

Update on the Financial Framework Review

Informal Consultation

24 October 2016



World Food Programme

Main changes to the paper

- 1. Strengthened commitment on information availability**
- 2. Clarity on process for deciding on delegations of authority**
- 3. Way forward on alignment to donor funding lines**
- 4. Reinforced commitment to learn from pilots**
- 5. Final draft decision**

Draft decisions i and ii: Context

Having considered the Financial Framework Review (WFP/EB.2/2016/5-B/1), the Executive Board:

- i) notes that the FFR is composed of three work streams: “budgeting for operational effectiveness”; “resource-based planning”; and “macro-advance financing”;
- ii) notes, in connection with the “budgeting for operational effectiveness” work stream, that under the Policy on Country Strategic Plans [WFP/EB.2/2016/4-A/1] (CSP Policy) each Country Strategic Plan, Interim Country Strategic Plan and limited emergency operation shall include a country portfolio budget (CP Budget), to which the approval mechanisms and transition and implementation arrangements set forth in the CSP Policy will apply;

Draft decisions iii and iv: Timeframe

Having considered the Financial Framework Review (WFP/EB.2/2016/5-B/1), the Executive Board:

- iii) notes that, under the CSP Policy, Country Strategic Plans containing pilot CP Budgets (Pilot CSPs) shall be submitted for Board approval in 2017, and requests the Executive Director to ensure that the experience of such Pilot CSPs informs the final design of the CP Budget and CSP structure;
- iv) notes that the roll-out across WFP of the CP Budget structure is expected to begin in 2018, following its finalization and the approval of amendments to the General Rules, Financial Regulations and Executive Director delegations of authority at EB.2/2017;

Draft decision v: CP Budget principles

- v. in line with the recommendations set forth in this paper, approves the following principles to guide the introduction of pilot CP Budgets in 2017 and the finalization of the CP Budget structure:
 - a. that the CP Budget structure encompass all operations in all contexts, replacing the multiple programme and project budgets and also reflecting the trust fund budgets where possible, that currently exist within a country;
 - b. that the CP Budget be summarized in four high-level cost categories – transfer costs, implementation costs, adjusted direct support costs, and indirect support costs;
 - c. that each CSP include a CP Budget, broken down by the four high-level cost categories set forth in point v) b of this decision and approved by total budget per WFP Strategic Outcome;
 - d. that the CP Budget be results-oriented with clear links from WFP Strategic Results to WFP Strategic Outcomes to activities to costs; and,
 - e. that the principle of full-cost recovery, which applies to contributions, shall employ the high-level cost categories of transfer and implementation costs, adjusted direct support costs, and indirect support costs; and that the full-cost recovery norms approved by the Executive Board in the General Rules be simplified.

Draft decision vi: additional elements of CP Budget

- vi. Consistent with these principles, the Executive Board further approves the following elements for inclusion in the CP Budget structure:
 - a. that the CP Budget be stated by calendar year;
 - b. that, where a country has a Country Strategic Plan or Interim Country Strategic Plan, the initial response to an emergency be handled by either modifying an existing strategic outcome or by introducing new strategic outcomes in a CP Budget;
 - c. that more detailed cost planning elements be aligned with harmonized United Nations cost categories, where possible; and
 - d. that, as a complement to CSPs, country-level budget and operational information from WFP's annual planning process be made available for information purposes to Member States, as outlined in paragraphs 50–57 of the Financial Framework Review (WFP/EB.2/2016/5-B/1);

Draft decisions vii, viii, and ix: Regulatory framework

- vii. notes that the application of the principles set forth above would derogate from, and eventually require amendment of, provisions of the General Rules and Financial Regulations relating to cost categorizations and the manner in which full-cost recovery is achieved;
- viii. expects that experience of the Pilot CSPs will assist in identifying the necessary normative amendments to the General Rules and Financial Regulations, and requests the Executive Director to present the necessary proposals for approval at EB.2/2017;
- ix. authorizes, as a temporary measure, pending the Executive Board's approval of amendments of the WFP General Rules and Financial Regulations at EB.2/2017, derogations from provisions of General Rule XIII.4 and Financial Regulation 1.1 and 4.5 concerning cost categorizations and the manner in which full-cost recovery is achieved, solely where these are necessary to permit application to the 2017 Pilot CSPs of the CP Budget principles that are listed at point v of this decision;

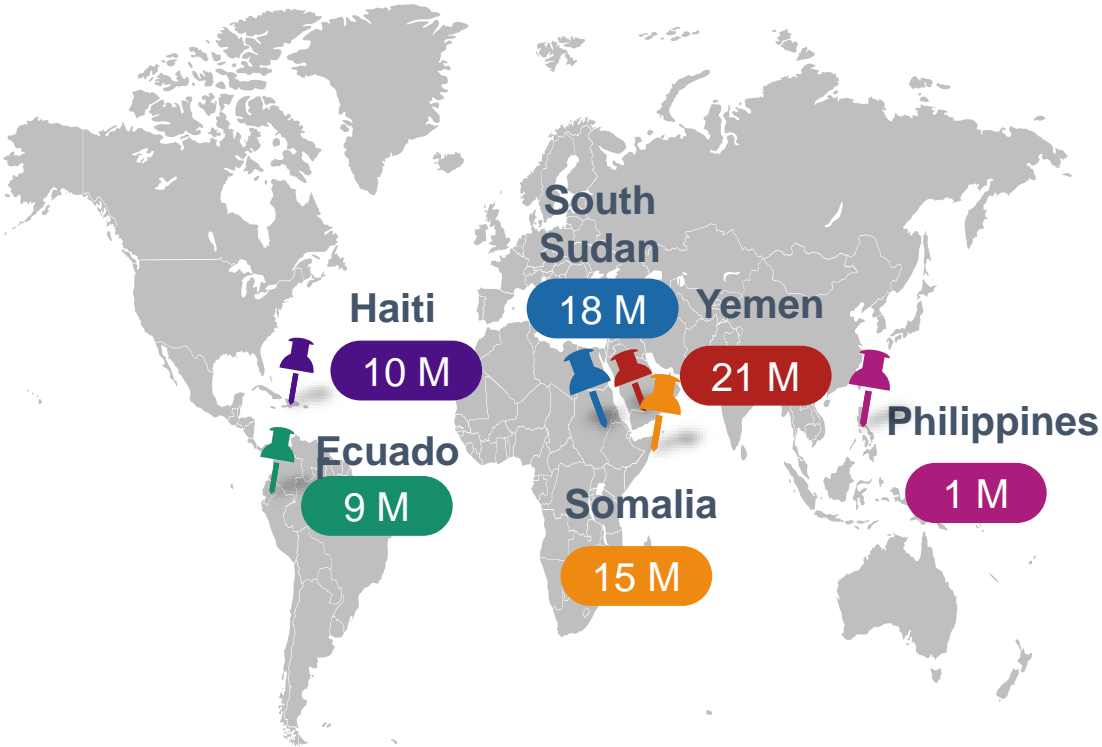
Draft decisions x, xi, xii: 2017 Authority and Engagement

- x. notes that adoption of the CSP framework will require revision of the programme category terminology and the budgetary thresholds that are included in the Delegations of Authority to the Executive Director and looks forward to the Secretariat's proposal on the revised Delegations of Authority, to be presented to the Executive Board for approval at EB.2/2017;
- xi. grants, as a temporary measure for 2017, authority to the Executive Director to make revisions to the Pilot CSPs, subject to existing delegations of authority with respect to emergency operations, with the understanding that any such revisions shall be reported promptly to the Executive Board; and
- xii. notes that informal consultations will be scheduled in 2017 to ensure informed and extensive engagement with the Board regarding the finalization of the CP Budget structure and approval of amendments to the General Rules, Financial Regulations and Executive Director delegations of authority at EB.2/2017.

Thank you

PSA proposal for USD 15 M to continue crucial support for life threatening and underfunded emergencies through the IRA

Examples of IRA usage in 2016



Rationale

- Greater demand for a thematic fund for emergency response
- Balance of the PSA Equalization Account (PSAEA) will exceed the healthy target of 5 months, and will not negatively impact the account
- Record level of donor contributions in 2016
- However, increase of IRA ceiling in 2014 to USD 200 M has not been followed by increase in contributions

Thank you