

Method for Determining the ISC Rate for WFP

Executive Board
Second Regular Session
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World Food Programme

Rationale for the ISC Review

Financial resilience: As a voluntary-funded organization with a core mandate to respond to emergencies, income fluctuations can undermine WFP's ability to cover indirect costs

Strategic shift: The shift from food aid to food assistance – such as the growth in cash and voucher activities – may be altering the magnitude and composition of WFP's indirect costs, necessitating a reinterpretation of Programme Support and Administrative (PSA) costs

Value for money: An opportunity to reassure members that the indirect cost recovery model provides an economic, efficient and effective use of resources

Informal consultations have covered three key questions

Is there interest in supporting a move towards a core budget for WFP?

- Limited support for a core budget model for WFP, but greater understanding of the value of predictable, multi-year funding and the need for flexibility.

Should WFP continue with a single ISC recovery rate for all programmes and activities?

- Ensure full cost recovery by applying a single ISC rate: simple, flexible, equitable and transparent.

Could variable ISC rates incentivize South–South cooperation, host government contributions, unearmarked contributions, multi-year contributions and private-sector contributions?

- Over 85% of funding is generated from traditional resourcing partners
- Lower ISC rates are applied to country-specific trust funds, host government contributions and twinning
- Private-sector ISC recovery rate model needs to be simplified

review of draft decisions as presented

The Board takes note of “Method for Determining the Indirect Support Cost Rate for WFP” (WFP/EB.2/2014/5-D/1) and looks forward to concluding the review in 2015

detailed analysis of WFP’s indirect costs to continue in 2014-15:

Informal consultations will be held with the Executive Board during the first half of 2015

Focus on the fourth, final question (detailed analysis of indirect costs, PSAEA, etc.)

A final paper summing up the conclusions of this review will be presented to the Board for approval at the Annual Session in June 2015.

Review of draft decisions as presented (continued)

The Board approves the application of a single ISC rate of 10 percent for private-sector contributions, in accordance with the principle of full-cost recovery outlined in “WFP Private-Sector Partnerships and Fundraising Strategy (2013–2017)”

Recall: WFP Private Sector ISC Rate (effective June 2013)

	Standard rate	Discounted rate
Corporations	20%	12%
Individuals	15%	15%
Foundations / NGOs	15%	10%
Funds raised by country offices	12%	10%
	if	if
<i>Size of donation</i>	<i>Small</i>	<i>Large</i>

CABQ “welcomes the proposal to adopt a single rate for indirect support costs for private-sector contributions, which simplifies the recovery rate model and increases transparency for donors. The Committee also welcomes the proposed rate of 10 per cent”

IC “endorsed the proposal to use a 10% single rate for all private sector contributions while noting that the rate is dynamic and capable of adjustment over time”