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Update on the Integrated Road Map

Executive summary

Implementation of the Integrated Road Map throughout WFP's 82 country offices and the mainstreaming of the underlying strategic planning, process, and system changes in country offices, regional bureaux and headquarters have reached the final stage. The Integrated Road Map framework comprises four components – the WFP Strategic Plan (2017–2021),¹ the Policy on Country Strategic Plans,² the Financial Framework Review³ and the Corporate Results Framework (2017–2021).⁴ It is designed to facilitate and demonstrate WFP's contributions to achieving the goals of the 2030 Agenda for Sustainable Development, particularly Sustainable Development Goals 2, "End hunger, achieve food security and improved nutrition and promote sustainable agriculture", and 17, "Strengthen the means of implementation and revitalize the global partnership for sustainable development". The holistic platform supports appropriate and sustainable responses and reinforces the effectiveness and efficiency of WFP's operations.

As of 1 October 2018, 71 of 82 country offices had moved to the Integrated Road Map framework, representing 64 percent of WFP's 2019 programme of work.⁵ By January 2019, all country offices will operate within the framework either through a Board-approved country strategic plan or interim country strategic plan or a transitional interim country strategic plan approved by the Executive Director.

¹ WFP/EB.2/2016/4-A/1/Rev.2.

² WFP/EB.2/2016/4-C/1/Rev.1.

³ WFP/EB.2/2016/5-B/1/Rev.1.

⁴ WFP/EB.2/2016/4-B/1/Rev.1.

⁵ Previous documents used the estimated annual programme of work for 2018 of USD 9 billion. The analysis of implementation of the Integrated Road Map has been updated to reflect the 2019 estimated annual programme of work in the first draft of the Management Plan (2019–2021), which is estimated to be USD 9.8 billion.

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Lessons learned have been essential in informing the rollout of the Integrated Road Map and enhancing the associated processes. Conclusions from WFP's oversight mechanisms – which include internal audit, external audit and evaluation – complement the lessons learned captured by management, resulting in better support for WFP's transformation. Lessons learned in 2018 have been shared at informal consultations and the 2018 annual session and are summarized in annex I.

In 2018, progress has been made in several key areas including the initiation of a streamlined, two-step consultation process to inform draft country strategic plans and interim country strategic plans, the simplification of Integrated Road Map processes, the launch of the beta version of the country strategic plan data portal, the refinement of the Corporate Results Framework, more efficient resource migration, the creation of a “partnership index” for measuring WFP's engagement in partnerships, and the development of an approach to the design of multi-country strategic plans. Efforts to encourage more flexible and predictable contributions have also been made to maximize the impact of funding that WFP receives.

This document includes proposed amendments to the general rules and financial regulations for which the Secretariat is seeking the Board's approval. The proposed amendments regard terminology, definitions and full cost recovery policies, and their purpose is to ensure coherence with the Integrated Road Map framework and to reflect the context in which WFP is currently working. Annex II sets out the proposed amendments, which are based on experience from the 2017–2018 implementation period and on feedback from the Board at a series of informal consultations in 2018. Permanent delegations of authority will be based on experience with the implementation of interim delegations of authority from 1 January 2018 to 29 February 2020. Permanent delegations of authority will be presented for approval at the Board's 2020 first regular session and, if approved, will take effect from 1 March 2020. Until then the interim delegations of authority approved by the Board at its 2017 second regular session will continue to apply to activities implemented under the Integrated Road Map framework.

Proposed recommendations related to full cost recovery have benefited from in-depth discussions in informal consultations throughout the year and during the Board's 2018 annual session. As WFP is 100-percent voluntarily funded, management remains committed to the principle and value of full cost recovery and to implementing a simple, coherent and transparent full cost recovery model that ensures accountability to and equity for all donors. WFP's standard indirect support cost rate – approved annually by the Board – is applied to approximately 97 percent of the contributions it receives while a reduced rate covers a small set of contributions governed by rules approved by the Board. Additional information relating to the potential impact of the recommendations on ISC income is provided in annex III.

In addition, the Secretariat proposes transitional governance arrangements that will allow the Board to grant approval by correspondence in order to enable some country offices to begin to implement certain ongoing and previously approved activities that are included in their proposed country strategic plans or interim country strategic plans. These activities are limited to those that are already being implemented and the Board's approval by correspondence will cover the period from 1 January 2019 until the associated country strategic plan or interim country strategic plan is presented for approval at the 2019 first regular session.

To ensure that no more than 15 country strategic plans or interim country strategic plans are presented at the 2019 annual session, management proposes that some country offices submit their strategic plans at the 2019 second regular session. To allow the implementation of this proposal, the Board is requested to approve an extended duration of 24 months for some transitional interim country strategic plans that were based on previously approved projects and were approved by the Executive Director with an original duration of 18 months. Subject to such approval, the country offices concerned would then follow the process also approved at the

2017 annual session of seeking approval by correspondence for extending the duration of their transitional interim country strategic plans.

To ensure business continuity, some country offices moving to the Integrated Road Map framework in early 2019 may need to continue implementing activities for a limited period under the project-based system alongside their approved country strategic plans, interim country strategic plans or transitional interim country strategic plans. To allow for this contingency, the Secretariat requests that the Board approve, exceptionally the continued application of the current programmatic and financial framework and current WFP general rules and financial regulations in respect of these activities. This approach will be employed only if necessary and only for a short period in early 2019.

Draft decision*

Having considered the update on the Integrated Road Map (WFP/EB.2/2018/5-A/1), and recalling the Policy on Country Strategic Plans (WFP/EB.2/2016/4-C/1/Rev.1), the Financial Framework Review (WFP/EB.2/2016/5-B/1/Rev.1), and various updates on the Integrated Road Map (WFP/EB.A/2017/5-A/1, WFP/EB.2/2017/4-A/1/Rev.1, and WFP/EB.A/2018/5-D/1), the Executive Board:

- i) **recalls** that certain amendments to the General Rules and Financial Regulations of WFP are required in order to reflect the mainstreaming of the operational model that was previously approved by the Board as part of the Integrated Roadmap framework, and that such amendments have been scheduled to be approved at the present Executive Board session;
- ii) **notes** that, in this context, certain additional recommendations with regard to full cost recovery have been presented for Board consideration;
- iii) **approves** such full cost recovery recommendations, as set forth at paragraphs 68–102 of the update on the Integrated Road Map (WFP/EB.2/2018/5-A/1), and **notes** that giving effect to them will require certain amendments of the General Rules and Financial Regulations of WFP;
- iv) accordingly **approves** the proposed amendments of the General Rules and Financial Regulations of WFP that are set forth in annex II to document WFP/EB.2/2018/5-A/1 and **decides** that such amendments shall come into effect on 1 January 2019;
- v) **recalls** that, with paragraph vi of its decision 2017/EB.2/2, the Executive Board approved interim delegations of authority applicable to programmes administered under the Integrated Road Map framework that shall remain in effect until 29 February 2020 and **notes** that permanent delegations of authority are scheduled to be presented for the Executive Board's approval at its 2020 first regular session;
- vi) **notes** that General Rule XIII.4 (d) of the amended General Rules and Financial Regulations calls on the Executive Board to designate the contributions eligible for a reduction or waiver of support costs, **decides** to provide such guidance at a future Board session and **further decides** that, until such guidance comes into effect, expenses that prior to the application of the Integrated Road Map Framework would have constituted "direct support costs" shall continue to be treated as eligible for a reduction or waiver under General Rule XIII.4 (d);
- vii) **approves** the proposals set forth at paragraphs 104–113 of document WFP/EB.2/2018/5-A/1 in respect of:

* This is a draft decision. For the final decision adopted by the Board, please refer to the decisions and recommendations document issued at the end of the session.

- a) transitional governance arrangements for certain country strategic plans and interim country strategic plans that will be considered at the Board's 2019 first regular session;
- b) the extension of the duration of transitional interim country strategic plans based on previously approved projects and of certain countries continuing to operate under such transitional interim country strategic plans through December 2019; and
- c) the continued application of the current programmatic, financial, legal and reporting framework, as a contingency to ensure business continuity, in respect of any individual programme or activity in a country that cannot be shifted to the IRM framework, with the result that the programme or activity would temporarily operate alongside the approved country strategic plan, interim country strategic plan, transitional interim country strategic plan of that country.

Introduction

1. The Executive Board approved the Integrated Road Map (IRM) and its four components – the WFP Strategic Plan (2017–2021),⁶ the Policy on Country Strategic Plans,⁷ the Financial Framework Review⁸ and the Corporate Results Framework (2017–2021) (CRF)⁹ – at its 2016 second regular session.
2. The Strategic Plan (2017–2021) came into effect on 1 January 2017. The plan is focused on ending hunger and contributing to revitalized global partnerships aimed at achieving the Sustainable Development Goals (SDGs). It provides the conceptual framework that will ensure the enhancement of WFP's contributions to countries' efforts to implement the 2030 Agenda for Sustainable Development.
3. The country strategic plan (CSP) framework, which enables the design of WFP portfolios that encompass humanitarian and development activities within a country and that are aligned with national priorities in order to serve people more effectively and efficiently, supporting governments and other partners in achieving the SDGs, is composed of the following:
 - CSPs: CSPs can be designed for a duration of up to five years. They are based on country-led analyses of sustainable development¹⁰ and may also be informed by evaluations, assessments – including joint needs assessments – and feasibility studies. CSPs that are funded entirely by the host country may be approved by the Executive Director or, if the host country so elects, by the Board; all other CSPs are approved by the Board.
 - Interim country strategic plans (ICSPs): ICSPs have a duration of up to three years and are used when a country-led sustainable development analysis for informing the design of a CSP has not been completed. ICSPs are based on WFP's existing strategies, studies, assessments – including joint needs assessments – analysis and data. Like CSPs, ICSPs

⁶ WFP/EB.2/2016/4-A/1/Rev.2.

⁷ WFP/EB.2/2016/4-C/1/Rev.1.

⁸ WFP/EB.2/2016/5-B/1/Rev.1.

⁹ WFP/EB.2/2016/4-B/1/Rev.1.

¹⁰ A country-led sustainable development analysis typically consists of a zero hunger strategic review or a country analysis that informs the development of a United Nations development assistance framework.

that are funded entirely by the host country may be approved by the Executive Director or, if the host country so elects, by the Board; all other ICSPs are approved by the Board.

- Limited emergency operations: A limited emergency operation – which may include the provision of services or capacity strengthening support, as required – may be implemented in the event of an unforeseen and sudden-onset emergency in any country or countries where WFP does not have a CSP or ICSP. Limited emergency operations are planned for an initial period of up to six months and are approved by the Executive Director and, if required, the Director-General of the Food and Agriculture Organization of the United Nations (FAO).
 - Transitional interim country strategic plans (T-ICSPs): A T-ICSP may be carried out between the end of a limited emergency operation and the start of a CSP or ICSP. A T-ICSP following a limited emergency operation may be approved by the Executive Director, with joint approval, if required, from the Director-General of FAO for emergency-related components. T-ICSPs, which are based on previously approved project documents, may be approved by the Executive Director for a duration of up to 18 months as a bridge to CSPs informed by strategic reviews.¹¹
4. The country portfolio budget that accompanies each CSP, ICSP, T-ICSP or limited emergency operation consolidates all operations and resources into a single structure, with the exception of third-party agreements that are incidental to WFP's programme of work and are pass-through activities. This structure articulates the relevance and impact of WFP's work by transparently linking strategy, planning, budgeting, implementation and resources to the results achieved. It also introduces four high-level cost categories and simplifies the application of full cost recovery. Each country portfolio budget, broken down into its four high-level cost categories, is approved in terms of total budget per WFP strategic outcome. Actions for simplifying the country portfolio budget structure and related internal processes are under way with a view to reducing the transactional workload and complexity of fund management for country offices.
 5. The CRF, in effect since 1 January 2017, enables WFP to measure results and meet its commitments to transparency and accountability, with strategic goals, outcomes and results relating to the Strategic Plan (2017–2021). It provides the basis for designing the logical frameworks of CSPs, ICSPs and T-ICSPs. All country offices have now completed the transition to the CRF structure. Based on experience and feedback to date, the CRF has been revised to reflect global agreements, incorporate additional indicators for measuring contributions to all relevant SDGs and introduce high-level key performance indicators that facilitate corporate performance management and reinforce the single results framework. The revised CRF will be presented to the Board for approval at the 2018 second regular session.

Implementation to date

6. The Secretariat's approach to implementing the IRM, decided by the Board at the 2017 annual session, has entailed maintaining the target "go live" date of 1 January 2018 for most country offices, but allowing, on an exceptional basis, some country offices to continue operating within the project-based system beyond that date and to move to the IRM framework by early 2019.

¹¹ For certain T-ICSPs that have been approved by the Executive Director, the Secretariat is seeking the Board's approval for extending their duration beyond 18 months, to December 2019, in order to allow the presentation for approval of CSPs and ICSPs at the 2019 second regular session.

7. As of October 2018, 71 of 82 country offices have moved to the IRM framework. These include 29 country offices with full CSPs, 6 with ICSPs and 36 with T-ICSPs, together representing 64 percent of WFP's 2019 programme of work.¹²
8. At its 2018 second regular session, the Board will consider for approval ten CSPs and three ICSPs. If approved, country offices will initiate their CSPs and ICSPs on 1 January 2019.
9. To ensure business continuity, some country offices may need to continue to implement activities under the project-based system alongside their approved CSPs, ICSPs and T-ICSPs for a limited period in early 2019. The Board is therefore requested to approve, exceptionally, the continued application of the current programmatic and financial framework and current WFP general rules and financial regulations in respect of these activities. This approach will be employed only if necessary and only for a short period in early 2019.
10. Some country offices submitting a CSP or ICSP for approval at the 2019 first regular session may opt to commence implementation of their CSPs or ICSPs from 1 January 2019 and will submit short-term ICSPs for Board approval by correspondence in order to allow this. Further details on the extension of the transitional governance arrangements approved by the Board at its 2017 second regular session and of the related programmatic and budgetary controls are provided in paragraphs 107–111.
11. By January 2019, all country offices will be operating within the IRM framework either under a Board-approved CSP or ICSP or under a T-ICSP approved by the Executive Director.

Analysis of contributions received to date

Total funds received

12. The CSP framework provides donors with clear visibility on WFP's long-term strategic and programmatic direction globally and in individual countries. It facilitates decision making on funding, including on multi-year contributions or other commitments with a longer planning horizon.
13. By 1 October, 76 country offices had received USD 4.85 billion, including contributions that were transferred from previous projects to the IRM framework and contributions to "early released" budgets for CSPs, ICSPs and T-ICSPs. New resources amounted to USD 3.95 billion.
14. Total new contributions received since the IRM rollout¹³ by country offices operating within the IRM framework were allocated as follows:
 - 213 grants valued at USD 310 million, or 7.8 percent of the total USD 3.95 billion received, were confirmed at the country level in 53 countries;
 - 60 grants valued at USD 33 million, or 1 percent of the total USD 3.95 billion received, were confirmed at the strategic result level in 30 countries;
 - 214 grants valued at USD 402 million, or 10.2 percent of the total USD 3.95 billion received, were confirmed at the strategic outcome level in 54 countries; and

¹² Previous documents used the estimated annual programme of work for 2018 of USD 9 billion. The analysis of implementation of the IRM has been updated to reflect the 2019 estimated annual programme of work in the first draft of the Management Plan (2019–2021), which is estimated to be USD 9.8 billion.

¹³ New contributions to country offices operating within the IRM framework consist of contributions received since 2016 to countries operating within the IRM framework, including those country offices that had "early released" country portfolio budgets.

- 708 grants valued at USD 3.2 billion, or 81 percent of the total USD 3.95 billion received, were confirmed at the activity level in 67 countries.

Efforts to encourage more flexible and predictable contributions

15. The CSP framework aligns WFP's country portfolios with national priorities and enables WFP to serve people more effectively and efficiently, supporting governments and other partners in achieving the SDGs. The design, planning, implementation, performance management and reporting of CSPs are based on the results chain, which clarifies the relationship between resources deployed and results achieved. Through this results chain, the IRM framework is designed to facilitate resource mobilization for the attainment of concrete, country-specific strategic outcomes, while providing a breakdown of costs by activities.
16. WFP management expects that the increased transparency provided by the activity-level budget structure will increase donors' confidence, encouraging them to move towards more outcome-based or flexible funding over time. Unearmarked funding or funding that is allocated to higher, more strategic levels in the budget structure will enable WFP to maximize its operational effectiveness, agility and flexibility while also optimizing its use of advance financing tools. To promote such funding, WFP will work with partners to gather further evidence of the gains in efficiency and effectiveness that it delivers.
17. The Secretariat recognizes that the formulation of strategic outcomes in close consultation with national governments and partners is critical. Where feasible, management is exploring opportunities for increasing the coherence and consistency of strategic outcomes among countries and CSPs in order to facilitate donors in deciding to direct their contributions to higher levels than the activity level, including by providing funding for specific focus areas or thematic priorities.
18. Management is also engaging with some donors in discussions on strategic financing, focusing on increasing flexibility and predictability in order to maximize the impact of the funding that WFP receives:
 - In addition to advocating for increased levels of unearmarked contributions, WFP will explore opportunities for improving the efficiency of directed contributions by assessing the extents to which funding can be allocated to higher levels in the results chain (such as by country, strategic result or strategic outcome) and donors can ease the conditions attached to their contributions. Increased flexibility – through wholly unearmarked funding, funding that is directed to levels above the activity level, or the relaxing or elimination of certain conditions attached to directed contributions – will enable WFP to use contributions more efficiently. Easing conditions will also enable WFP to leverage more strategically its advance financing facilities such as the internal project lending facility,¹⁴ macro advance financing¹⁵ and the immediate response account.¹⁶
 - WFP will continue to pursue predictable funding, especially in the form of multi-year contributions (both directed and multilateral), and strategic partnership agreements,

¹⁴ The internal project lending (IPL) facility provides operations with advance financing based on their forecast contributions. It allows forecast contributions to serve as collateral to support spending on the operation before the contributions are confirmed. The facility has a ceiling of USD 570 million.

¹⁵ The macro advance financing mechanism is similar to the IPL facility and is managed within the IPL ceiling of USD 570 million, but spending authority is based on a general funding forecast acting as collateral instead of specific forecast contributions.

¹⁶ The immediate response account is a flexible, replenishable, revolving multilateral funding mechanism that enables WFP to finance specific activities that address life-threatening situations in an emergency. The target level for the account's balance is USD 200 million for each financial period.

as well as other types of engagement that allow WFP to receive early and detailed information on future commitments. Greater funding predictability supports WFP's integral role at the humanitarian-development-peace nexus and its partnerships with national governments in capacity strengthening. Longer-term, consistent investments that are aligned with requirements throughout the duration of a country office's CSP or ICSP will facilitate the efficient implementation of WFP's activities for achieving intended outcomes, including activities related to development, which often require several years to reach their expected outcomes and achieve results.

Lessons learned

19. Building on the lessons learned in the 2017 pilot CSPs and the Sudan ICSP, management has continued to systematically gather lessons learned in 2018 through detailed tracking processes, structured inputs from pilot CSP countries, meetings and regular teleconferences with deputy regional directors and regional focal points, direct inputs from country directors, support missions, regional workshops and meetings with division directors and the IRM steering committee. Findings have been presented at informal consultations in 2017 and 2018, at the 2017 annual and second regular sessions and at the 2018 annual session and are summarized in the 2017 Annual Performance Report. Annex I provides a summary of the lessons learned in 2018 in the areas of zero hunger strategic reviews, the CSP framework, the timeline for CSP approval and organizational readiness.
20. Examination and analysis of challenges and best practices continue to be crucial to the enhancement of the IRM by informing refinements to the programme, financial and performance management frameworks and helping to ensure that WFP supports countries' work to end hunger among the poorest and most food-insecure people and to achieve the SDGs. In addition, WFP's oversight mechanisms – including internal audit, external audit and evaluation – are being used to assess the CSP pilot phase, implementation of the IRM and the country portfolio budget structure as outlined in the following paragraphs. Conclusions drawn from internal and external audits and a strategic evaluation will supplement the lessons captured by management and will improve WFP's transformation through the IRM framework.

Internal audit of the Integrated Road Map pilot phase

21. In May 2018, the Office of Internal Audit released its audit of the IRM pilot phase, which considered the main risks to achieving the IRM's objectives, the process for formulating and approving CSPs and the management of budgets and costs within the new financial framework.¹⁷ Overall, the office found the IRM pilot phase to be "partially satisfactory with major efforts still needed". The audit report identified four high-priority areas that require attention: the timeline, scope and assessment of pilots; capacities for IRM implementation; demonstration of the ability to deliver results through newly designed activities; and controls and flexibility in budget management. Eight medium-priority areas were also identified.
22. Management welcomed the findings that the 2017 pilots were largely successful in contributing to corporate learning and mitigating risk and worked with the Office of Internal Audit on identifying the actions required to address the recommendations derived from the audit and planning the timeline for their implementation. Implementation of the agreed actions is ongoing and regular updates are being provided to the Office of Internal Audit. Actions include ensuring sufficient investment in implementation and providing country

¹⁷ Office of the Inspector General. 2018. Internal audit of the Integrated Road Map pilot phase in WFP. AR/18/05.

offices with appropriate support and capacity for the transition to new strategies. The IRM steering committee will remain in place until 2021 in order to oversee IRM implementation and assess the impact of changes. As outlined in the Management Plan (2019–2021), it is proposed that a non-recurring investment be made to establish a WFP 2030 Fund that will ensure that WFP has the capacity to deliver transformative CSPs and ICSPs in selected countries, while staff skills will be strengthened through investments that ensure the sustained development of the staff capabilities required by 2020. Following a review of the flexibility of fund management and identification of processes that could be streamlined, simplified processes related to the country portfolio budget are being implemented.

Strategic evaluation of CSP pilots

23. Building on the data collection and other work carried out for the audit where appropriate, a strategic evaluation of WFP's CSP pilots covering the period from 2017 to mid-2018 was conducted in order to assess WFP's progress in the formulation and implementation of CSPs within the IRM framework. Management accepted the conclusion that "adopting CSPs as the framework for planning, managing and delivering WFP's functions was a significant step forward" and the recommendation that there be an "ongoing focused commitment to making the CSP approach fully fit for purpose across WFP, with continuous, more systematic learning and a comprehensive review in 2020".
24. The summary evaluation report¹⁸ and the management response to the related recommendations are to be presented at the 2018 second regular session for consideration. The evaluation recommendations cover five areas: management of the CSP framework; CSP processes and guidance; United Nations reform; monitoring and reporting performance; and funding. Management has identified specific actions and associated timelines for the individual recommendations.

Performance and compliance audit by the External Auditor of the country portfolio budget structure

25. The External Auditor is undertaking a performance and compliance audit with the purpose of examining the effectiveness, efficiency and economy of the management of country portfolio budgets within the new financial framework in order to determine whether the new structure improves the transparency of expenditure.
26. The preliminary audit mission and field visits will take place in late 2018, with a final audit mission to be conducted in January 2019. It is expected that a draft of the report will be presented to management at the end of February 2019 with the final report being presented to the Board at the 2019 annual session.

Progress on major issues

Consultation process with Member States for 2018 and 2019

27. Responding to feedback received from the Board and based on experience gained in 2017 and early 2018, management initiated a two-step consultation process for draft CSPs and ICSPs in an effort to obtain Member States' views earlier in the process in order to better shape the strategy and formulation of the draft documents.¹⁹ The process entails:

¹⁸ Summary evaluation report of the strategic evaluation of the pilot country strategic plans (2017–mid-2018) WFP/EB.2/2018/7-A.

¹⁹ The consultation process will not apply to any draft CSP or ICSP that is funded entirely by the host country, which is subject to the provisions of Financial Regulations 5.1 and 5.2 and is approved by the Executive Director, unless the host government elects to have the CSP or ICSP approved by the Board.

- holding an informal consultation on concept notes²⁰ for CSPs and ICSPs approximately six months before the Board session at which the CSPs and ICSPs are to be presented; and
 - maintaining the approved review process whereby Board members can provide detailed comments on CSP and ICSP documents 12 weeks before the documents are submitted for approval.
28. Management will apply this two-step consultation process until the end of 2019, after which it could be reviewed, along with the permanent delegations of authority, at the 2020 first regular session. The review would draw from at least four cycles of informal consultations on concept notes for CSPs and ICSPs, the written comment period and Board approval of the final CSPs and ICSPs. It would include an examination of the value of the process, taking into account perspectives from the field, efficiency gains and the costs involved.

Simplification of the IRM

29. A management-level workshop on the simplification of the IRM was held in May 2018 in order to discuss major outstanding issues and endorse or refine proposals for simplifying and aligning a number of internal IRM processes. The workshop explored a wide array of internal issues, including the accountability framework; organizational readiness; opportunities for maximizing funding impact; strengthening linkages between resources and results; simplifying the country portfolio budget structure and processes and internal review processes; and planning and reporting processes. Based on the outcomes of the workshop, specific actions were identified and are now being implemented.

Simplification of the country portfolio budget structure and processes

30. As outlined at the 2018 annual session,²¹ substantive feedback and lessons learned from the IRM rollout and application of the country portfolio budget structure raised issues relating to the complexity of internal processes associated with budget planning and the management of funds. Identified actions for addressing these issues include streamlining or consolidating certain elements of cost planning taking into account the impact on high-level costing, the validity of the detailed planning and expenditure data available and the value of the cost planning elements concerned versus the transactional work they require. The methodology for developing later years of a country portfolio budget will also be simplified by introducing automation that facilitates the production of budget details.
31. Management will continue to update Member States on progress in and the potential impact of these developments and other simplification efforts during informal consultations.
32. Efforts to streamline processes will not reduce transparency, which is a cornerstone of the IRM framework.

Internal review and approval of country strategic plans

33. While the underlying principles and components of the IRM framework are recognized as having the desired impacts, opportunities have been identified for further simplification in order to ensure that the new way of doing business strengthens WFP's operational agility and flexibility and improves the effectiveness and efficiency of WFP's work. A major area identified is the streamlining of internal processes and systems for the review and approval of CSPs and their revisions. Proposals for such simplification, which were considered at

²⁰ Concept notes describe the context, country targets and priorities that WFP will address. They set the overall strategic direction and focus of WFP's programme of work in a country, including the planned Strategic Results, strategic outcomes, focus areas, outputs, activities and associated monitoring and evaluation activities. Preliminary implementation arrangements are also outlined, including analysis of beneficiaries' needs, targeting, planning of supply chains and partnerships.

²¹ WFP/EB.A/2018/5-D/1.

dedicated workshops that brought together senior managers and technical experts from country offices, regional bureaux and headquarters, are now being put into practice.

CSP data portal

34. Fulfilling commitments made during the 2016 second regular session, management launched the beta version of the CSP data portal for Member States and donor partners on 25 July 2018. The portal includes programme, financial and performance-related information on Board-approved CSPs and ICSPs and increased the transparency of WFP's planning and results within the IRM framework. The information supports the Board's governance and oversight roles and will facilitate funding decisions.
35. The online portal consolidates data from numerous corporate systems and integrates WFP's annual planning process and country office management plans. Information is displayed by country, Strategic Result, strategic outcome, activity and year and may be filtered according to users' requirements.
36. The beta version of the CSP data portal enables Member States, donor partners and WFP to navigate the reporting platform and jointly identify the best mix of useful data and enhanced functionality for subsequent versions. Management is working to improve the portal including by addressing challenges related to systems integration, and expects to deliver an updated version in the first quarter of 2019.

Corporate results framework and reporting

37. The refinement of the CRF – with strategic goals, outcomes and results relating to the WFP Strategic Plan (2017–2021) – builds on the continuity between the results frameworks for the project-based approach and the IRM framework. The most significant changes are the addition of SDG-related indicators and the introduction of high-level key performance indicators for management performance. The revision also provides an opportunity for the refinement or development of indicators for some of the new programme areas, while the indicators for food security and nutrition remain stable.
38. SDG-related indicators and methodologies developed by technical units at headquarters have been tested in nine pilot countries and included in the revised CRF. Cross-functional technical teams reviewed recommendations from the country offices in order to foster broad endorsement and consensus throughout WFP and finalize the programme and SDG-related indicators for the revised CRF.
39. The revised CRF will consolidate the measurement of programme and management performance. The implementation of WFP activities is enabled by management processes carried out in functional areas and measured by key performance indicators. The linking of functional areas to activities establishes a clear relationship between programme performance and management performance.
40. The revised CRF will reflect global agreements, specifically the 2016 quadrennial comprehensive policy review, and facilitate active engagement with national governments and the United Nations system in measuring progress towards achievement of the goals of the 2030 Agenda.
41. The revision of the CRF is in its final stages and, following internal endorsement of the changes by senior management, a draft of the revised CRF document will be discussed with the Board at informal consultations before the final document is submitted to the 2018 second regular session for approval.
42. The revised CRF will also draw on lessons from country offices using the current CRF and the new WFP financial framework for reporting. Initial lessons from the annual country reports – released at the end of March 2018 for the 12 country offices that

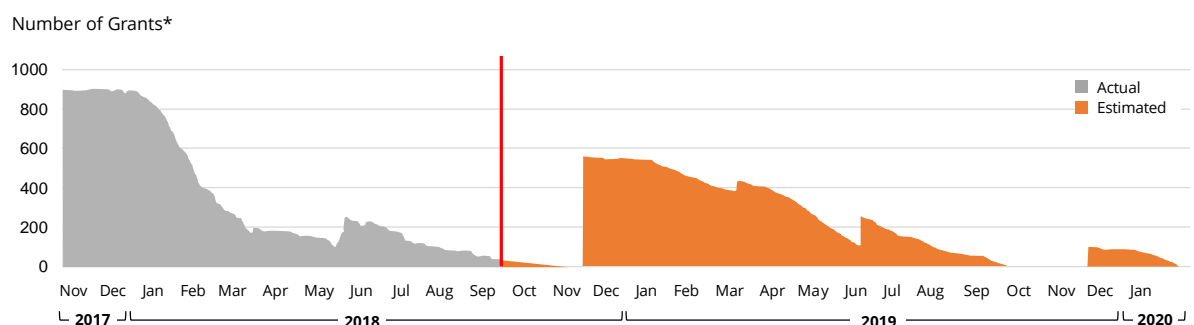
implemented programmes in the IRM framework in 2017 – identified the need for further work in areas that include capturing “resources for results” and defining baselines and targets for CRF indicators. A detailed analysis of the CRF’s ability to capture the relevance and impact of country offices’ work through the annual country reports is under way. The analysis will take into account the CSPs that were being implemented in 2017 and the complications deriving from reporting based on two different results and financial frameworks within the reporting period.

43. Lessons learned will also be utilized to refine the approach and process for reporting in 2018. Initial findings highlight the importance of senior management’s involvement in and ownership of performance reports, the need for adequate staff capacity and training in reporting, and the essential need for up-to-date, accurate and comprehensive performance data. Opportunities for rationalizing different streams of planning, monitoring and reporting at the country office level will also be explored, including the alignment of annual country reports with the newly developed CSP data portal and efforts to improve the speed and accuracy of reporting against humanitarian response plans and the financial tracking system. As management reviews and refines processes, corporate reporting will continue to focus on demonstrating the relevance and impact of WFP’s work and transparently linking resources utilized to results achieved.

Resource migration

44. Resource migration – the timely transfer or reallocation of resources from closing projects to the new CSP framework – is critical in ensuring operational continuity at the start of CSP implementation and in supporting project closure procedures.
45. By 1 October 2018, the resource migration process had been completed for 1,431 grants, accounting for USD 995 million and 329,000 mt of food. Resource migration for only 24 grants remains in progress for country offices that completed their transition to the CSP framework in 2018, including two country offices transitioning from T-ICSPs to CSPs.
46. Lessons learned from implementation of previous “waves” of new CSPs and ICSPs have been instrumental in fine-tuning the migration process and strengthening the support and monitoring tools that enable management to manage the significant workload effectively.
47. Management is facilitating further improvements to processes and tools in preparation for the next waves of countries moving from the project-based framework or T-ICSPs to CSPs or ICSPs in the last quarter of 2018 and the first quarter of 2019 (see figure 1).

Figure 1: Estimated resource migration, 2017–2020



* Includes migration of grants from T-ICSPs to ICSPs/CSPs

Multi-country strategic plans

48. The Policy on Country Strategic Plans defines the process for and form of WFP’s engagement at the country level. There may, however, be regions such as the Pacific or the Caribbean where WFP works on themes – disaster preparedness, for example – that are common to a number of similarly situated small states that do not have individual CSPs or ICSPs in place.

In such circumstances, the preparation of an individual CSP for each country focused on the achievement of SDG 2 or SDG 17 that is based on a country-led sustainable development analysis may not be feasible. In these instances, management proposes to operate within the CSP framework through the development of a multi-country strategic plan (MCSP) that covers a number of countries and does not overlap with any existing CSP or ICSP.

49. Such an MCSP would be treated and approved as a single plan covering all the countries where WFP plans to implement a response. For programmatic authority the plan should be derived from the United Nations development assistance framework (UNDAF), where possible, to ensure national ownership and coherence with the achievement of the SDGs and with the plans of other partners, in line with the ongoing reform of the UNDAF system.
50. Through the MCSP, a common strategic outcome or outcomes would be developed by WFP and applied individually. One or more activities would be designed to achieve specified outputs and would be linked to the strategic outcome or outcomes; *activities* could be designed as common activities for implementation in all the countries covered by the plan. To ensure flexibility, it should be noted, a specific country office in the region or the regional bureau could act as the coordinator for managing implementation of an MCSP. Funds would be managed through a multi-country portfolio budget.
51. While an MCSP approved by the Board would generally have a programmatic focus common to the countries covered by the plan, emergency responses would be handled through existing mechanisms if and when the need arose, for example the addition of crisis response-related strategic outcomes, outputs and activities through a revision of the original MCSP. Similarly, in the case of a sudden onset emergency affecting several countries where WFP is not operating (i.e., where no CSP, ICSP or MCSP is in place), a limited emergency operation could be implemented on a multi-country basis.
52. Management wishes to provide notice of its intention to present an MCSP to the Board for approval in 2019 and will at that time propose the normative adjustments that will be required to put it into effect.

Partnerships

53. Management has developed an outcome indicator for partnerships for inclusion in the revised CRF. Intended as a tool for capturing the scope and quality of country offices' work on partnerships, the partnership index will measure progress from when it is first applied in a country throughout the lifecycle of the country office's programme of work as defined in its CSP, ICSP or T-ICSP.
54. The partnership index is based on indicators that measure the extent of WFP's engagement with partners in six categories in support of work towards the achievement of the SDGs guided by WFP's programme of work at the country level, as defined in, for example, the country's CSP. The partnership categories included in the index are national government, national authorities and national public sector institutions; agencies in the United Nations system; civil society organizations, academic institutions and professional associations; non-governmental organizations; donors such as local partners, international financial institutions, regional entities and non-traditional funding sources; and private sector companies, foundations and individuals.

Governance arrangements

55. As foreseen in the Policy on Country Strategic Plans and the Financial Framework Review, implementation of the IRM requires changes to the current WFP general rules and financial regulations in three main areas: terminology and definitions that are coherent with the new structure; application of full cost recovery and introduction of new cost categories; and amendments to delegations of authority.

56. Proposed changes to the general rules and financial regulations with respect to terminology and definitions and the application of full cost recovery and new cost categories have been discussed in a series of informal consultations leading up to the 2018 second regular session. An overview of the main areas of change and recommendations related to full cost recovery that reflect the feedback received from Board members are outlined in the following paragraphs. Annex II sets out the proposed amendments to the general rules and financial regulations that are being recommended for Board approval. If approved, the revised general rules and financial regulations will take effect on 1 January 2019.
57. The interim delegations of authority approved by the Board at the 2017 second regular session are in effect until 29 February 2020. Following a review of these interim delegations of authority, permanent delegations of authority²² will be presented for approval at the Board's 2020 first regular session and, if approved, will take effect from 1 March 2020.

Amendments to align terminology and definitions with the IRM structure and to reflect WFP's current working context

58. In the WFP general rules and financial regulations, amendments to terminology that refers to existing programme categories are required in order to ensure coherence with the IRM framework. Additional changes have also been proposed in order to reflect the current context in which WFP is working. All amendments are detailed in annex II.
59. The main areas of proposed revision include the following:
- i) General Rule II.2, which defines WFP's programme categories, has been amended to refer to CSPs, ICSPs, limited emergency operations and T-ICSPs. Based on countries' progress in adopting the 2030 Agenda for Sustainable Development, and the increased focus on localizing the SDGs as part of the United Nations reform, the proposed terminology makes reference to "country-led sustainable development analysis"²³ in order to broaden the foundation for CSPs.
 - ii) General Rule VII.1, which defines the responsibilities of the Executive Director for assuring supplies of resources, has been amended to include non-food items and cash resources as well as commodities and services.
 - iii) General Rule X.2 has been amended to remove references to country strategy outlines and country programmes, as these are no longer relevant in the IRM context. In response to feedback received during the 25 July informal consultation, the wording of this rule has also been revised to emphasize the role of national governments and United Nations agencies in establishing development activities within programmes and to reflect the elements of the new IRM framework, including the country portfolio budget and the new cost categories.
 - iv) General Rule X.7 has been amended to reflect the approval authorities of the Executive Board and the Executive Director under the Integrated Road Map framework, and an additional subsection has been included to indicate that the Executive Director is responsible for the execution of programmes once they are approved.
 - v) General Rules X.8, XI.1 and XIII.2 have been amended to remove references to the project framework.

²² The development of permanent delegations of authority will draw on experience from the interim period (1 January 2018 to 29 February 2020) and on a review that aims to ensure that the Board's fundamental approval and oversight role is maintained.

²³ A country-led sustainable development analysis typically consists of a zero hunger strategic review or a country analysis that informs the development of a United Nations development assistance framework.

- vi) General Rule XIII.1 (c) has been amended to broaden the understanding of which governments can make contributions by deleting the reference to “donor” governments.
- vii) General Rule XIII.6 has been amended to reflect the fact that the Food Aid Convention has been superseded by the Food Assistance Convention.
- viii) Financial Regulation I: Definitions have been amended to introduce new terminology related to the IRM framework. In addition, the definition of biennium has been removed to reflect the fact that WFP now operates with an annual reporting period in accordance with International Public Sector Accounting Standards.

Full cost recovery

60. WFP is committed to the principle of full cost recovery, which is set forth in Article XIII.2 of the general regulations and states:

Donors may contribute appropriate commodities, cash and acceptable services in accordance with the general rules made pursuant to these General Regulations. Except as otherwise provided in such 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.

61. As WFP is 100-percent voluntarily funded, WFP General Regulation XIII.2 is crucial because it ensures that sufficient funds are provided to cover all the operational and support costs related to each contribution. Management is committed to sensitizing all donors and potential donors to the value of WFP’s full cost recovery model, its indirect support cost (ISC) recovery rate and the ISC income generated, which funds the programme support and administrative budget.
62. WFP’s simple and transparent cost recovery model is relatively unique in the United Nations system. WFP currently has a single, standard ISC rate – approved once a year by the Board – for approximately 97 percent of contributions received. Reductions or waivers of indirect support costs – as provided in the general rules and financial regulations – are applied to a small set of contributions.
63. Despite the simplicity of the full cost recovery principle, the WFP general rules and financial regulations that guide the calculation of full cost recovery against contributions under the project-based system are complex. As part of the Financial Framework Review, management adopted the guiding principle that the application of full cost recovery should be simplified in the new country portfolio budget structure.
64. The Board approved principles governing the interim application of full cost recovery for country offices operating in the CSP framework at its 2016 and 2017 second regular sessions in decisions 2016/EB.2/7 and 2017/EB.2/2. The Board also approved the temporary relaxation of the current general rules and financial regulations during 2017 and 2018 in order to allow for the aforementioned principles to be applied with the intention of amending the general rules and financial regulations– benefiting from lessons learned and with effect from 1 January 2019 – at its 2018 second regular session. Proposed amendments to the general rules and financial regulations, which are in line with the previous approved principles, are recommended for Board approval and are included in annex II. These amendments are focused primarily on changes to General Rule XIII.4 and related financial regulations necessitated by the introduction of the Integrated Road Map, as well as the recommendations set forth below related to full cost recovery.

Criteria for calculating full cost recovery

65. The criteria for calculating full cost recovery under the current General Rule XIII.4 (a–d) have been simplified and are now set forth in revised General Rule XIII.4 (a) as follows:
- transfer and implementation costs, which shall be calculated based on estimated cost;
 - direct support costs, which shall be calculated based on country-specific percentages of the transfer and implementation costs; and
 - indirect support costs, which shall be calculated based on percentages, determined by the Board, of transfer and implementation costs, and direct support costs.

Recommendations related to full cost recovery

66. In addition to the changes to General Rule XIII.4 outlined in paragraph 65 above, proposed recommendations related to changes in full cost recovery policies were presented to the Board for discussion at informal consultations on 16 March and 27 April, the 2018 annual session and informal consultations on 25 July and 6 September. Based on the feedback received, management is presenting nine recommendations; where necessary, the recommendations are incorporated in the proposed amendments to the general rules and financial regulations found in annex II for approval. The nine recommendations are outlined in the following paragraphs. It should be noted that each of these recommendations should be viewed as a distinct proposal based on its individual impact from a financial and policy perspective. In addition, a sensitivity analysis was conducted to assess the potential impact of recommendations 3, 8.a, 8.b and 9 on future ISC income over 5 years and 10 years. The analysis and conclusion – set out in annex III – anticipates a negligible amount of foregone ISC income and that the recommendations could serve to mobilize additional resources, broaden the donor base, strengthen partnerships and build national ownership while increasing transparency.
67. Following feedback received from the Board, the presentation of three recommendations has been deferred to a subsequent Board session in order to allow management to consider feedback from Member States and to undertake further analysis. These recommendations relate to ISC rates for contributions to the immediate response account and for cash contributions that are not designated in any way and to delegation of authority to the Executive Director for the approval, on an exceptional basis, of “twinning” contributions from any donor. Management intends to continue with the current ISC treatment for contributions to the IRA and cash contributions that are not designated in any way until the Board considers this issue in greater depth. The language related to this is unchanged in General Rule XIII.4 (b) in annex II.

Recommendation 1: Continue twinning arrangements for in-kind contributions as provided for in existing General Rule XIII.4 (f)

68. General Rule XIII.4 (f) enables twinning as a method for achieving full cost recovery when a developing country, country with an economy in transition or other non-traditional donor that is eligible under Board-approved principles provides an in-kind contribution but no funding for associated costs. In such cases, the contribution is “twinned” with a separate cash contribution from another donor or donors to cover those costs.
69. The criterion for determining eligibility for twinning arrangements was established by the Board through its approval of the 2004 policy described in the document entitled “New Partnerships to Meet Rising Needs – Expanding the WFP Donor Base”.²⁴ The criterion states: “To determine whether a member state that cannot provide for FCR [full cost recovery] is eligible ... WFP proposes to use per capita gross national income (GNI) as the criterion. Countries eligible for assistance in meeting FCR will be least-developed countries,

²⁴WFP/EB.3/2004/4-C.

low-income and lower-middle income countries as defined at the time by the Organisation for Economic Co-operation and Development's Development Assistance Committee".

70. Twinning has been effective in facilitating contributions from new donors – often by allowing governments to invest in WFP operations in their own countries, which can enhance the sustainability of such operations – and broadening WFP's donor base in an era of increasing needs for assistance. Between 2004 and 2016, through twinning arrangements, WFP received approximately 1.5 million mt of food valued at USD 958 million.
71. WFP therefore proposes a continuation of twinning arrangements by maintaining the practice within General Rule XIII.4 (c) in annex II.

Recommendation 2: Adjust General Rule XIII.4 (f) to allow cash as well as in-kind contributions to be eligible for twinning.

72. In addition to maintaining twinning under General Rule XIII.4, management proposes to expand eligibility to cover cash contributions in addition to in-kind commodities and services.
73. Expanding the twinning eligibility beyond in-kind contributions to include cash contributions reflects WFP's shift from a food aid to a food assistance organization and the increasing proportion of cash-based transfers in WFP's operations: in 2009, WFP distributed approximately USD 10 million in cash-based transfers in ten countries; by 2017 the figures had grown to USD 1.4 billion in 61 countries. Expanding twinning eligibility to cash contributions would ensure that contributions for both cash and in-kind transfers are treated similarly and that twinning assistance is no longer restricted to only in-kind support.
74. The expansion of twinning arrangements to cash contributions would also enable host governments that may have legislative or political restrictions on providing funds for associated costs (particularly ISC) to support WFP operations while ensuring that all associated costs are fully covered and full cost recovery is achieved. This may be particularly relevant for countries in which in-kind food assistance is decreasing and cash support is on the rise. Of the countries where WFP is operating within the CSP framework and that are eligible for twinning arrangements, WFP is providing no food transfers in seven²⁵ and is implementing programmes in which cash-based transfers represent at least 85 percent of the programmes of work in five.²⁶ In such cases, legislative restrictions on elements of associated costs could impede governments' ability to support WFP operations in their own countries.
75. In one country where WFP is currently operating, for example, WFP is involved in ongoing negotiations with provincial government officials regarding a substantial cash contribution that is needed to support critical nutrition activities. However, legislative restrictions on the payment of overhead costs have put the ability of the Government to provide this support at risk. Consequently, these funds have not yet been made available to WFP. In another example, a substantial cash contribution from a host government for a critical school meals programme was delayed by two years owing to government restrictions on cash being utilized in relation to ISC outside the country. Expanding the eligibility of twinning arrangements to cash contributions would therefore facilitate the receipt of such contributions while simultaneously ensuring that all related support costs were covered and full cost recovery was achieved. While expansion of the arrangements to cover cash contributions may not result in a significant increase in total contributions in terms of dollar value, it would be a critical tool in building relationships and partnerships with governments.

²⁵ Ghana, India, Indonesia, Morocco, Sao Tome and Principe, Togo and Tunisia.

²⁶ El Salvador, Guatemala, Jordan, Plurinational State of Bolivia and Sri Lanka.

76. WFP proposes to adjust General Rule XIII.4 (f) in order to allow cash as well as in-kind contributions to be eligible for twinning. The proposed change can be found in General Rule XIII.4 (c) in annex II.

Recommendation 3: Expand the current General Rule XIII.4 (e) to include relevant in-kind contributions for PSA or related activities.

77. Currently, under General Rule XIII.4 (e), donors providing cash contributions that are designated to the programme support and administrative (PSA) budget or PSA-related activities are not required to provide additional cash or services to cover the full operational and support costs related to the contribution. This is because the PSA budget is funded by ISC revenue so any charging of ISC on such contributions would be redundant.
78. The Secretariat proposes expanding this provision to include the small number of relevant in-kind contributions to the PSA budget or PSA-related activities. Such contributions include in-kind consulting services, office space or free advertising and are relatively small, averaging a total of USD 6 million per year from 2012 to 2016. Given the size of such contributions, the expansion of this rule would not risk a significant level of foregone ISC, estimated to be USD 0.4 million per year during the same 2012 to 2016 period. It would, however, increase internal efficiencies as it would facilitate the administration of a very small number of in-kind contributions to support PSA work.
79. In the light of the fact that WFP would forego support costs by allowing in-kind contributions for the PSA and related activities to be received without the provision of additional cash or services by the donor, WFP proposes to expand General Rule XIII.4 (e) to include relevant in-kind contributions for the PSA or related activities. This amendment is reflected in the revised General Rule XIII.4 (b) in annex II.
80. Reductions or waivers of indirect support costs granted under General Rule XIII.4 (d) will be reported to the Board at its annual session each year. This is provided for in revised General Rule XIII.4 (f) in annex II.

Recommendation 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 its 2017 second regular session.

81. General Rule XIII.4 (g) currently provides for reduced or waived ISC for in-kind contributions that cover the direct support costs (DSC) of an activity. Examples of such contributions include those provided by standby partners, which are government and non-governmental organizations that maintain rosters of specialized staff who can be deployed rapidly, have various competencies and are available to WFP. Other examples include temporary offices such as tents and containers, and the office supplies and equipment used in them. While relatively small in value – in 2016, they totalled USD 20.9 million for operations in 48 countries – such contributions have proved to be critically important for WFP operations.
82. To maintain these arrangements in the IRM framework, an amendment to the wording of General Rule XIII.4 is required to reflect the IRM framework and cost categories. The new IRM cost categories have an impact on where such costs (and thus contributions) would be budgeted; for example, contributions of standby partners are now likely to be budgeted under implementation or transfer costs, and not only under DSC.²⁷ In the light of this change, and in order to reflect the spirit of the current General Rule XIII.4 (g), it is proposed to:

²⁷ If in-kind contributions are budgeted under implementation or transfer costs, in accordance with the requirements of full cost recovery, both DSC and ISC should be levied against the contributions.

- request the Executive Board to determine, at a future Board session, the costs that will be eligible for the waiver under this General Rule; and
- waive DSC as well as ISC when such costs are budgeted under transfer and implementation costs, in order to stay true to the original intent of the current General Rule XIII.4 (g), which was for all support costs to be reduced or waived in respect of eligible contributions.

This is reflected in the revised General Rule XIII.4 (d), set forth in annex II.

83. Reductions or waivers granted under General Rule XIII.4 (d) will be reported to the Board at its annual session each year. This is provided for in revised General Rule XIII.4 (f) in annex II.

Recommendation 5: Maintain the flexibility of 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.

84. It is also proposed that some flexibility continue to be allowed in applying DSC for mandated services. The proposed formulation of General Rule XIII.4 (a) in annex II is consistent with the flexibility originally provided by the Board at its 2017 second regular session.²⁸

Recommendation 6: Continue to treat revenue generated by on-demand service provision as distinct from contributions as defined by Financial Regulation I and referenced in General Rule XIII.4

85. WFP periodically provides on-demand services to third parties on a direct-cost recovery basis. Such services are provided to the requesting party and include, but are not limited to, transport, sourcing of non-food items, storage, accommodation, engineering services and information technology solutions.
86. While service provision activities are incorporated into a country's CSP framework, it is recognized that the revenue generated by such activities is treated in a way that is different from the way that contributions are treated. The manner in which full cost recovery is achieved for service provision activities also differs from the way in which contributions are treated. It is proposed that this distinction be reflected in the financial regulations, including through the addition of both a new definition in Financial Regulation 1.1 and Financial Regulation 4.8 and adjustment of Financial Regulations 4.1, 10.2, 10.3 and 10.9 as reflected in annex II.

Recommendation 7: Integrate country-level trust funds into the country portfolio budget and maintain trust funds at the headquarters and regional levels.

87. Within the IRM framework, all country-level activities should be accounted for as programme or service provision, including activities funded entirely by host government contributions, which in the past were frequently handled as "trust funds". Consequently, trust funds will no longer exist at the country level, although they will continue to exist at the headquarters and regional levels in order to enhance WFP's organizational capacity and effectiveness and its ability to work in thematic areas. It should be noted that the administration of trust funds will not change. Consistent with the current practice, the Executive Director will continue to be responsible for the achievement of full cost recovery and will have the authority to set the applicable ISC rate in respect of funds credited to trust funds and special accounts. These changes have been reflected in the revised Financial Regulations 4.6, 5.1, 5.2, 10.3, 10.4, and 11.3.

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

²⁸ Executive Board decision 2017/EB.2/2.

88. Currently, when extrabudgetary activities are planned, resourced and managed at the country level and implemented through a trust fund, an ISC recovery rate of 4 percent may be applied. This is because such activities are outside WFP's programmes and incur lower support costs because minimal support is provided by, for example, WFP headquarters.
89. As noted in paragraph 87, country-level trust funds will not continue, and activities implemented through trust funds are now integrated into the IRM framework, which means that any host government contributions to their own programmes would incur the standard corporate ISC rate. However, it is recognized that the trust fund-type activities may continue with support from host governments to their own programmes and requiring minimal support from headquarters.
90. As outlined in paragraph 58 of the 25 July 2018 informal consultation background document, WFP received approximately USD 166 million annually in contributions from host governments for programmes in their own countries between 2011 and 2016. Excluding twinning arrangements and government counterpart cash contributions, an analysis of these contributions indicated that the application of a 4 percent ISC recovery rate in all cases would have resulted in approximately USD 1 million in foregone ISC annually on these contributions.²⁹
91. Management considered whether the standard ISC rate or a reduced ISC rate should be applied to host governments' in-kind contributions that are twinned with cash contributions.³⁰ Following feedback at the 25 July informal consultation and internal review, management proposes that the standard ISC rate would need to be applied to such host government contributions in order to cover the costs that would be incurred in facilitating the twinning arrangement.
92. Management therefore recommends the application of a reduced ISC rate for host governments' contributions to their own programmes within the IRM framework. Applying a reduced rate would encourage support from host governments and national ownership. Provided that the ISC rate set for host government contributions to their own programmes achieves full cost recovery, an exception to the general rules is not required. Instead, it is proposed that the Board set the appropriate ISC rate for these contributions on an annual basis through the management plan.
93. It should be noted that the Executive Director would report on an annual basis those contributions made by host governments to their own programmes to which such a reduced ISC rate was applied. This reporting would be included in the annual report of the Executive Director on the utilization of contributions and waivers of costs presented for information, in accordance with General Rules XII.4 and XIII.4 (h), at the Board's annual session each year.

²⁹ The analysis excludes contributions made through twinning arrangements and government counterpart cash contributions, for which no ISC is claimed from host governments.

³⁰ The analysis examined in-kind contributions totalling USD 470 million received from host governments with twinning arrangements and directed to operations in the governments' own countries. As outlined in paragraph 59 of the 25 July 2018 informal consultation background document, if a 4 percent ISC recovery rate had been applied to cash contributions that were twinned with in-kind contributions, the foregone ISC would have totalled approximately USD 3.7 million per year.

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

94. Management proposes to apply a reduced ISC rate for contributions made by governments of developing countries or countries with economies in transition.³¹ This proposal is aligned with General Regulation XIII.2, which states:

Donors may contribute appropriate commodities, cash and acceptable services in accordance with the general rules made pursuant to these General Regulations. Except as otherwise provided in such 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.

95. The criterion for determining eligibility for receiving support in meeting the requirements for full cost recovery was expanded by the Board through its endorsement of the strategy laid out in the 2004 document "New Partnerships to Meet Rising Needs – Expanding the WFP Donor Base".³² This criterion, which is also used to determine donors' eligibility for twinning, states: "To determine whether a Member State that cannot provide for FCR [full cost recovery] is eligible ... WFP proposes to use per capita gross national income (GNI) as the criterion. Countries eligible for assistance in meeting FCR will be least-developed countries, low-income and lower-middle income countries defined by the Organisation for Economic Co-operation and Development's Development Assistance Committee".³³
96. The reduced ISC rate would help to encourage additional contributions in line with the 2004 strategy for enhancing the donor base and strengthening partnerships set out in the document entitled "New Partnerships to Meet Rising Needs – Expanding the WFP Donor Base".³⁴
97. It should be noted that an analysis of contributions received between 2011 and 2016,³⁵ using the above criteria, would have resulted in approximately USD 0.3 million in foregone ISC over the six-year period, or USD 50,000 per annum, if an ISC recovery rate of 4 percent had been applied.
98. Where such contributions are not directed by host governments to their own programmes and because the actual cost of managing and administering such contributions would be similar to that for regular contributions, such contributions would not achieve full cost recovery with the reduced ISC rate that would be applied. The reduced rate would need to be approved through the inclusion of a new clause in General Rule XIII.4 (e), as an exception to full cost recovery in General Rule XIII.4, and through the approval of a separate ISC rate in addition to the corporate ISC rate in the management plan. The Board would review the use of this ISC rate annually as part of its consideration of the management plan.
99. It should be noted that the reporting requirements under the current General Rule XIII.4 (h) have been broadened to encompass recommendation 8.b in the new General Rule XIII.4 (f).

³¹ This recommendation has been revised subsequent to discussions at the 2018 annual session and informal consultations to reflect that a reduced ISC rate would be applied for contributions from all eligible countries, inclusive of host governments.

³² WFP/EB.3/2004/4-C.

³³ A list of eligible countries is available at <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>.

³⁴ WFP/EB.3/2004/4-C.

³⁵ Excluding contributions such as those with twinning arrangements for which no ISC is generated.

Therefore, the Executive Director will report on an annual basis those contributions made by governments of developing countries or countries with economies in transition to which such an ISC rate is applied. This reporting will be included in the current document entitled "Report of the Executive Director on the utilization of contributions and waivers of costs (General Rules XII.4 and XIII.4 (h))", which is presented for information at the Board's annual session. Management could supplement the report with its assessment if the application of a reduced ISC rate has a measurable impact on contributions.

100. It should further be noted that for those contributions that fall under the two categories, i.e., contributions from host governments to their own programmes and contributions by governments of developing countries and countries with economies in transition, General Rule XIII.4 (e) as outlined in paragraph 98 would take precedence.

Recommendation 9: Adjust General Rule XIII.4 (e) to allow for exemptions from ISC for contributions to the Operational Reserve

101. Management also proposes that the principle of General Rule XIII.4 (e) – which currently allows for an exemption from ISC for cash contributions to PSA or PSA-related activities – be extended to apply to contributions directed to the WFP Operational Reserve. WFP's Operational Reserve is maintained within the General Fund to ensure continuity in operations in the event of a temporary resource shortfall. In line with a 2014 policy paper,³⁶ the reserve is also leveraged to provide internal project lending for operations. The current leverage factor is 6:1, which means that for every USD 1 made in donor contributions to the Operational Reserve, an additional USD 6 is available for internal project lending. To date, there have been no direct donor contributions to the Operational Reserve and therefore the proposed extension of General Rule XIII.4 (e) would have no impact on current levels of ISC income.
102. WFP proposes to adjust General Rule XIII.4 (e) to include contributions to the Operational Reserve. This amendment is reflected in the revised General Rule XIII.4 (b) in annex II.

Additional issues for consideration during the 2018 second regular session of the Board

103. In addition to the above amendments to the WFP general rules and financial regulations, management also seeks the Board's approval on several other issues:
- a) transitional governance arrangements for selected CSPs and ICSPs that will be considered at the Board's 2019 first regular session;
 - b) extending the duration of certain transitional ICSPs to allow approval of CSPs and ICSPs at the Board's 2019 second regular session; and
 - c) continuation of the project-based system for a short period in 2019 for certain activities.

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

104. At its 2017 second regular session, the Board approved³⁷ transitional governance arrangements to allow selected country offices submitting CSPs to the Board for approval at the 2018 first regular session to implement certain ongoing activities for the first three months of 2018 under the rubric of the IRM framework. These arrangements provided for the Board to approve short-term ICSPs by correspondence. Only activities that were

³⁶ WFP/EB.A/2014/6-D/1.

³⁷ WFP/EB.2/2017/11.

based on previously approved projects were implemented, meaning no new activities were implemented prior to the Board's approval of the CSPs at its first regular session.

105. It is anticipated that the Board will consider eight CSPs and three ICSPs³⁸ for approval at its 2019 first regular session. At present, several country offices have indicated a preference for commencing their CSPs or ICSPs on 1 January 2019 in order to address workload implications or ensure alignment with neighbouring countries that have already transitioned to the CSP framework, among other reasons. Management proposes to employ the same approach used for CSPs considered at the 2017 first regular session and therefore requests the Board to approve transitional governance arrangements that allow selected country offices submitting CSPs or ICSPs at the 2019 first regular session to implement certain ongoing activities within the IRM framework for the first three months of 2019.
106. Similar to last year's process, the draft CSP and ICSP documents that will be considered at the 2019 first regular session will be shared in early December and Member States will have 20 calendar days to comment. Each affected country office will also publish a three- to five-page short-term ICSP document at the same time, outlining the strategic outcomes to be applied, the activities to be implemented and the related budget envelopes to be used between 1 January and 31 March 2019. The Board will be requested to approve the short-term ICSPs by correspondence in accordance with Rule IX.8 of the Rules of Procedure of the Executive Board.
107. Programmatic and budgetary controls will be in place to ensure that implementation between 1 January and 31 March 2019 provides operational continuity and is consistent with ongoing activities and strategic outcomes. The following controls would be applied:
 - i) Programmatic control, i.e., control prohibiting country offices from implementing any new activities or pursuing any new strategic outcomes outside previously approved projects and ongoing activities. The short-term ICSP is to be read in conjunction with the full CSP or ICSP submitted to the Board and will identify the activities to be implemented in the three-month period. It will also note the new activities in the CSP or ICSP, which will not be implemented until formal Board approval of the CSP or ICSP. The country office will provide an analysis of beneficiaries during the short-term ICSP period as a total number and broken down by strategic outcome, activity, tier, modality and gender.
 - ii) Budgetary control, i.e., the budgetary value of only the first three months of the first year of the CSP or ICSP will be programmed in the WFP Information Network and Global System (WINGS), with the exception of commodity pre-positioning. The short-term ICSP will include an indicative cost breakdown by strategic outcome and the four high-level cost categories for the full duration of the CSP as well as for the three-month period.
108. The short-term ICSP would be subsumed into the CSP or ICSP on the approval of the latter at the Board's 2019 first regular session, ensuring no duplication of resource transfers or other processes.

Extending the duration of certain transitional ICSPs to allow approval of CSPs and ICSPs at the 2019 second regular session

109. The Policy on Country Strategic Plans sets out the procedures for the transition of country offices from the existing project structure to the new programmatic framework. Paragraph 41 of the policy notes that ICSPs, based on previously approved project documents, are to be approved by the Executive Director for a duration of up to 18 months

³⁸ CSPs will be submitted for Bhutan, Cambodia, the Congo, Cote d'Ivoire, the Dominican Republic, Malawi, Nicaragua and Nigeria and ICSPs for the Democratic People's Republic of Korea, Ethiopia and Libya will be submitted for Board approval.

as a bridge to the adoption of a CSP informed by a strategic review. Within the 18-month period, WFP country offices are expected to develop and submit CSPs or ICSPs for approval by the Executive Board.

110. As at 1 October 2018, 36 country offices were implementing T-ICSPs that were based on previously approved projects and had been approved by the Executive Director. These country offices are developing CSPs and ICSPs to be submitted to the Board for approval. To ensure that no more than a total of 15 CSPs or ICSPs are presented at the 2019 annual session, management proposes that some country offices submit their CSPs or ICSPs at the 2019 second regular session. To enable implementation of this proposal, the Board is requested to approve an extended duration of 24 months, (i.e., through December 2019) for some T-ICSPs that were based on previously approved projects and had been approved by the Executive Director with a duration of 18 months.
111. Following the process approved at the 2017 annual session, and subject to the Board's approval of an extension in the IRM transition period through December 2019, the Board is requested to approve the employment of approval by correspondence in accordance with Rule IX.8 of the Rules of Procedure of the Executive Board to enable the country offices concerned to extend the duration of their T-ICSPs. Board members would be advised when the proposed extensions and corresponding budget revisions would be posted and would have ten working days to provide comments to the Secretariat.

Continuation of the project-based system for a short period in 2019 for certain activities that cannot be transferred to the Integrated Road Map framework

112. If it becomes necessary, to ensure business continuity, some country offices may need to implement activities under the project-based system alongside their approved CSPs, ICSPs and T-ICSPs for a limited period in early 2019.
113. To allow for this contingency, management requests the Board to allow the continuation of the current project-system programmatic, financial and results frameworks and the current unrevised general rules and financial regulations in respect of such activities.

ANNEX I

Additional lessons learned in 2018

1. As noted in paragraphs 19 and 20 in the body of this document, lessons learned have been systematically gathered from country offices, regional bureaux and headquarters and are complemented by WFP's additional oversight mechanisms, including internal audit, external audit and evaluation. The internal audit of the IRM pilot phase was shared with Member States in mid-2018; the findings of the strategic evaluation of the CSP pilots and management's response to these findings will be shared at the 2018 second regular session; and the findings of the performance and compliance audit of the country portfolio budget structure will be presented to the Board at the 2019 annual session.

Zero hunger strategic review process

2. The preparation of zero hunger strategic reviews provides an opportunity for WFP to reposition itself and define its value proposition, and country offices continue to report that it is a valuable process for supporting countries in localizing the SDGs. The country-led analysis provides not only a sound baseline from which to measure progress towards national SDG 2 targets but also a strong rationale for WFP's contribution to collective priority actions, and the priority actions of other actors, which are intended to accelerate progress towards zero hunger. Additional lessons include the following.
3. *Integrate the zero hunger strategic review process into existing structures and processes.* The zero hunger strategic review is intended to form an integral part of the existing national discourse on food security and nutrition rather than creating a parallel or separate space. To that end, the use of existing mechanisms has proved to be instrumental in ensuring coherence with ongoing efforts in the localization of SDGs and national planning. When setting up the review process, before they create an additional and possibly duplicating structure, stakeholders should therefore assess whether existing platforms can take on the functions of an advisory board for the review, complement the analytical research and advocate for the inclusion of zero hunger in the national agenda.
4. *Subnational consultations.* Findings from a zero hunger strategic review are expected to inform national development planning through a "whole of society" approach, taking into account the views of various stakeholders. As well as involving civil society representatives from non-governmental organizations, associations or the private sector in the consultation process or as participants in the advisory board, subnational consultations have also proved to be an effective way of identifying regional views and dynamics and ensuring that they are reflected in the review document. This is particularly relevant for large countries such as the Democratic Republic of the Congo, Ethiopia and Nigeria, where subnational consultations have been carried out or are planned, or for countries where subnational bodies exercise substantial autonomy such as Kenya, where key responsibilities are delegated from the central to the county level through the devolution approach. The question of whether to hold subnational consultations is usually raised by the lead convener and/or the independent research team during the design phase of the zero hunger strategic review and is decided by stakeholders. When subnational consultations are part of the exercise, additional time and cost considerations have to be factored in from the outset.
5. In the light of ongoing reforms of the United Nations system, particularly the expectation that the UNDAF will become the most important instrument for the planning and implementation of United Nations development activities in a country, WFP anticipates that the zero hunger strategic review approach will play an increasingly important role in informing system-wide discussions of issues related to the achievement of SDG 2.

Zero hunger strategic reviews could continue to facilitate the inclusive and country-led localization of SDG 2 while defining a shared understanding of the main hunger gaps and challenges for the UNDAF common country assessment, especially if the review is advocated for and supported jointly by the Rome-based agencies.

CSP framework

6. CSPs continue to lay the foundation for more effective partnerships with governments, with the extended planning duration providing a platform for building longer-term partnerships and fostering South–South cooperation. The extended planning duration and the line of sight from WFP Strategic Results to activities also continue to bring greater coherence and vision to programme design. Country offices emphasize the importance of dedicating adequate time to consulting partners during CSP design with a view to fostering broad understanding of WFP’s new portfolio and the underlying rationale.
7. The flexibility of the CSP framework is crucial to preserving WFP’s ability to respond quickly in fluctuating circumstances and to unforeseen emergencies. CSP revisions carried out to date have highlighted the functional ability of the CSP system, reflecting the sound application of corporate guidance. For some country offices, the operating context has resulted in the need to carry out more than one revision of a CSP, with these country offices requiring less and less support from regional bureaux and headquarters for each subsequent revision. Lessons learned and the related recommendations regarding internal guidance, processes and systems within the IRM framework and their application are expected to facilitate, inform and improve WFP’s responses in the future.

CSP approval and implementation timeframe

8. Management strives to keep to a minimum the time between the approval of a CSP and its starting date. The timing of CSPs must also however take into account alignment with national planning cycles, the UNDAF and other processes in a country. The intensive consultation process preceding the design of a CSP situates WFP’s assistance in a country, articulates how this assistance contributes to broader national plans, and provides the basis for deeper partnerships based on shared longer-term approaches to supporting the elimination of hunger. When significant changes in the operating context occur between CSP approval and the start of implementation, necessary adjustments will be reflected in an early revision of the CSP document once it has taken effect.

Organizational readiness

9. The Human Resources Division has gathered lessons learned from the country offices in waves 1A and 1B of IRM implementation and incorporated these into the IRM organizational readiness toolkit for country offices. The toolkit is based on the main lessons learned and practical advice from country directors in all 12 pioneering country offices; topics include office and staffing structures, workforce composition, skills and collaboration platforms.
10. Building on an analysis of the organizational structures in pilot country offices, the Human Resources Division is conducting similar structural analyses of other country offices with a view to compiling a database of information on potential structural configurations for country offices of various sizes. Organizational alignment reviews carried out in 2018 will inform and facilitate completion of the design of WFP structural models and guidelines in order to strengthen consistency in the advice provided to country offices.
11. The Human Resources Division has launched a two-year project that has the aim of providing a more structured and consistent service to country offices by assisting them – onsite or remotely – in the conduct of organizational alignment reviews, the optimization of organizational structures, the application of principles of workforce planning and the identification of opportunities for the acquisition and development of skills that will be

useful in the long term. The division has finalized an organizational alignment framework and process and incorporated related guidance materials into the “Designing a Dynamic WFP” toolkit, which is available online. The division is currently conducting organizational alignment pilots to test the methodology. So far two country offices have benefited from pilot missions – Cambodia and Honduras – and an additional seven country office visits are planned before the end of 2018. The reviews are typically followed by an analysis of learning needs conducted by an expert with the purpose of ensuring that country offices have workforces with the skills necessary to deliver on their CSPs.

12. In 2017, the Human Resources Division trained 80 human resource officers in the focus areas of the integrated capability model, and this will be reinforced with more on-the-job training in organizational alignment reviews in the future. The division plans to create an expanded network of experts and human resources staff experienced in organizational alignment by the end of 2019.

ANNEX II

AMENDMENTS TO THE WFP GENERAL RULES AND FINANCIAL REGULATIONS

General Rules Current Text	General Rules Proposed Text
<p>General Rule II.2: Programme categories</p> <p>In order to carry out the purposes of WFP, the Board establishes the following programme categories:</p> <p>(a) Development Programme Category, for food aid programmes and projects to support economic and social development. This programme category includes rehabilitation and disaster preparedness projects and technical assistance to help developing countries establish or improve their own food assistance programmes;</p> <p>(b) Emergency Relief Programme Category, for food assistance to meet emergency needs;</p> <p>(c) Protracted Relief Programme Category, for food assistance to meet protracted relief needs; and</p> <p>(d) Special Operations Programme Category for interventions undertaken to:</p> <p>(i) rehabilitate and enhance transport and logistics infrastructure to permit timely and efficient delivery of food assistance, especially to meet emergency and protracted relief needs; and</p> <p>(ii) enhance coordination within the United Nations system and with other partners through the provision of designated common services.</p>	<p>General Rule II.2: Programme categories</p> <p>In order to carry out the purposes of WFP, the Board establishes the following programme categories:</p> <p>(a) Country Strategic Plans include WFP's entire portfolio of humanitarian and development activities in a country, prepared following a country-led sustainable development analysis;</p> <p>(b) Interim Country Strategic Plans include WFP's entire portfolio of humanitarian and development activities in a country, prepared without a country-led sustainable development analysis;</p> <p>(c) Limited Emergency Operations include emergency relief in a country or countries where WFP does not have a country strategic plan or an interim country strategic plan; and</p> <p>(d) Transitional Interim Country Strategic Plans include WFP's entire portfolio of humanitarian and development activities in a country, to be carried out between the end of a limited emergency operation and the start of a country strategic plan or interim country strategic plan.</p>

<p>General Rule VII.1: Responsibilities of the Executive Director for programmes, projects and other activities</p> <p>The Executive Director shall be responsible for assuring that programmes, projects and other activities to be implemented are sound, carefully planned and directed towards valid objectives, for assuring the mobilization of the necessary technical and administrative skills, and for assessing the ability of recipient countries to carry out these programmes, projects and other activities. The Executive Director shall be responsible for assuring the supply of commodities and acceptable services as agreed. The Executive Director shall make arrangements for the evaluation of country programmes, projects and other activities. The Executive Director shall have the responsibility to seek, in consultation with recipient governments, correction of any inadequacies in the operation of programmes, projects and other activities, and may withdraw assistance in the event essential corrections are not made.</p>	<p>General Rule VII.1: Responsibilities of the Executive Director for programmes, projects and other activities</p> <p>The Executive Director shall be responsible for assuring that programmes, projects and other activities to be implemented are sound, carefully planned and directed towards valid objectives, for assuring the mobilization of the necessary technical and administrative skills, and for assessing the ability of recipient countries to carry out these programmes, projects and other activities. The Executive Director shall be responsible for assuring the supply of commodities, cash, non-food items, and acceptable services as agreed. The Executive Director shall make arrangements for the evaluation of programmes, projects and other activities. The Executive Director shall have the responsibility to seek, in consultation with recipient governments, correction of any inadequacies in the operation of programmes, projects and other activities, and may withdraw assistance in the event essential corrections are not made.</p>
<p>General Rule X.1:</p> <p>Local assistance in project preparation</p> <p>In preparing requests for assistance under Article X of the General Regulations, governments desiring assistance from WFP should draw to the extent possible and necessary, on national and other locally available expertise, including that of the United Nations, FAO, WFP and other United Nations organizations. Requests shall normally be presented through the WFP Representatives, who shall keep the United Nations Resident Coordinators and, as appropriate, the representatives of other United Nations agencies fully informed.</p>	<p>General Rule X.1:</p> <p>Local assistance in programme preparation</p> <p>In preparing requests for assistance under Article X of the General Regulations, governments desiring assistance from WFP should draw to the extent possible and necessary, on national and other locally available expertise, including that of the United Nations, FAO, WFP and other United Nations organizations. Requests shall normally be presented through the WFP Representatives, who shall keep the United Nations Resident Coordinators and, as appropriate, the representatives of other United Nations agencies fully informed.</p>
<p>General Rule X.2:</p> <p>Country programmes for development assistance</p> <p>(a) Within the framework of the Strategic Plan, the Executive Director shall submit to the Board for review and approval multi-year country programmes to be undertaken by WFP that are integrated with the development plans and priorities of the recipient countries.</p> <p>(b) To facilitate the preparation of a country programme, WFP shall develop, in consultation with the government and with the collaboration of the United Nations, FAO and other relevant organizations a Country Strategy Outline (CSO). The CSO should establish clear linkages with the</p>	<p>General Rule X.2:</p> <p>Development of programmes</p> <p>(a) WFP shall work with governments, employing country-led sustainable development analyses, where available, to assess needs and develop programmes, with the collaboration of the United Nations, FAO and other relevant organizations.</p> <p>(b) Programmes should integrate the humanitarian and development plans and priorities of recipient countries and establish clear linkages with relevant activities of the United Nations system, including, wherever possible, joint programming.</p>

<p>Country Strategy Note or with activities of the United Nations system as a whole, as appropriate, including wherever possible, joint programming.</p> <p>(c) The Executive Director shall seek the advice of the Board on Country Strategy Outlines and its approval for country programmes.</p> <p>(d) Approval by the Board of a country programme shall constitute a delegation to the Executive Director to approve projects and activities within that country programme as set out in the Appendix to these General Rules.</p>	<p>(c) All programmes shall</p> <p>(i) define the type of assistance to be provided by WFP, the targeted beneficiaries, the geographic location of the assistance to be provided, and the expected results; and</p> <p>(ii) contain a country portfolio budget that encompasses all programme costs, organized in the following cost categories:</p> <ol style="list-style-type: none"> 1. transfer costs, which correspond to the monetary value of the item, cash, or service provided, as well as the related delivery costs; 2. implementation costs, which correspond to expenditures that are directly linked to specific activities within the programme, other than transfer costs; 3. direct support costs, which correspond to country-level expenditures that are directly linked to the execution of the programme as a whole but cannot be attributed to a specific activity within it; and 4. indirect support costs, which are costs that cannot be directly linked to the execution of the programme.
<p>General Rule X.7: Approval of requests</p> <p>(a) Proposals for development projects and projects for protracted relief operations shall be presented by the Executive Director to the Board for approval, except that the Executive Director may decide upon requests for projects within the limits of the Executive Director's delegated authority.</p> <p>(b) Requests for emergency assistance shall be approved in accordance with General Regulation X.6.</p>	<p>General Rule X.7: Approval of programmes</p> <p>(a) The Executive Director shall submit programmes to the Board for approval, or approve programmes as permitted by the delegations of authority set forth in the Appendix to these General Rules.</p> <p>(b) Requests for emergency assistance shall be approved in accordance with Article X.6 of the General Regulations.</p> <p>(c) The Executive Director shall be responsible for the execution of programmes after their approval.</p>

<p>General Rule X.8: Availability of resources</p> <p>The Executive Director shall ensure that development projects submitted to the Board for approval, and development projects and country programme activities approved under the Executive Director's delegated authority, can be implemented within estimated available resources. Resource availability shall take into account pledges and contributions expected for the current calendar year, as well as resources which can reasonably be expected to be contributed during the five subsequent calendar years, including resources which could be made available by the recipient government itself or by bilateral donors.</p>	<p>General Rule X.8: Availability of resources</p> <p>The Executive Director shall ensure that development activities submitted to the Board for approval, and development activities approved under the Executive Director's delegated authority, can be implemented within estimated available resources. Resource availability shall take into account pledges and contributions expected for the current calendar year, as well as resources which can reasonably be expected to be contributed during the development activity's execution period, including resources which could be made available by the recipient government itself or by bilateral donors.</p>
<p>General Rule XI.1:</p> <p>Matters to be included in food aid programme and project agreements</p> <p>In addition to other terms and conditions upon which the proposed activities are to be carried out in connection with an approved programme or project, the agreements shall indicate aid to be provided by other agencies or institutions, the terms of delivery of commodities, the obligations of the government with respect to the utilization of the commodities supplied, including the use and control of any local currencies generated from their sale, and with respect to the arrangements made for their storage, internal transportation and distribution; the responsibility of the government for all expenses incurred from the point of delivery, including the cost of import duties, taxes, levies, dues and wharfage; and such other relevant terms and conditions as may be mutually agreed upon as necessary for the execution and subsequent evaluation of the programme or project. Such agreements shall safeguard WFP's right to monitor all phases of programme and project operations from the receipt of commodities in the country to final utilization; provide for audits as necessary; and allow WFP to suspend or withdraw assistance in case of serious non-compliance. They shall also provide for the collection of data on the food distribution and its effects on the improvement of the nutritional status of the beneficiaries and the economic and social development of the country on a longer-term basis; for the maintenance of complete records, including transport and storage documents, concerning the utilization of assistance from WFP; and for the communication of such records to WFP upon request.</p>	<p>General Rule XI.1:</p> <p>Matters to be included in assistance agreements</p> <p>In addition to other terms and conditions upon which the proposed activities are to be carried out in connection with an approved programme, the agreements shall indicate assistance to be provided by other agencies or institutions, the terms of delivery of commodities, the obligations of the government with respect to the utilization of the commodities supplied, including the use and control of any local currencies generated from their sale, and with respect to the arrangements made for their storage, internal transportation and distribution; the responsibility of the government for all expenses incurred from the point of delivery, including the cost of import duties, taxes, levies, dues and wharfage; and such other relevant terms and conditions as may be mutually agreed upon as necessary for the execution and subsequent evaluation of the programme. Such agreements shall safeguard WFP's right to monitor all phases of programmes from the receipt of commodities in the country to final utilization; provide for audits as necessary; and allow WFP to suspend or withdraw assistance in case of serious non-compliance. They shall also provide for the collection of data on the food distribution and its effects on the improvement of the nutritional status of the beneficiaries and the economic and social development of the country on a longer-term basis; for the maintenance of complete records, including transport and storage documents, concerning the utilization of assistance from WFP; and for the communication of such records to WFP upon request.</p>

<p>General Rule XIII.1: Contributions</p> <p>Contributions may be:</p> <p>(a) pledged at conferences convened jointly by the Secretary-General and the Director-General and shall aim at such target and for such pledging periods as may from time to time be set by the Board;</p> <p>(b) announced during periodic resource consultations;</p> <p>(c) committed on an ad hoc basis by donor governments and bilateral institutions;</p> <p>(d) made in response to appeals;</p> <p>(e) through other fund-raising activities, including in the private sector; and</p> <p>(f) made in any other manner as may be determined by the General Assembly of the United Nations and the FAO Conference.</p>	<p>General Rule XIII.1: Contributions</p> <p>Contributions may be:</p> <p>(a) pledged at conferences convened jointly by the Secretary-General and the Director-General and shall aim at such target and for such pledging periods as may from time to time be set by the Board;</p> <p>(b) announced during periodic resource consultations;</p> <p>(c) committed on an ad hoc basis by governments and bilateral institutions;</p> <p>(d) made in response to appeals;</p> <p>(e) through other fund-raising activities, including in the private sector; and</p> <p>(f) made in any other manner as may be determined by the General Assembly of the United Nations and the FAO Conference.</p>
<p>General Rule XIII.2:</p> <p>Specification of contributions</p> <p>Contributions for the purposes of WFP as set out in Article II of the General Regulations may be made without restriction as to use or for one or more of the following:</p> <p>(a) programme categories;</p> <p>(b) specific country programmes, projects or activities within programme categories; or</p> <p>(c) such other activities as the Board may decide from time to time.</p>	<p>General Rule XIII.2:</p> <p>Specification of contributions</p> <p>Contributions for the purposes of WFP as set out in Article II of the General Regulations may be made without restriction as to use or for specifically identified programmes or activities.</p>
<p>General Rule XIII.4: Types of contributions</p> <p>In accordance with General Regulation XIII.2, the following shall apply to the various types of contributions to WFP:</p> <p>(a) Donors contributing food commodities or cash designated for food purchases shall provide sufficient cash, acceptable services, or acceptable non-food items to cover the full operational and support costs related to their commodity contribution, using the following criteria for the calculation of operational and support costs:</p> <p>(i) commodities: to be valued in accordance with General Rule XIII.6;</p> <p>(ii) external transport: actual cost;</p>	<p>General Rule XIII.4: Contributions</p> <p>In accordance with Article XIII.2 of the General Regulations, the following shall apply to contributions to WFP:</p> <p>(a) Unless otherwise regulated in these General Rules, all donors shall provide contributions on a "full cost recovery" basis, that ensures recovery by WFP of all of the costs of the activities financed by the contribution, employing the following cost categories, as defined at General Rule X.2, and calculation criteria:</p> <p>(i) transfer and implementation costs, which shall be calculated based on estimated cost;</p>

<p>(iii) landside transport, storage and handling (LTSH): average per ton rate for the project;</p> <p>(iv) other direct operational costs: average per ton rate applicable to the food component of the project;</p> <p>(v) direct support costs: percentage of the direct operational costs of the project; and</p> <p>(vi) indirect support costs: percentage of direct costs of the project, including direct operational costs and direct support costs, as determined by the Board.</p> <p>(b) Donors contributing cash designated for activities that do not include food distribution shall provide sufficient cash to cover the full operational and support costs related to their contribution, using the following criteria for the calculation of operational and support costs:</p> <p>(i) direct operational costs: actual costs;</p> <p>(ii) direct support costs: percentage of the direct operational costs of the project; and</p> <p>(iii) indirect support costs: percentage of direct costs of the project, including direct operational costs and direct support costs, as determined by the Board.</p> <p>(c) Donors contributing acceptable non-food items not directly associated with other contributions shall provide sufficient cash or acceptable services to cover the full operational and support costs related to their contribution.</p> <p>(d) Donors contributing acceptable services not directly associated with other contributions shall provide sufficient cash or other acceptable resources to cover the full operational and support costs related to their contribution.</p> <p>(e) Donors providing cash contributions which are not designated in any way or are designated to the Immediate Response Account (IRA) or to Programme Support and Administrative (PSA) or related activities shall not be required to provide additional cash or services to cover the full operational and support costs related to their contribution, provided that such contributions do not result in any additional reporting burden to the Programme.</p>	<p>(ii) direct support costs, which shall be calculated based on country-specific percentages of the transfer and implementation costs; and</p> <p>(iii) indirect support costs, which shall be calculated based on percentages, determined by the Board, of transfer and implementation costs, and direct support costs.</p> <p>(b) Donors providing cash contributions which are not designated in any way or are designated to the Immediate Response Account (IRA) or the Operational Reserve, or contributions to Programme Support and Administrative (PSA) and related activities shall not be required to provide additional cash or services to meet full cost recovery in respect of their contributions, provided that such contributions do not result in any additional reporting burden to the Programme.</p> <p>(c) Governments of developing countries, countries with economies in transition, and other non-traditional donors as determined by the Board, may make contributions that do not achieve full cost recovery, provided that:</p> <p>(i) the full operational and support costs are covered through contributions by another donor or donors, through the monetization of part of the contribution and/or through resort to the WFP Fund;</p> <p>(ii) such contributions are in the interests of the Programme and do not result in any disproportionate administrative or reporting burden to the Programme; and</p> <p>(iii) the Executive Director considers that accepting the contribution is in the interests of the beneficiaries of the Programme.</p> <p>(d) Exceptionally, the Executive Director may reduce or waive indirect support costs and, where applicable, direct support costs in respect of contributions as shall be determined by the Board, where the Executive Director determines that such</p>
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<p>(f) Governments of developing countries, countries with economies in transition, and other non-traditional donors as determined by the Board, may make contributions of commodities or services only, provided that:</p> <ul style="list-style-type: none"> (i) the full operational and support costs are covered by another donor or donors, by the monetization of part of the contribution and/or by resort to the WFP Fund; (ii) such contributions are in the interests of the Programme and do not result in any disproportionate administrative or reporting burden to the Programme; and (iii) the Executive Director considers that accepting the contribution is in the interests of the beneficiaries of the Programme. <p>(g) Exceptionally, the Executive Director may reduce or waive indirect support costs in respect of any contribution in kind to cover direct support costs of an activity or activities where the Executive Director determines that such reduction or waiver is in the best interests of the beneficiaries of the Programme, provided that:</p> <ul style="list-style-type: none"> (i) such contributions do not result in any additional administrative or reporting burden on the Programme; and (ii) in the case of a waiver, the indirect support costs otherwise applicable have been determined by the Executive Director to be insignificant. <p>(h) Contributions under paragraph (f) and reductions or waivers under paragraph (g) above shall be reported to the Executive Board at its Annual Session.</p>	<p>reduction or waiver is in the best interests of the beneficiaries of the Programme, provided that:</p> <ul style="list-style-type: none"> (i) such contributions do not result in any additional administrative or reporting burden on the Programme; and (ii) in the case of a waiver, the costs otherwise applicable have been determined by the Executive Director to be insignificant. <p>(e) The Board shall set the indirect support cost rate applicable to contributions from governments of developing countries and countries with economies in transition, as determined by the Board.</p> <p>(f) Contributions made under paragraphs (c) and (e) above and reductions or waivers granted under paragraph (d), above shall be reported to the Executive Board at its Annual Session.</p>
<p>General Rule XIII.6: Valuation of commodity pledges and services</p> <p>In respect of commodity contributions, in whole or in part, these shall be recorded at the time when the commodity contributions are confirmed to WFP at fair value. Indicators of fair value include <i>inter alia</i> world market prices, the Food Aid Convention (FAC) price and the donor's invoice price. Contributions of acceptable non-food items and services shall be valued at fair value either based on world market prices or, where the service is of a local character, at the price contracted for by the Executive Director. Contributions in personnel services shall be valued at WFP's standard cost when these reflect fair value.</p>	<p>General Rule XIII.6: Valuation of commodity pledges and services</p> <p>In respect of commodity contributions, in whole or in part, these shall be recorded at the time when the commodity contributions are confirmed to WFP at fair value. Indicators of fair value include <i>inter alia</i> world market prices, the Food Assistance Convention (FAC) price and the donor's invoice price. Contributions of acceptable non-food items and services shall be valued at fair value either based on world market prices or, where the service is of a local character, at the price contracted for by the Executive Director. Contributions in personnel services shall be valued at WFP's standard cost when these reflect fair value.</p>

Financial Regulations Current text <i>(Note: blank entries in this column mean that there is currently no provision in place and that a new provision is proposed in the Financial Regulation Proposed Text column)</i>	Financial Regulations Proposed text <i>(Note: blank entries in this column mean that the provision set forth in the Financial Regulation Current Text column has been deleted)</i>
	Assistance agreement shall mean a document, however designated, executed in accordance with the provisions of Article XI of the General Regulations.
Biennium shall mean two Financial periods starting on 1 January of each even-numbered year.	
Broad-based appeal shall mean an appeal made by WFP or by WFP jointly with other programmes, funds or agencies for a regional project or for a number of separate country programmes, projects, or activities.	Broad-based appeal shall mean an appeal made by WFP or by WFP jointly with other programmes, funds or agencies for a regional project or for a number of separate programmes, projects, or activities.
	Country portfolio budget shall mean the budget of a programme.
Country programme shall mean a country programme approved by the Board in accordance with General Regulation VI.2 (c).	
Directed Multilateral Contribution shall mean a contribution, other than a response to an appeal made by WFP for a specific emergency operation, which a donor requests WFP to direct to a specific activity or activities initiated by WFP or to a specific country programme or country programmes.	Directed multilateral contribution shall mean a contribution, other than a response to an appeal made by WFP for a specific emergency operation, which a donor requests WFP to direct to a specific activity or activities initiated by WFP or to a specific programme or programmes.
Direct support cost shall mean a cost which can be directly linked with the provision of support to an operation and which would not be incurred should that activity cease.	Direct support cost shall mean a cost which corresponds to country-level expenditures that are directly linked to the execution of the programme as a whole but cannot be attributed to a specific activity within it.
Full-cost recovery shall mean the recovery of operational costs, direct support costs and indirect support costs in full.	Full cost recovery shall mean the recovery of all of the costs of the activities financed by a contribution or service provision payment.

General Fund shall mean the accounting entity established for recording, under separate accounts, indirect support cost recoveries, miscellaneous income, operational reserve and contributions received which are not designated to a specific programme category, project or a bilateral project.	General Fund shall mean the accounting entity established for recording, under separate accounts, indirect support cost recoveries, miscellaneous income, operational reserve and contributions received which are not designated to a specific programme category fund, trust fund, or special account.
	Implementation cost shall mean a cost which corresponds to expenditures that are directly linked to specific activities within the programme, other than transfer costs.
Indirect support cost shall mean a cost which supports the execution of projects and activities but cannot be directly linked with their implementation.	Indirect support cost shall mean a cost which cannot be directly linked to the execution of a programme or activity.
Multilateral contribution shall mean a contribution, for which WFP determines the country programme or WFP activities in which the contribution will be used and how it will be used, or a contribution made in response to a broad-based appeal for which WFP determines, within the scope of the broad-based appeal, the country programme or WFP activities in which the contribution will be used and how it will be used, and for which the donor will accept reports submitted to the Board as sufficient to meet the requirements of the donor.	Multilateral contribution shall mean a contribution, for which WFP determines the programme or WFP activities in which the contribution will be used and how it will be used, or a contribution made in response to a broad-based appeal for which WFP determines, within the scope of the broad-based appeal, the programme or WFP activities in which the contribution will be used and how it will be used, and for which the donor will accept reports submitted to the Board as sufficient to meet the requirements of the donor.
Operational costs shall mean any costs, other than direct support costs or indirect support costs, of WFP projects and activities.	Operational costs shall mean transfer costs and implementation costs of a programme.
	Programme shall mean a programme approved in accordance with Article VI.2(c) of the General Regulations.
Project agreement shall mean a document, howsoever designated, executed in accordance with the provisions of General Regulation XI.	
	Service provision shall mean the provision of services consistent with the purposes, policies and activities of WFP to a party in exchange for payment.
	Support costs shall mean the indirect support costs and direct support costs of a programme.
	Transfer cost shall mean a cost which corresponds to the monetary value of the item, cash, or service provided, as well as the related delivery costs.

<p>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, projects and activities and shall include a Programme Support and Administrative budget.</p>	<p>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.</p>
<p>IV: Resources</p> <p>Financial Regulation 4.1: The resources of WFP shall consist of:</p> <p>(a) contributions made pursuant to Article XIII of the General Regulations;</p> <p>(b) miscellaneous income, including interest on investments; and</p> <p>(c) contributions received in trust as set forth in Financial Regulation V.</p>	<p>IV: Resources</p> <p>Financial Regulation 4.1: The resources of WFP shall consist of:</p> <p>(a) contributions made pursuant to Article XIII of the General Regulations;</p> <p>(b) miscellaneous income, including interest on investments;</p> <p>(c) contributions received in trust as set forth in Financial Regulation V; and</p> <p>(d) payments received for service provision in accordance with Financial Regulation 4.8.</p>
<p>Financial Regulation 4.6: The Executive Director, under guidelines established by the Board and in consultation with the donor and the recipient country, may approve the sale of commodities for cash if in the Executive Director's opinion such cash will contribute more effectively to the objectives of the country programmes, projects or activities in question. The responsibility of managing the generated financial resources will rest with the holder of the title of commodities at the time of sale. The Executive Director shall retain in all circumstances responsibility for monitoring the management of resources so generated through audit requirements or other measures. When the Executive Director determines that it is in the best interest of the project or activity for WFP to manage the generated financial resources belonging to the recipient government, WFP will enter into a trust fund arrangement with the government. The delineation of the respective responsibilities of WFP, the donor, and the recipient government in the management of such trust fund shall be in accordance with the guidelines established by the Board.</p>	<p>Financial Regulation 4.6: The Executive Director, under guidelines established by the Board and in consultation with the donor and the recipient country, may approve the sale of commodities for cash if in the Executive Director's opinion such cash will contribute more effectively to the objectives of the programmes, projects or activities in question. The responsibility of managing the generated financial resources will rest with the holder of the title of commodities at the time of sale. The Executive Director shall retain in all circumstances responsibility for monitoring the management of resources so generated through audit requirements or other measures. When the Executive Director determines that it is in the best interest of the programme, project or activity for WFP to manage the generated financial resources belonging to the recipient government, WFP will enter into an arrangement with the government with regard to the management of such funds. The delineation of the respective responsibilities of WFP, the donor, and the recipient government in the management of such funds shall be in accordance with the guidelines established by the Board.</p>
	<p>Financial Regulation 4.8: The Executive Director may approve service provision activities. These activities shall be provided on a full cost recovery basis, as determined by the Executive Director.</p>

<p><i>V: Trust funds and special accounts</i></p> <p>Financial Regulation 5.1: Trust funds and special accounts may be established by the Executive Director for specified purposes consistent with the policies, aims and activities of WFP. The Executive Director shall report all such trust funds or special accounts to the Board.</p>	<p><i>V: Trust funds and special accounts</i></p> <p>Financial Regulation 5.1: Trust funds and special accounts to fund the expenses of activities directly overseen at headquarters or regional bureaux may be established by the Executive Director, provided that they are consistent with the purposes and policies of WFP. The Executive Director shall report all such trust funds or special accounts to the Board.</p>
<p>Financial Regulation 5.2: The purpose and limits of each trust fund and special account shall be clearly defined and contributions thereto shall be on a full cost recovery basis.</p>	<p>Financial Regulation 5.2: The purpose and limits of each trust fund and special account shall be clearly defined and their funding shall be provided on a full cost recovery basis, as determined by the Executive Director.</p>
<p><i>VI: Approvals of country programmes and projects</i></p> <p>Financial Regulation 6.1: To provide for continuity in the programming and implementation of WFP assistance to country programmes and projects, approvals for the purposes of the proposed utilization of resources and of the entering into commitments in respect of activities shall remain valid for the duration of each country programme or Project.</p>	<p><i>VI: Approvals of programmes</i></p> <p>Financial Regulation 6.1: To provide for continuity in the programming and implementation of WFP assistance to programmes and projects, approvals for the purposes of the proposed utilization of resources and of the entering into commitments in respect of activities shall remain valid for the duration of each programme.</p>
<p><i>VIII: Country programmes and projects</i></p> <p>Financial Regulation 8.1: Approval of a country programme, project or operation shall normally constitute authority for the Executive Director to issue allotments, incur obligations and expend resources for the country programme, project or operation, subject to signature of the country programme, project or operation agreement. However, the Executive Director may incur obligations and expend resources during project preparation, if necessary, to fill the food pipeline for the project for the first three months, not exceeding one quarter of total funding requirements.</p>	<p><i>VIII: Programmes</i></p> <p>Financial Regulation 8.1: Approval of a programme shall normally constitute authority for the Executive Director to issue allotments, incur obligations and expend resources for the programme in accordance with the country portfolio budget, subject to signature of an assistance agreement. However, the Executive Director may incur obligations and expend resources during programme preparation, if necessary, to fill the food pipeline for the programme for the first three months, not exceeding one quarter of total funding requirements.</p>
<p>Financial Regulation 10.2: All contributions to WFP shall be credited to the relevant programme category fund, trust fund, General Fund or special account and all expenditures shall be charged to the relevant fund.</p>	<p>Financial Regulation 10.2: All resources received by WFP shall be credited to the relevant programme category fund, trust fund, General Fund or special account and all expenditures shall be charged to the relevant fund.</p>

<p>Financial Regulation 10.3: All contributions will be classified as multilateral, directed multilateral, or bilateral. The Executive Director may accept bilateral contributions only if they are for activities consistent with the objectives and policies of WFP's mission statement and compatible with assistance provided by WFP in the recipient country. The Executive Director shall report all contributions to the Board.</p>	<p>Financial Regulation 10.3: All contributions will be classified as multilateral, directed multilateral, or bilateral. The Executive Director may accept bilateral contributions only if they are for activities consistent with the objectives and policies of WFP's mission statement. The Executive Director may receive payment for service provision activities in accordance with Financial Regulation 4.8. The Executive Director shall report all resources received to the Board.</p>
<p>Financial Regulation 10.4: In respect of each bilateral contribution accepted under Regulation 10.3 of these Regulations, the Executive Director shall establish a trust fund.</p>	<p>Financial Regulation 10.4: In respect of each bilateral contribution accepted under Regulation 10.3 of these Regulations that concerns activities directly overseen at headquarters or a regional bureau, the Executive Director shall establish a trust fund.</p>
<p>Financial Regulation 10.9: All income other than contributions received shall be classified as miscellaneous income, subject to the provisions of Financial Regulation 11.3 below.</p>	<p>Financial Regulation 10.9: All income other than contributions received and payment received in return for service provision shall be classified as miscellaneous income, subject to the provisions of Financial Regulation 11.3 below.</p>
<p>Financial Regulation 11.3: Income from investments shall be credited, where applicable, to the related special account, and in all other cases to the General Fund as miscellaneous income. Unless otherwise specified by the contributor, interest accrued on donor funds administered by WFP for bilateral services shall be credited to the IRA.</p>	<p>Financial Regulation 11.3: Income from investments shall be credited, where applicable, to the related special account, and in all other cases to the General Fund as miscellaneous income. Unless otherwise specified by the contributor, interest accrued on donor funds administered by WFP through trust funds for bilateral contributions shall be credited to the IRA.</p>

ANNEX III

1. WFP is committed to the principle of full cost recovery set forth in General Regulation XIII.2. The general regulation ensures that sufficient funds are provided to cover all operational and support costs relating to each contribution. As outlined in paragraph 61, management is committed to sensitizing all donors and potential donors to the value of WFP's full cost recovery model, its indirect support cost (ISC) recovery rate and the ISC income generated, which funds the programme support and administrative budget
2. WFP's simple and transparent cost recovery model, which is relatively unique in the United Nations system, currently applies a single standard cost recovery rate for 97 percent of contributions received. Reductions or waivers of indirect support costs – as provided for under the general rules – are applied to the remaining three percent, over which the Executive Board has full oversight.
3. Nine recommendations related to full cost recovery are presented in paragraphs 68–102 of the body of this document. A sensitivity analysis was conducted to determine the impact on future ISC income if the recommendations were implemented.
4. Six of the nine recommendations relate to the adjustment or amendment of previously approved policies to ensure their coherence with the IRM framework and to reflect the current context in which WFP is working. The six recommendations are as follows:
 - i. **Recommendation 1:** Continue twinning arrangements for in-kind contributions as provided for in existing General Rule XIII.4 (f).
 - ii. **Recommendation 2:** Adjust General Rule XIII.4 (f) to allow cash as well as in-kind contributions to be eligible for twinning.
 - iii. **Recommendation 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 its 2017 second regular session.
 - iv. **Recommendation 5:** Maintain the flexibility of 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.
 - v. **Recommendation 6:** Continue to treat revenue generated by on-demand service provision as distinct from contributions as defined by Financial Regulation I and referenced in General Rule XIII.4.
 - vi. **Recommendation 7:** Integrate country-level trust funds into the country portfolio budget and maintain trust funds at the headquarters and regional levels.

5. The remaining recommendations (3, 8.a, 8.b and 9) could have an impact on future ISC income if they were implemented¹. Those recommendations are as follows:
- i) **Recommendation 3:** Expand the current General Rule XIII.4 (e) to include relevant in-kind contributions for PSA or related activities
 - ii) **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
 - iii) **Recommendation 8.b:** Apply a reduced ISC rate for contributions made by governments of developing countries or countries with economies in transition, with a proposed rate to be presented in the management plan.
 - iv) **Recommendation 9:** Adjust General Rule XIII.4 (e) to allow for exemptions from ISC for contributions to the Operational Reserve.

ISC sensitivity analysis

6. The sensitivity analysis referred to above assessed the potential impact of recommendations 3, 8.a, 8.b and 9 on annual ISC income over 5 years and 10 years. The analysis was predicated on the following assumptions:
- a) Average annual contribution revenue growth was assumed to be 3 percent, based on contribution revenue over the previous 10 years;
 - b) To show the potential impact, contribution revenue for the types of contributions that would be received under each of the recommendations was assumed to grow by 10 percent annually.

The projected ISC impact of each recommendation was then compared to the overall estimated ISC income.

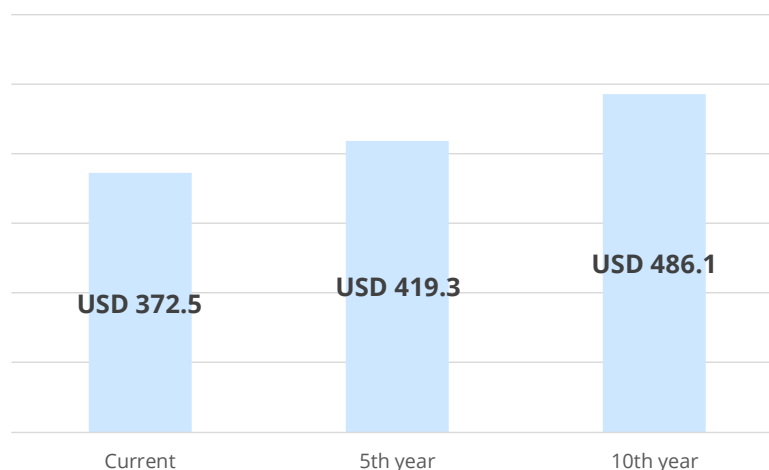
7. Management analysed each recommendation separately and considered their cumulative effect on ISC income. Based on the analysis presented below, management considers that the anticipated amount of foregone ISC income is negligible. Importantly, in addition to the financial impact, the recommendations could serve to mobilize additional resources, broaden the donor base, strengthen partnerships and build national ownership while increasing transparency. Further, management believes the limited exceptions to the standard ISC rate – less than 3 percent of total contributions – will not discourage flexible, multilateral contributions.
8. It should be noted that management is closely following discussions on cost recovery that are taking place within the United Nations Development Programme, the United Nations Population Fund, the United Nations Entity for Gender Equality and the Empowerment of Women and the United Nations Children's Fund in the context of United Nations reform. The Secretariat will keep the Board informed of developments in these discussions. In the meantime, consistent with the spirit of the Integrated Road Map, the Secretariat is taking the opportunity to simplify WFP's full cost recovery policy in view of amendments to the general rules and financial regulations required for the implementation of the IRM framework to ensure coherence with the framework itself and the context within which WFP is working.

¹ Recommendation 8 consists of recommendations 8a and 8b.

Reviewing the potential impact on ISC Income

9. Over the past 10 years, contributions to WFP have increased – on average – 3 percent annually. Assuming the trend continues, figure A.III.1 shows the anticipated growth in annual ISC income from USD 372.5 million in 2017, as an assumed amount for 2017,² the last year for which there is complete data, to USD 419.3 million in 5 years and USD 486.1 million in 10 years. These projections are used as a baseline for assessing the potential impact on ISC of recommendations 3, 8.a, 8.b and 9.

Figure A.III.1 Overall ISC income generated based on annual growth of 3 percent (USD million)

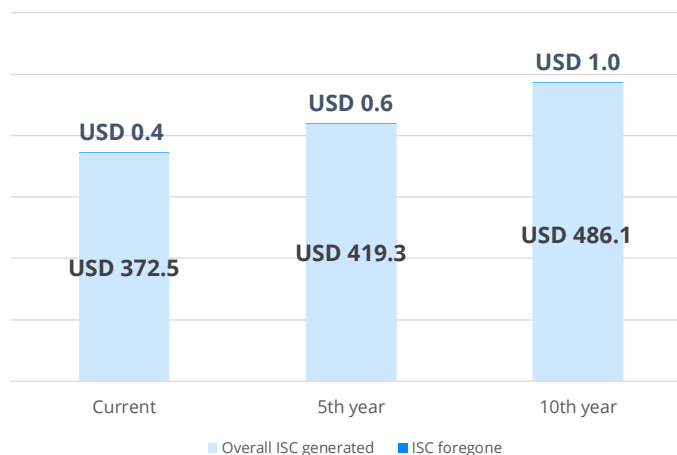


Analysis of recommendation 3: Expand the current General Rule XIII.4 (e) to include relevant in-kind contributions for the PSA or related activities

10. General Rule XIII.4 (e) allows cash contributions to the programme support and administrative (PSA) budget or PSA-related activities to be exempt from ISC because the PSA budget is funded mainly by ISC revenue and charging ISC on such contributions would be redundant. This recommendation proposes that the general rule be expanded to include relevant in-kind contributions to the PSA budget or PSA-related activities. Such in-kind contributions include in-kind consulting services, for example when a consulting firm provides WFP with a service; office space, as when a landlord makes office space available; or free advertising such as that found on billboards. Under the existing policy the Secretariat is obliged to charge the standard ISC rate on such contributions, which could discourage donors from making them.
11. Between 2012 and 2016, WFP received on average USD 6 million per year in in-kind contributions. Additional information regarding proposed recommendation 3 and the anticipated increase in efficiency because of its implementation can be found in paragraphs 77–80 in the body of this document.
12. Figure A.III.2 shows the estimated amount of ISC that would be foregone if recommendation 3 were implemented.

² For the purposes of this exercise, actual ISC income for 2017 – which was mainly based on an ISC rate of 7 percent – was reduced to an amount that the Secretariat estimates would have been generated if an ISC rate of 6.5 percent had been applied for that year.

Figure A.III.2: In-kind contributions to the PSA budget or related activities at 10 percent annual growth rate (in USD million)



13. In the current year, if ISC had been waived on such in-kind contributions, WFP would have foregone approximately USD 400,000 in ISC. Assuming 10 percent annual growth for these types of in-kind contributions to the PSA budget or PSA-related activities, in 10 years the estimated annual foregone ISC would reach USD 1 million. This is equivalent to approximately 0.2 percent of overall estimated ISC income.

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

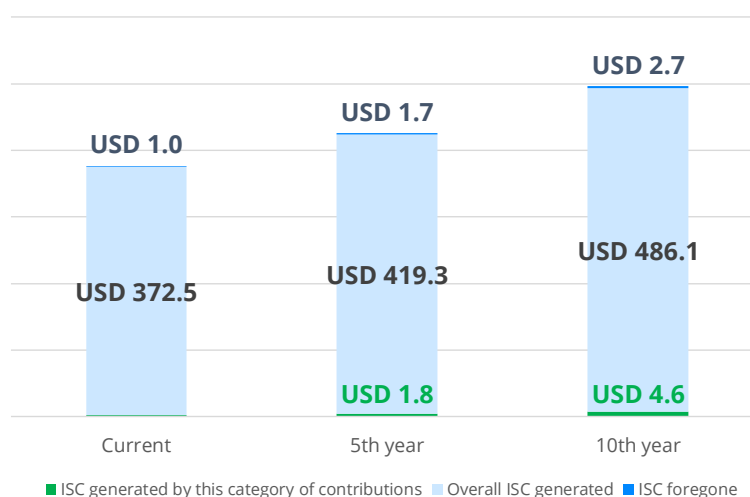
14. With the integration of country-level trust funds into country portfolio budgets, funds for activities funded entirely by host government contributions and previously handled as "trust funds" outside of WFP's programme of work will now be reflected in CSPs, ICSPs and T-ICSPs.
15. Within this context, this recommendation proposes the continuation of a reduced rate for host governments' contributions to their own programmes in recognition of the reduced support required from WFP headquarters for the management and implementation of such programmes. Additional information regarding proposed recommendation 8.a and its potential impact on building support from host governments and national ownership can be found in paragraphs 88–93 in the body of this document.
16. To conduct the sensitivity analysis with regard to recommendation 8.a, management assumed a reduced ISC rate of 4 percent. This reduced rate would not be applied to contributions for twinning arrangements.
17. Between 2011 and 2016, WFP received approximately USD 1 billion in contributions from host governments to their own programmes. An analysis of host governments' contributions to their own programmes during this period – excluding contributions such as those made through twinning arrangements and government cash contributions, for which no ISC income is generated from the host governments – indicates that a 4 percent ISC recovery rate would have resulted in approximately USD 1 million in foregone ISC revenue annually on those contributions.³ Looking forward, and assuming a 10 percent annual growth in these types of contributions, in 10 years the estimated annual foregone ISC would reach USD 2.7 million, approximately 0.5 percent of overall estimated ISC income.

³ The ISC revenue foregone is derived from the difference between the actual ISC received and the reduced rate of 4 percent.

However, the ISC generated from these contributions would amount to approximately USD 4.6 million, resulting in a net ISC gain of USD 1.9 million annually in year 10.

18. Figure A.III.3 shows the amount of estimated annual ISC that would be foregone if recommendation 8.a, with a reduced ISC rate of 4 percent, were implemented for host government contributions to their own programmes over the next five years and the next ten years.

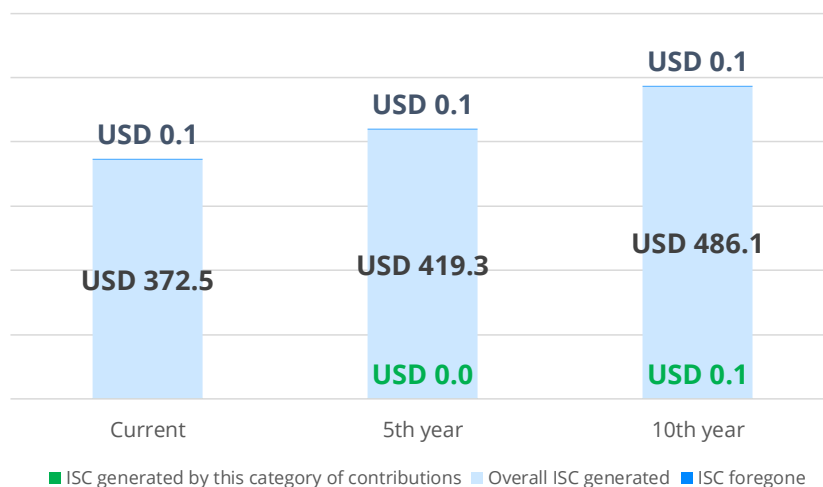
Figure A.III.3: Host government contributions to their own programmes at 10 percent annual growth rate (in USD million)



Analysis of recommendation 8.b: Apply a reduced ISC rate for contributions made by governments of developing countries or countries with economies in transition, with a proposed rate to be presented in the management plan

19. In order to encourage additional contributions, enhance the donor base and build and strengthen partnerships, management proposes in recommendation 8.b to apply a reduced ISC rate to contributions by the governments of developing countries and countries with economies in transition. Additional information regarding recommendation 8.b can be found in paragraphs 94–100 in the body of this document.
20. To conduct the sensitivity analysis on the potential impact of recommendation 8.b, management assumed a reduced ISC rate of 4 percent. This reduced rate would not be applied to contributions for twinning arrangements.
21. If the 4 percent ISC rate were applied this year, WFP would forego approximately USD 50,000 in ISC income based on the current level of contributions in this category. Assuming a 10 percent annual growth in these contributions, in 10 years the estimated annual foregone ISC would reach USD 100,000, representing approximately 0.02 percent of overall estimated ISC income. However, the ISC generated from the increase in contributions would also amount to approximately USD 100,000.
22. Figure A.III.4 shows the estimated annual ISC foregone if recommendation 8.b were implemented with a reduced ISC rate of 4 percent.

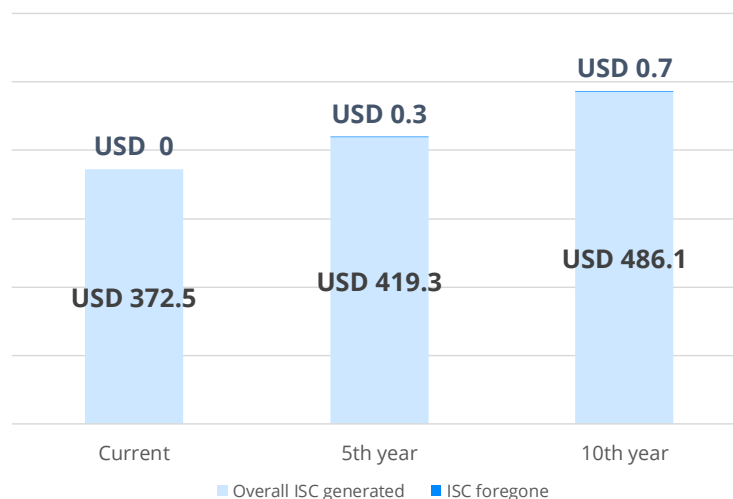
Figure A.III.4: Contributions made by governments of developing countries or countries with economies in transition at 10 percent annual growth rate (in USD million)



Recommendation 9: Adjust General Rule XIII.4 (e) to allow for exemptions from ISC for contributions to the Operational Reserve

23. To date, WFP has not received any direct contributions to the Operational Reserve. Therefore, to estimate the potential future impact of these contributions on ISC income, the analysis assumes that such contributions would amount to USD 5 million in 5 years and USD 10 million in 10 years.
24. As shown in figure A.III.5, the estimated annual foregone ISC would amount to approximately USD 0.7 million by year 10.

Figure A.III.5: Contributions to the Operational Reserve at 10 percent annual growth rate (in USD million)



25. Additional information regarding proposed recommendation 9 and the leveraging potential of every USD 1 in donor contributions to the Operational Reserve can be found in paragraphs 101 and 102 in the main body of this document. Management anticipates that a broader review of WFP's approach to advance financing and its potential impact will be undertaken in the near future.

Summary of the potential impact on ISC Income

26. Figure A.III.6 summarizes the overall impact on ISC income if all four recommendations are implemented and the contributions in each category achieve the assumed annual growth of 10 percent.

Figure A.III.6: Cumulative impact of four recommendations at 10 percent annual growth rate (USD million)



27. Based on the analysis, management estimates that in 10 years the total foregone ISC would be approximately USD 4.5 million annually, which is less than 1 percent of total estimated ISC income. At the same time, under these assumptions the analysis shows that the total estimated ISC generated as a result of these recommendations would amount to USD 4.7 million, which would offset the approximately USD 4.5 million ISC foregone.

Acronyms used in the document

CRF	Corporate Results Framework
CSP	country strategic plan
DSC	direct support costs
EDMF	emerging donor matching fund
FAO	Food and Agriculture Organization of the United Nations
IASC	Inter-Agency Standing Committee
ICSP	interim country strategic plan
IRA	immediate response account
IRM	Integrated Road Map
ISC	indirect support costs
PSA	programme support and administrative (budget)
RBA	Rome-based agency
SDG	Sustainable Development Goal
T-ICSP	transitional interim country strategic plan
UNDAF	United Nations development assistance framework
WHO	World Health Organization