

# OPEN WORKING GROUP ON THE REVIEW OF THE INDIRECT SUPPORT COST (ISC) METHODOLOGY

## CONCEPT NOTE

### Background

WFP's policy on the indirect support cost rate (ISC)<sup>1</sup> was reviewed in 2002 and a method for determining the rate was established in 2006. Because the operational context for WFP has changed significantly since then, and on account also of developments in the United Nations system, the Management Plan (2014–2016) proposed to engage with the Executive Board on a review of the ISC rate in 2014.

In February 2014, WFP submitted a document on “Method for Calculating the Indirect Support Cost Rate for WFP” (WFP/EB.1/2014/4-B/1) for consideration by the Executive Board. This paper outlined the objective, context and the drivers of the review, and put forward an approach and a timeframe to complete the review.

Informal consultations with Members as well as the formal discussions with the Finance Committee in January called for more information on the concepts and questions raised in the document. This resulted in three notes for information being issued in the 10-day period before the first session of the Executive Board. In their interventions at the Executive Board, several members cautioned about the technical complexity of the review and the ambitious timeline. Some Members suggested that the topic could be better covered through a Working Group to ensure that technical aspects are given due attention by members as an aid to helping management formulate final recommendations. Further consultations on possible arrangements for a Working Group were held through the EB Bureau in March. In light of this feedback from the Lists, WFP Management wishes to outline a proposal to establish an Open Working Group to review the ISC Methodology.

### Purpose

The purpose of the Open Working Group is to establish a platform for discussion and common understanding of technical aspects related to the ISC review and to provide guidance on the documentation to be presented to the Executive Board for decision, at the Second Regular session in November.

### Mandate

Subject to any adjustments and refinements to be determined in its deliberations, the Open Working Group will broadly focus discussions on the following key questions:

- i) WFP is a 100 per cent voluntarily funded organization, and does not have a core budget: should core funding or different funding approaches to fixed and variable costs be considered?
- ii) Should WFP continue with a single indirect support cost recovery rate, or should the rate vary according to the type of intervention?
- iii) Should WFP continue to use various indirect support cost rates for private sector contributions, and could WFP incentivize resource mobilization through preferential ISC rates, for example for South-South cooperation?

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<sup>1</sup> An indirect support cost rate is applied to every contribution received as a means of reimbursing WFP for Programme Support and Administrative expenditure when implementing projects, which is incurred predominantly at Headquarters and the regional bureaux.

- iv) Recognizing that some costs related to support and administration are covered from other sources, should WFP continue to consider multiple sources for funding costs such as security and non-recurring investments?

The Open Working Group will not have decision-making authority on behalf of the Board nor be able to take any decisions on behalf of members. It would review and discuss, with management, technical aspects of the issue as an aid to helping management formulate recommendations for discussion at Informal Consultations with the full membership.

## **Membership**

The Open Working Group will be composed of at least one nominated member per Electoral List who would participate in the discussions, but will be open to other interested members who wish to follow the technical discussions.

The Working Group will be chaired by the WFP Assistant Executive Director, Resource Management and Chief Financial Officer, with the Director of Budget and Programming serving as the alternate. Other senior managers in the Resource Management and Accountability Department will serve in the Working Group. It is suggested that a 'rapporteur' be appointed from within the Group.

## **Meetings**

The Working Group will hold its initial meeting on an agreed date in April. Its first priority will be to discuss the timeframe for the review and agree an outline of its work, including the timing of subsequent meeting, and make recommendations with regards to Informal Consultations. At the Annual Session of the Board in June, the Chair of the Working Group will make an oral presentation on the deliberation of the Working Group, in order to seek the guidance of Members on documentation to be presented at the Second Regular Session in November, and to seek the Boards confirmation on the modality for consultations from June 2014.

Subject to the Board's agreement, additional meetings may be convened from June 2014 onwards in preparation for a paper, on the method for calculating the ISC rate for WFP, to be submitted to the Executive Board in November 2014.

The Secretary of the Board shall convene the meetings of the Working Group, normally with two weeks' notice, on behalf of the Chairperson. The Chairperson will approve a provisional agenda for the meetings that should be circulated together with the invitations.

It is proposed that the meetings are held in English with no interpretation, and any background documents are prepared in English with no translation.

## **Secretariat**

The Budget and Programming Division (RMB) shall perform the Secretariat function for the Open Working Group. Minutes of meetings will be prepared by the Secretariat and shall focus on action points. The Working Group shall approve the minutes by correspondence, within one week of each meeting. Supporting documents will also be prepared by the Secretariat.

## **Reporting**

As indicated above, the chair of the Working Group will provide an oral report to the Board at the June session, on the deliberations of the Working Group, and seek guidance from the Board on all four questions, as well as the preferred mode of consultation.