

# **DRAFT UPDATE ON THE FINANCIAL FRAMEWORK REVIEW**



**Informal Consultation**

**25 July 2016**

**World Food Programme**  
Rome, Italy

## Introduction

1. The Secretariat is developing the Strategic Plan (2017–2021), the policy on Country Strategic Plans (CSPs), the Financial Framework Review (FFR) and the Corporate Results Framework with a view to ensuring that WFP can support: i) the 2030 Agenda, particularly Sustainable Development Goal (SDG) 2 and SDG 17; ii) the decisions of the World Humanitarian Summit; and iii) the call by the High-Level Panel on Humanitarian Financing for “systemic change in humanitarian aid delivery [...] in order to raise new money and use it more effectively”.<sup>1</sup> The policies and changes being proposed through the four processes will significantly change WFP’s core business model and will improve the effectiveness of its emergency response.
2. The objective of the FFR is to maximize operational effectiveness through realistic planning, enhanced accountability, streamlined processes and harmonized financial and results frameworks. Its three current work streams are budgeting for operational effectiveness, resource-based planning and macro-advance financing.
3. Under the budgeting for operational effectiveness workstream, the Secretariat will present the underlying principles and design framework of the proposed Country Portfolio Budget (CPB) structure to the Board for approval at its 2016 Second Regular Session. Informal consultations will be held beforehand to discuss developments with the Board, seek the Board’s views on critical elements of the CPB structure and provide information about the resource-based planning and macro-advance financing country office pilots.
4. This paper provides background for the 25 July 2016 Informal Consultation on the FFR, which will focus on: i) context within the Strategic Outcome and/or activity layer of the budget structure; ii) a new cost structure; iii) the application of full cost recovery; iv) the treatment of emergencies and regional operations; v) governance requirements; vi) business design requirements; and vii) resourcing requirements.
5. Examples from the Zimbabwe country office are provided in Annexes I through V: Annex I – broad outline of Zimbabwe’s CSP and WFP Strategic Outcomes; Annex II – an accompanying five-year CPB, broken down by WFP Strategic Outcomes; Annex III – a one-year budget for the CSP, broken down by WFP Strategic Outcomes and activities, which will form part of the annual planning cycle; Annex IV – a one-year “activity view” by WFP Strategic Outcome; Annex V – the application of full cost recovery. Annex VI provides a preliminary overview of the draft decisions to be considered during the 2016 Second Regular Session. Annex VII reviews possible amendments to the WFP General Rules and Financial Regulations to align them with the Strategic Plan (2017–2021) and the CSP and CPB structures.
6. Work on resource-based planning and macro advance financing continues in the pilot country offices. At a workshop in mid-July 2016, staff from country offices, regional bureaux and Headquarters will discuss business requirements, benefits, challenges and best practices with a view to enabling the roll-out of resource-based planning from 2017 and the transition to a CPB structure in country offices in 2017 and 2018. Additional information will be provided during the informal consultation scheduled for 5 September 2016.

## Financial Framework Review: Budgeting for Operational Effectiveness

### Budgeting for Operational Effectiveness: the Country Portfolio Budget

7. In 2015 the Secretariat launched the FFR to determine the requirements for a planning and budgeting structure grounded at the country level that supports all of WFP’s operational modalities and embeds a results-based management approach to maximize operational effectiveness; it included discussion with partners of the various implications. Under the Budgeting for Operational Effectiveness Expert Working Group,<sup>2</sup> country offices led the development and prototyping of the CPB model.

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<sup>1</sup> <http://www.un.org/news/WEB-1521765-E-OCHA-Report-on-Humanitarian-Financing.pdf>

<sup>2</sup> Comprises participants from country offices, regional bureaux and Headquarters.

8. From January to March 2016, the Indonesia and Jordan country offices led Phase I prototype testing to refine the vertical aspects and budget control hierarchy of the model and achieve the “line of sight” from the WFP Strategic Results to WFP Strategic Outcomes to activities to costs. This work was discussed with the Board during the 1 April 2016 and 9 May 2016 informal consultations.
9. At the Board’s 2016 Annual Session, the Secretariat presented elements of a CPB structure that includes all operations and resources in a given country for a calendar year. The structure mirrors the results-oriented focus of the CSP in that it links strategic, programmatic and operational planning to enhance performance management by showing the resources deployed and the results achieved.<sup>3</sup>
10. The core principles of the proposed CPB include:
  - i) a holistic, results-oriented approach to planning and budgeting at the country office level, including at the activity level;
  - ii) an inclusive approach reflecting all resources in a country office;
  - iii) a single planning period encompassing all operations for a calendar year;
  - iv) identification of costs in terms of programme transfer or programme implementation;
  - v) management of some costs on a country-wide basis;
  - vi) harmonization of cost categories where possible with other United Nations agencies;
  - vii) visibility over contribution-specific expenditures; and
  - viii) continued equitable attribution of costs among donors.
11. As foreseen in the policy, each CSP will include a budget for the duration of the plan, divided by WFP Strategic Outcome (see Annexes I and II). The Board will approve the budget as part of the CSP.

### ***Phase II Prototyping***

12. The objective of Phase II prototyping was to simulate a CPB by creating an inclusive budget structure that covered operational context, cost-accounting procedures, the application of full cost recovery, the treatment of emergencies and regional operations and governance requirements. Eight country offices<sup>4</sup> led the work.
13. At a workshop in Rome on 25–27 May 2016, the eight Country Directors and focal points from the country offices and regional bureaux involved discussed business solutions from Phase II; at a subsequent event the country directors met with the directors of ten Headquarters divisions that would be affected. In June 2016, the eight country offices considered and validated the business solutions to enable the development of an information technology system solution to begin from July 2016.

### ***Context Identified in the Country Portfolio Budget Model***

14. Country offices participating in Phase II agreed that operational context is relevant at the country level when planning and appealing for contributions, and that it should be reflected in the focus of the WFP Strategic Outcome and/or activity layer of the budget structure.
15. As outlined in the draft CSP policy,<sup>5</sup> WFP Strategic Outcomes describe the short to medium-term effects that contribute to the achievement of national SDG targets and WFP Strategic Results. WFP Strategic Outcomes describe the people who will benefit [SDG2] or entities [SDG17], the geographic scope, the result that is sought, the foreseen timeframe of the programme intervention, and articulate the context under which assistance is provided. Formulated at the country level, WFP’s Strategic Outcomes are aligned with standardized strategic outcome categories included

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<sup>3</sup> WFP/EB.A/2016/5-B\*.

<sup>4</sup> Colombia, Indonesia, Jordan, Kenya, Niger, Uganda, Yemen and Zimbabwe.

<sup>5</sup> WFP/EB.A/2016/5-B.

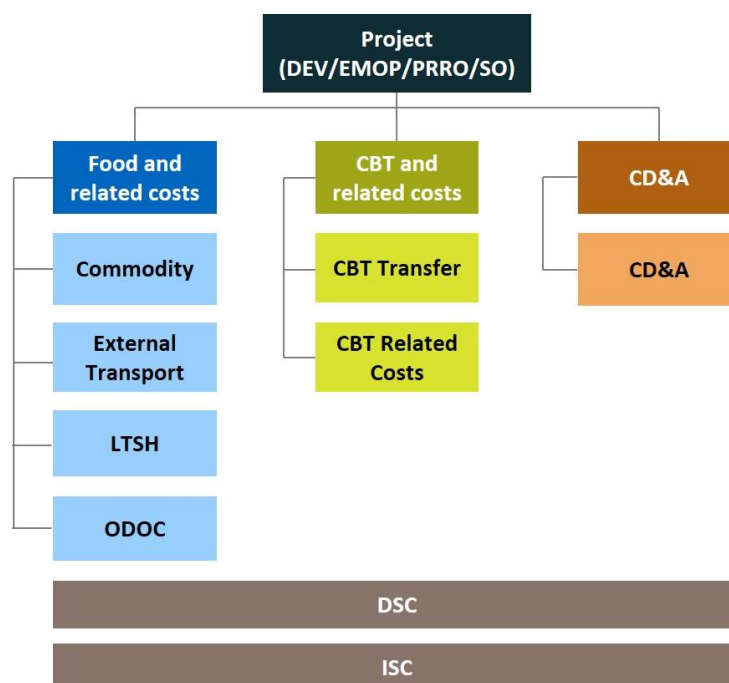
in the Corporate Results Framework<sup>6</sup>. A central feature of CSPs and CBPs is that each WFP Strategic Outcome is tied to a single WFP Strategic Result or SDG target, and a single Strategic Objective. To maintain the “line of sight” there should be relatively few strategic outcomes, and in cases of ambiguity a strategic outcome may need to be reformulated or divided into two results statements to show the link between cause and effect.

16. In light of the discussions regarding the humanitarian and development nexus during the World Humanitarian Summit, the Secretariat will work with other agencies to harmonize notions of context.

***New Cost Structure to Accompany the Country Portfolio Budget Model***

17. The current cost structure (see Figure 1), which is unique to WFP, was designed primarily to support the food aid delivery model. Budget ownership is split by cost categories, which results in fragmented management of the overall budget. Cost categories are input-based – other direct operational costs are those external to WFP and direct support costs are those borne by WFP. Cost categories are rolled up to the modality level: food, cash-based transfers and capacity development and augmentation.

**Figure 1: Existing cost components and structure**

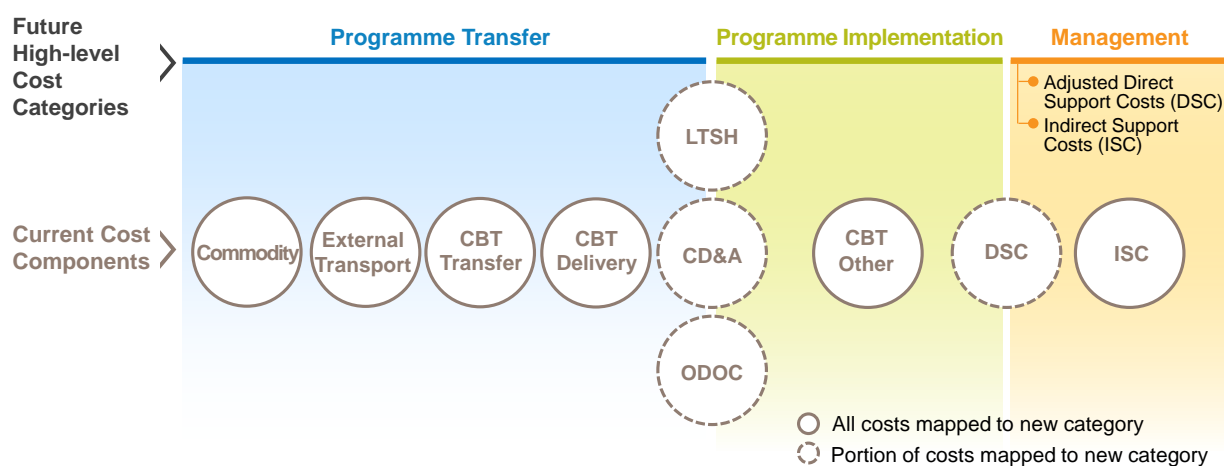


DEV: development project.  
 EMOP: emergency operation.  
 PRRO: protracted relief and recovery operation.  
 SO: special operation.  
 LTSH: landside transport, storage and handling.  
 ODOC: other direct operational costs.  
 DSC: direct operational costs.  
 ISC: indirect operational costs.  
 CBT: cash-based transfer.  
 CD&A: capacity development and augmentation.

<sup>6</sup> The CRF is built around two Strategic Goals drawn from SDG 2 and SDG 17, supported by five Strategic Objectives and eight Strategic Results as set out in the draft WFP Strategic Plan (2017–2021). The five Strategic Objectives frame WFP’s programmatic and operational focus, and link to country and global efforts under relevant SDG 2 and SDG 17 targets. Below the eight Strategic Results are WFP’s corporate outcomes, outputs and activities. The outcome, output and activity statements will be crafted at country level in alignment with the CRF. This approach of having country-specific outcome, output and activity statements linked to standardized categories will allow for flexibility and contextualization of the outcomes, outputs and activities at country level while ensuring a harmonized approach to performance measurement and reporting across countries.

18. Country offices developed the new cost structure by considering four requirements:
  - i) tracking three types of modalities (food, CBT, capacity strengthening) for programme transfer as default;
  - ii) creating high-level cost categories;
  - iii) establishing the ability to drill down to detailed costs; and
  - iv) rolling up costs to harmonized United Nations cost categories and other views as required.
19. The high-level cost categories in a CPB will reflect the aggregation or roll-up of detailed costs. They should be clear and transparent, in order to facilitate communication with Member States and other actors about operational results and optimum value for beneficiaries. The categories emerging from the prototyping exercise are:
  - i) Programme Transfer;
  - ii) Programme Implementation; and
  - iii) Management (previously “adjusted direct support costs and indirect support costs”).
20. While the current cost components would cease to exist for financial management, figure 2 shows how the cost components in Figure 1 relate to the future high-level cost categories.

**Figure 2: Mapping existing costs to new high-level cost categories**



### Programme Transfer

21. This category covers costs which directly add to the transfer value and transfer cost of food assistance, cash-based transfers and capacity strengthening activities: they relate strictly to the transfer of assistance to a beneficiary, and can be tracked by modality. A country office will hence be able to identify the cost to WFP of delivering USD 1 as cash or food into the hands of beneficiaries. Examples include, and are not limited to, food costs, voucher or cash value, and the costs of transport and voucher printing.

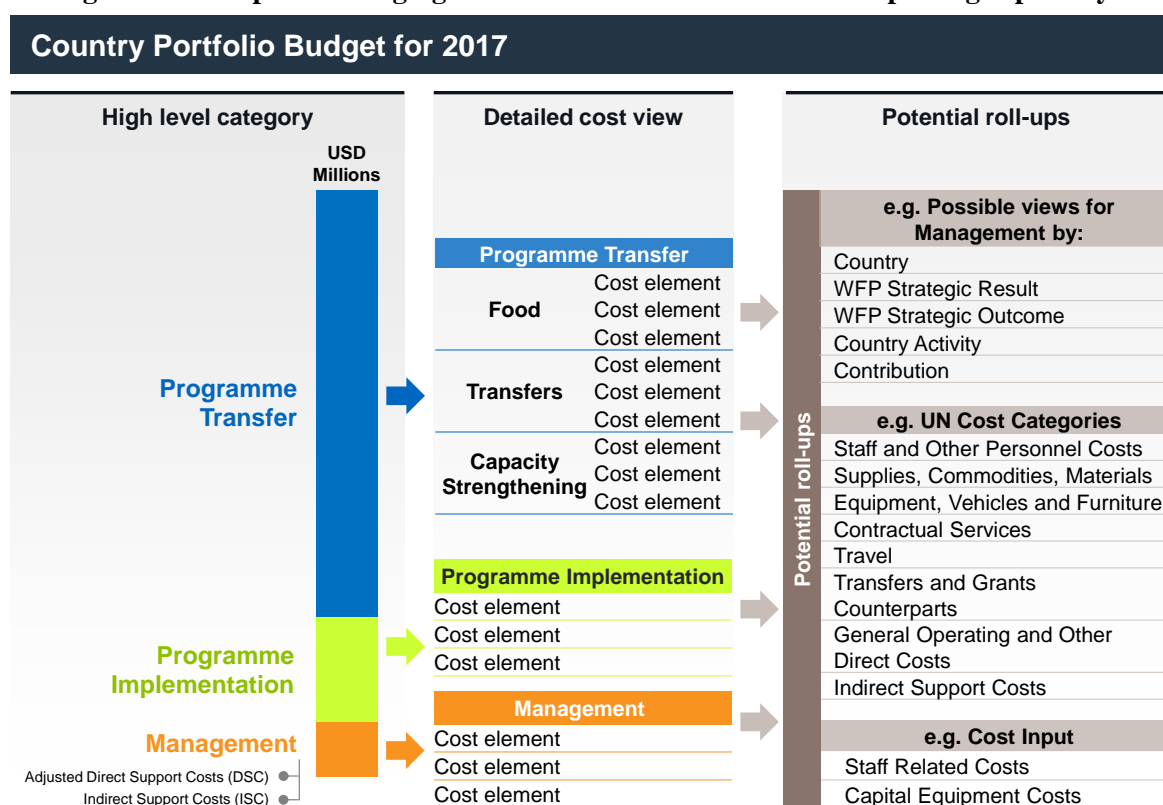
### Programme Implementation

22. This category covers all costs directly attributable to implementing the activities associated with a transfer. They do not add value to the transfer. Examples include, and are not limited to, the costs of WFP cooperating (implementing) partners, WFP staff working on an activity, assessments, monitoring and evaluation related directly to the activity, and WFP area office expenses linked to the activity.

## Management

23. This category accounts for costs that are managed at the country level as they cannot be attributed to an activity or activities.<sup>7</sup> These costs are the minimum costs associated with operating and meeting the fiduciary responsibilities of the country office. Examples include, and are not limited to, rental costs for the country office, assessments and evaluations not directly linked to a specific activity, and certain security costs.
24. The high-level cost categories will be broken down into detailed cost planning elements to maximize transparency, facilitate cost benchmarking and enable aggregation in sub-categories such as functional areas as required. Detailed cost-planning items can be recast into the harmonized United Nations cost categories to enable coherent joint planning.
25. Figure 3 shows the high-level cost categories of a CPB and how they can be broken down into detailed cost items or aggregated by country, strategic result, strategic outcome, activity or contributions to inform internal management decisions. The Secretariat is currently defining the detailed cost-planning items for the high-level cost categories and their linkages with the harmonized United Nations cost categories and WFP functions.

**Figure 3: Example of emerging cost structure and multi-faceted reporting capability**



26. In consideration of the World Humanitarian Summit and the High-Level Panel Report on Humanitarian Funding, WFP is committed to maximum transparency with regard to its operations, costs and results through simplified and harmonized reporting to the Board, partners, donors and beneficiaries. For the CPBs, the Secretariat is accordingly considering more flexible reporting capabilities and the trade-off between real-time posting of expenditures to contributions to enable real-time reporting versus maintaining the organization's ability to manage cost centrally to achieve economies of scale. Donor reporting requirements are also being reviewed.

<sup>7</sup> The analysis to date has focused on country-specific costs. A broader analysis of support costs has been started to determine the implications of this approach on non-country related Programme Support and Administrative (PSA) costs.

### ***Application of Full Cost Recovery***

27. Under General Regulation XIII.2 donors must provide sufficient cash contributions to cover all operational and support costs related to the implementation of activities.<sup>8</sup> General Rule XIII.4 defines the application of full cost recovery to different types of contributions.
28. At the Board's 2016 Annual Session, the Secretariat confirmed its commitment to the principle of full cost recovery but acknowledged that its current application was designed primarily for contributions of in-kind food and cash for food.<sup>9</sup> In view of the increasing diversity of WFP's assistance, the proposed CPB model and changes to the cost structure, the Secretariat will review the application of full cost recovery with a view to a simplified design applicable to all types of contributions.<sup>10</sup>
29. The proposal for full cost recovery reflects the need to distinguish between the principle and the treatment of different types of contribution. Country offices participating in Phase II prototyping noted the need for:
  - i) increased flexibility in moving funds between activities under the same strategic outcome;<sup>11</sup>
  - ii) assurance that WFP has the resources and capacities to implement activities;
  - iii) simplicity in terms of ease of communication and fewer full cost recovery rates;
  - iv) equitable attribution of costs among donors and contributions; and
  - v) a design that accommodates all types of contribution.
30. The proposal focuses on applying the principle of full cost recovery on management costs – previously “adjusted direct support costs and indirect support costs”. The principles underlying indirect support costs and the current 7 percent recovery rate for indirect support costs would remain unchanged.<sup>12</sup> The recovery rate for adjusted direct support costs, however, would vary by country to ensure that all country-level costs that are not managed at activity level are covered (see Annex V).
31. It is envisioned that the full cost recovery principle will be embedded as a high-level policy in the General Rules rather than at the granular level currently prescribed in the General Rules. Therefore additional internal guidance or policies, for example through Executive Director Circulars, on the treatment and handling of particular types of contributions would be provided. For example, contributions which are specifically tied to commodities (including both in-kind and purchase) would have to include sufficient cash resources to cover related programme transfer costs and programme implementation costs.

### ***Supporting a Nimble Emergency Response***

32. WFP must retain the flexibility to ensure rapid and effective responses to large-scale and/or rapid-onset crises and also its ability to report on the use and impact of contributions directed towards crises. The shift to the country portfolio approach provides an opportunity to review delegations of authority to country offices and streamline internal approval processes to maximize efficiency.

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<sup>8</sup> Exceptions to full cost recovery are provided under General Rule XIII.4(g).

<sup>9</sup> Furthermore, full cost-recovery calculations are based on the needs-based budget. Because most projects are not 100 percent funded full cost recovery rates are often revised and budgetary surplus or deficits can occur. Therefore, it is proposed that full cost recovery calculations be based on the annual resource-based plan to reflect the country office's operational reality. This coupled with more accurate programming will likely minimize the need to revise rates.

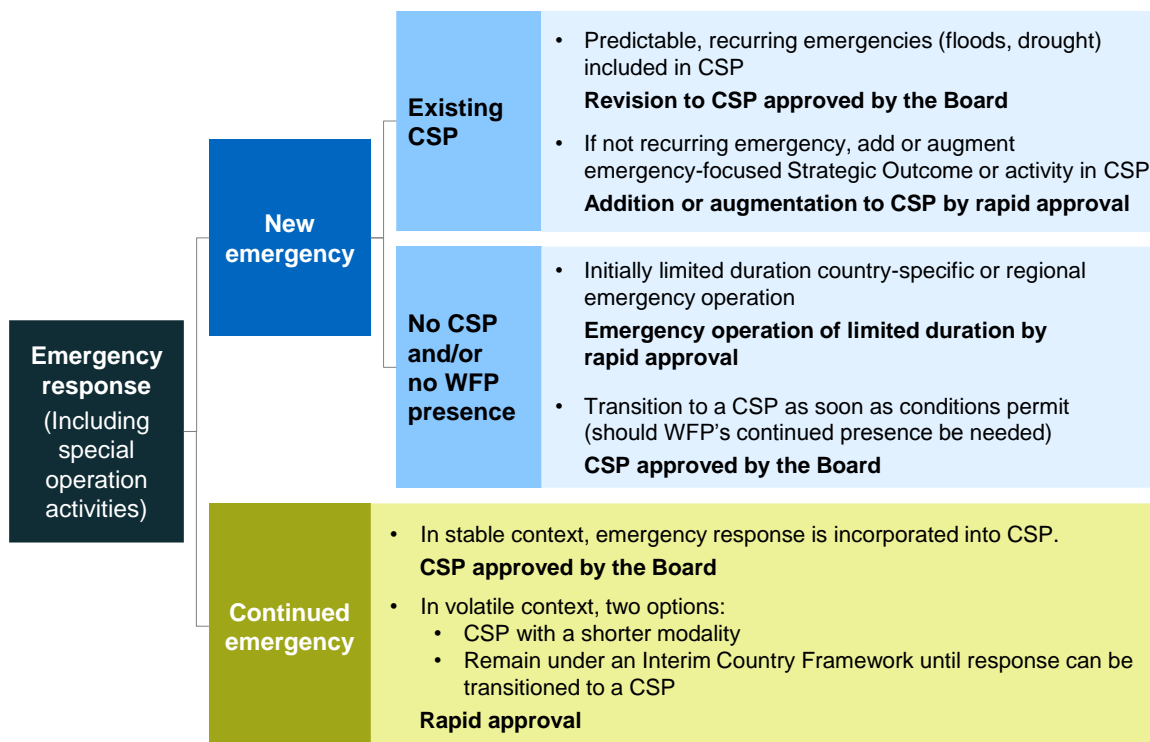
<sup>10</sup> WFP/EB.A/2016/5-C/1.

<sup>11</sup> In compliance with donors' requirements.

<sup>12</sup> The rate is approved annually by the Board.

33. Country offices participating in Phase II prototyping agreed that emergency responses could be integrated into the CSPs and associated CPBs by modifying a WFP Strategic Outcome and activity or adding new ones (see Figure 4). Similar to today, rapid needs assessment would be conducted and situation reports and fundraising appeals would be developed at the onset of an emergency. Access to mechanisms such as Internal Project Lending and the Immediate Response Account would be maintained.

**Figure 4: Proposed solution for integrating emergencies in the country portfolio budget**



34. As discussed during the 2016 Annual Session, responses to protracted crises and predictable emergencies will be embedded in CSPs submitted to the Board for approval.
35. Responses to sudden emergencies where an approved CSP is in place will involve the addition or augmentation of an emergency-focused strategic outcome that will be approved rapidly in accordance with the General Regulations and Rules and Delegation of Authority.
36. Responses to sudden emergencies in cases where WFP does not yet have a presence will be managed through a country-specific or regional emergency operation of a limited duration that will be approved rapidly in accordance with the General Regulations and Rules and Delegation of Authority. The emergency operation would be limited in time and focused on meeting immediate needs, and if WFP's continued presence is needed would eventually transition into a CSP as soon as conditions permit.
37. The policy on CSPs envisages that any emergency-related response implemented by a country office will be incorporated into its CSP and CPB as described above. An identification tag will be added to enable roll-up as part of a regional response, as applicable. Exceptionally, if a regional limited-duration emergency operation involves direct management and implementation by the regional bureau, a separate regional portfolio budget will be created as part of the response. As above, should WFP's presence in the respective countries continue to be needed, when conditions permit, the activities will transition into a country-specific Country Strategic Plan.



## ***Governance and Oversight***

38. As articulated in General Regulation Article VI.2(c), a fundamental role of the Board is the approval of WFP programmes, projects and activities. An analysis of budgetary approvals over the past five years underscored the Board's central role, approving on average, USD 4 billion a year in budgetary value, representing on average 52 percent of the respective annual Programme of Work.
39. Maintaining the Board's oversight role, as well as maximizing transparency and providing an opportunity for a holistic approach to reviewing strategy, planning, budgeting and results are critical objectives of the Policy on Country Strategic Plans and the Country Portfolio Budget.
40. The primary vehicle for the Board's approval would be the Country Strategic Plan, which includes a high-level needs-based budget by WFP Strategic Outcome. As described in the Policy on Country Strategic Plans, each Country Strategic Plan presented for approval at a Board session will include a year-by-year budget for the duration of the plan, divided by WFP Strategic Outcome. The Board will approve the total budget by WFP Strategic Outcome as part of the Country Strategic Plan.<sup>13</sup>
41. To achieve the principles of the country portfolio budget described above, the Secretariat will adopt a single calendar year planning period for all operations with clear links to WFP Strategic Results and WFP Strategic Outcomes.
42. CSPs may be revised to respond to contextual and operational changes. Except for revisions related to sudden-onset and other unforeseen emergencies, approval will be sought from the Board in the event of a fundamental change in the overall strategic focus and/or role of WFP in a country involving a substantial modification of one or more WFP strategic outcomes.
43. Revisions which do not involve fundamental changes in the strategic focus and/or role of WFP would be approved through the delegation of authority. For such revisions that do not relate to an emergency response, a proposal under consideration is whether to have such revisions – when above a certain threshold – be made available to the Board for a disclosure period – with the option for a member to request that the revision is brought for discussion at a subsequent Board session. A post-factum report detailing the use of delegation of authority for the approval of budget revisions will also be made available to the Board on an annual basis.
44. As noted in the preceding section “Supporting a Nimble Emergency Response”, the Secretariat also recognizes the critical importance of retaining the organization's ability to respond quickly to emergencies, which will be maintained through the continued use of the Delegation of Authority. This section also notes that responses to protracted and predictable emergencies will be embedded in the Country Strategic Plans, which would be submitted to the Board for approval. Considering that many of these responses are currently implemented through continuing EMOPs (which are approved under the Executive Director's delegated authority), the Secretariat anticipates that the overall value (and proportion) of the budgets approved by the Board will increase.

## ***Annual Planning Process***

45. An annual planning process is being developed to support the management and implementation of multi-year CSPs whereby each country office will develop an annual, needs-based plan down to the activity level for the implementation of the WFP Strategic Outcomes. Annual resource-based plans, based on the operational plan and projected resources, will also be prepared for internal management purposes. The resource-based plans will prioritize WFP Strategic Outcomes and activities and will adjust targets. The aggregation of country offices' resource-based plans will be included in the Management Plan for information as the Prioritized Plan of Work.
46. Appropriate information from the needs-based plans, including activity level detail, will be made available to Member States via an online portal. This will give the Board a holistic view of operations and enable it to fulfil its oversight and decision-making roles.

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<sup>13</sup> WFP/EB.A/2016/5-B\*.

47. While the process is being developed, it is anticipated that the Board will be provided with the following information on an annual basis:
- i) extracts of updated operational and budgetary plans, presented with the Management Plan for information;
  - ii) post-factum reports on the use of delegations of authority for the approval of CSP revisions or emergency operations of a limited duration; and
  - iii) reviews of implementation through the Annual Performance Report and a revised Standard Project Report (for example, Standard Country Reports).
48. WFP's General Rules and Financial Regulations will need to be amended to implement the CSPs and associated CPBs. A preliminary list of the items concerned is given in Annex VII.

***Business Requirements and Timeline for 2017 and 2018***

49. Following prototype testing in the first six months of 2016, the country offices, functional leads and the Resource Management Integration and Support Division are identifying the business requirements that will guide the design of the IT system solution for the CPB model. The design must capture all the needs of country offices and Headquarters units and links with areas such as governance, resourcing, grant management, programming, expenditure certification, annual and CPB closures, reporting, RACI responsibility matrix mapping (Responsible, Accountable, Consulted and Informed), and systems integration. The process will continue through the third quarter of 2016 with a view to testing the IT system in the fourth quarter.

**The Secretariat is committed to piloting, refining and validating the country portfolio budget model in 2017 to support the Country Strategic Plan approach. This period will enable close consultation with partners regarding system readiness and allow for the development of business solutions before WFP moves to broader implementation in 2018.**

***Resource Requirements***

50. The processes described in this paper and the required increased engagement with country offices have increased resource requirements from the level in the 2016 FFR work plan, particularly in the budgeting for operational effectiveness work stream. An investment case for the transition to CPBs in 2017 and early 2018 is being prepared. An indicative budget will be shared at the informal consultation on 5 September 2016.

## **List of Annexes**

- I Overview of Zimbabwe Country Strategic Plan and Strategic Outcomes
- II Example of a Country Portfolio Budget for Zimbabwe
- III Example of a One-year Budget for the Zimbabwe Country Strategic Plan
- IV Activity View under WFP Strategic Outcomes
- V Application of Full Cost Recovery for Zimbabwe
- VI Preliminary High-Level Draft Decision for the 2016 Second Regular Session
- VII Review of WFP General Rules and Financial Regulations

## Overview of Zimbabwe Country Strategic Plan and Strategic Outcomes

1. The CSP for Zimbabwe is most likely to be presented for approval at the Board's 2017 First Regular Session. The information in Annexes I through V is drawn from the working draft to illustrate the concepts outlined in the Update on the Financial Framework Review. This is hence a work in progress. The Board will have the opportunity to discuss the final CSP proposal for Zimbabwe in the coming months.
2. The CSP operationalizes the Strategic Plan (2017–2021) at the country level, defines WFP's portfolio of assistance within a country and specifies the strategic outcomes WFP will help to achieve.
3. Development of the Zimbabwe CSP began with a Zero Hunger strategic review and discussion with the Government, donors and partners to identify the major programmatic, resourcing and capacity challenges to achieving zero hunger.
4. As outlined in the policy,<sup>1</sup> the strategic outcomes in CSPs: i) make a substantive contribution to meeting humanitarian needs and achieving national priorities; ii) reflect the goal or the target implied or established in a country's national plan and regional framework to which WFP's assistance contributes; and iii) identify the target populations, institutions and systems to be supported. WFP and its partners contribute to strategic outcomes through the outputs of their activities. Strategic outcomes are typically included in United Nations strategic planning frameworks and national development and humanitarian plans. Attribution of results at the strategic outcome level typically combines contributions from WFP and other actors.
5. The WFP Strategic Outcomes are aligned with the Zimbabwe United Nations Development Assistance Framework 2016–2020 and national goals for food and nutrition security, gender equality, HIV and AIDS, poverty reduction and value addition, public administration and governance, and social services and protection.
6. The WFP Strategic Outcomes in the Zimbabwe CSP are:
  - i) Food poor people, including refugees, in the most affected districts are enabled to meet their basic food and nutrition requirements during severe seasonal shocks or other disruptions.
  - ii) Children in prioritized districts have stunting rate trends in line with the achievement of national and global targets by 2025.
  - iii) Food insecure smallholders in Zimbabwe achieve food security, and demonstrate resilience to moderate seasonal shocks.
  - iv) The national social protection system in Zimbabwe ensures that chronically vulnerable populations across the country are able to meet basic needs all year round.

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<sup>1</sup> WFP/EB.A/2016/5-B\*.

### **Example of a Country Portfolio Budget for Zimbabwe**

The shift to country-level planning with a portfolio approach integrates the strategic orientation of WFP's assistance with the budgeting process.


Figure A.II.1 shows an example of the five-year budget structure for the Zimbabwe CSP. The structure consists of four WFP Strategic Results and four WFP Strategic Outcomes, three of which are mapped to SDG 2 and one to SDG 17. The WFP Strategic Outcomes are broken down<sup>1</sup> into three high-level cost categories – programme transfer, programme implementation and management. A central feature of the CSP and CPB is that each WFP Strategic Outcome is tied to a single WFP Strategic Result or SDG target.

As indicated in paragraph 15 of the document, WFP Strategic Outcomes are formulated also to articulate the context under which assistance will be provided.

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<sup>1</sup> WFP Strategic Outcomes will additionally be broken down into country activities as part of the definition of the country operational plan. Further details are provided in Annex III.

**Figure A.II.1: Example of a Five-Year Country Portfolio Budget for Zimbabwe<sup>2,3</sup>**  
(all figures in USD)

Total CSP	Year 1	Year 2	Year 3	Year 4	Year 5	
<b>Zimbabwe Country Portfolio Budget</b>						
<b>WFP Strategic Results/SDG Targets</b>	<b>SR1 / SDG 2.1 Access to food</b>	<b>SR2 / SDG 2.2 End malnutrition</b>	<b>SR4 / SDG 2.4 Sustainable food systems</b>	<b>SR5 / SDG 17.9 Capacity strengthening</b>		
	198 203 178	11 688 070	57 107 317	6 809 550		
<b>WFP Strategic Outcomes</b>	Food poor people, including refugees, in the most affected districts are enabled to meet their basic food and nutrition requirements during severe seasonal shocks or other disruptions	Children in prioritized districts have stunting rate trends in line with the achievement of national and global targets by 2025	Food insecure smallholders in Zimbabwe achieve food security, and demonstrate resilience to moderate seasonal shocks	The national social protection system in Zimbabwe ensures that chronically vulnerable populations across the country are able to meet their basic needs all year round		
	198 203 178	11 688 070	57 107 317	6 809 550		
<b>Country Activities</b>	Lean season assistance <sup>1</sup>	Nutrition-focused research and surveillance <sup>3</sup>	Smallholder farmers <sup>6</sup>	Analytical expertise <sup>9</sup>		
	Support to refugees <sup>2</sup>	Prevention of stunting <sup>4</sup>	Local procurement system <sup>7</sup>	Innovative risk management, insurance and financing mechanisms <sup>10</sup>		
		Implementation of micronutrient strategy <sup>5</sup>	Productive asset creation for resilience <sup>8</sup>	Social protection <sup>11</sup>		
				National grain reserve <sup>12</sup>		
				National school feeding programme <sup>13</sup>		
<b>Programme Transfer</b>	163 160 597	8 495 881	39 230 280	3 164 621	214 051 380	<b>TOTAL</b>
<b>Programme Implementation</b>	35 042 581	3 192 189	17 877 037	3 644 929	59 756 736	
<b>Total Transfer &amp; Implementation</b>	198 203 178	11 688 070	57 107 317	6 809 550	273 808 115	
<b>Management</b>	<b>Adjusted Direct Support Costs (DSC)</b>				8 913 139	
	<b>Indirect Support Costs (ISC) (7%)</b>				19 790 488	
	<b>GRAND TOTAL</b>				<b>302 511 742</b>	

**Detailed activities:**

- <sup>1</sup> Provide unconditional cash and/or food transfers to the most vulnerable households affected by seasonal food shortages (activity category 1)
- <sup>2</sup> Provide unconditional cash and/or food transfers to refugees living in official refugee settlements/camps (activity category 1)
- <sup>3</sup> Contribute to a nutrition-focused research agenda and nutrition surveillance (activity category 9)
- <sup>4</sup> Support stunting prevention in prioritized districts (activity category 6)
- <sup>5</sup> Support the Ministry of Health and Child Welfare in implementing its micronutrient strategy (activity category 6)
- <sup>6</sup> Enable farmers' organizations to market drought-resistant crops (activity category 7)
- Support the development of micro-storage and improve post-harvest handling (activity category 7)
- <sup>7</sup> Develop a focused and coordinated local procurement mechanism (activity category 9)
- Support the development of a warehouse receipt and commodity exchange system (activity category 9)
- <sup>8</sup> Support the creation and rehabilitation of assets for sustainable food and nutrition security (activity category 2)
- <sup>9</sup> Provide analytical expertise to establish a common understanding of the causes of hunger and vulnerability (activity category 12)
- <sup>10</sup> Explore innovative risk management, insurance and financing mechanisms (activity category 3)
- <sup>11</sup> Support the consolidation and administration of social transfer programmes under the national social protection system (activity category 9)
- <sup>12</sup> Support the re-establishment of the national grain reserve (activity category 9)
- <sup>13</sup> Support the re-establishment of the national school feeding programme (activity category 4)

<sup>2</sup> Figures are illustrative.

<sup>3</sup> Corporate activity categories include: 1) unconditional resource transfers to support access to food; 2) asset creation and livelihood-support; 3) climate adaptation and risk management; 4) school meals; 5) treatment of malnutrition; 6) prevention of malnutrition; 7) market support for smallholders; 8) individual capacity strengthening; 9) capacity strengthening for governments and civil society; 10) common services and platforms; 11) emergency preparedness; 12) analysis and assessment; and 13) other.

### Example of a One-year Budget for the Zimbabwe Country Strategic Plan

Figure A.III.1 shows an example of the 2017 needs-based budget for Zimbabwe, focusing on activity implementation and outputs. The annual needs-based plan will reflect updated assessments of needs and implementation plans based on contextual developments. The needs-based plan, broken down by WFP Strategic Outcome and activity, will be used in appeals for resources for the CSP and will be made available to Member States via an online portal.


The annual needs-based budget, which will be prepared as part of the annual planning cycle, will be complemented by the resource-based plan, broken down by WFP Strategic Outcome and activity. The resource-based plan will also be developed on an annual basis to prioritize the WFP Strategic Outcomes and activities and adjust targets in accordance with projected resources. The aggregation of country office resource-based plans will be part of the Management Plan as the Prioritized Plan of Work.

To facilitate integration with the Corporate Results Framework and corporate reporting of results, each country-defined strategic outcome will link to a single corporate outcome category, and each country-defined output will link to a single corporate output category.

Each country-defined activity will link to one of the corporate activity categories listed below:

- i) unconditional resource transfers to support access to food;
- ii) asset creation and livelihood-support;
- iii) climate adaptation and risk management;
- iv) school meals;
- v) treatment of malnutrition;
- vi) prevention of malnutrition;
- vii) market support for smallholders;
- viii) individual capacity strengthening;
- ix) capacity strengthening for governments and civil society;
- x) common services and platforms;
- xi) emergency preparedness;
- xii) analysis and assessment; and
- xiii) other.

**Figure A.III.1: Example of a One-Year Country Portfolio Budget for Zimbabwe<sup>1</sup>**  
(all figures in USD)

Year 1					
Zimbabwe Country Portfolio Budget (2017) 					
WFP Strategic Results/SDG Targets	SR1 / SDG 2.1 Access to food 101 272 274	SR2 / SDG 2.2 End malnutrition 2 940 863	SR4 / SDG 2.4 Sustainable food systems 9 833 486	SR5 / SDG 17.9 Capacity strengthening 1 121 832	
<b>WFP Strategic Outcomes</b>	Food poor people, including refugees, in the most affected districts are enabled to meet their basic food and nutrition requirements during severe seasonal shocks or other disruptions 101 272 274	Children in prioritized districts have stunting rate trends in line with the achievement of national and global targets by 2025 2 940 863	Food insecure smallholders in Zimbabwe achieve food security, and demonstrate resilience to moderate seasonal shocks 9 833 486	The national social protection system in Zimbabwe ensures that chronically vulnerable populations across the country are able to meet their basic needs all year round 1 121 832	
<b>Country Activities</b>	Lean season assistance <sup>1</sup>	Nutrition-focused research and surveillance <sup>3</sup>	Smallholder farmers <sup>6</sup>	Analytical expertise <sup>9</sup>	
	Support to refugees <sup>2</sup>	Prevention of stunting <sup>4</sup>	Local procurement system <sup>7</sup>	Innovative risk management, insurance and financing mechanisms <sup>10</sup>	
		Implementation of micronutrient strategy <sup>5</sup>	Productive asset creation for resilience <sup>8</sup>	Social protection <sup>11</sup>	
				National grain reserve <sup>12</sup>	
				National school feeding programme <sup>13</sup>	
<b>Programme Transfer</b>	83 273 097	2 137 590	6 269 956	414 071	92 094 714
<b>Programme Implementation</b>	17 999 177	803 273	3 563 530	707 761	23 073 741
<b>Total Transfer &amp; Implementation</b>	101 272 274	2 940 863	9 833 486	1 121 832	115 168 455
<b>Management</b>	<b>Adjusted Direct Support Costs (DSC)</b>				3 505 491
	<b>Indirect Support Costs (ISC) (7%)</b>				8 307 176
	<b>GRAND TOTAL</b>				<b>126 981 122</b>

**Detailed activities:**

- <sup>1</sup> Provide unconditional cash and/or food transfers to the most vulnerable households affected by seasonal food shortages (activity category 1)
- <sup>2</sup> Provide unconditional cash and/or food transfers to refugees living in official refugee settlements/camps (activity category 1)
- <sup>3</sup> Contribute to a nutrition-focused research agenda and nutrition surveillance (activity category 9)
- <sup>4</sup> Support stunting prevention in prioritized districts (activity category 6)
- <sup>5</sup> Support the Ministry of Health and Child Welfare in implementing its micronutrient strategy (activity category 6)
- <sup>6</sup> Enable farmers' organizations to market drought-resistant crops (activity category 7)  
Support the development of micro-storage and improve post-harvest handling (activity category 7)
- <sup>7</sup> Develop a focused and coordinated local procurement mechanism (activity category 9)  
Support the development of a warehouse receipt and commodity exchange system (activity category 9)
- <sup>8</sup> Support the creation and rehabilitation of assets for sustainable food and nutrition security (activity category 2)
- <sup>9</sup> Provide analytical expertise to establish a common understanding of the causes of hunger and vulnerability (activity category 12)
- <sup>10</sup> Explore innovative risk management, insurance and financing mechanisms (activity category 3)
- <sup>11</sup> Support the consolidation and administration of social transfer programmes under the national social protection system (activity category 9)
- <sup>12</sup> Support the re-establishment of the national grain reserve (activity category 9)
- <sup>13</sup> Support the re-establishment of the national school feeding programme (activity category 4)

<sup>1</sup> Figures are illustrative.



### Activity View under WFP Strategic Outcomes

Figure A.IV.1 shows country office planning for the WFP Strategic Outcome “Food poor people, including refugees, in the most affected districts are enabled to meet their basic food and nutrition requirements during severe seasonal shocks or other disruptions”.

The two activities planned to achieve this strategic outcome consist of providing assistance during the lean season and providing support to refugees. An example needs-based budget for each activity linked to the WFP Strategic Outcome is provided. Country-defined activities will link to a single corporate activity category – in this example, both activities link to the corporate activity category “unconditional resource transfers to support access to food”.

**Figure A.IV.1. Example of Planning at the Country Activity Level<sup>1</sup>**  
(all figures in USD)

		<b>Zimbabwe Country Portfolio Budget (2017)</b>		
WFP Strategic Results/ SDG Targets		<b>SR1 / SDG 2.1 Access to food</b>		
WFP Strategic Outcomes		Food poor people (including refugees), in rural areas in the most affected districts are enabled to meet their basic food and nutrition requirements during severe seasonal shocks or other disruptions.		
Country Activities		<b>Lean Season Assistance</b>	<b>Support to Refugees</b>	<b>TOTAL (for Strategic Outcome)</b>
Transfer	Food	51 567 770	88 627	51 656 397
	Transfers	30 240 000	1 376 700	31 616 700
	Capacity Strengthening			
Programme Transfer		81 807 770	1 465 327	83 273 097
Programme Implementation		17 773 902	225 275	17 999 177
Total Transfer & Implementation		99 581 672	1 690 602	101 272 274
Management (Proportion of total annual CSP)		<b>Adjusted Direct Support Costs (DSC)</b>		3 038 168
		<b>Indirect Support Costs (ISC) (7%)</b>		7 301 730
		<b>TOTAL</b>		<b>111 612 172</b>

<sup>1</sup> Figures are illustrative only.

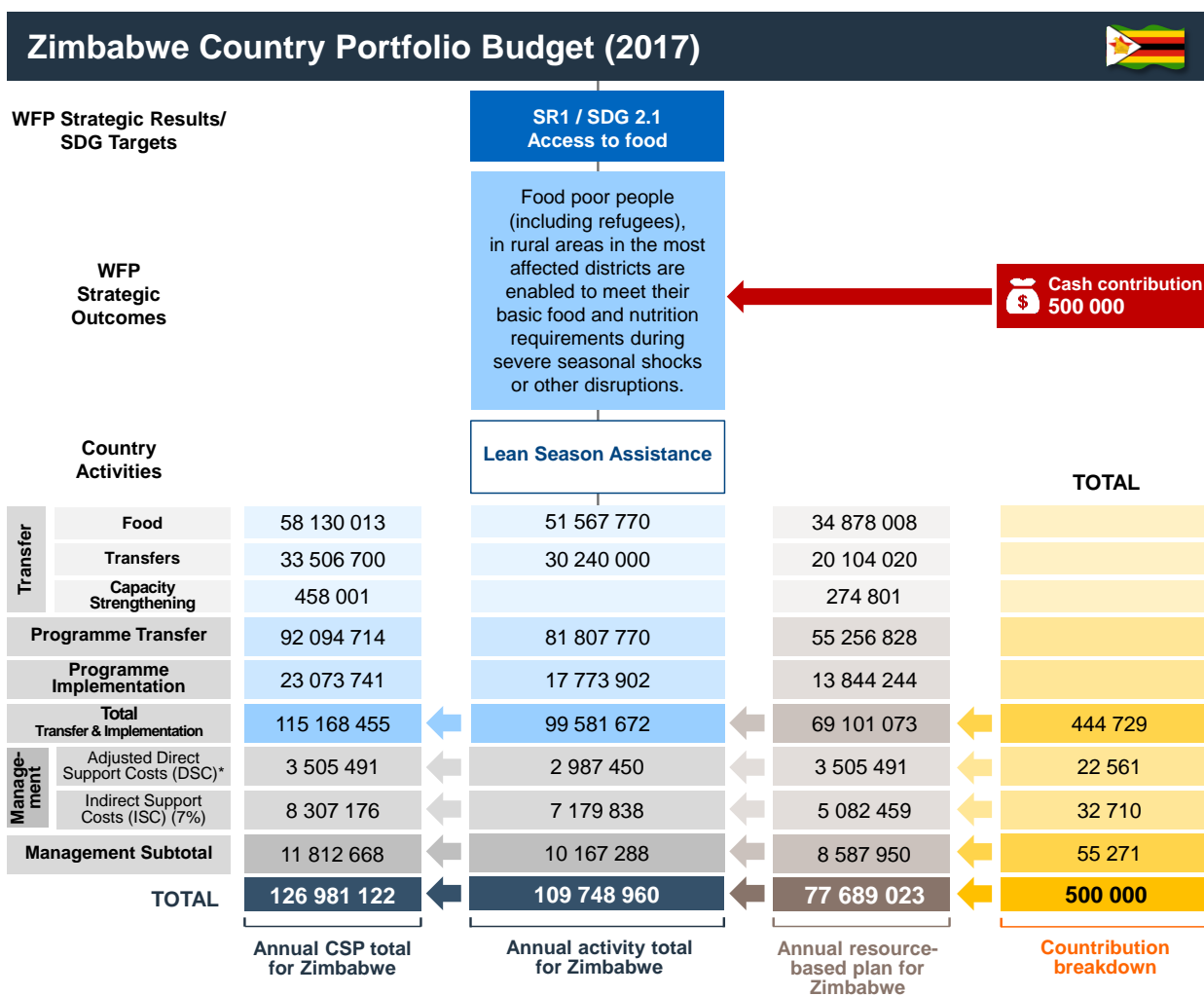
### Application of full cost recovery for Zimbabwe

1. As noted in paragraph 28 of the document, the proposal for the application of full cost recovery is predicated on the need to distinguish between the policy's principle itself and the treatment of individual types of contributions. The proposal focuses on applying the principle of full cost recovery solely on management costs – previously referred to as “Adjusted Direct Support Costs and Indirect Support Costs”. The principles underlying indirect support costs and its current recovery rate of 7 percent would remain unchanged.<sup>1</sup> It is important to recognize that the recovery rate for adjusted direct support costs would vary country by country.
2. Figures A.V.1 shows how full cost recovery would be applied to a cash contribution of USD 500,000 to the WFP Strategic Outcome “Food poor people, including refugees, in the most affected districts are enabled to meet basic food and nutrition requirements during severe seasonal shocks or other disruptions”.
3. In this scenario the country office has allocated the cash contribution to the lean-season assistance country activity to achieve the WFP Strategic Outcome mapped to WFP Strategic Result 1 and SDG 2.1: Access to Food.
4. The figure shows how the contribution would be broken down into the three high-level cost categories: 88.95 percent – USD 444,729 would be allocated to the activity's costs associated with programme transfer and programme implementation.
5. Two rates are applied in this scenario to achieve recovery of management costs for the Zimbabwe office. The first rate is 5.07 percent for the adjusted DSC costs; this rate, which will vary from country to country, is based on the adjusted DSC as a proportion of programme transfer and programme implementation costs in the Zimbabwe resource-based plan for 2017. The second rate applied is 7 percent for Indirect Support Costs (ISC), which will remain unchanged from today's practices.
6. The application of these two rates results in the recovery of USD 55,271 to cover management costs from a USD 500,000 contribution – 11.05 percent of the total contribution.
  - USD 22,561 to cover adjusted DSC (5.07 percent of programme transfer and programme implementation costs; or 4.51 percent of the contribution)
  - USD 32,710 to cover Indirect Support Costs (7 percent of programme transfer, programme implementation and adjusted DSC costs; or 6.54 percent of the contribution)

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<sup>1</sup> The Indirect Support Cost rate is approved annually by the Executive Board.

**Figure A.V.1. Example of Applying Full Cost Recovery to a Cash Contribution<sup>2</sup>**  
*(all figures in USD)*



\* The recovery rate for adjusted direct support costs would vary country by country.

<sup>2</sup> Figures are illustrative.

## Preliminary High-Level Draft Decision for the 2016 Second Regular Session

1. This Annex presents the preliminary draft decision for the 2016 Second Regular Session and may be subject to change.

<b>Preliminary Draft Decision for the 2016 Second Regular Session</b>	
Having considered the Financial Framework Review (WFP/EB.2/2016/X-X/X), the Board:	
i)	approves the reform of WFP's financial framework and related transitional measures as set forth in section [xx] of the Update on the Financial Framework Review;
ii)	takes note that the approval and revision process in respect of Country Strategic Plans, which include Country Portfolio Budgets, is set forth in the Policy on Country Strategic Plans [insert document number];
iii)	requests the secretariat to provide the Board with further information over the course of 2017 on the WFP-wide transition from the current to the new programmatic and financial framework; and
iv)	takes note of the preliminary resourcing requirements for the transition and implementation of the Country Portfolio Budget structure in 2017 and 2018. [Indicative amount to be presented at 5 September 2016 informal consultation.]

2. As is stated in the above draft decision, it is envisaged that section [xx] of the paper to be considered at the Second Regular Session will outline the core principles of the Financial Framework, the elements required to achieve them, as well as the transition plan. The following text outlines the main themes which would be presented in section [xx].
3. The following core principles will apply to financial framework reform. The first of the principles is inclusivity. The country portfolio budget will replace the multiple programme, project and activity budgets that currently exist within a country and often vary by duration. The country portfolio budget will be all-inclusive of resources, outcomes and activities foreseen in the CSP.
4. The second principle is a results-oriented approach. The country portfolio budget will transparently link resources to results by creating a "line of sight" from the WFP Strategic Results to WFP Strategic Outcomes to activities to costs. This will enhance performance management and enable financial reporting by WFP Strategic Outcome.
5. The third principle is harmonization with United Nations cost categories. Under the new cost structure, managers will be able to allocate detailed cost-planning items to the harmonized United Nations cost categories. This is in line with recommendations from the Quadrennial Comprehensive Policy Review (QCPR).
6. The fourth principle is continued equitable attribution of costs amongst donors. While the overarching principle of full cost recovery will be maintained, application of full cost recovery will be simplified to focus on management costs (adjusted direct support costs and indirect support costs).
7. The elements required to achieve these principles include the following:
  - i) Calendar-based planning that will encompass all operations in all contexts. The Country Portfolio Budget will provide a year-by-year budget for the duration of the CSP.
  - ii) The Country Portfolio Budget accompanying the CSP will be divided by WFP Strategic Outcome. Budgetary approval in accordance with WFP Strategic Results and WFP Strategic Outcomes will reinforce the results-based approach to budgeting.

- iii) Operational costs will be summarized into three main cost categories: Programme Transfer; Programme Implementation; and Management [Adjusted Direct Support and Indirect Support Costs] to facilitate communication about results and maximizing value for beneficiaries.
  - iv) Management costs [Adjusted Direct Support and Indirect Support Costs] would be managed on a country-wide basis. The rate associated with recovering adjusted direct support costs will vary by country while the current rate for recovering indirect support costs will be maintained.
  - v) The definitions of detailed cost planning elements will be harmonized where possible with other United Nations agencies to facilitate joint planning, reporting and clearer comparison at the country office level.
  - vi) Planning and budgeting for the initial response to emergencies will be handled through the introduction, within the context of the CSP structure, of one or more separate WFP Strategic Outcomes or augmentation of a WFP Strategic Outcome(s).
  - vii) The high-level policy of full cost recovery will be embedded in the General Rules while more prescriptive guidance on the treatment and handling of specific types of contributions will be provided internally through channels such as Executive Director Circulars.
8. The first Board approvals of pilot CSPs, and their associated CPBs are expected to occur at EB.1/2017. The secretariat will report back to the Board on the pilots' implementation, along with any recommendations for the further refinement of the underlying programmatic and financial framework based on their implementation.
9. The pilot CSPs would apply the new programmatic and financial framework; this would cause certain inconsistencies with provisions of WFP's current General Rules and Financial Regulations, which refer to the existing programme categories<sup>1</sup> and cost components<sup>2</sup>. Thus, the Board will need to authorize, for the sole purpose of pilot CSPs approved during the transitional period between EB.1/2017 through 31 December 2017, certain derogations from WFP's General Rules and Financial Regulations;<sup>3</sup> in particular the Board would decide, in approving each pilot Country Strategic Plan to:
- a) apply references in the WFP General Rules and Financial Regulations to the current programme categories (EMOPs, PRROs, SOs, DEVs, and CPs) as if they referred to Country Strategic Plans; and
  - b) apply the WFP General Rules and Financial Regulations related to cost components in a manner consistent with the principles and elements set forth at paragraph [insert paragraph numbers] of this paper.
10. In addition, the Country Strategic Plan model and the new financial framework will require the Board to revisit the Executive Director's authorities in relation to programme approvals and budget revisions due to the fact that the existing delegation of authority to the Executive Director<sup>4</sup> is based on the current programmatic categories and not on the new Country Strategic Plan approach. A revised delegation of authority structure, which will be informed by the implementation of the pilots over the course of 2017, will accordingly be presented to the Board at EB.2/2017. In the meantime, it is proposed that the Executive Director be granted temporary authority, limited to the year 2017, to make budgetary revisions to the budgets of the pilots, whenever necessary. Such budgetary revisions, which the Executive Director would promptly

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<sup>1</sup> For a preliminary indicative list, please see Annex VII, and more particularly: General Rule II.2; General Rule XIII.2; General Rule X.2; General Rule X.7; General Rule X.8; Financial Regulation 1.1; Financial Regulation 4.2; Financial Regulation 8.1; Financial Regulation 9.3; Financial Regulation 10.1; Financial Regulation 10.2.

<sup>2</sup> For a preliminary indicative list, please see Annex VII, and more particularly: General Rule XIII.4; Financial Regulation 1.1; Financial Regulation 4.5; and Financial Regulation 10.8.

<sup>3</sup> The Board is authorized to address such inconsistencies and derogate from the General Rules and Financial Regulations further to General Regulation VI.2.(b)(vi) and General Regulation VI.2.(b)(vii).

<sup>4</sup> See the Delegation of Authority Appendix to the General Rules reproduced at Annex VII.

report to the Board, would provide useful information that could be deployed in formulating the new delegations of authority that would be considered by the Board at EB.2/2017.

11. The technical adjustments necessary for the introduction, beyond the pilot phase, of the revised programmatic and financial framework throughout WFP by 1 January 2018 will require revision to WFP's General Rules and Financial Regulations. The secretariat will present proposals, which would be informed by the experience of the pilot CSPs, on these amendments at EB.2/2017 for the Board's approval, so that the WFP General Rules and Financial Regulations can accommodate the programmatic and financial framework that will become effective on 1 January 2018.

## Review of WFP General Rules and Financial Regulations

<b>Preliminary List of WFP General Rules and Financial Regulations which may require amendment to align with the Country Strategic Plan Policy and Financial Framework Review<sup>1</sup></b>	
General Rule/Financial Regulations	Text
<b>General Regulations</b>	
No amendments to the General Regulations are foreseen at this time.	
<b>General Rules</b>	
General Rule II.2: Programme Categories	In order to carry out the purposes of WFP, the Board establishes the following <i>programme categories</i> :  (a) <i>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;</i>  (b) <i>Emergency Relief Programme Category, for food assistance to meet emergency needs;</i>  (c) <i>Protracted Relief Programme Category, for food assistance to meet protracted relief needs; and</i>  (d) <i>Special Operations Programme Category</i>
General Rule X.2: Country Programmes for Development Assistance	(a) Within the framework of the Strategic Plan, the Executive Director shall submit to the Board for review and approval <i>multi-year country programmes</i> .....  (b) To facilitate the preparation of a <i>country programme, WFP shall develop.....a Country Strategy Outline (CSO).....</i>
General Rule X.7: Approval of requests	(a) Proposals for <i>development projects</i> and projects for <i>protracted relief operations</i> shall be presented by the Executive Director to the Board for approval.....
General Rule X.8: Availability of Resources	The Executive Director shall ensure that <i>development projects</i> submitted to the Board for approval, and <i>development projects and country programme activities</i> approved under the Executive Director's delegated authority, can be implemented within estimated available resources....
General Rule XIII.2: Specification of contributions	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:  (a) programme categories;  (b) specific country programmes, projects or activities within programme categories; or  (c) such other activities as the Board may decide from time to time.
General Rule XIII.4: Types of contributions	In accordance with General Regulation XIII.2, the following shall apply to the various types of contributions to WFP:  (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:  (i) commodities: to be valued in accordance with General Rule XIII.6;  (ii) external transport: actual cost;

<sup>1</sup> This preliminary list, of a non-exhaustive nature, has been developed on the basis of the current information available in relation to Policy on Country Strategic Plans (WFP/EB.2/2016/X-X/X) and the Financial Framework Review (WFP/EB.2/2016/X-X/X). Accordingly, there is a reasonable expectation that further amendments to the General Rules and Financial Regulations – including introduction of new provisions – may be required at a later stage, depending on and to reflect further developments in the Policy on Country Strategic Plans (WFP/EB.2/2016/X-X/X) and Financial Framework Review (WFP/EB.2/2016/X-X/X). Due to its preliminary nature, the present indicative list highlights only changes deemed substantive at this stage, and not those of a stylistic nature.

**Preliminary List of WFP General Rules and Financial Regulations**

**which may require amendment to align with the Country Strategic Plan Policy and Financial Framework Review<sup>1</sup>**

General Rule/Financial Regulations	Text
	<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>(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> <p>(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;</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>(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> <p>(i) such contributions do not result in any additional administrative or reporting burden on the Programme; and</p> <p>(ii) in the case of a waiver, the indirect support costs otherwise applicable have been determined by the Executive Director to be insignificant.</p> <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>



<b>Preliminary List of WFP General Rules and Financial Regulations which may require amendment to align with the Country Strategic Plan Policy and Financial Framework Review<sup>1</sup></b>	
General Rule/Financial Regulations	Text
Appendix to the General Rules: Delegation of Authority to the Executive Director	<p>The following is the authority delegated to the Executive Director by the Board in accordance with Regulation VI.2 (c):</p> <p>(a) Development projects</p> <p style="padding-left: 20px;">Reallocation of resources among programme components on the basis of assessment of the situation, needs and performance of the components of a country programme, subject to the availability of resources.</p> <p style="padding-left: 20px;">Approval of projects for which the food value does not exceed US\$3 million, excepting the following which shall be referred to the Executive Board:</p> <p style="padding-left: 40px;">(i) complex projects or those requiring the coordination of a large number of agencies;</p> <p style="padding-left: 40px;">(ii) projects involving innovative approaches, or embracing controversial steps;</p> <p style="padding-left: 40px;">(iii) projects for which two or more expansions have already been approved;</p> <p style="padding-left: 40px;">(iv) projects that include a large proportion (greater than 50 percent) of open market commodity monetization (not including sales of WFP commodities for the purpose of purchasing food products for direct distribution, a modality regarded as commodity exchange and not considered as monetization by the Committee on Food Aid Policies and Programmes in its discussion at the Twenty-fourth Session in October 1987).</p> <p>(b) Emergency operations</p> <p style="padding-left: 20px;">All emergency operations whose food value does not exceed US\$3 million. Above that level, approval will be afforded jointly between the Executive Director and the Director-General.</p> <p>(c) Protracted relief and recovery operations</p> <p style="padding-left: 20px;">Approval of protracted relief and recovery operations whose food value does not exceed US\$20 million.</p> <p>(d) Special Operations</p> <p style="padding-left: 20px;">Approval of all special operations.</p> <p>(e) Project budget revisions</p> <p style="padding-left: 40px;">(i) Approval of budget revisions for a food value of up to US\$3 million for development programmes and projects and emergency operations, and US\$20 million for protracted relief and recovery operations.</p> <p style="padding-left: 40px;">(ii) Approval of change in the orientation of a country programme component through a budget revision, not exceeding the overall approved value of the country programme. Where there is an increase over the overall approved budget, it should not exceed the approved delegated authority level as cited in (i) above.</p> <p style="padding-left: 40px;">(iii) Approval of budget revisions for all special operations.</p> <p style="padding-left: 40px;">(iv) The total of such increases for any country in any calendar year may not exceed twice the authority delegated to the Executive Director for project approval. However, the Executive Director may receive and programme any additional directed resources to country programmes and projects, keeping the Board regularly informed.</p>
<b>Financial Regulations</b>	
Financial Regulation 1.1: Definitions	<p>For the purposes of these Regulations, and the rules promulgated thereto, the following definitions shall apply:</p> <p>...</p> <p>Broad-based Appeal</p> <p>Contribution</p> <p>Country Programmes</p> <p>Directed Multilateral Contribution</p> <p>Direct Support Cost</p>

<b>Preliminary List of WFP General Rules and Financial Regulations which may require amendment to align with the Country Strategic Plan Policy and Financial Framework Review<sup>1</sup></b>	
General Rule/Financial Regulations	Text
	<p>Full Cost Recovery (subject to the understanding that the principle will continue to remain relevant but the component costs thereunder may be subject to further revisions)</p> <p>General Fund</p> <p>Indirect Support Cost (subject to the understanding that this type of cost will continue to remain relevant but may be subject to further revisions to reflect changes in the Financial Framework Review)</p> <p>Multilateral contribution</p> <p>Operational Costs</p> <p>Programme category</p> <p>Programme Category Fund</p> <p>Project</p> <p>Project agreement</p> <p>Trust fund</p> <p>WFP Budget</p> <p>WFP Fund</p> <p><i>Potential changes in the above definitions may result in a “domino” effect and require introduction of further amendments to the Financial Regulations, unforeseeable at this stage.</i></p>
Financial Regulation 4.2	<p>Contributions to support the purposes of WFP shall be recorded under the following funds and accounts:</p> <p>(a) <i>Programme category funds;</i></p> <p>(b) The General Fund;</p> <p>(c) <i>Trust funds; or</i></p> <p>(d) Special accounts.</p>
Financial Regulation 4.5	...The donor shall also be responsible for ...all associated <i>operational and support costs</i>
Financial Regulation 8.1	Approval of a <i>Country Programme, project or operation</i> shall normally constitute authority for the Executive Director to issue allotments, incur obligations and expend resources for the <i>Country Programme, project or operation</i> , subject to signature of the <i>Country Programme, project or operation</i> agreement. However, the <i>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</i>
Financial Regulation 9.3	The proposed Management Plan shall include the estimated resources and expenditures for each <i>programme category</i> and shall show proposed appropriations for <i>programme support and administrative services</i> in such separate main appropriation lines as may be decided by the Board.
Section X: WFP Fund Financial Regulation 10. 1	The WFP Fund shall be subdivided into a General Fund, <i>programme category funds, trust funds</i> .....
Section X: WFP Fund Financial Regulation 10.2.	All contributions to WFP shall be credited to the relevant <i>programme category</i> fund, trust fund, General Fund or special account.....
Financial Regulation 10.8	The resources of the WFP Fund shall be used exclusively for the operational and support expenses of WFP. Furthermore, resources of the WFP Fund may be used to advance working capital to projects based on forecast contributions up to a ceiling which will be approved and reviewed periodically by the Board.

### **Acronyms used in the document**

CBT	cash-based transfer
CD&A	capacity development and augmentation
CPB	Country Portfolio Budget
CRF	Corporate Results Framework
CSP	Country Strategic Plan
DEV	development project
DSC	direct operational costs
EMOP	emergency operation
FFR	Financial Framework Review
ISC	indirect operational costs
LTSH	landside transport, storage and handling
ODOC	other direct operational costs
PRRO	protracted relief and recovery operation
SDG	Sustainable Development Goal
SO	special operation