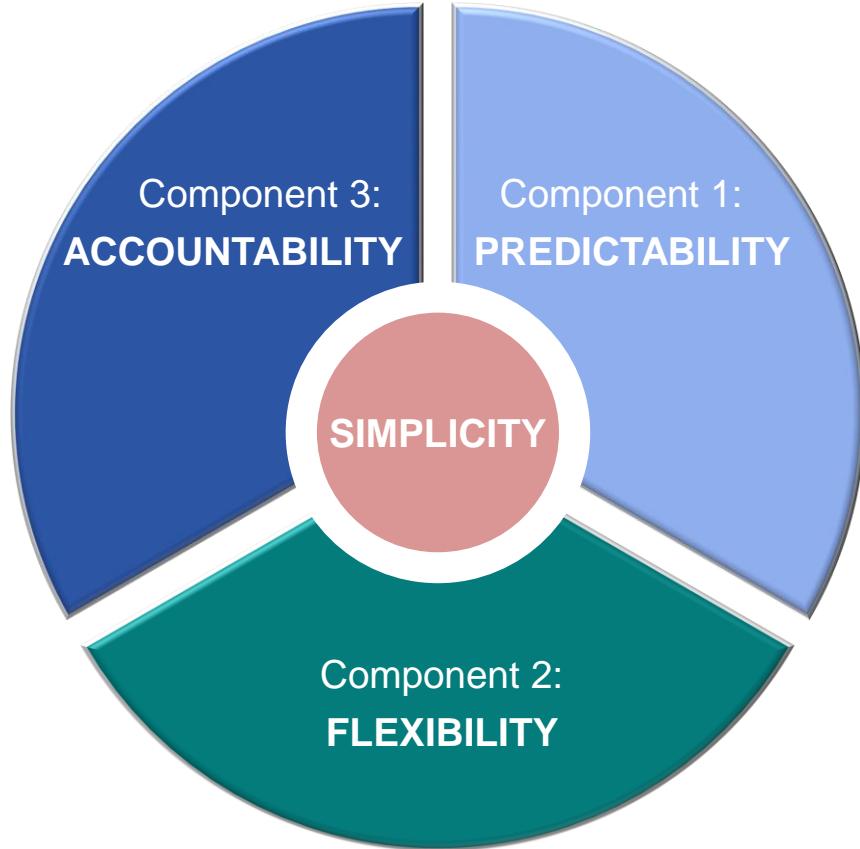


Progress on the Financial Framework Review, including Indirect Support Costs (WFP/EB.A/2015/6-C/1 + Corr.1)

Annual Session of the Executive Board

25-28 May 2015

Financial Framework Review components and work streams



- ISC Review included as part of the Financial Framework Review
- **Priority work streams from 2015:**
 - Resource Based Planning
 - Macro Advance Financing
 - Review of operational budget structure, including Country Portfolio Budgeting
 - Simplification initiatives, including in the short term

Conclusions

Conclusion 1

- As part of the Financial Framework Review, it would be appropriate to undertake further review of the optimal target level of the PSA Equalization Account. This may result in consideration being given to changing the current target level, established in 2006, of four months of PSA expenditure.

Conclusion 2

- All uses of the PSA Equalization Account balance will continue to be approved by the Board. Such approval should take into consideration the following priority uses:
 - to cover any difference between ISC income and approved PSA expenditure;
 - as a reserve to underwrite risk of decreases in ISC income or underfunding of PSA, with an established target level;
 - for critical corporate initiatives or thematic support funds; and
 - for strengthening WFP's reserves, through reserve transfers.

Conclusions (continued)

Conclusion 3

- WFP should in future use the term “critical corporate initiatives” for non-recurring investments from the PSA Equalization Account, and routinely report on results in the Annual Performance Reports.

Conclusion 4

- Corporate trust funds are a suitable source of funding for non-recurring investments for innovation and changes to operations and processes, and for critical corporate initiatives.

Revised conclusions (continued)

Conclusion 5

- Interest income – net of the costs of managing the related investment portfolio – that accrues to the un-earmarked portion of the General Fund should be used first to strengthen WFP's reserves and management of financial risk; and second to fund critical corporate initiatives where there are insufficient funds available in the PSA Equalization Account. Interest income should be used to fund recurring costs only as a last resort.

Conclusions (continued)

Conclusion 6

- Where possible, security costs should be charged to individual projects. Where security expenditures cannot be charged to an individual project, and when no other funding source is available, these costs should be included in the PSA budget or – exceptionally – be funded from the PSA Equalization Account. This is in line with the indirect nature of the costs, which are not directly related to delivering food assistance.

Conclusion 7

- Similar to security costs, proposed investments for improving staff wellness, including in supportive infrastructure, health services and other staff wellness priorities, should be charged to individual projects. Where such expenditures cannot be charged to an individual project, and when no other funding source is available, these costs should be included in the PSA budget or – exceptionally – be funded from the PSA Equalization Account. This is in line with the indirect nature of the costs.

Summary of the Draft Decision

Taking note of “Progress on the Financial Framework Review, including Indirect Support Costs” (WFP/EB.A/2015/6-C/1 + Corr.1) and the consultations to finalize the indirect support cost review, the Board:

- i. welcomes the [update on the Financial Framework Review];
- ii. takes note of the conclusions of the indirect support cost review contained in this document;
- iii. takes note that all uses of the PSA Equalization Account will continue to be approved by the Board, and endorses the use of the balance on the PSA Equalization Account [in line with Conclusion 2];
- iv. endorses the use of net interest income that accrues to the un-earmarked portion of the General Fund [in line with Conclusion 5];
- v. looks forward to the further review of the PSA Equalization Account target level.

Thank you!