

Extract of MP 2026-2028

Section V: Changes to the Financial Regulations

5.1. Background and objectives

198. From 2018 to 2020, WFP's General Rules and Financial Regulations, particularly in respect to full cost recovery policies and related terminology and the delegations of authority to approve CSPs and country portfolio budgets, were amended as part of the Integrated Road Map framework. Recognizing the need for improvements to the broader budgetary governance framework, WFP is proposing several revisions to the Financial Regulations with the primary aim of ensuring that budget-related definitions and decisions are accurately reflected, and to consolidate elements currently spread across several documents, including past management plans.
199. The proposed revisions will consolidate budgetary policy, reduce the length and number of draft decisions presented to the Board, reduce ambiguity, resolve inconsistencies among regulations, and enhance WFP's agility in responding to change, while ensuring that the Board retains its strategic and budgetary oversight role. The revisions also aim to address some of the External Auditor's recommendations related to budgetary policy.¹

5.2 Proposed changes to the Financial Regulations

200. The rationale and proposed changes are included in the following paragraphs while a side-by-side comparison between the current text and the proposed revised text is included in annex VII.

Financial Regulation 1.1: Definition of WFP budget

201. The WFP budget is currently defined as follows:

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.

202. The current definition lacks clarity in several respects. It is ambiguous regarding whether the estimated resources and expenditures, and the PSA budget are components of the WFP budget or of the broader management plan. It also lacks clarity as to whether the Board is to grant approval of the management plan or the WFP budget. In addition, the definition does not reflect the dynamic nature of WFP's operational and funding environment.
203. In developing a revised definition, WFP aimed to ensure that the WFP budget:
 - reflects the full cost of delivering on approved CSPs, including both direct and indirect costs;
 - reflects the total resourcing requirements for programmes throughout the year, thereby enhancing transparency and coherence in resource mobilization; and
 - allows for budget adjustments over the course of the year in response to evolving operational contexts and funding levels.

¹ See annex VII.

204. WFP considered the findings of the Joint Inspection Unit's (JIU's) review of budgeting practices in United Nations organizations.² The JIU emphasized that the principal function of a budget is to provide Member States and governing bodies with a financial plan for implementing a programme of work over a defined period. A programme budget should focus on the objectives to be achieved and translate them into the resources required for implementation.

205. The JIU also noted that United Nations entities adopt various budgeting models, including resource-based approaches, as at the United Nations Development Programme, the United Nations Population Fund and the United Nations Children's Fund; needs-based approaches, as at the Office of the United Nations High Commissioner for Refugees; and hybrid models, as at the United Nations Entity for Gender Equality and the Empowerment of Women, and WFP, where the model includes operational requirements and the provisional implementation plan.

206. WFP also considered the International Public Sector Accounting Standards (IPSAS), specifically IPSAS 24, on the presentation of budget information in financial statements. IPSAS 24 defines annual budget as an approved budget for one year, while IPSAS also states that the financial statements should include a comparison among the original and final budgets, and the actual amounts on a comparable basis.

207. To address the issues identified, align the definition of WFP's budget with best practices, and ensure that the definition is consistent with WFP's operational reality, the following revised definition is proposed:

WFP Budget shall mean the sum of the annual portions of each country portfolio budget approved, and/or expected to be submitted for approval, for the financial period, including the related operational and support costs, and shall include the Programme Support and Administrative budget.

208. Under this revised definition, the WFP budget would reflect the full cost of operational requirements, including both direct and indirect costs. For example, under the new definition, the WFP budget for 2026 would amount to USD 13.0 billion, which will be reflected in statement V of the financial statements as the original budget, in line with IPSAS 24. Meanwhile, the WFP budget would be dynamic, allowing for updates throughout the year in response to changing operational needs, as reflected in the approval of individual new and revised country portfolio budgets. The final WFP budget will comprise the sum of the annual portions of individually approved country portfolio budgets as of the last day of the fiscal year.

Financial Regulation 9.4: Elements included in the management plan

209. The current regulation reads:

The proposed Management Plan will include: (a) planned outcomes and indicators of achievement; (b) comparative tables setting out the proposals for the following financial period, the approved WFP Budget for the current financial period and the approved WFP Budget for the current financial period as modified in the light of actual receipts and expenditures; and (c) such statistical data, information, explanatory statements and staffing tables including those with regard to the second and third years of the Management Plan period, as may be requested by the Board or considered appropriate by the Executive Director.

210. The proposed revisions to Financial Regulation 9.4 aim to improve coherence and reduce ambiguity. The comparative budget tables referenced in item (b) above will be simplified. Given that the definition of the management plan already refers to its three-year planning

² United Nations. 2024. Budgeting in organizations of the United Nations System, [JIU/REP/2024/3](#).

period, the references to the second and third years in item (c) above will be removed, while additional information will continue to be included as requested by the Board or at the discretion of the Executive Director.

211. The proposed text would read as follows:

The Management Plan will include:

(a) planned outcomes and indicators of achievement; and

(b) comparative tables setting out the approved WFP Budget for the current financial period and the proposal for the following financial period.

The Executive Director shall also provide, for the Board's information, such indicative statistical data, information, explanatory statements and staffing tables with regard to the Management Plan period as may be requested by the Board or considered appropriate by the Executive Director.

Financial Regulation 9.5: The Board's consideration and approval of the management plan and the WFP budget

212. The current regulation reads:

The Board shall consider the proposed Management Plan, and the related reports of the ACABQ and the Finance Committee, and shall approve the Management Plan, including the WFP Budget, prior to the beginning of the financial period covered by the WFP Budget.

213. Amendments to Financial Regulation 9.5 seek to clarify the role of the Board in approving the WFP budget rather than the entire management plan. This shift is in accordance with General Regulation XIV.6, which requires the Executive Director to submit a "WFP budget" to the Board for approval, and responds to the External Auditor's recommendations on formalizing the approval of an overall WFP budget.

214. Changes to this regulation also seek to pre-emptively address the potential contradiction between the approval of a WFP budget (General Regulation XIV.6) and the approval of individual CSPs and their country portfolio budgets, which are regulated under General Regulation VI.2(c). The changes also clarify the evolving nature of the WFP budget throughout the year, in line with changes in the CSP budgets.

215. The proposed text would read as follows:

The Board shall consider the Management Plan, and the related reports of the ACABQ and the Finance Committee, and shall approve the WFP Budget prior to the beginning of the financial period covered by the WFP Budget. Approval of the WFP Budget does not constitute approval of individual programmes or their related country portfolio budgets, which shall be submitted separately for approval and revision pursuant to General Regulation VI.2(c) and the Appendix to the General Rules. The WFP Budget shall be deemed, without further action by the Board, to incorporate future approvals and revisions of country portfolio budgets.

216. As an example of the modified regulation, in November 2025, the WFP budget for 2026 is approved at USD 13.0 billion, which includes the country portfolio budget of country Alpha for USD 1.0 billion. During 2026, an emergency escalates, and the Board approves a revised country portfolio budget for country Alpha at USD 2.5 billion. Assuming no other changes or new individual country portfolio budget approvals, the WFP budget will be USD 14.5 billion. The updated WFP budget will not be subject to approval by the Board, as the underlying changes have been individually approved by the Board in line with General Regulation VI.2(c). In financial statement V, the original budget will be reflected as USD 13.0 billion and the final budget will be USD 14.5 billion.

217. Notwithstanding the approval of the WFP budget, appropriations for the PSA budget and any other appropriations would continue to be specifically approved by the Board.

Financial Regulation 9.6: Implications of approving appropriations

218. The current regulation reads:

The Board's approval of the Management Plan, including the Budget, shall constitute: (a) acceptance of the WFP programme of work for the following financial period and an authorization to the Executive Director to proceed with the implementation of the programme of work; and (b) an authorization to the Executive Director to allocate funds, issue allotments, incur obligations and make payments for the purposes for which the appropriation was approved, up to the amount so approved.

219. To align with the revised Regulation 9.5, which specifies that the WFP budget, rather than the entire management plan, is the component subject to approval by the Board, the proposed amendment to Financial Regulation 9.6 places emphasis on the approval of specific appropriations. In addition, it is proposed that item (a), which refers to programmatic elements, be deleted in order to avoid overlap with Financial Regulation 8.1, which governs CSPs and the programmatic framework. These revisions ensure that Financial Regulation 9.6 is focused exclusively on the appropriations presented through the management plan.

220. The proposed text would read as follows:

The Board's approval of the Programme Support and Administrative budget and other appropriations shall constitute an authorization to the Executive Director to allocate funds, issue allotments, incur obligations and make payments for the purposes for which the Programme Support and Administrative budget and other appropriations were approved, up to the amount so approved.

Financial Regulation 9.7: Transfers within PSA appropriation lines

221. The current regulation reads:

The Executive Director may make transfers within each of the main appropriation lines of the approved Programme Support and Administrative budget. The Executive Director may also make transfers between appropriation lines up to limits the Board may specifically set.

222. The amendment to Regulation 9.7 introduces a 5 percent threshold of flexibility for transfers into and out of each PSA appropriation line. This amendment formalizes the limits referenced in the regulation.

223. The change enhances WFP's ability to respond to evolving operational and administrative needs within a defined and limited range. It allows for the savings in one appropriation line to be used to address essential and prioritized expenditures in another, thereby supporting more effective, accurate and timely budget implementation. Such flexibility is particularly important for responding to the adjustments that may arise in the latter part of a year, when the windows for requesting changes through any potential update to the management plan for that year, which is finalized by April, or to the management plan for the following year, which is finalized by September, have closed.

224. The proposed text would read as follows:

The Executive Director may make transfers within each of the main appropriation lines of the approved Programme Support and Administrative budget. The Executive Director may also make transfers between appropriation lines, provided that the net amount transferred into and out of an appropriation line in a financial period does not exceed 5 percent of that appropriation line approved by the Board, or such other limit the Board may specifically set.

225. An example of the application of the proposed transfer flexibility is presented in table 5.1. In this example, there are four appropriation lines, each with a maximum allowable transfer threshold of 5 percent, which must be respected independently of changes in the other lines. If a 5 percent increase is desired in appropriation line B, transfers from the other appropriation lines could be made, but not in excess of 5 percent of each of those other appropriation lines.

TABLE 5.1: EXAMPLE WITH THE PROPOSED CHANGES IN THE LANGUAGE					
Appropriation line	Approved appropriation line	5% (maximum change)	Change	Modified appropriation line	Actual % change
A	100.00	+/- 5.00	(5.00)	95.00	-5%
B	150.00	+/- 7.50	7.50	157.50	5%
C	50.00	+/- 2.50	(2.50)	47.50	-5%
D	25.00	+/- 1.25	0.00	25.00	0%
Total	325.00		0.00	325.00	0%

Financial Regulation 9.8: Revised programme support and administrative budget

226. The current regulation reads:

The Executive Director may propose a revision in the Management Plan, including a supplementary budget, for the financial period in a form and manner consistent with the Management Plan.

227. Updates to this regulation aim to focus the regulation on revisions to the PSA appropriations, as opposed to revisions to the management plan. To avoid ambiguity, the revised regulation clarifies that supplementary budgets relate specifically to the PSA budget.

228. Currently, every management plan includes specific decisions through which the Board authorizes the Executive Director to increase or decrease the PSA budget within specific limits. The proposed changes would formalize this authority within the Financial Regulations. As a result, it would no longer be necessary to include these specific decisions in each management plan, except where the proposed increase or decrease exceeds the limit stated in the revised regulation.

229. The proposed text would read as follows:

The Executive Director may adjust the approved Programme Support and Administrative budget by:

- (a) *increasing it by an amount not exceeding 25 percent of the indirect support cost portion of an increase in WFP's forecasted contribution income for the financial period, less the amount of any approved Programme Support and Administrative budget funding shortfall for that period; or*
- (b) *reducing expenditure by an amount not exceeding 10 percent of the approved Programme Support and Administrative budget, through cost-saving measures.*

All changes exceeding those limits shall require the Executive Director to submit a proposed supplementary budget for the Board's approval and an updated Management Plan for the Board's consideration. The Board shall be informed of all adjustments approved by the Executive Director.

PSA Equalization Account

230. In line with efforts to improve the clarity and governance of WFP's financial framework, the Secretariat is proposing the inclusion of a new definition and a new Financial Regulation concerning the PSAEA. Although the PSAEA has been in use since 2002,³ its function and permitted uses are not currently defined in the Financial Regulations. These proposals seek to formalize existing practices, enhance transparency, and streamline the presentation of the management plan.
231. The PSAEA plays a key role in managing the financial stability of WFP's PSA budget. It is used primarily to manage the timing differences between the receipt of income from ISC and the incurrence of PSA expenditures. The account also absorbs variances in standard staff costs – the differences between estimated and actual employment costs – for PSA-funded positions (box 5.1).
232. In 2015, the Board endorsed a target balance and a minimum floor for the PSAEA. The target balance was set at a level equivalent to five months of PSA expenditures, while the floor was set at two months. These parameters help to maintain an adequate buffer for ensuring the sustainability of PSA-funded activities in the event of shortfalls in ISC income, or unexpected cost fluctuations. A balance that exceeds the target level can be proposed for specific purposes such as the strengthening of reserves, work in a specific thematic area, or the funding of strategic investments, including critical corporate initiatives, subject to Board approval.

Financial Regulation 1.1: Definition of the PSA equalization account

233. The definition proposed is as follows:

Programme Support and Administrative Equalization Account (PSA Equalization Account) shall mean a reserve account established to record the difference between the income generated from indirect support costs and the expenditures related to programme support and administrative activities.

New Financial Regulation 10.7: Use of the PSAEA

234. The proposed regulation is as follows:

The Executive Director may draw from or credit the PSA Equalization Account to address any shortfall or surplus arising from:

(a) indirect support cost income that is lower or higher than is required in order to meet programme support and administrative expenditures; and

(b) variances in actual position costs relative to the corresponding amounts used to calculate the Programme Support and Administrative budget.

All other uses of the PSA Equalization Account shall require approval by the Executive Board.

³ "Final report on the analysis of the indirect support cost (ISC) rate"(WFP/EB.3/2002/5-C/1).

Box 5.1. Standard staff cost variance

At the beginning of each budget cycle, WFP calculates standard staff cost rates for each grade level for the coming year. The calculation is based on the actual costs incurred in the previous year, and is adjusted for inflation, exchange rate variations and other anticipated changes. The rates include base salary; post adjustment; pension and insurance contributions; entitlements such as annual leave and unassigned periods; post-employment benefits; allowances such as hardship, mobility and danger pay, and education and reassignment grants; and security and wellness costs.

Throughout the year, these standardized rates are applied to charge staff costs to various funding sources. This approach provides consistency and predictability in budget execution. During financial closure at the end of the financial year, the difference between the actual costs incurred and the standard costs charged is calculated. Differences between the standard and actual costs arise for a variety of reasons, including variations in entitlements; steps within grades; exchange rate fluctuations; the number of reassignments; and the number of unassigned employees, along with the length of time for which they remain unassigned.

These differences, referred to as "standard staff cost variances", are a regular feature of WFP's budgeting model and reflect the gap between estimated and realized employment costs throughout the organization. Over the past ten years, WFP has recorded an average positive staff cost variance of approximately 3 percent of total staff costs. These surpluses have been credited to the PSAEA for positions funded by the PSA budget, and to the unearmarked portion of the General Fund for all other positions.

Other changes to the Financial Regulations and Financial Rules

235. For consistency with the above changes, WFP is also proposing small updates to definitions of Appropriation, Appropriation line, Management Plan, and Programme Support and Administrative budget, and to Financial Regulations 9.1, 9.2, 9.3, and 9.9. To clarify WFP's existing practice of making advance or progress payments when required by normal commercial practices, and to mirror the Food and Agriculture Organization of the United Nations' financial regulations – which also provide for such payments when necessary – it is proposed to amend Financial Regulation 12.1(a) to explicitly permit advance or progress payments, where appropriate. These changes can be seen in annex VII.
236. In line with the provisions of Financial Regulation 2.2, the Executive Director shall establish Financial Rules, consistent with the WFP General Regulations and WFP Financial Regulations, that ensure effective financial administration and the exercise of economy. Following the approval of the above updates to the Financial Regulations, the Executive Director will be revising the Financial Rules. The Executive Director shall circulate the Financial Rules for information to the Board, the United Nations Advisory Committee on Administrative and Budgetary Questions and the Finance Committee of the Food and Agriculture Organization of the United Nations (the Finance Committee).