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# Update on the Integrated Road Map, including proposed amendments to the WFP General Rules and Financial Regulations

Informal Consultation | 25 July 2018

# Full cost recovery recommendations presented at the 2018 Annual Session (I/II)

Recommendation		Updates	Proposed amendments (in Annex)
<b>Recommendation 1</b>	Continue twinning arrangements as provided for in General Rule XIII.4 (f).	Unchanged	Maintain General Rule XIII.4
<b>Recommendation 2</b>	Adjust General Rule XIII.4 (f) to allow for cash earmarked for purposes that are not classified as associated costs as well as in-kind contributions to be eligible for twinning.	Unchanged	<b>Revised General Rule XIII.4 (d)</b>
<b>Recommendation 3</b>	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 for the PSA or PSA-related activities.	Unchanged	<b>Revised General Rule XIII.4 (c)</b>
<b>Recommendation 4</b>	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.	Unchanged	<b>Revised General Rule XIII.4 (e)</b>
<b>Recommendation 5</b>	Maintain the flexibility of adjusted DSC rates for mandated common services and ensure that the General Rules and Financial Regulations allow for the possibility of more than one DSC rate in a single country in such cases.	Unchanged	<b>Provided for in revised General Rule XIII.4</b>

# Full cost recovery recommendations presented at the 2018 Annual Session (II/II)

Recommendation	Updates	Proposed amendments (in Annex)
<b>Recommendation 6</b> Continue to treat revenue generated from on-demand service provision as distinct from contributions as defined by Financial Regulation I.*	Unchanged	<i>Proposed language to be presented in the 6 September IRM paper</i>
<b>Recommendation 7</b> Integrate country-level trust funds into the IRM framework, while other trust funds continue.	Unchanged	<i>Proposed language to be presented in the 6 September IRM paper</i>
<b>Recommendation 8</b> Apply a reduced ISC rate for host governments' contributions to their own programmes and for contributions made by one developing country to another through South–South and triangular cooperation, with a proposed rate to be presented in the management plan.	<b>Revised</b>	<b>Host government contributions:</b> To be handled in the Management Plan <b>South-South and triangular cooperation:</b> Apply General Regulation XIII.2 and the criterion for determining eligibility to receive support in meeting full cost recovery
<b>Recommendation 9</b> Adjust General Rule XIII.4 (e) to allow for exemptions from ISC for contributions to the Operational Reserve. (This would expand WFP's ability to engage in internal project lending.)	Unchanged	<b>Revised General Rule XIII.4 (c)</b>

# Updated proposals for full cost recovery

Based on feedback received from the Board through the 27 April informal consultation and the 2018 Annual Session, the following proposals relating to ISC flexibility and twinning have been refined:

- i. **Flexibility to apply a reduced ISC rate** for South-South and triangular cooperation arrangements [revised recommendation 8]
- ii. **Delegation of authority to the Executive Director** for the approval of twinning contributions from any donor on an exceptional basis [new proposal]
- iii. **Flexibility to apply a reduced ISC rate** to contributions to the Immediate Response Account and cash contributions that are not designated in any way [new proposal]

# Flexibility to apply a reduced ISC rate for South-South and triangular cooperation arrangements

**Refined proposal:** Flexibility to apply a reduced ISC rate of 4 percent to allow countries that are eligible for twinning to participate in South-South and triangular cooperation arrangements.

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Apply **General Regulation XIII.2<sup>1</sup>** and the criterion for determining eligibility to receive support in meeting full cost recovery

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- Previously, WFP proposed to apply a reduced ISC rate for contributions made by one developing country to another through South-South and triangular cooperation.
- The proposal has been refined to align with **General Regulation XIII.2<sup>1</sup>** and the **criterion for determining eligibility to receive support in meeting full cost recovery** outlined in the 2004 document “New Partnerships to Meet Rising Needs – Expanding the WFP Donor Base” to determine countries’ eligibility for reduced ISC.
- Eligible countries are least developed countries, low-income countries and lower-middle-income countries, as defined by the Organisation for Economic Co-operation and Development (OECD) [outlined in the 2004 strategy for enhancing the donor base].
- The reduced ISC rate would help to encourage additional contributions.

If a 4% ISC rate had been applied, USD 0.3 million would have been foregone between 2011 – 2016

<sup>1</sup> General Regulation XIII.2 states ‘donors may contribute appropriate commodities, cash and acceptable services in accordance with the general rules made pursuant to these General Regulations. Except as otherwise provided in such general rules in respect of developing countries, countries with economies in transition and other non-traditional donors, or in respect of other exceptional situations, each donor shall provide cash contributions sufficient to cover full operational and support costs of its contributions.’

# Delegation of authority to the Executive Director for the approval of twinning contributions from any donor on an exceptional basis

**NEW proposal:** Delegate authority to the Executive Director for the approval of twinning arrangements on an exceptional basis for contributions from any donor.

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Amend **General Rule XIII.4**

*Proposed language to be presented in the 6 September IRM paper*

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- Through twinning contributions, full cost recovery would be achieved.
- **General Regulation XIII.2** allows deviation from the full cost recovery principle in “exceptional situations.”
- **The exceptional nature of this approach would correspond to the application of current General Rule XIII.4 (g)** which exceptionally allows the ED to waive ISC on DSC-related in-kind contributions from all donors.
- **Similar criteria** to those in General Rule XIII.4 (g) could be established, including ensuring that such arrangements to not result in any additional administrative or reporting burdens.
- To ensure transparency, any such exceptional approvals would be included in the **annual report of the ED** on the utilization of contributions and waivers of costs.

# Flexibility to apply a reduced ISC rate to contributions to the Immediate Response Account and cash contributions that are not designated in any way

**NEW proposal:** Flexibility to apply a reduced ISC rate of 4 percent to (i) contributions to the Immediate Response Account and (ii) cash contributions that are not designated in any way.

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Amendment to  
**General Rule XIII.4(e)**

*Proposed language to be  
presented in the 6  
September IRM paper*

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- **General Rule XIII.4 (e)** currently provides that cash contributions that are not designated in any way or are designated to the Immediate Response Account (IRA) do not require ISC.
- The proposal to apply an ISC rate of 4 percent to contributions to the IRA would help **improve cost recovery**. If applied, based on USD 47 million in IRA contributions in 2017, the ISC recovery rate of 4 percent would generate an increase in USD 1.8 million annually.
- The proposal to apply a 4 percent ISC rate to cash contributions not designated in any way would **lower the current ISC rate** of 6.5 percent (currently applied to such contributions) to 4 percent. If applied, approximately USD 1.2 million of ISC would be foregone out of USD 2.9 million of ISC generated from these types of contributions in 2017.
- The net impact of both proposals is likely to have a **small positive impact** on ISC revenue.

# Proposed amendments to WFP General Rules and Financial Regulations

Implementation of the Integrated Road Map requires changes in three main areas:

**1. Terminology and definitions that are coherent with the CSP structure**

**2. Application of full cost recovery and introduction of new cost categories**

**3. Amendments to delegations of authority**

**For approval at EB.2/2018 (proposed amendments outlined in the 25 July IRM paper)**

Interim DoA approved at EB.2/2017; permanent DoA to be presented for approval at EB.1/2020 following a review

# Next informal consultation: 6 September

- 1. Further refinements to full cost recovery proposals**, if any, taking into account feedback from today's session
- 2. Further revisions to WFP General Rules and Financial Regulations**, based on feedback received from the Board and the outcomes of continued internal reviews (including proposed changes related to revenue generated from on-demand service provision)
- 3. Governance arrangements for regional responses** (e.g. regional response for the Pacific)

# Discussion

