

ANNEX VII

Summary of proposed changes to Financial Regulations

Current text	Proposed text
Financial Regulation 1.1: Definitions	
Appropriation shall mean the amount approved by the Board for specified purposes in the Programme Support and Administrative budget for a financial period, against which obligations up to the amount approved may be incurred for those purposes.	Appropriation shall mean the amount approved by the Board for specified purposes in the Programme Support and Administrative budget, or for other activities for a specified period, against which obligations up to the amount approved may be incurred for those purposes.
Appropriation line shall mean the largest subdivision of the programme support and administrative budget within which the Executive Director is authorized to make transfers without prior approval of the Board.	Appropriation line shall mean the largest subdivision of the Programme Support and Administrative budget within which the Executive Director is authorized to make transfers without prior approval of the Board.
Management Plan shall mean the three-year comprehensive plan of work approved each year on a rolling basis by the Board, inclusive of planned outcomes and indicators of achievement, together with the annual WFP Budget.	Management Plan shall mean the three-year comprehensive plan of work submitted to the Board each year on a rolling basis, inclusive of planned outcomes and indicators of achievement, and together with the annual WFP Budget.
Programme support and administrative budget shall mean the portion of the WFP Budget that pertains to providing indirect support to WFP's activities.	Programme Support and Administrative budget shall mean the portion of the WFP Budget appropriated by the Board to provide indirect support to WFP's activities.
	Programme Support and Administrative Equalization Account (PSA Equalization Account) shall mean a reserve account established to record the difference between the income generated from indirect support costs and the expenditures related to programme support and administrative activities.
WFP Budget shall mean the annual budget component of the Management Plan approved each year by the Board, indicating estimated resources and expenditures for programmes and activities, and shall include a Programme Support and Administrative budget.	WFP Budget shall mean the sum of the annual portions of each country portfolio budget approved, and/or expected to be submitted for approval, for the financial period, including the related operational and support costs, and shall include the Programme Support and Administrative budget.

Current text	Proposed text
<p>Financial Regulation 9.1: The Executive Director shall propose a Management Plan, including a WFP budget for the subsequent financial period, and submit it to the ACABQ and the Finance Committee in accordance with the General Regulations of WFP.</p>	<p>Financial Regulation 9.1: The Executive Director shall prepare a Management Plan, including a WFP Budget for the subsequent financial period, and submit it to the ACABQ and the Finance Committee in accordance with the General Regulations of WFP.</p>
<p>Financial Regulation 9.2: The Executive Director shall submit the proposed Management Plan, as well as the reports thereon of the ACABQ and Finance Committee, to the Board at its last regular session of each calendar year. The proposed Management Plan shall be circulated to members of the Board not later than 30 days before the session.</p>	<p>Financial Regulation 9.2: The Executive Director shall submit the Management Plan, as well as the reports thereon of the ACABQ and Finance Committee, to the Board at its last regular session of each calendar year. The Management Plan shall be circulated to members of the Board not later than 30 days before the session.</p>
<p>Financial Regulation 9.3: The proposed Management Plan shall include the estimated resources and expenditures for each programme category and shall show proposed appropriations for programme support and administrative services in such separate main appropriation lines as may be decided by the Board.</p>	<p>Financial Regulation 9.3: The Management Plan shall include the estimated resources and expenditures for each programme category and shall show proposed appropriations for programme support and administrative activities in such separate main appropriation lines as may be decided by the Board.</p>
<p>Financial Regulation 9.4: The proposed Management Plan will include:</p> <ul style="list-style-type: none"> (a) planned outcomes and indicators of achievement; (b) comparative tables setting out the proposals for the following financial period, the approved WFP Budget for the current financial period and the approved WFP Budget for the current financial period as modified in the light of actual receipts and expenditures; and (c) such statistical data, information, explanatory statements and staffing tables including those with regard to the second and third years of the Management Plan period, as may be requested by the Board or considered appropriate by the Executive Director. 	<p>Financial Regulation 9.4: The Management Plan will include:</p> <ul style="list-style-type: none"> (a) planned outcomes and indicators of achievement; and (b) comparative tables setting out the approved WFP Budget for the current financial period and the proposal for the following financial period. <p>The Executive Director shall also provide, for the Board's information, such indicative statistical data, information, explanatory statements and staffing tables with regard to the Management Plan period as may be requested by the Board or considered appropriate by the Executive Director.</p>
<p>Financial Regulation 9.5: The Board shall consider the proposed Management Plan, and the related reports of the ACABQ and the Finance Committee, and shall approve the Management Plan, including the WFP Budget, prior to the beginning of the financial period covered by the WFP Budget.</p>	<p>Financial Regulation 9.5: The Board shall consider the Management Plan, and the related reports of the ACABQ and the Finance Committee, and shall approve the WFP Budget prior to the beginning of the financial period covered by the WFP Budget. Approval of the WFP Budget does not constitute approval of individual programmes or their related country portfolio budgets, which shall be submitted separately for approval and revision pursuant to General Regulation VI.2(c) and the Appendix to the General Rules. The WFP Budget shall be deemed, without further action by the Board, to incorporate future approvals and revisions of country portfolio budgets.</p>

Current text	Proposed text
<p>Financial Regulation 9.6: The Board's approval of the Management Plan, including the Budget, shall constitute:</p> <ul style="list-style-type: none"> (a) acceptance of the WFP programme of work for the following financial period and an authorization to the Executive Director to proceed with the implementation of the programme of work; and (b) an authorization to the Executive Director to allocate funds, issue allotments, incur obligations and make payments for the purposes for which the appropriation was approved, up to the amount so approved. 	<p>Financial Regulation 9.6: The Board's approval of the Programme Support and Administrative budget and other appropriations shall constitute an authorization to the Executive Director to allocate funds, issue allotments, incur obligations and make payments for the purposes for which the Programme Support and Administrative budget and other appropriations were approved, up to the amount so approved.</p>
<p>Financial Regulation 9.7: The Executive Director may make transfers within each of the main appropriation lines of the approved Programme Support and Administrative budget. The Executive Director may also make transfers between appropriation lines up to limits the Board may specifically set.</p>	<p>Financial Regulation 9.7: The Executive Director may make transfers within each of the main appropriation lines of the approved Programme Support and Administrative budget. The Executive Director may also make transfers between appropriation lines, provided that the net amount transferred into and out of an appropriation line in a financial period does not exceed 5 percent of that appropriation line approved by the Board, or such other limit the Board may specifically set.</p>
<p>Financial Regulation 9.8: The Executive Director may propose a revision in the Management Plan, including a supplementary budget, for the financial period in a form and manner consistent with the Management Plan.</p>	<p>Financial Regulation 9.8: The Executive Director may adjust the approved Programme Support and Administrative budget by:</p> <ul style="list-style-type: none"> (a) increasing it by an amount not exceeding 25 percent of the indirect support cost portion of an increase in WFP's forecasted contribution income for the financial period, less the amount of any approved Programme Support and Administrative budget funding shortfall for that period; or (b) reducing expenditure by an amount not exceeding 10 percent of the approved Programme Support and Administrative budget, through cost-saving measures. <p>All changes exceeding those limits shall require the Executive Director to submit a proposed supplementary budget for the Board's approval and an updated Management Plan for the Board's consideration. The Board shall be informed of all adjustments approved by the Executive Director.</p>

Current text	Proposed text
<p>Financial Regulation 9.9: Appropriations for Programme Support and Administrative services shall remain available for twelve months following the end of the financial period to which they relate, to the extent they are required to discharge any outstanding legal obligations. At the end of that twelve-month period, the remaining balance of any appropriation shall revert to the General Fund. Any unliquidated obligations shall at that time be cancelled or, where the obligations remain a valid charge, transferred to an obligation against current appropriations.</p>	<p>Financial Regulation 9.9: Appropriations for Programme Support and Administrative activities shall remain available for 12 months following the end of the financial period to which they relate, to the extent they are required to discharge any outstanding legal obligations. At the end of that 12-month period, the remaining balance of any such appropriation shall revert to the PSA Equalization Account. Any unliquidated obligations shall at that time be cancelled or, where the obligations remain a valid charge, transferred to an obligation against current appropriations.</p>
	<p>Financial Regulation 10.7:</p> <p>The Executive Director may draw from or credit the PSA Equalization Account to address any shortfall or surplus arising from:</p> <ul style="list-style-type: none"> (a) indirect support cost income that is lower or higher than is required in order to meet programme support and administrative expenditures; and (b) variances in actual position costs relative to the corresponding amounts used to calculate the Programme Support and Administrative budget. <p>All other uses of the PSA Equalization Account shall require approval by the Executive Board.</p>
<p>Financial Regulation 12.1: The Executive Director shall establish internal controls, including internal audit and investigation, to ensure the effective and efficient use of the resources of WFP and the safeguarding of its assets. Such internal controls shall take into account the best prevailing practices of governmental and commercial management and shall, <i>inter alia</i>, ensure:</p> <ul style="list-style-type: none"> (a) that all payments are made on the basis of supporting vouchers or other documents which ensure that the services or goods have been received and that payments have not previously been made; (b) the regularity of the receipt, custody and disposal of all resources of WFP; (c) the conformity of expenditures and obligations with the appropriations, allotments or other authorizations approved, as the case may be, by the Board, or by the Executive Director. 	<p>Financial Regulation 12.1: The Executive Director shall establish internal controls, including internal audit and investigation, to ensure the effective and efficient use of the resources of WFP and the safeguarding of its assets. Such internal controls shall take into account the best prevailing practices of governmental and commercial management and shall, <i>inter alia</i>, ensure:</p> <ul style="list-style-type: none"> (a) that all payments are made on the basis of supporting vouchers or other documents that show that the services or goods have been received and have not previously been paid for, except where advance or progress payments are specifically provided for in the contract, as may be required by normal commercial practice and the interests of WFP; (b) the regularity of the receipt, custody and disposal of all resources of WFP; and (c) the conformity of expenditures and obligations with the appropriations, allotments or other authorizations approved, as the case may be, by the Board, or by the Executive Director.

Summary of relevant audit recommendations

The external audit of the 2023 financial statements¹ recommended that WFP review and update its General Rules and Financial Regulations with the aim of ensuring that budget-related definitions and decisions are accurately reflected, and to consolidate elements currently spread across several documents, including past management plans. Box 7.1 below summarizes the relevant recommendations related to the updating of the Financial Regulations, which were considered by WFP while proposing changes to the Financial Regulations.

Box 7.1: Relevant audit recommendations

Paragraph 80: The External Auditor recommends that WFP *review budget-related definitions and decisions* at a level below the General Rules and Financial Regulations in order to assess the need to transform these into General Rules or Financial Regulations and make a corresponding proposal to the Executive Board.

Paragraph 49: The External Auditor recommends that WFP, in line with Financial Regulation 9.4, provide the Executive Board with one document that compares the proposed budget with the current *approved* budget and the modified current budget and allows for the *approval of the annual WFP budget*, for example, in an annex to the management plan that contains the country strategic plans of all country offices in the approval periods.

Paragraph 35: The External Auditor recommends that WFP propose to the Executive Board the *criteria for the management plan revisions* required in case of variances in the funding projections, in order to enable an amendment of the General Rules or Financial Regulations.

Paragraph 69: The External Auditor recommends that WFP propose to the Executive Board definitions of, and criteria for when and under which *conditions funding can be set aside for critical corporate initiatives*. The proposal should enable the Executive Board to execute its governance role and consider an amendment of the General Rules or Financial Regulations.

¹ "Audited annual accounts, 2023" (WFP/EB.A/2024/6-A/1).