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

Informal Consultation | 6 September 2018

# Objective

The purpose of today's discussion is to seek the Board's feedback on the following areas that will inform draft decision points at the 2018 second regular session:

## **1. Proposed amendments to WFP's General Rules and Financial Regulations**

- i. Recommendations related to full cost recovery
- ii. Terminology and definitions to achieve alignment with the IRM structure

## **2. Additional issues for consideration during the 2018 second regular session**

- i. Transitional governance arrangements for selected CSPs and ICSPs that will be considered at the 2019 first regular session
- ii. Extension of the duration of certain transitional ICSPs to allow approval of CSPs and ICSPs at the 2019 second regular session
- iii. Proposed approach to regional responses

# 1. Proposed amendments to WFP General Rules and Financial Regulations

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

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

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

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

**3. Amendments to delegations of authority (DoA)**

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

# Principle of Full Cost Recovery

- **WFP is fully committed to the principle of full cost recovery**
- **Simple and transparent cost-recovery model**
  - **Standard ISC** for the vast majority of contributions (approximately 97 percent of USD 6 billion in 2017)
  - **Revision of General Rules requires us to focus on exceptions**



# Summary of recommendations related to full cost recovery (I/II)

Recommendation	Update	Annex reference
1 Continue twinning arrangements for in-kind contributions as provided for in existing General Rule XIII.4 (f).	Unchanged from 2018 annual session	<a href="#">General Rule XIII.4 (c)</a>
2 Adjust General Rule XIII.4 (f) to allow cash as well as in-kind contributions to be eligible for twinning.	<b>Substantively unchanged from 2018 annual session</b>	<a href="#">General Rule XIII.4 (c)</a>
3 Expand the current General Rule XIII.4 (e) to include relevant in-kind contributions for the PSA or related activities.	Unchanged from 2018 annual session	<a href="#">General Rule XIII.4 (b)</a>
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 at EB.2/2017.	Unchanged from 2018 annual session	<a href="#">General Rule XIII.4 (e)</a>
5 Maintain the flexibility of direct support cost (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 from 2018 annual session	<a href="#">General Rule XIII.4 (a)</a>
6 Continue to treat revenue generated from on-demand service provision as distinct from contributions as defined by Financial Regulation I.	Unchanged from 2018 annual session	<a href="#">Financial Regulations 4.1, 4.8, 10.2, 10.3 and 10.9.</a>

# Summary of recommendations related to full cost recovery (II/III)

Recommendation	Update	Annex reference
<p><b>7</b> Integrate country-level trust funds into the CPB and maintain trust funds at the headquarter and regional levels</p>	<p>Unchanged from 2018 annual session</p>	<p><a href="#">Financial Regulations 4.6, 5.1, 5.2, 10.3 and 10.4.</a></p>
<p><b>8.a.</b> Apply a reduced ISC rate for host governments' contributions to their own programmes, with a proposed rate to be presented in the management plan.</p>	<p><b>Recommendation revised following the 25 July informal consultation.</b> Reduced ISC rate would be applied for host governments' contributions to their own programmes.</p>	<p><b>No exception is required</b> under General Rule XIII.4 as this recommendation achieves full cost recovery. <b>A separate ISC rate</b> for host government contributions to their own programmes would be set on an annual basis in the management plan.</p>
<p><b>8.b.</b> Apply a reduced ISC rate for contributions made by one developing country or countries with economies in transition to another, with a proposed rate to be presented in the management plan.</p>	<p><b>Recommendation revised following the 2018 annual session; Substantively unchanged since the 25 July informal consultation</b></p>	<p>Exception required. <a href="#">New General Rule XIII.4 (f)</a>. Reporting requirement reference in <a href="#">new General Rule XIII.4 (g)</a>. <b>A separate ISC rate</b> would be set on an annual basis in the management plan.</p>
<p><b>9</b> Adjust General Rule XIII.4 (e) to allow for exemptions from ISC for contributions to the Operational Reserve.</p>	<p>Unchanged from 2018 annual session</p>	<p><a href="#">General Rule XIII.4 (b)</a></p>

# Summary of recommendations related to full cost recovery (III/III)

Recommendation	Update	Annex reference
<p><b>10</b> Delegate authority to the Executive Director for the approval, on an exceptional basis, of twinning arrangements for contributions from any donor.</p>	<p><b>New recommendation following the 2018 annual session;</b> unchanged since the 25 July informal consultation</p>	<p>Exception required. <b>New General Rule XIII.4 (d)</b>. Reporting requirement reference in <b>new General Rule XIII.4 (g)</b>.</p>
<p><b>11.a.</b> Apply a reduced ISC rate to contributions to the Immediate Response Account.</p>	<p><b>New recommendation following the 2018 annual session;</b> unchanged since the 25 July informal consultation</p>	<p>Amendment of current General Rule XIII.4 (e) is required to remove the current exemptions. <b>See new General Rule XIII.4 (e)</b>. <b>No exception is required</b> under General Rule XIII.4 as this recommendation achieves full cost recovery.</p>
<p><b>11.b.</b> Apply a reduced ISC rate to cash contributions that are not designated in any way.</p>	<p><b>New recommendation following the 2018 annual session;</b> unchanged since the 25 July informal consultation</p>	<p><b>A separate ISC rate</b> for these contributions would be set on an annual basis in the management plan.</p>

# Updated proposals for full cost recovery

Based on feedback received from the Board at the 2018 annual session and the 25 July informal consultation, the following proposals relating to ISC flexibility and twinning have been refined:

**Revised following the 25 July informal consultation**

**Revised recommendation 8.a.:** Apply a reduced ISC rate for host governments' contributions to their own programmes, with a proposed rate to be presented in the management plan.

**Revised/new recommendation following the 2018 annual session; unchanged since the 25 July informal consultation**

**Revised recommendation 8.b.:** Apply a reduced ISC rate for contributions made by one developing country or countries with economies in transition to another, with a proposed rate to be presented in the management plan.

**Recommendation 10 (new):** Delegate authority to the Executive Director for the approval, on an exceptional basis, of twinning arrangements for contributions from any donor.

**Recommendation 11.a. (new):** Apply a reduced ISC rate to contributions to the Immediate Response Account.

**Recommendation 11.b. (new):** Apply a reduced ISC rate to cash contributions that are not designated in any way.



# Apply a reduced ISC rate for host governments' contributions to their own programmes

**Revised recommendation 8.a.:** Apply a reduced ISC rate for host governments' contributions to their own programmes, with a proposed rate to be presented in the management plan.

Revised since  
the 25 July IC

- Previously, WFP proposed to apply a reduced ISC rate for host governments' contributions to programmes in their own countries, *including* host governments with twinning arrangements.
- Following feedback from the 25 July informal consultation and internal review, WFP proposes that the **standard ISC rate** (6.5 percent) would need to be applied to contributions from **host governments with twinning arrangements** which are directed to operations in their own countries in order to cover the costs that would be incurred in facilitating the twinning arrangement.

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**No exception is required** under General Rule XIII.4 as this recommendation achieves full cost recovery.

**A separate ISC rate** for host government contributions to their own programmes would be set on an annual basis in the management plan.

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**If a 4 percent ISC rate had been applied, foregone ISC (annually between 2011 - 2016) =**

- **USD 1 million for host government contributions to their own programmes**
- ~~USD 3.7 million for host governments with twinning arrangements, with contributions directed to their own programmes~~

# Apply a reduced ISC rate for contributions made by one developing country or countries with economies in transition to another

**Recommendation 8.b.:** Apply a reduced ISC rate for contributions made by one developing country or countries with economies in transition to another, with a proposed rate to be presented in the management plan.

Unchanged since the 25 July IC

- 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 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).
- The reduced ISC rate would help to **encourage additional contributions** in line with the 2004 strategy for enhancing the donor base and strengthening partnerships.

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Exception required. **New General Rule XIII.4 (f).** Reporting requirement reference in new General Rule XIII.4 (g).

**A separate ISC rate** would be set on an annual basis in the management plan.

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**If a 4 percent ISC rate had been applied, USD 0.3 million would have been foregone between 2011 – 2016 (i.e. USD 0.05 million foregone annually)**

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

**Recommendation 10:** Delegate authority to the Executive Director for the approval, on an exceptional basis, of twinning arrangements for contributions from any donor.

Unchanged since the 25 July IC

Exception required. **New General Rule XIII.4 (d).** Reporting requirement reference in new General Rule XIII.4 (g).

- Through twinning contributions, **all associated and support costs** would be fully covered from two or more different sources.
- This proposal will only be applied as a last resort (hence its exceptional nature) – under all circumstances, full cost recovery would be pursued.
- This recommendation would provide additional opportunities for **resource mobilization** and incentivize more donors to contribute to WFP.
- **WFP’s ISC policy does not change** – the ISC rate that would apply would either be the standard (6.5 percent) or the reduced rate (4 percent), subject to donor eligibility.
- To ensure transparency, the approval of any related twinning arrangements would be shared with the Executive Board through the **annual report of the Executive Director** on the utilization of contributions and waivers of costs.
- Calls for **additional criteria** to define the “exceptional” nature of this proposal may drive WFP to a more restrictive environment than intended, leading to missed opportunities.

**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 in-kind contributions that cover DSC.

Propose to extend the application of the current **General Rule XIII.4 (f)** to such contributions.

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

**Recommendation 11.a.:** Apply a reduced ISC rate to contributions to the Immediate Response Account.

**Recommendation 11.b.:** Apply a reduced ISC rate to cash contributions that are not designated in any way.

Unchanged since the 25 July IC

- **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) shall not be required to provide additional cash.
- Contributions to the IRA are currently confirmed with no ISC. However, some management costs are incurred in administering **IRA contributions**, which are eventually converted into grants in support of life-saving operations. In 2016 and 2017, IRA allocations that became grants (USD 84.5m) were nearly equal to total donor contributions to the IRA (USD 94.4m).
- **“Contributions not designated in any way”** refers to unearmarked contributions that are given to WFP without any donor conditions, which means WFP can fully determine the appropriate use of these funds. Such contributions incur lower management costs, as they do not require elements such as individual donor reporting.
- A **reduced ISC rate** is therefore proposed for both types of contributions to ensure that overhead costs are sufficiently covered and full cost recovery is achieved.

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**Amendment of current General Rule XIII.4 (e) is required** to remove the reference to no additional cash or services being required in respect of IRA contributions or cash not designated in any way. See new General Rule XIII.4 (e). **No exception is required under General Rule XIII.4** as this recommendation achieves full cost recovery. **A separate ISC rate** would be set on an annual basis in the management plan.

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**If a 4 percent ISC rate had been applied to contributions not designated in any way, USD 1.2 million would have been foregone in 2017**

# Total annual foregone ISC if the proposals were implemented

Recommendations related to reduced ISC	Foregone ISC (annual)
<p><b>8.a.</b> Apply a reduced ISC rate for host governments' contributions to their own programmes, with a proposed rate to be presented in the management plan.</p>	<p>- <b>USD 1 million:</b> Host government contributions to their own programmes (excluding twinning arrangements and government counterpart cash contributions)            - <del>USD 3.7 million:</del> Host governments with twinning arrangements which direct contributions to their own programmes <b>[excluded from proposal / not applied]</b></p>
<p><b>8.b.</b> Apply a reduced ISC rate for contributions made by one developing country or countries with economies in transition to another, with a proposed rate to be presented in the management plan.</p>	<p>- <b>USD 0.05 million</b> (on average)</p>
<p><b>9</b> Adjust General Rule XIII.4 (e) to allow for exemptions from ISC for contributions to the Operational Reserve.</p>	<p><i>No impact on current levels of ISC income, as no direct donor contributions have been received to date</i></p>
<p><b>11.a.</b> Apply a reduced ISC rate to contributions to the Immediate Response Account.</p>	<p>+ <b>USD 1.8 million</b> (annual increase)</p>
<p><b>11.b.</b> Apply a reduced ISC rate to cash contributions that are not designated in any way.</p>	<p>- <b>USD 1.2 million</b></p>
<p><b>Total</b></p>	<p>- <b>USD 0.45 million (less than 1 percent of annual ISC)</b></p>



# 1. Proposed amendments to WFP General Rules and Financial Regulations

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2. Terminology and definitions that are coherent with the CSP structure

3. Amendments to delegations of authority (DoA)

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

# General Regulation XIII.2

*“Except as otherwise provided in [WFP’s] ... 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 the full operational and support costs of its contributions.”*  
(emphasis added).

## 2. Additional issues for consideration during the 2018 second regular session

- i. Transitional governance arrangements for selected CSPs and ICSPs that will be considered at the 2019 first regular session
- ii. Extension of the duration of certain transitional ICSPs to allow approval of CSPs and ICSPs at the 2019 second regular session
- iii. Proposed approach to regional responses

## i. Transitional governance arrangements for selected CSPs and ICSPs that will be considered at the 2019 first regular session

**Proposal: Extend transitional governance arrangements approved by the Board at the 2017 second regular session to select country offices submitting CSPs or ICSPs for approval at the 2019 first regular session.**

This approach, previously used for CSPs considered at the 2018 first regular session, would allow select country offices to implement certain ongoing activities for the first three months of 2019 under the rubric of the IRM framework by submitting short-term ICSPs to the Board for approval by correspondence.



**Draft decision point to be presented in the final Board paper for the 2018 second regular session**

## ii. Extension of the duration of certain transitional ICSPs to allow approval of CSPs and ICSPs at the 2019 second regular session

**Proposal:** At the 2018 second regular session, seek the Board's approval by correspondence to allow the duration of some transitional ICSPs to be extended beyond 18 months.



**Draft decision points to be presented in the final Board paper for the 2018 second regular session.**



### iii. Proposed approach to regional responses

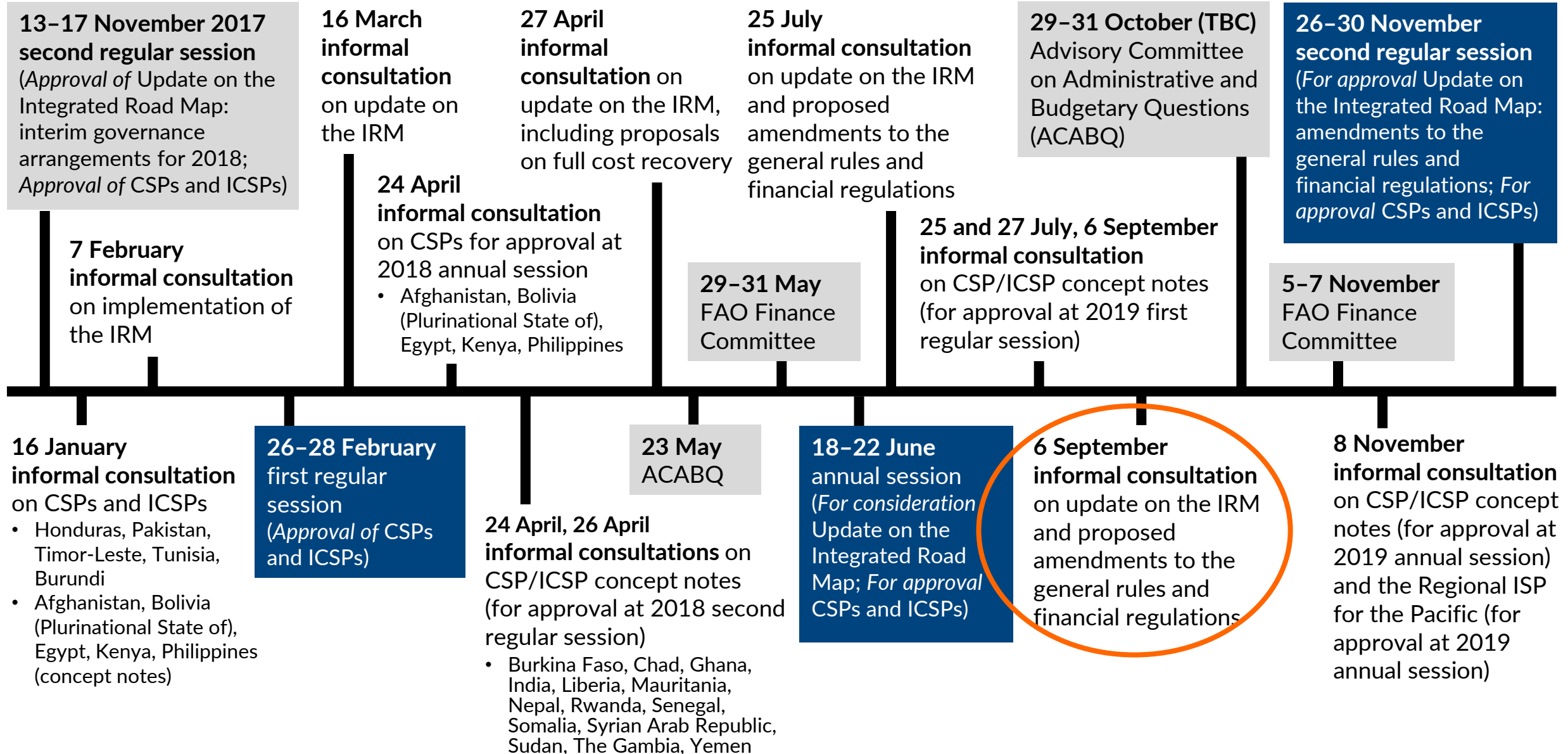
The Policy on Country Strategic Plans (para 35) provides for regional responses in the following scenarios:

1. Regional initiatives, excluding emergency responses, are normally implemented through **individual CSPs and/or ICSPs with additional or augmented WFP Strategic Outcomes** as appropriate. The regional bureau coordinates the planning, design and pursuit of these Strategic Outcomes in the countries participating in the regional response, and develops and oversees joint resource mobilization strategies.
2. Country-specific CSPs and ICSPs may include a **regional strategic chapeau** developed by the regional bureau to implement the regional response.

Proposed approach for regional responses with a single focus (e.g. disaster preparedness) across a number of similarly situated countries.

- **Implement a regional strategic plan** – a single plan covering all the countries where WFP would implement the response. A specific country in the region or a regional bureau could act as the regional response coordinator for managing the regional strategic plan.
- This approach to be applied to the Regional ICSP for the Pacific at the 2019 Annual Session.

# 2018 Informal Consultations



# Discussion

