

# Update on the Financial Framework Review

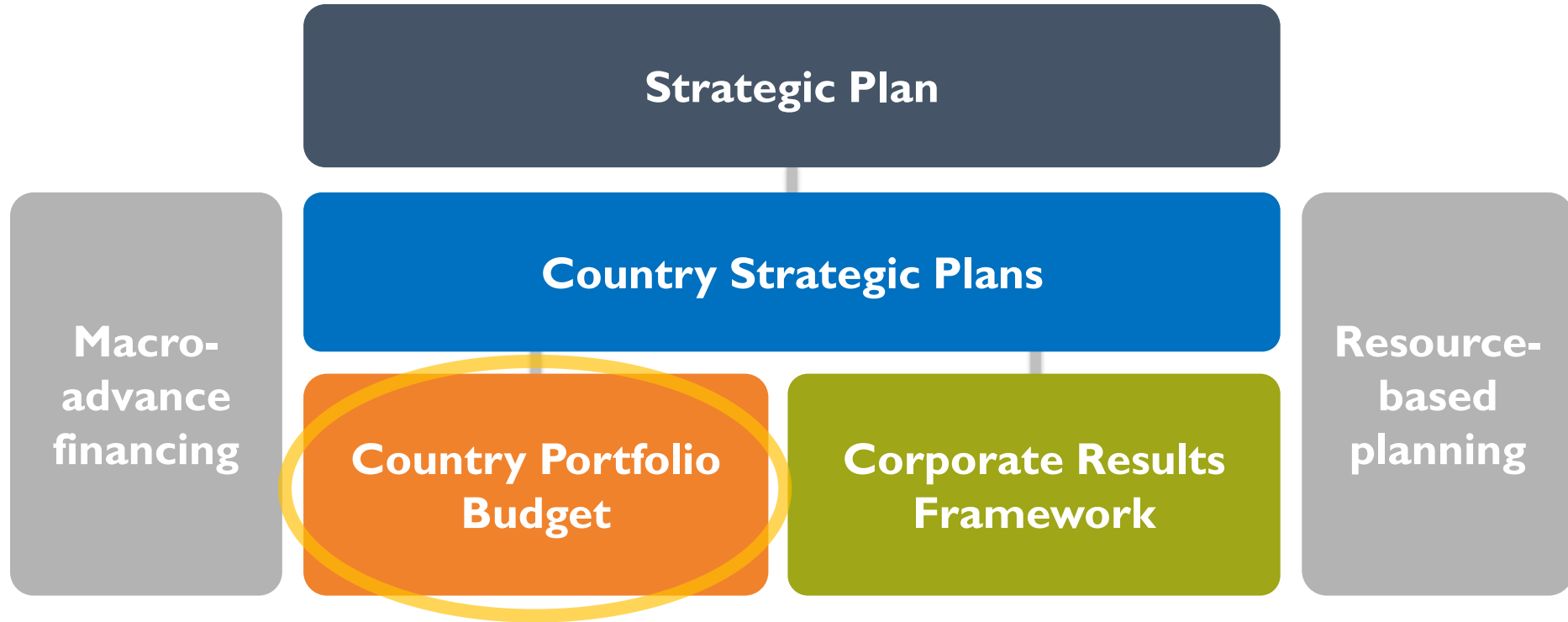
## *Informal Consultation*

13 September 2016



**World Food Programme**

# Integrated Roadmap: Alignment of Strategic Plan, Country Strategic Plans, Corporate Results Framework and Financial Framework Review

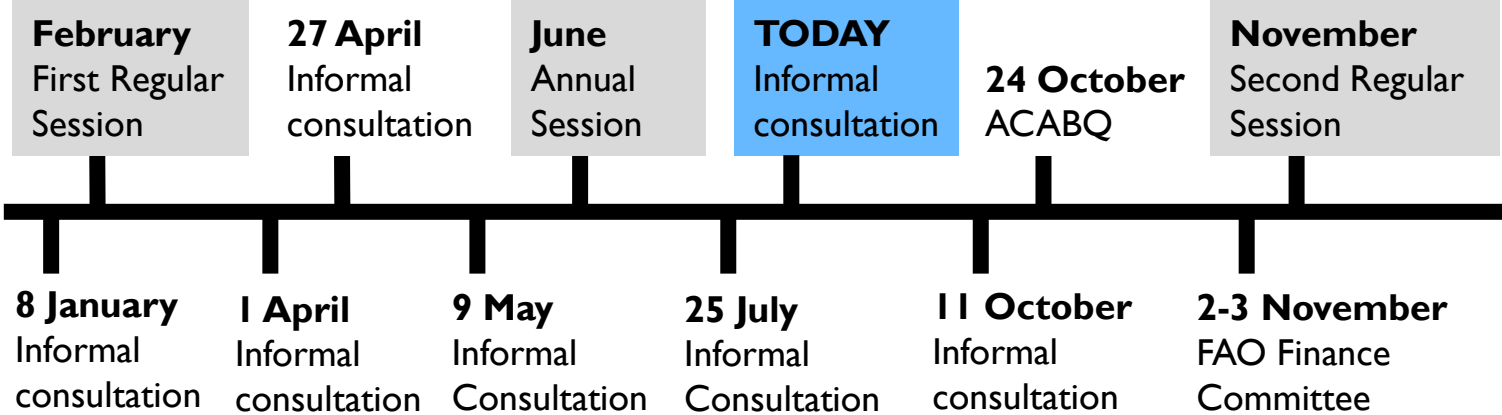


# Opportunity to provide feedback on the progress of the FFR work streams prior to November’s formal consideration

**Purpose of today’s consultation**

**Discuss issues raised during previous consultation; seek feedback on working draft of paper including recommendations and draft decision**

**2016 Executive Board engagement**



# Today's Agenda

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## I. Issues raised on the 25 July Informal Consultation

### I. Additional discussion on:

- a. Country Operations Management Plan
- b. Budgetary approvals and delegations of authority
- c. Changes to WFP General Rules and Financial Regulations

## III. Update on resource-based planning and macro-advance financing work streams

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# **ISSUES RAISED ON THE 25 JULY INFORMAL CONSULTATION**

## Issues raised during the 25 July Informal Consultation

- **Adjusted DSC** as a fourth cost category, in addition to transfer, implementation and ISC
- **Service delivery** (in view of internal discussions) as a fourth component under the transfer cost category, in addition to food, cash-based transfers, and capacity strengthening
- **Reporting:** Examples of financial and results reporting (Annex V, VI), harmonization with UN cost categories (Figure 7); linkage to UN coordinated humanitarian response plans (para 53); multilateral funding (para 90 and Annex V)
- **Full-cost recovery examples** applied to various types of contributions (Annex VII)

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# **COUNTRY OPERATIONS MANAGEMENT PLAN**

# Country Operations Management Plan

An annual planning process will support the management and implementation of multi-year CSPs

- As part of the process, each country office will develop a **Country Operations Management Plan (COMP)**, which will:
  - be defined annually; and
  - consist of a country's needs-based and resource-based implementation plans.
- A summary of implementation plans will be included in the Management Plan as the **Prioritized Plan of Work**.
- Appropriate information from the COMPs, including activity level details, will be made available to Member States via an **online portal**, which will:
  - allow Member States to use the portal to run reports at any point in time and for any date range;
  - Support EB governance decisions.

Previously discussed  
(Management Plan  
Informal Consultation,  
2 September)



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# **BUDGETARY APPROVALS AND DELEGATIONS OF AUTHORITY**

# Executive Board Approval: Context

The main underlying principles for EB programme approval include:

1. Maintaining the EB's **fundamental approval role**
2. Maintain WFP's ability to **respond quickly to emergencies**
3. **More strategic** and **less fragmented engagement** with the EB, leading to a more global perspective of WFP's work
4. A **cost-effective** and **risk-based** governance model

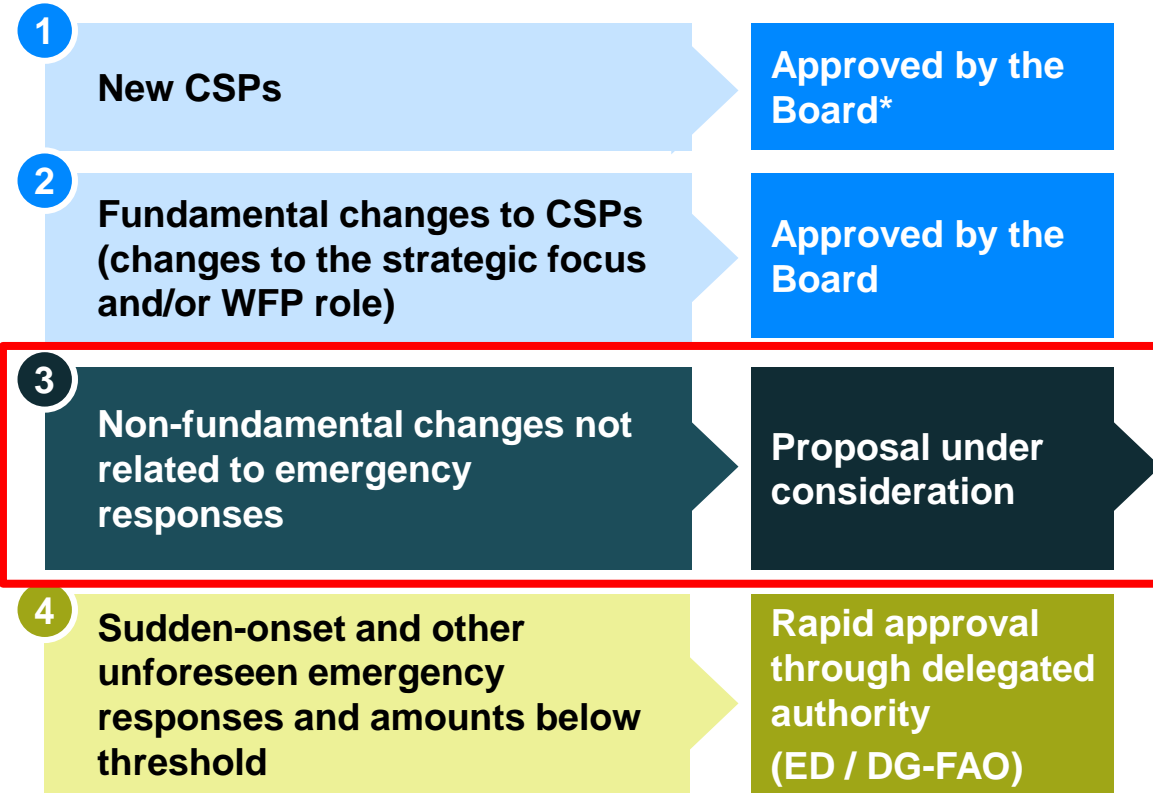
# What the Executive Board does not directly approve today

- Emergency Operations
- Protracted Relief and Recovery Operations with a food value of < USD 20 million
- Development programmes with a food value of < USD 3 million
- Special Operations
- Trust funds

Over the last 5 years, EB has approved *on average* USD 4 billion year (52 percent) of the respective annual Programme of Work

Year	Approved Budget (US\$ Billion)	
	EB Authority	Total Approval
2011	3.9	6.3
2012	3.9	6.8
2013	4.3	8.2
2014	2.5	7.9
2015	5.4	9.6
Total 2011-2015	20.0	38.7
Total as %	52%	

# Governance and oversight: Programme Approval



\*Some CSPs may not be approved by the Board. When a CSP is funded entirely by the host government it may be approved by the Executive Director further to Financial Regulations 5.1 and 5.2, subject to General Regulation X.6

\*\*Some fundamental changes to CSPs may not be approved by the Board. When a new strategic outcome not previously foreseen is added to a CSP and funded entirely by the host government, it may be approved by the ED further to Financial Regulations 5.1 and 5.2, subject to General Regulation X.6

## Conditions:

- i. Made available to Board for a disclosure period
- ii. Option for a member to request a discussion at a subsequent Board session
- iii. Subject to thresholds

### 3 Non-fundamental changes not related to emergency responses

## Background and context of Delegations of Authority (DoAs)

1994

Current DOAs initially established



DoA thresholds were established in 1994 for all project types:  
> USD 3 million food value required for EB approval

2004

Increase of external threshold for PRROs



In 2004, the EB approved an increase in DoA to a food value of USD 20 million for PRROs  
WFP did not pursue threshold changes for EMOPs and DEVs

2016 - 2017

opportunity to fundamentally review DoA

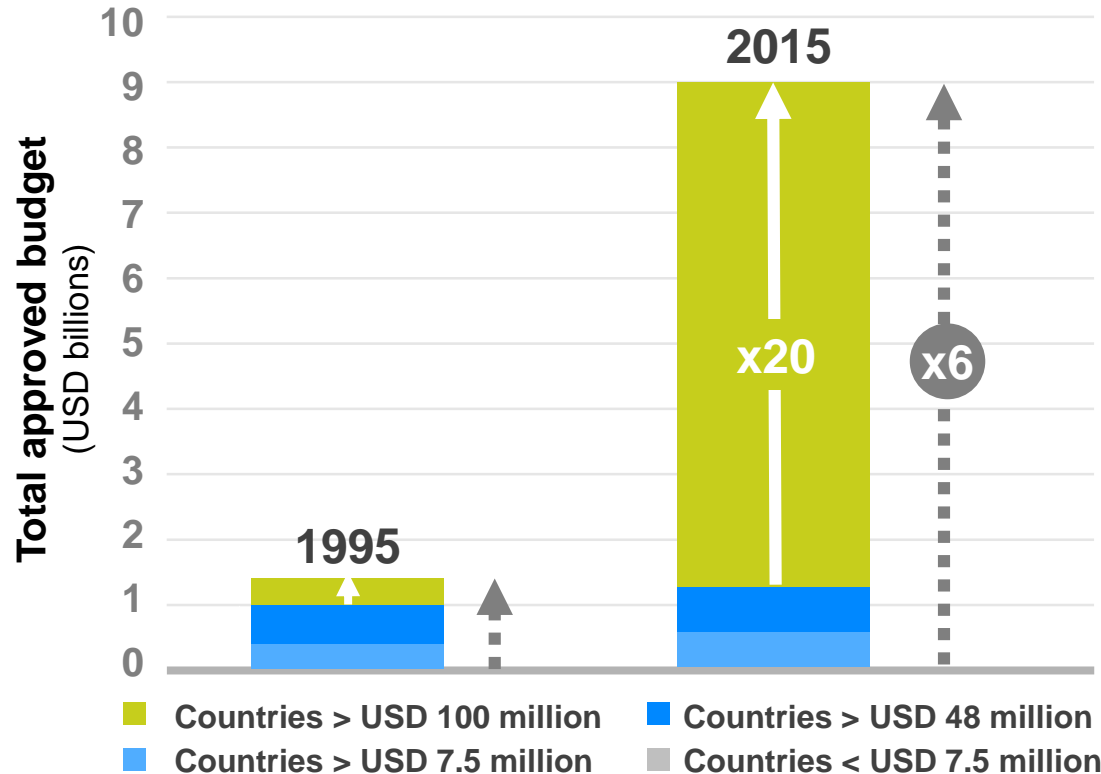


The governance structure for CSP and CPBs require fundamental change in DoAs in light of:

- 1 Shift from in-kind food to CBT/capacity strengthening, therefore review of thresholds from food value to total budget
- 2 The new CSP/CPB structure which groups all project types in a single portfolio budget for up to five years
- 3 Significant increase in costs, beneficiaries and operation sizes

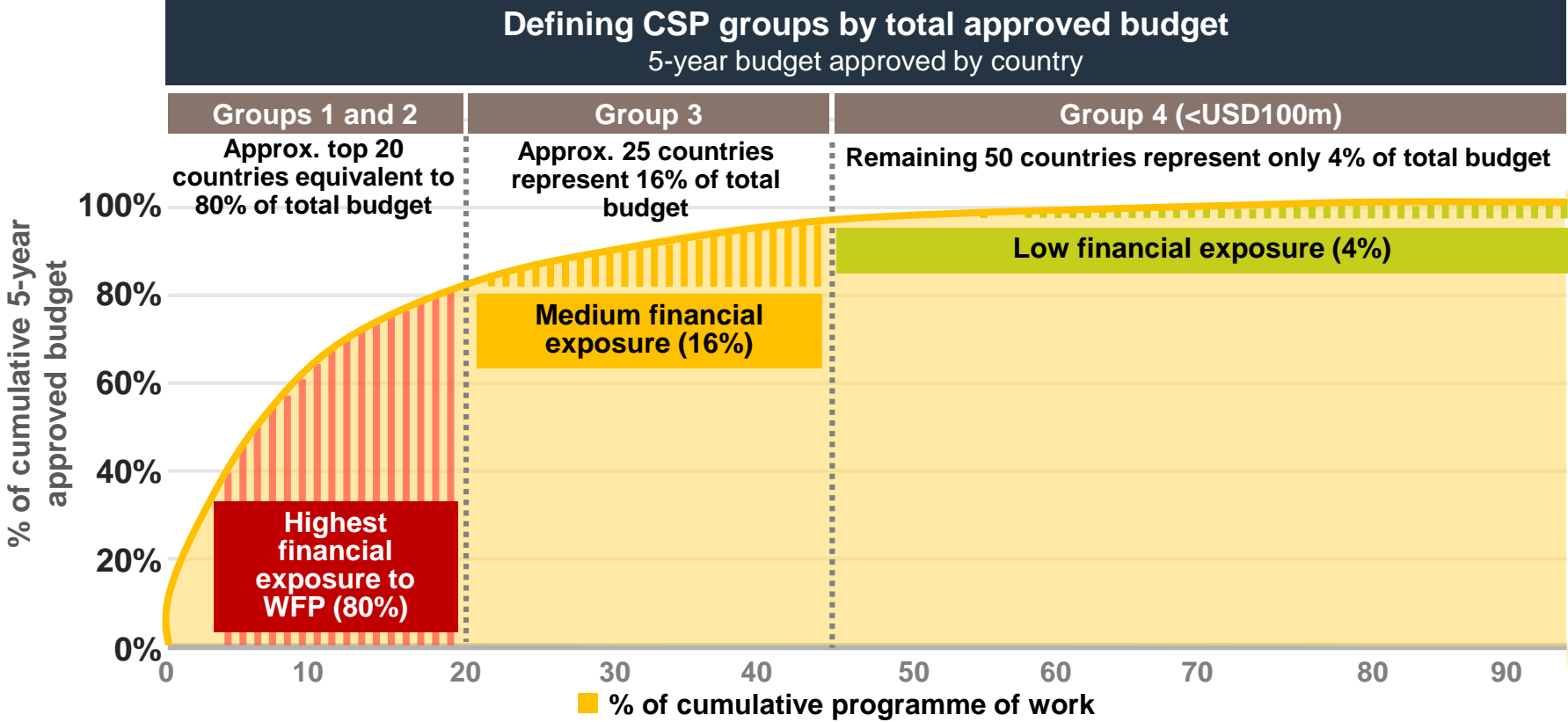
### 3 Non-fundamental changes not related to emergency responses

## Background and context of the Delegations of Authority (DoAs)



From 1995 to 2015, WFP's budget increased 6 times on average but 20 times for countries > USD100 million

# Thresholds should align with WFP's financial exposure: different thresholds are therefore proposed for different country sizes



### 3 Non-fundamental changes not related to emergency responses

## Proposed budget revision thresholds for Board approval

Proposal	Very large	Large	Medium	Small
Size of CPB (USD millions)	> 2 000	2,000–500	500–100	< 100
Annual relative threshold	15%	20%	30%	n/a*
Annual absolute threshold (USD millions)	500	300	100	n/a*

1. **Combination of relative and absolute thresholds would apply**
2. **Based on country size** → **Four categories:** Very large, large, medium, small
3. **Relative threshold rates applied to size of CPBs:** Applicable to very large, large and medium size budgets. No relative threshold for small size budgets unless budget revision goes >USD100 million
4. **Applicable over a cumulative value over 12 months**

**Increase in oversight:** Analysis demonstrates that EB oversight would increase from USD 20 billion over the last five years to USD 25 billion, inclusive of budget revisions

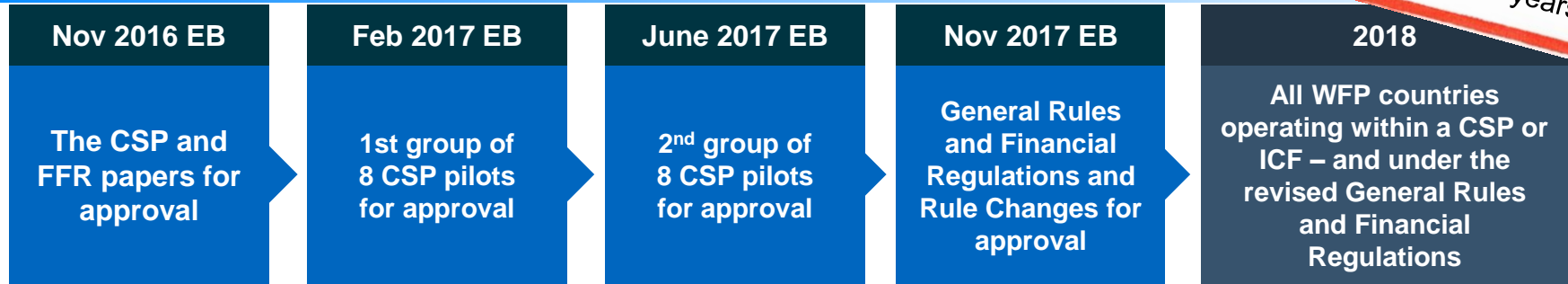


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# **CHANGES TO WFP GENERAL RULES AND FINANCIAL REGULATIONS**

# Changes to General Rules and Financial Regulations: timeframe for transition period and permanent changes

Opportunity to review  
after two-five years



- **No General Regulations changes foreseen.**
- To implement pilots in 2017, certain **derogations from the WFP's General Rules and Financial Regulations** (e.g. cost categorizations and full-cost recovery) will be requested in November 2016.
- **Dedicated informal consultations** will be held before the proposed package of amendments is presented for approval at the 2017 Second Regular Session.
- Revised General Rules and Financial Regulations would **be effective in 2018**.
- Both the derogations from and revisions to the General Rules and Financial Regulations will be **General Regulation compliant**.
- Further to authority granted to it in the General Regulations, the **Executive Board has the authority to approve** the envisioned derogations from and revisions to the General Rules and Financial Regulations.

# Example of draft changes to General Rule XIII.4

## OLD

### Example of Draft changes to General Rule XIII.4: Types of contributions (a and b) -- **Current Text**

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;
  - (iii) landside transport, storage and handling (LTSH): average per ton rate for the project;
  - (iv) other direct operational costs: average per ton rate applicable to the food component of the project;
  - (v) direct support costs: percentage of the direct operational costs of the project; and
  - (vi) indirect support costs: percentage of direct costs of the project, including direct operational costs and direct support costs, as determined by the Board.
  
- (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:
  - (i) direct operational costs: actual costs;
  - (ii) direct support costs: percentage of the direct operational costs of the project; and
  - (iii) indirect support costs: percentage of direct costs of the project, including direct operational costs and direct support costs, as determined by the Board.

## NEW

### Example of Draft changes to General Rule XIII.4: Types of contributions (a and b) -- **Indication of Draft Revised Text**

In accordance with General Regulation XIII.2, contributions received shall be sufficient to meet full cost recovery based on the following high level cost categories:

- (i) transfer costs and implementation costs;
  
- (ii) adjusted direct support costs: a country specific percentage of the implementation and transfer costs of the contribution [This percentage shall be based on the country's annual transfer and implementation costs, as based upon the country's Implementation Plan (Resource-based budget)]; and
  
- (iii) indirect support costs: a standard, Board determined, percentage [of the transfer, implementation and adjusted direct support costs] of the contribution.

*[Note that the eventual approval of such language would also require the approval of definitions of relevant key terms]*

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Previously discussed  
(Management Plan  
Informal Consultation,  
2 September)

# UPDATE ON RESOURCE-BASED PLANNING AND MACRO-ADVANCE FINANCING WORK STREAMS

# Resource-based planning and macro-advance financing work streams are driven by internal resource management needs

Previously discussed  
(Management Plan  
Informal Consultation,  
2 September)



# Standardizing resource-based implementation plans will improve country office planning and performance management

## Objective

Standardize implementation plans as a second country-level planning layer to clearly distinguish between “needs” and “plans”

- Implementation plans will improve medium-term planning [12-18 month horizon] based on projected resources.
- Nine country offices prepared **implementation plans** for 2016.
- Every country office completed an implementation plan for the Management Plan (2017-2019) exercise.
- Comparison between implementation plans and results achieved will improve performance management.

Previously discussed  
(Management Plan  
Informal Consultation,  
2 September)



# Macro-advance financing is an extension of the Internal Project Lending facility

## Objective

Provide aggregated budget authority early in the process to improve resource predictability, reduce the effects of fragmented funding streams and maximize efficiency and effectiveness

- Macro-advance financing is not linked to individual forecast contributions rather a country offices **total anticipated level of resources** for a given year.
- Macro-advances totaling USD 100.7 million for five country offices were endorsed to pilot the concept through the **Internal Project Lending facility**.
- As of July 2016, USD 71.8 million has been repaid; all repayments made in accordance with donor conditions.
- Pilot will continue through end of 2016; BCG will conduct analysis of gains in efficiency and effectiveness in 1Q of 2017.

Previously discussed  
(Management Plan  
Informal Consultation,  
2 September)

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# THANK YOU