

# **Update on the Integrated Road Map, including proposals on full cost recovery**



**Informal consultation**

**27 April 2018**

**World Food Programme  
Rome, Italy**

## Introduction

1. The Executive Board approved the Integrated Road Map (IRM) and its four components – the WFP Strategic Plan (2017–2021),<sup>1</sup> the Policy on Country Strategic Plans,<sup>2</sup> the Financial Framework Review<sup>3</sup> and the Corporate Results Framework (CRF) (2017–2021)<sup>4</sup> – at its 2016 second regular session.
2. The IRM defines the transformative strategic, process and system changes required to channel WFP’s support to countries’ work to end hunger among the poorest and most food-insecure people. The organization-wide transformative change facilitates and demonstrates WFP’s contribution to achieving the goals of the 2030 Agenda, particularly Sustainable Development Goals (SDGs) 2, “End hunger, achieve food security and improved nutrition, and promote sustainable agriculture”, and 17, “Strengthen the means of implementation and revitalize the global partnership for sustainable development”.
3. To date, 67 country offices have transitioned to the IRM, which enables the design of WFP portfolios that are aligned with national priorities in order to serve people more effectively and efficiently, supporting governments and other partners in achieving the SDGs. The IRM framework is composed of the country strategic plan (CSP), interim country strategic plan (ICSP), transitional interim country strategic plan (T-ICSP) and limited emergency operation modalities:
  - CSPs can be designed for a duration of up to five years. They are based on country-led national zero hunger strategic reviews and may also be informed by evaluations, assessments – including joint needs assessments – and feasibility studies. CSPs that are funded entirely by the host country may be approved by the Executive Director or, if the host country so elects, by the Board; all other CSPs are approved by the Board.
  - ICSPs have a duration of up to three years and are used when a strategic review to inform the design of a CSP has not been completed. ICSPs are based on WFP’s existing strategies, studies, assessments – including joint needs assessments – based on analysis and data. Like CSPs, ICSPs that are funded entirely by the host country may be approved by the Executive Director or, if the host country so elects, by the Board; all other ICSPs are approved by the Board.
  - A T-ICSP following a limited emergency response may be approved by the Executive Director, with joint approval from the Director-General of the Food and Agriculture Organization of the United Nations (FAO) for emergency-related components; T-ICSPs that are based on previously approved project documents may be approved by the Executive Director for a duration of up to 18 months as a bridge to CSPs informed by strategic reviews.
  - A limited emergency operation – which may include the provision of services or capacity strengthening support, as required – may be implemented in the event of an unforeseen and sudden-onset emergency in a country where WFP does not have a presence. Limited emergency operations are planned for an initial period of up to six months and are approved by the Executive Director and, if required, the Director-General of FAO.
4. The country portfolio budget that accompanies each CSP, ICSP, T-ICSP or limited emergency operation consolidates all operations and resources into a single structure, with the exception of service level and third party agreements that are incidental to WFP’s programme of work and are pass-through activities. This structure articulates the

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<sup>1</sup> WFP/EB.2/2016/4-A/1/Rev.2.

<sup>2</sup> WFP/EB.2/2016/4-C/1/Rev.1.

<sup>3</sup> WFP/EB.2/2016/5-B/1/Rev.1.

<sup>4</sup> WFP/EB.2/2016/4-B/1/Rev.1.

relevance and impact of WFP's work by transparently linking strategy, planning, budgeting, implementation and resources to the results achieved. It also introduces four high-level cost categories and simplifies the application of full cost recovery. Each country portfolio budget, broken down into its four high-level cost categories, is approved in terms of total budget per WFP strategic outcome.

5. The 27 April 2018 informal consultation provides an opportunity to update the Board on implementation of the IRM, outline lessons learned and progress on major issues, and put forward proposals based on WFP's internal review of full cost recovery. In addition, the Board will also consider the two-step process proposed for consultations with Member States on CSPs and ICSPs in 2018 and 2019.

## Progress to date

### Country offices operating within the IRM framework

6. A total of 67 country offices have moved to the IRM framework to date – 24 with full CSPs, 6 with ICSPs and 37 with T-ICSPs – representing 65 percent of WFP's programme of work.
7. Country offices entered the IRM framework in "waves":
  - Eight wave 1A<sup>5</sup> CSPs were approved at the 2017 first regular session;
  - Six wave 1B<sup>6</sup> CSPs and an ICSP were approved at the 2017 annual session;
  - Eleven wave 2A<sup>7</sup> CSPs and ICSPs were approved at the 2017 second regular session;
  - Thirty-seven T-ICSPs<sup>8</sup> were approved by the Executive Director during 2017; and,
  - Five wave 2B<sup>9</sup> CSPs were approved at the 2018 first regular session following related short-term ICSPs approved by correspondence in December 2017.
8. Following the flexible approach noted by the Board at its 2017 annual session, on an exceptional basis, some country offices<sup>10</sup> opted to continue operating under the project system in 2018. Depending on the country, the additional time that this provides will enable the Secretariat to improve programme quality, address issues with the migration of resources from the old to the new system and ensure greater capacity to manage the transition to the IRM. These country offices will move to the IRM framework by January 2019.

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<sup>5</sup> Wave 1A CSPs are for Bangladesh, China, Colombia, Ecuador, El Salvador, Indonesia, Lao People's Democratic Republic and Zimbabwe – began implementation on 2 April 2017.

<sup>6</sup> Wave 1B CSPs are for Cameroon, Lebanon, Mozambique, Namibia and the United Republic of Tanzania; the ICSP is for the Sudan. The Cameroon and Lebanon CSPs began implementation on 1 January 2018; the others on 1 July 2017.

<sup>7</sup> Wave 2A CSPs and ICSPs are for Central African Republic, Democratic Republic of the Congo, Guatemala, Islamic Republic of Iran, Kyrgyz Republic, Myanmar, Peru, State of Palestine, South Sudan, Sri Lanka, and Uganda – began implementation on 1 January 2018.

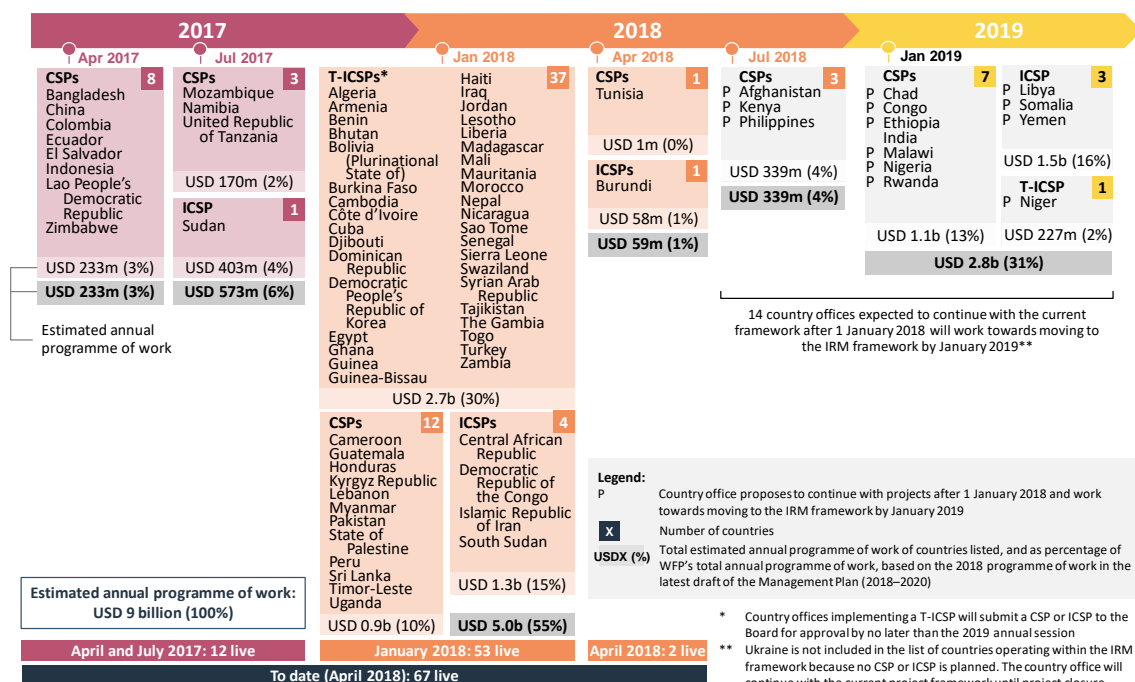
<sup>8</sup> The T-ICSPs are for Algeria, Armenia, Benin, Bhutan, Bolivia (Plurinational State of), Burkina Faso, Cambodia, Côte d'Ivoire, Cuba, Djibouti, Democratic People's Republic of Korea, Dominican Republic, Egypt, Gambia, Ghana, Guinea, Guinea-Bissau, Haiti, Iraq, Jordan, Lesotho, Liberia, Madagascar, Mali, Mauritania, Morocco, Nepal, Nicaragua, Sao Tome and Principe, Senegal, Sierra Leone, Swaziland, Syrian Arab Republic, Tajikistan, Togo, Turkey and Zambia.

<sup>9</sup> The CSPs are for Honduras, Pakistan, Timor-Leste and Tunisia; the ICSP was for Burundi. The CSPs for Honduras, Pakistan and Timor-Leste were preceded by short-term ICSPs approved by vote by correspondence in December 2017 in accordance with Rule IX.8 of the Executive Board Rules of Procedure and with WFP/EB.2/2017/4-A/1/Rev.1, which allowed implementation of the ICSPs to commence on 1 January 2018 as an interim measure.

<sup>10</sup> Ukraine is not included in the list of countries operating within the IRM framework because no CSP or ICSP is planned. The country office will continue with the current project framework until project closure.

9. Figure 1 shows the indicative transition of country offices to the IRM framework.

**Figure 1: Indicative transition of country offices to the IRM framework, 2017–2019**



## Analysis of contributions received to date

### Total funds received

- The CSP structure provides donors with clear visibility on WFP's long-term strategic and programmatic direction globally and in individual countries. It facilitates decision making on funding, including on multi-year contributions or other commitments with a longer planning horizon.
- By 21 March 2018, 62 countries had received USD 2.6 billion in 2017 and 2018, including contributions that were transferred from previous projects to the IRM framework and contributions to "early released" budgets for CSPs, ICSPs and T-ICSPs. New resources amounted to USD 685 million.
- Total contributions received by 62 countries operating within the IRM framework were allocated as follows:
  - 129 grants valued at USD 210 million, or almost 8 percent of the total received, were allocated at the country level in 42 countries;
  - 37 grants valued at USD 33 million, or 1.3 percent of the total received, were allocated at the strategic result level in 26 countries;
  - 125 grants valued at USD 166 million, or 6.3 percent of the total received, were allocated at the strategic outcome level in 42 countries; and
  - 502 grants valued at USD 2.2 billion, or 84.4 percent of the total received, were allocated at the activity level in 60 countries.

### Efforts to encourage more flexible and predictable contributions

- The IRM provides a programmatic and financial framework that is based on coherent, holistic and results-based country portfolios reflecting WFP's contribution to national SDG efforts across humanitarian and development situations together with partners. The

framework is designed to facilitate resource mobilization for concrete, country-specific outcomes, while providing a breakdown of costs by activities.

14. The Secretariat expects that the degree of transparency provided to Member States and donor partners through the activity-level budget structure will increase donors' confidence, encouraging them to reduce earmarking and move towards more outcome-based or flexible funding over time. The Secretariat recognizes that increasing the consistency and coherence of strategic outcomes across CSPs and more regular data reporting and country reports under the IRM will provide further reassurance to donor partners, thus encouraging them to allocate funding to country-specific or higher outcomes. In this context, WFP, working with partners, will build further evidence of the gains in efficiency and effectiveness that such funding delivers.
15. The IRM framework also provides opportunities for securing more predictable funding, especially in the form of multi-year contributions, enabling longer-term, consistent and continuous investments, which are necessary to reduce humanitarian losses and strengthen community resilience over time. Predictable funding is crucial for WFP's planning and efforts to improve efficiency and effectiveness. It allows WFP to scale up prevention efforts, reduce risks and increase resilience programmes that help households, communities and systems to retain their assets, incomes and capacities during crises, potentially reducing the size and duration of humanitarian responses. Longer-term funding also allows WFP to prioritize investments in enhancing preparedness based on assessed risks, sound evidence<sup>11</sup> and the time and cost savings identified as resulting from specific preparedness interventions in high-risk humanitarian contexts. Investments in proactive and sustained responses that aim to avert humanitarian crises have been found to reduce the cost of humanitarian response by up to 30 percent.<sup>12</sup>
16. As part of efforts to increase flexibility, the Secretariat plans to engage with donors in strategic financing dialogues to explore all the opportunities for improving the quality of contributions, including earmarked contributions, by assessing the extent to which donor conditions can be eased. The Secretariat will continue to emphasize the importance of flexible funding, stimulated by coherent, holistic and results-based country portfolios, in its communications, outreach and advocacy activities with donor partners and other stakeholders.

## Lessons learned

17. The Secretariat has systematically gathered lessons from countries' experiences with the IRM through detailed tracking processes, structured inputs from pilot CSP countries, meetings and regular teleconferences with deputy regional directors and regional focal points, direct inputs from country directors, support missions, regional workshops and meetings with division directors and the IRM steering committee.
18. Examination and analysis of challenges and best practices continue to be crucial to the enhancement of the IRM by informing refinements to the programme, financial and performance management frameworks and helping to ensure that WFP supports countries' work to end hunger among the poorest and most food-insecure people and to achieve the SDGs. These findings have been presented in informal consultations in 2017 and at the 2017 annual and second regular sessions and will continue to be presented throughout 2018.

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<sup>11</sup> A return on investment study published in 2017 and conducted in March 2016 by PricewaterhouseCoopers was sponsored by the United Kingdom Department for International Development and involved WFP, the United Nations Children's Fund, the Office of the United Nations High Commissioner for Refugees and the Office for the Coordination of Humanitarian Affairs.

<sup>12</sup> Venton, C.C. 2018. *Economics of Resilience to Drought in Ethiopia, Kenya and Somalia*. United States Agency for International Development. <https://www.agrilinks.org/file/economics-resilience-drought-ethiopia-kenya-and-somalia>.

19. Country offices continue to report that the preparation of zero hunger strategic reviews is a valuable process for eliciting critical information, providing a sound rationale for WFP's interventions and building a strong platform for the design of high-impact CSPs. The review process is recognized as an opportunity for building long-term strategic partnerships with governments, donors and other core partners, while the intensive consultations involved provide an opportunity for WFP to reposition itself and define its value proposition in each context. Country offices also emphasize the importance of dedicating adequate time to consultations with partners during CSP design, particularly on the formulation of strategic outcomes in order to align them with national priorities and donors' strategies, leading to enhanced co-ownership of the outcomes.
20. More than a year after the introduction of internal partnership action plans to support country offices in establishing their priorities and strategies for partnerships, 16 country offices have adopted such plans as a valuable internal management tool. As part of its continuous efforts to foster a consultative development process for successful CSPs with strengthened partner engagement, the Secretariat plans to capture lessons learned on the impact and effectiveness of partnership action plans with a view to enhancing their design and application and further mainstreaming their use within WFP.

### **The zero hunger strategic review process**

21. *Timing and alignment with national processes and the processes of partners.* Findings from zero hunger strategic reviews are expected to inform national development planning and the formulation of United Nations system-wide plans. To avoid duplication and enhance complementarity, the reviews therefore need to be synchronized with national planning cycles, United Nations development assistance frameworks (UNDAFs) and SDG localization processes such as voluntary national reviews. To ensure that the reviews are consistent with other processes and receive the required engagement, it is also essential that adequate time be dedicated to jointly defining with all relevant stakeholders the approach to be followed in designing and carrying out a review. Collective agreement on the objectives, methodology and timeframe of a zero hunger strategic review is the key to success.
22. *Changes in the political environment.* Elections and unexpected shifts in the political landscape may affect national ownership of the review process. It has proved helpful to cultivate broad political and strategic relationships with a wide range of stakeholders during the design of zero hunger strategic reviews. In coordination with partners, the lead convener plays a crucial role in managing and accommodating changing dynamics during the planning and execution of a review in order to ensure not only timeliness but also inclusiveness and objectivity.
23. *Mobilizing the right analytical and research capacity.* Research support can take multiple forms including groups of independent researchers, teams from universities, consultancy companies or a mix of these elements. While in-depth knowledge of local conditions is crucial for national ownership and leadership of the zero hunger strategic review, sufficient research capacity may not be available. The combined expertise of technical experts from ministries, United Nations agencies, donors, non-governmental organizations, civil society and the private sector, serving as participants on an advisory board and technical teams, has therefore proved to be instrumental in complementing the work of national research teams.

### **CSP approval and implementation timeframe**

24. The Secretariat strives to keep the time between the approval of a CSP and its starting date to a minimum. The timing of CSPs must also however take into account national planning cycles, the UNDAF and other processes in a country. The intensive consultation process preceding the design of a CSP situates WFP's assistance in a country, articulates how this assistance contributes to broader national plans, and provides the basis for deeper partnerships based on shared longer-term approaches to supporting the elimination of

hunger. When significant changes in the operating context occur between approval and the start of implementation, necessary adjustments will be reflected in an early revision of the CSP document once it has taken effect.

### **Formulation of strategic outcomes**

25. Strategic outcomes derive from national needs and priorities for achieving zero hunger by 2030, and consequently reflect specific features of the situation in each country. Strategic outcomes are not formulated by WFP alone, but collectively through extensive stakeholder consultations involving national entities, donors and other partners.
26. Building on country level broad consultations, informal consultations provide Board members with an opportunity to discuss concept notes on planned CSPs and build consensus on strategic outcomes early in the CSP development process. This multi-layered consultation process helps country offices to strike the right balance between specificity and flexibility when finalizing their CSP documents, including by ensuring that the government and partners participate in decisions regarding changes in the overall nature of strategic outcomes, if necessary.
27. The Secretariat has strengthened guidance on the formulation of strategic outcomes in order to ensure that they are consistent in scope and depth, particularly among the CSPs of countries in the same region and facing similar challenges. In ensuring such consistency, the Secretariat does not intend to standardize strategic outcomes for all possible scenarios, but rather to support country offices in ensuring that the outcomes accommodate the realities, interests and inputs of all stakeholders.

### **Strengthened synergies among humanitarian action, development and peace**

28. Recognizing the growing body of evidence that links hunger and conflict, WFP has the capability and reach to operate across the humanitarian, development and peacebuilding nexus. Building on the international agenda for sustaining peace and ongoing discussions on United Nations reform, WFP is enhancing the alignment and smoothing the transition between humanitarian and development actions in the CSP framework. WFP expects to improve its contribution to peace by:
  - enhancing programme design to better reduce risk and build resilience in support of peace;
  - expanding and deepening complementary institutional partnerships that provide added value to WFP's core work;
  - mainstreaming conflict sensitivity into all humanitarian and development work;
  - supporting the development of collective sector-specific outcomes through the Inter-Agency Standing Committee (IASC) task team; and,
  - linking operational innovations and collective sector-specific outcomes to strategic dialogue on the humanitarian–development–peacebuilding nexus in order to support system-wide changes in the enabling environment.

### **Progress on major issues**

#### **Simplification of the country portfolio budget processes**

29. Substantive feedback and lessons learned from the IRM rollout and application of the country portfolio budget structure have raised issues for consideration. In some instances, the complexity of processes related to the country portfolio budget structure has made fund management cumbersome in country offices, resulting in increased transactions and, at times, increased workloads.
30. Internal refinements to processes relating to cost management are being reviewed in close consultation with country offices.

31. In addition, based on experiences and feedback from pilot countries, the Secretariat is analysing options for improving budget planning processes. Aspects of the needs-based budget and implementation plan could be simplified, while the methodology for planning country portfolio budgets could be adjusted, particularly for later years in the planning cycle for which estimated projected costs are subject to greater uncertainty.
32. The Secretariat will update the Board on progress and the potential impact of these developments during informal consultations, taking into account feedback from Member States when considering refinements. It should be noted that efforts to streamline processes will not reduce transparency, which is a cornerstone of the IRM framework.

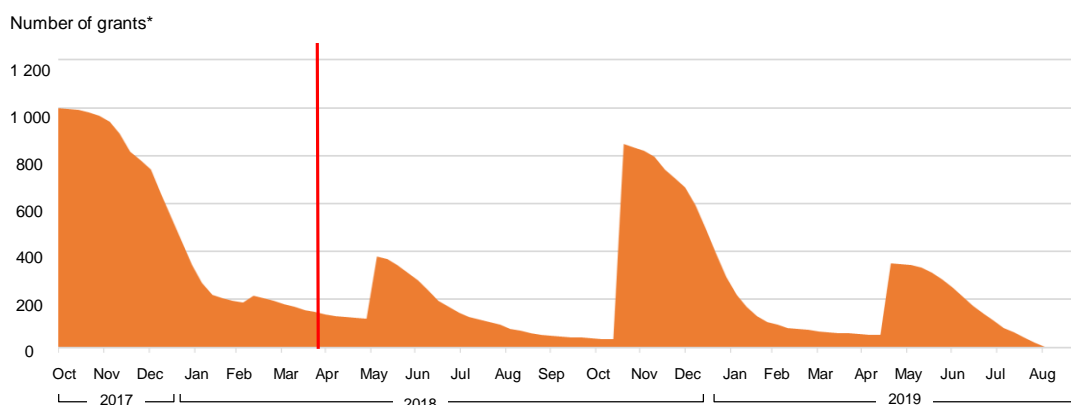
### Online portal

33. The Secretariat remains committed to launching an online portal by the middle of 2018. The portal will include programme, financial and performance-related information from CSPs and ICSPs approved by the Board. It will provide greater transparency on WFP’s planning and results within the IRM framework, strengthen governance and facilitate funding decisions.
34. The online portal will also integrate WFP’s annual planning process and country office management plans. Information will be displayed by country, Strategic Result, strategic outcome, activity and year and will cover planned and actual beneficiaries.
35. Development of the online portal has resulted in the consolidation of data from WFP’s multiple corporate systems. While the vast majority of data have been easily integrated into the portal, there are challenges in ensuring coherence among data from different sources.

### Resource migration

36. Resource migration – the transfer or reallocation of resources from closing projects to the new CSP framework – is critical for ensuring operational continuity at the start of CSP implementation and for supporting project closure procedures. The early release of budgets for CSPs, ICSPs and T-ICSPs, and tools for supporting the automation of resource migration were found to be crucial in mitigating the time sensitivity and immense workload involved. By 23 March, the resource migration process was complete having involved 1,028 grants, USD 660 million and 282,000 mt of food.
37. The Secretariat is continuing to enhance processes and improve indicators in preparation for migrating up to 800 grants in the next waves of CSPs for countries moving into the IRM framework in the remainder of 2018 and 2019 (Figure 2). It should be noted that the migration will also include the movement of grants from T-ICSPs to CSPs or ICSPs.

**Figure 2: Estimated resource migration going forward**



\* Includes migration of grants from T-ICSPs to CSPs/ICSPs



## **Corporate Results Framework and reporting**

38. The refinement of the CRF – with strategic goals, outcomes and results relating to the WFP Strategic Plan (2017–2021) – builds on the significant degree of continuity in the results frameworks for the project-based approach and the IRM approach. Sixty percent of the programme indicators in the strategic results framework have sufficiently robust methodologies to be carried over into the CRF. New indicators and methodologies that cover WFP’s new areas of work are being piloted.
39. Revision of the CRF is expected to continue throughout April with a view to strengthening indicators that require further refinement, especially those for WFP’s new areas of work such as activities related to Strategic Results 5, 6, 7 and 8. The primary focus of the review is on incorporating new elements of indicators deriving from the SDGs, which will allow WFP to strengthen evidence of how it contributes to national SDG targets. These improved links between WFP outcomes and national SDG targets apply not only to SDGs 2 and 17, but also to WFP’s contributions to other SDG targets. Internal discussions, lessons learned and working groups continue to contribute to the review. The pilot countries selected provide a representative sample of WFP’s work worldwide and range from large to smaller country offices operating in a variety of operational contexts with a broad spectrum of strategic objectives. Cross-function technical teams are reviewing recommendations and will engage with a wider range of country offices in order to ensure broad endorsement and consensus throughout WFP before the revised CRF is finalized.
40. The new CRF will reflect global agreements and facilitate active engagement with national governments and the United Nations system in measuring progress towards achievement of the goals of the 2030 Agenda. The Secretariat views the CRF as enabling WFP to measure results and meet its commitments to transparency and accountability. WFP will continue to engage partners throughout the review process, issuing regular updates and seeking advice and support. A revised CRF will be presented to the Board in November 2018 for application from January 2019.
41. The refined CRF will also draw on lessons from countries using the current CRF and the new WFP financial framework for reporting. Initial lessons from the annual country reports – released at the end of March 2018 for the 12 country offices that implemented programmes in the IRM framework in 2017 – identified the need for further work in areas that include capturing “resources for results” and defining baselines and targets for CRF indicators. A detailed analysis of the CRF’s ability to capture the relevance and impact of country offices’ work through the annual country reports is under way. The analysis will take into account the relatively slow implementation rate of CSPs in some countries in 2017 and the complications deriving from reporting based on two different results and financial frameworks within the reporting period.
42. In 2018, lessons learned will also be utilized to refine the approach and process for reporting. Initial findings highlight the importance of senior management’s involvement in and ownership of performance reports, the need for adequate staff capacity and training in reporting, and the essential need for up-to-date, accurate and comprehensive performance data. Opportunities for rationalizing different streams of reporting at the country office level will also be explored, including the alignment of annual country reports with the newly developed online portal and efforts to improve the speed and accuracy of reporting against humanitarian response plans and the financial tracking system. As the Secretariat reviews and refines processes, corporate reporting will continue to focus on demonstrating the relevance and impact of WFP’s work and transparently linking resources utilized to results achieved.

## Looking ahead

### *Foreseen consultation process with Member States for 2018 and 2019*

43. In accordance with the process approved by the Board at the 2016 second regular session,<sup>13</sup> five CSP and ICSP documents for the 2018 first regular session were made available 12 weeks before they were submitted for approval. Board members had 20 calendar days to provide comments electronically, and the final documents, incorporating comments received, were posted four weeks before the Board session. Following the process established for the 2017 second regular session, informal consultations were held on the draft CSP and ICSP documents at the conclusion of the 20-calendar day review process.
44. At the 7 February and 16 March 2018 informal consultations, the Secretariat presented options for simplifying the consultation process in advance of presenting CSPs and ICSPs for formal Board approval. The options aimed to allow sufficient opportunity for Board members to provide strategic and detailed feedback, in consultation with their capitals and country-level missions where appropriate, while ensuring the most strategic and effective use of the Board's time.
45. Discussions at the 16 March 2018 informal consultation indicated broad support for a two-step process to provide strategic feedback early in the CSP development process and detailed written comments prior to Board approval of CSPs and ICSPs. The proposal for consideration involves the following two-step process:
  - Informal consultations on concept notes for CSPs and ICSPs would be held approximately six months before the Board session at which the CSPs and ICSPs were to be presented.
  - The approved review process whereby Board members can provide detailed comments on CSP and ICSP documents 12 weeks before the documents are submitted for approval will be maintained.
46. Based on the approach introduced at the February 2018 informal consultation, outlined in the March 2018 informal consultation document and tested in the January and April informal consultations on CSP and ICSP concept notes, the Secretariat proposes to apply this two-step consultation process until the end of 2019, after which it could be reviewed, along with the permanent delegations of authority, at the 2020 first regular session. The review would draw from at least four cycles of informal consultations on concept notes for CSPs and ICSPs, followed by detailed review and Board approval of the final CSPs and ICSPs. It would include an examination of the value of the process, taking into account perspectives from the field and the costs involved.

### *Full cost recovery*

47. While approving the IRM in November 2016, the Board also approved principles for guiding the application of full cost recovery in the IRM framework, and derogations from provisions of General Rule XIII.4 and Financial Regulations 1.1 and 4.5 relating to cost categories and full cost recovery to facilitate IRM implementation.
48. At the 2017 annual session, the Board decided that the amendments to the general rules and financial regulations relating to full cost recovery would be considered at its 2018 second regular session.
49. At its 2017 second regular session, the Board approved interim governance arrangements to guide the application of full cost recovery from 1 January 2018. These interim arrangements apply to all country offices implementing CSPs, ICSPs, T-ICSPs and limited

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<sup>13</sup> WFP/EB.2/2016/4-C/1/Rev.1.

emergency operations. Countries operating in the project structure will continue to apply full cost recovery in compliance with General Rule XIII.4.

50. In addition to the changes in the application of full cost recovery required by the IRM, the Secretariat is reviewing WFP's full cost recovery formulation more broadly. The review is nearing completion, with findings and recommendations derived by an organization-wide, inter-departmental working group established in mid-2017 to analyse the adjustments required to the current general rules and financial regulations regarding full cost recovery in order to reflect the requirements of the IRM and the changing environment in which WFP works. The review highlighted issues that affect the proposed adjustments to General Rule XIII.4 and related financial regulations in order to incorporate IRM terminology and full cost recovery formulation. These issues are presented in paragraphs 54–68 for Member State feedback prior to their consideration by the Board at its consideration at its 2018 second regular session.
51. It should be noted that following informal consultations in 2017, there was broad consensus that the General Regulations would remain unchanged.<sup>14</sup>

### ***Twinning***

52. Twinning is a method utilized to achieve full cost recovery when a developing country, country with an economy in transition or other non-traditional donor provides an in-kind contribution but no associated costs. In such cases, the contribution is “twinned” with a cash contribution from another donor to cover associated operational and support costs. The process enables non-traditional donors to contribute to WFP and broadens the donor base in an era of increasing needs for assistance.
53. Between 2004 and 2016, through twinning arrangements, WFP received approximately 1.5 million mt of food valued at USD 958 million. The Secretariat recommends the continuation of twinning arrangements as provided for in General Rule XIII.4(f), which currently states:

*Governments of developing countries, countries with economies in transition, and other non-traditional donors as determined by the Board, may make contributions of commodities or services only, provided that:*

- (i) the full operational and support costs are covered by another donor or donors, by the monetization of part of the contribution and/or by resort to the WFP Fund;*
- (ii) such contributions are in the interests of the Programme and do not result in any disproportionate administrative or reporting burden to the Programme; and*
- (iii) the Executive Director considers that accepting the contribution is in the interests of the beneficiaries of the Programme.*

Recommendation 1: Continue twinning arrangements as provided for in General Rule XIII.4(f).
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54. The Secretariat also recommends expanding General Rule XIII.4(f) to cover cash contributions from eligible donors. Such a change would reflect WFP's recent shift from being a food aid to a food assistance organization and the increasing proportion of cash-based transfers in WFP's operations, while still ensuring that full cost recovery requirements are

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<sup>14</sup> Under General Rule XV.1, amendments to the General Rules are approved by the Board and submitted for information to the United Nations Economic and Social Council (ECOSOC) and the FAO Council. Amendments to the General Regulations require the approval of ECOSOC and the FAO Council and adoption by the United Nations General Assembly and the FAO Conference.

met and necessary costs are covered. In 2009, WFP distributed approximately USD 10 million in cash-based transfers in ten countries; by 2017 the figures had grown to USD 1.4 billion in 61 countries.

Recommendation 2: Adjust General Rule XIII.4(f) to allow cash as well as in-kind contributions to be eligible for twinning.

55. The Secretariat is also considering an additional proposal related to twinning and seeks the Board's support for reinvigorating the emerging donor matching fund (EDMF) to provide a source of funding to meet full cost recovery requirements for contributions that are eligible for twinning.
56. The EDMF was established in 2004 to support contributions from emerging donors in order to maximize food aid for WFP beneficiaries. It is a funding source of last resort to cover the associated operational support costs of in-kind contributions from emerging donors that are unable to meet the requirements for full cost recovery.
57. The Secretariat is considering requesting the Board to approve an allocation of funds from the programme support and administrative (PSA) equalization account to the EDMF to support the continued use of twinning arrangements (as allowed under General Rule XIII.4 (f) (i)). The proposal will be included in a paper on utilization of the PSA equalization account reserve, which will be presented to the Board at the 2018 annual session.

#### ***Exemptions and waivers of indirect support costs***

58. Exemptions and waivers of indirect support costs (ISC) are currently provided for through two distinct parts of General Rule XIII.4:

*General Rule XIII.4(e): Donors providing cash contributions which are not designated in any way or are designated to the Immediate Response Account (IRA) or to Programme Support and Administrative (PSA) or related activities shall not be required to provide additional cash or services to cover the full operational and support costs related to their contribution, provided that such contributions do not result in any additional reporting burden to the Programme; and*

*General Rule XIII.4(g): Exceptionally, the Executive Director may reduce or waive indirect support costs in respect of any contribution in kind to cover direct support costs of an activity or activities where the Executive Director determines that such reduction or waiver is in the best interests of the beneficiaries of the Programme, provided that:*

- (i) such contributions do not result in any additional administrative or reporting burden on the Programme; and*
- (ii) in the case of a waiver, the indirect support costs otherwise applicable have been determined by the Executive Director to be insignificant. provides for reduced or waived ISC for in-kind DSC contributions.*

59. The ISC waivers and exemptions provided for by this rule have facilitated contributions to the IRA and enabled WFP to receive in-kind support such as the contributions of stand-by partners, and temporary office structures.
60. In 2015 and 2016, total contributions received by WFP and qualifying for these ISC waivers and exemptions amounted to USD 171.1 million, half of which was for the IRA. The total estimated unrealized ISC was USD 11.2 million; if contributions to the IRA had been excluded from the waiver, the unrealized ISC would have been USD 5.2 million.
61. The Secretariat recommends that the ISC exemptions provided for in General Rule XIII.4 (e) be maintained and that ISC exemptions be expanded to include relevant in-kind

contributions for the PSA or PSA-related activities, such as consulting services or free advertising. In-kind contributions of this type averaged USD 6 million per year from 2012 to 2016.

Recommendation 3: Expand the ISC exemptions for PSA and PSA-related cash contributions provided for in General Rule XIII.4(e) to include relevant in-kind contributions that do not generate indirect support costs.

62. The Secretariat also recommends that the ISC waivers provided for in General Rule XIII.4(g) be maintained. To apply these waivers in the IRM framework, an amendment to the wording of the rule will be required to reflect the new IRM cost categories because contributions that are eligible for reduced or waived ISC, such as those of stand-by partners, may now be budgeted under cost categories other than ISC, such as implementation or transfer costs. For the same reason, it is also recommended that the ISC waivers be expanded to cover broader support costs because if the items being contributed, such as those from stand-by partners, are budgeted under implementation costs in accordance with the full cost recovery formulation, both adjusted direct support costs (DSC) and ISC should be levied against the contribution.

Recommendation 4: Maintain the ISC waivers provided for in General Rule XIII.4(g) and amend the wording of the general rule to reflect the IRM framework and cost categories, including by adjusting the waivers to cover broader support costs in line with the interim full cost recovery formulation approved by the Board.

#### *Adjusted DSC rates for mandated common services*

63. Drawing on its operational experience, research and use of innovative tools, WFP is mandated by the IASC to lead the logistics and emergency telecommunications clusters and to co-lead the food security cluster with FAO. These services were formerly provided through special operations with self-contained support costs but are now included as separate activities in the CSP framework. Contributions to these services are considered to be for the humanitarian community as a whole.
64. At the 2017 second regular session the Board approved the provision of a degree of flexibility in applying adjusted DSC for mandated services.<sup>15</sup> It is recommended that flexible adjusted DSC rates for mandated common services be maintained and that the final wording of General Rule XIII.4(a), which will define adjusted DSC, should be drafted so that more than one adjusted DSC rate can be applied within a single country.

Recommendation 5: Maintain the flexibility of adjusted DSC rates for mandated common services and draft the final wording of General Rule XIII.4(a), which will define adjusted DSC, so that more than one adjusted DSC rate can be applied in a single country.

65. The internal working group is also reviewing other aspects of full cost recovery. Any recommendations arising from this work will be discussed during informal consultations for Member State feedback, before being presented to the Board.

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<sup>15</sup> WFP/EB.2/2017/4-A/1/Rev.1.

66. Other issues being considered by the internal working group include a review of the handling of revenue generated from on-demand service provision. These services are provided on request to an organization or group of organizations on a direct cost recovery basis. Typically, they include – but are not limited to – transport, sourcing of non-food items, transport, storage, accommodation, engineering services and information technology solutions. The revenue generated by service provision is recognized as being distinct from contributions as defined by Financial Regulation I, and thus the application of full cost recovery in this circumstance is under review:

*Contribution shall mean a donation of appropriate commodities, non-food items, acceptable services or cash made in accordance with procedures set out in these Regulations. A contribution may be multilateral, directed multilateral or bilateral.*

67. Final recommendations deriving from the review may affect the treatment of trust funds in the IRM framework. On-demand service provision activities are often the basis for creating country-level trust funds. The handling of revenue linked to such service provision will therefore help determine whether country-level trust funds will continue to be required. The Secretariat does not expect that trust funds will disappear altogether; corporate trust funds, which are managed at headquarters or regional bureaux and typically contribute to institutional capacity building activities, are expected to continue.
68. The Secretariat will continue to take into account the feedback provided by Member States during informal consultations prior to the formal presentation of amendments to the general rules and financial regulations related to full cost recovery at the 2018 second regular session.

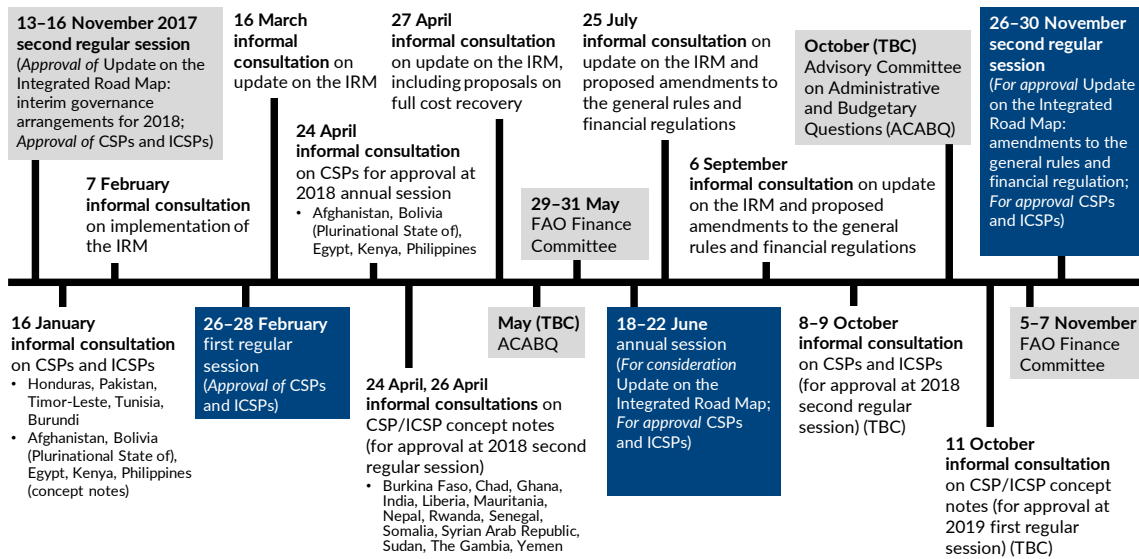
#### **Interim delegations of authority**

69. Interim governance arrangements were approved at the 2017 second regular session of the Board. The arrangements include interim delegations of authority for the period 1 January 2018 to 29 February 2020 and principles to guide the application of full cost recovery to complement the continued derogations from WFP general rules and financial regulations that are required for implementation of the IRM framework in 2018. The interim arrangements will apply to the country offices that are operating within the IRM framework.
70. Permanent delegations of authority, drawing on experience from the interim period and from reviews, will be presented for approval at the Board's 2020 first regular session and, if approved, will take effect on 1 March 2020.

#### **Informal consultations in 2018**

71. Recognizing that the significant transformation brought by the IRM and other governance decisions will require substantial discussions, the Secretariat has scheduled a series of informal consultations throughout 2018. The consultations (Figure 3) will provide an opportunity for the Board to engage in this transformation and to provide feedback on IRM implementation updates, draft CSPs and ICSPs and the revised results framework. Consultations will also provide an opportunity to discuss the proposed amendments to the general rules and financial regulations that will be presented for approval at the Board's 2018 second regular session.

**Figure 3: Updated schedule of informal consultations in 2018**



## Acronyms used in the document

CRF	Corporate Results Framework
CSP	country strategic plan
DSC	direct support costs
EDMF	emerging donor matching fund
ECOSOC	United Nations Economic and Social Council
FAO	Food and Agriculture Organization of the United Nations
IASC	Inter-Agency Standing Committee
ICSP	interim country strategic plan
IRA	immediate response account
IRM	Integrated Road Map
ISC	indirect support costs
PSA	programme support and administrative (budget)
SDG	Sustainable Development Goal
T-ICSP	transitional interim country strategic plan
UNDAF	United Nations development assistance framework