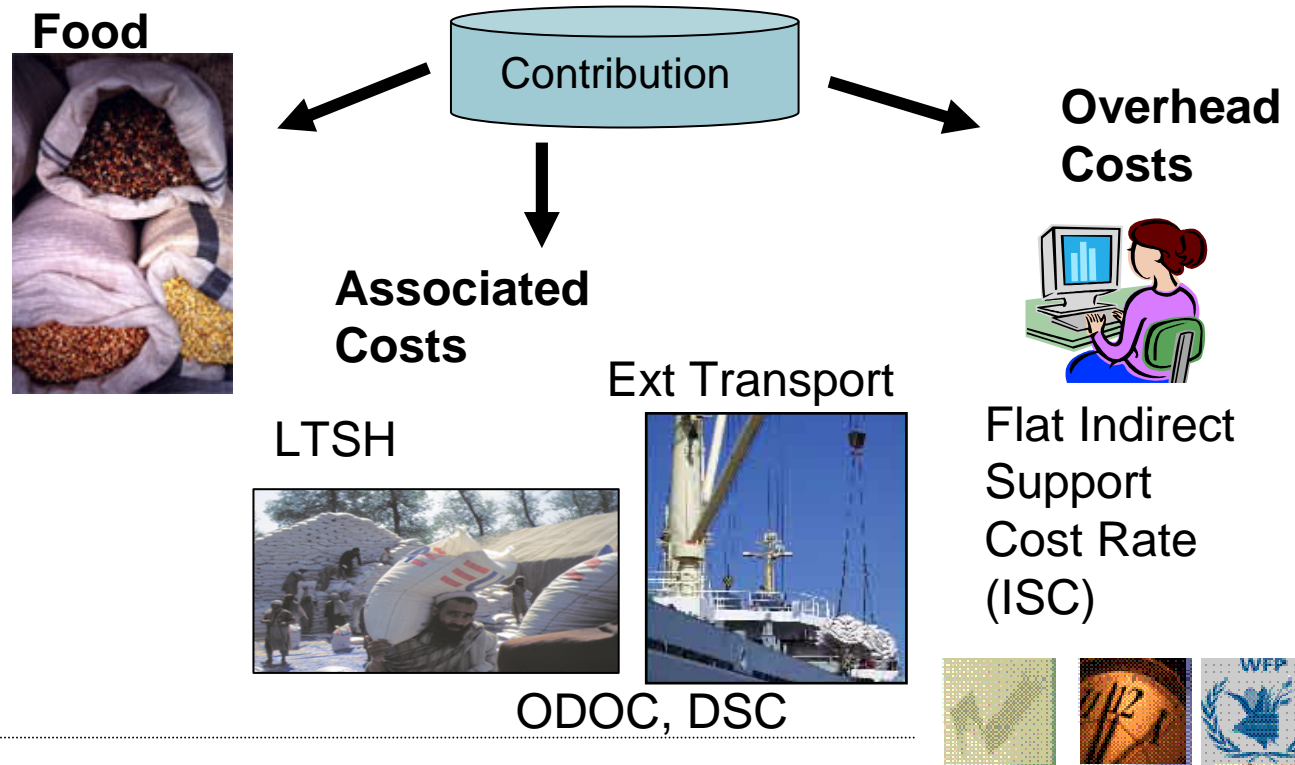
- ▶ Direct Costs
  - ▶ Direct Operational Costs
    - ▶ Commodities
    - ▶ External Transport
    - ▶ Landside, Transportation and Handling (LTSH)
    - ▶ Other Direct Operating Costs (ODOC)
  - ▶ Direct Support Costs (DSC)
- ▶ Indirect Support Costs (ISC)



# Financial Policies

## 4. Full Cost Recovery:

- ▶ WFP is 100% voluntary funded
- ▶ All costs associated with the implementation of a contribution to be covered



# Full Cost Recovery

## Recovery of ALL operational and support costs from all contributions

- Food commodities – actual cost
- External Transport – estimated actual cost
- LTSH / DSC / ODOC – pro-rata share of project budget amount
- ISC – percentage of direct costs, set by the Board

## Exceptions:

- Contributions designated to IRA or PSA related
- Some contributions from emerging donors
- Waiver by the Executive Director for DSC In-kind



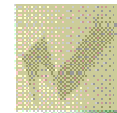
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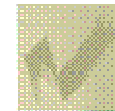
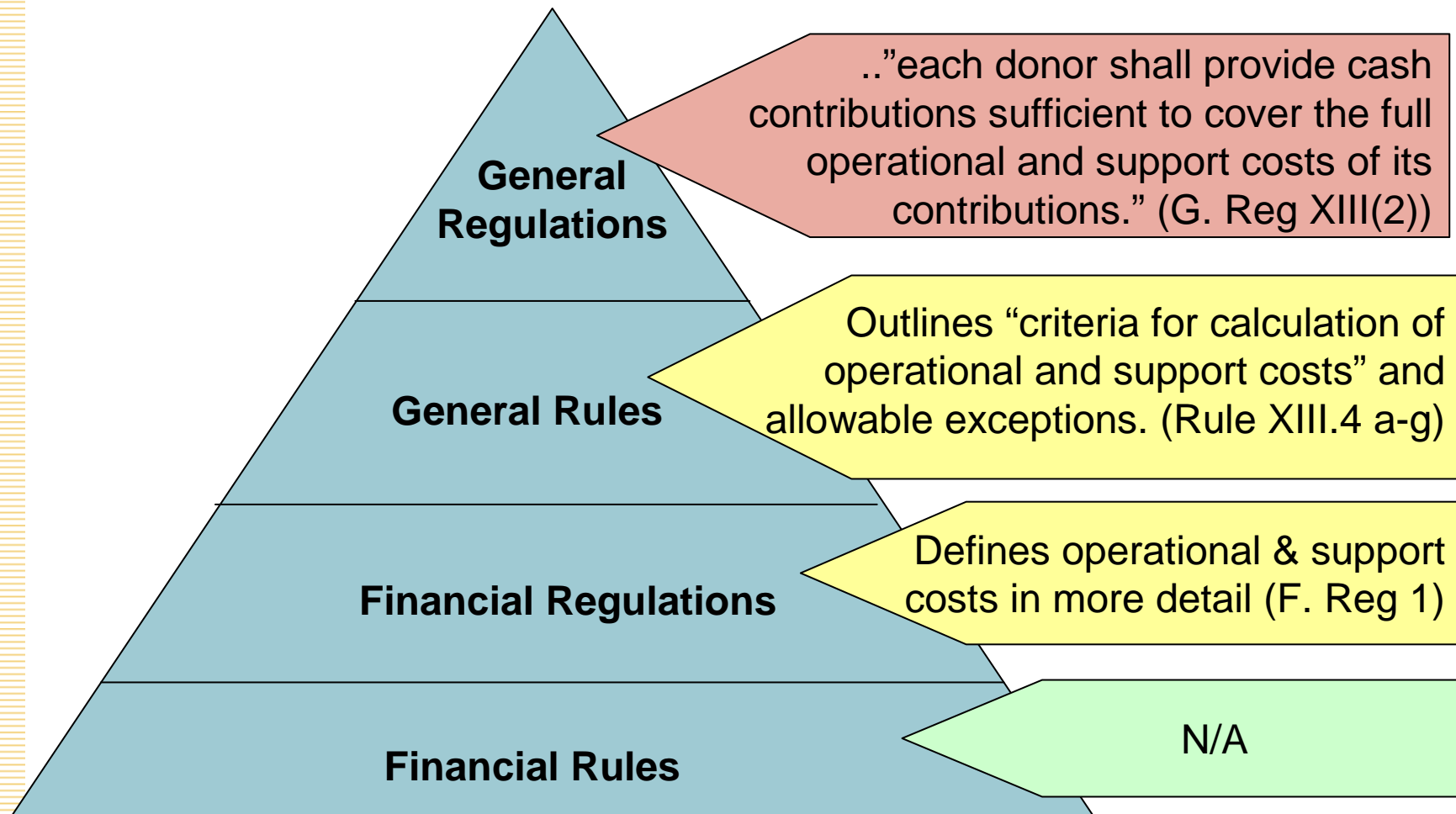
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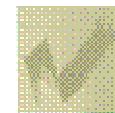
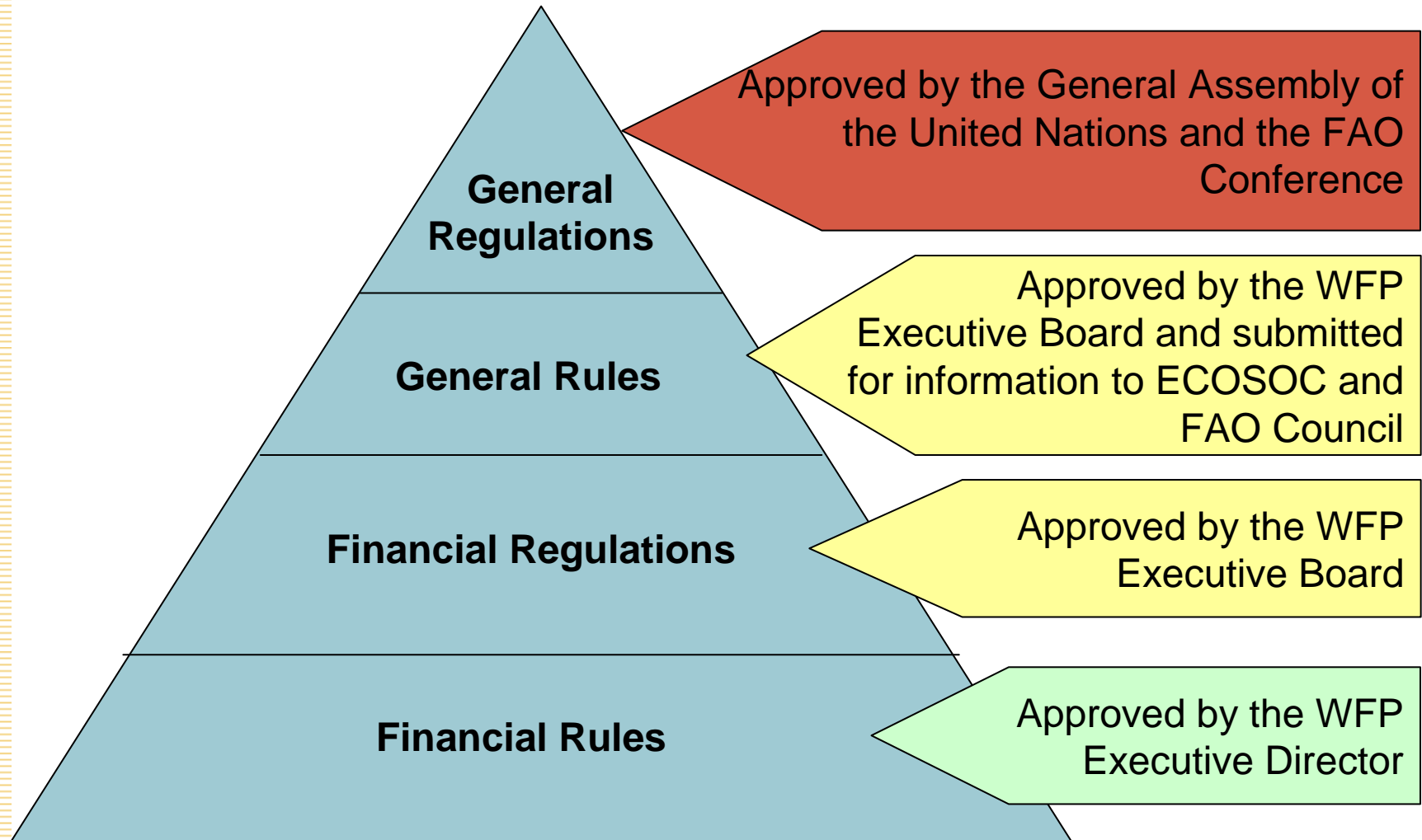


# Hierarchy of Rules and Regulations

Example: FULL COST RECOVERY



# Hierarchy of Rules and Regulations





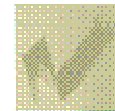
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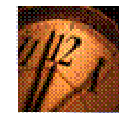
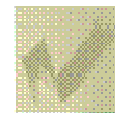
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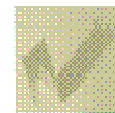
# ROADMAP

- Launch of Financial Policy Review April 3, 2008
- April 2008: List consultations
- April – May 2008: Internal Secretariat consultations (CO's and RB's)
- June 2008: Informal consultation with Board members



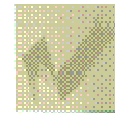
# CONSULTATIONS – LISTS

- All lists: April 2008
- Requested through EB Bureau
- Objectives:
  - Initiate dialogue with all lists
  - Identify issues for discussion
  - Identify topics of interest

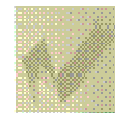


# CONSULTATIONS – BOARD

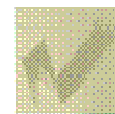
- Informal Board Consultation: June 2008
- Objectives:
  - Review & group issues (from both EB & Secretariat)
  - Discuss scope and timeframe of the review
  - Agree on process (approach) and timeline depending on:
    - Agreed scope of review
    - Views of membership
    - ECOSOC/FAO Council deadlines



THANK YOU



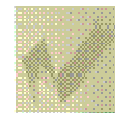
# Annexes



# Financial Policies – History Cont.

## Major changes since introduction of RLTF:

- Review of RLTF conducted in 1999 resulting in:
  - Re-categorization of some costs
  - Single ISC rate introduced
  - Advance funding mechanism (DSCAF)
- Recognition of income on accrual basis (2002)
- ISC rate reduced from 7.8% to 7.0% (2003)
- Establishment of PSA Equalization Account (2003)
- Creation of Staff Cost Variance Equalization Account (2002)
- Government Counterpart Cash Contribution (GCCC) rules reformed
- Working Capital Financing (WCF) facility introduced (2005)



# Policy Texts

- 1995: Resource and Long Term Financing Policy of WFP (CFA/40/5)
- 1999: Report of the Formal Working Group on the Review of WFP's Resources and Long-term Financing Policies (WFP/EB.1/1999/4-A)
- 1999: Guide to WFP's Resource and Long-Term Financing Policies (WFP/EB.3/99/INF/18)
- 2003: Issues on Financial Policies (WFP/EB.1/2003/6-A/1)

