



World Food Programme

SAVING LIVES
CHANGING LIVES

Indirect Support Costs

Definition and Value Proposition

WHAT ARE INDIRECT SUPPORT COSTS?

The efficient, effective management and implementation of WFP's many and varied programmes across the world rely on many essential 'behind-the-scenes' costs that cannot be directly attributed to individual projects or activities.

These costs are funded from an Indirect Support Cost (ISC) rate, levied on contributions and detailed in the Programme Support and Administration (PSA) budget proposal. This proposal is submitted annually to our

Board for approval, through the Management Plan.

The current 6.5% ISC rate, the lowest headlined rate among major UN agencies, covers the fixed and variable components of the PSA costs. Any ISC income which is not spent on PSA is moved to a PSA Equalization Account (PSAEA). With the approval of the Executive Board, the PSAEA can then be used for a defined variety of actions including Critical Corporate Initiatives.

The formal definition of the ISC is a cost which cannot be directly linked to the execution of a programme or activity.^[1]

[1] Financial Regulation 1.1

WHAT TYPES OF COSTS DOES IT COVER?

Indirect support costs cover two types of costs:^[2]

PROGRAMME SUPPORT

This relates to a range of activities essential to delivering a programme, including staffing of our country offices and regional bureaux, and are incurred at all levels of the organization.

Providing a standard staff capacity for country offices ensures WFP's on-going presence and secures the ability to respond to sudden onset emergencies. This capacity also enables our deep-field presence, improving both the delivery and the oversight of programming.

They also include providing enabling support, such as our supply-chain, to the provision of expertise covering strategy development and policy guidance for country operations. There are also programme support activities which are centralized to exploit economies of scale (for example, Information Technology infrastructure).

MANAGEMENT & ADMINISTRATION

To operate successfully as a global organization with multiple partners and stakeholders, WFP needs a fully functional management and administrative arm.

Some of these functions are mandated activities, such as oversight, financial accountability and legal services. Others are related to improving the quality of operations, maintaining and developing partnerships and communicating our accomplishments to stakeholders.

Management and administration covers many of the integral life cycle functions. To improve comparability of overhead costs and satisfy the Quadrennial Comprehensive Policy Review (QCPR)^[3], WFP has aligned its management and administration functions with the High-Level Committee on Management (HLCM) definitions.^[4]

WFP also incorporates a number of additional functions in this category, as we view them as part of organizational management. These functions are marked with an asterisk.

Management and administration integral life cycle functions:

- Executive Direction

- Representation
- External Relations and Partnerships
- Corporate Communications
- Legal Services
- Oversight
- Audit
- Corporate Evaluation
- Information Technology (non-programmatic)
- Finance and Budget
- Administration
- Security
- Human Resources
- Ethics*
- Ombudsman Services*
- Innovation & Change Management*
- Performance Management*
- Management Services*
- Staff Wellness*

CRITICAL CORPORATE INITIATIVES (CCIs)

CCIs are defined as *any activity strengthening WFP's programming, operational and administrative capacity to fulfil its mission and delivering value for money.*^[5]

Accumulated differences between the actual PSA income and PSA expenditures are accounted for through a PSA Equalization Account (PSAEA). If the PSAEA funding has a sufficiently healthy balance, WFP may request that the Executive Board funds CCIs (for example, the Workforce and skills development planning).

CCIs must meet a number of criteria:

- Be one-off in nature
- Not be covered by regular PSA
- Not related to a single project
- Require predictable funding
- Unlikely to generate sufficient additional investment from donors through corporate trust funds
- Focus on organizational change

However, PSAEA must be maintained at a minimum level equivalent to two months of PSA spending, to act as a buffer in case there is a severe drop in contributions.

[2] This document breaks down costs into two categories for simplicity and to better demonstrate how the ISC benefits programmes. In the Management Plan (MP), the PSA Budget is broken down into three appropriation lines to provide better visibility: Strategy and direction; Services to operations; and, Governance, independent oversight and fundraising.

[3] The QCPR is adopted by the UN General Assembly (UNGA) every four years. The QCPR is how the 193 members of the UN General Assembly review the coherence of the UN operational system for development. The resolution covers operational programmatic activities, capacity building, financing, and business processes

[4] As approved by the 25th Meeting of the CEB Finance and Budget Network (FBN) on 25 June, 2015

[5] Para. 47, Progress on the Financial Framework Review, including Indirect Support Costs, WFP/EB.A/2015/6-C/1.



WHAT VALUE DOES THE ISC RATE ADD TO WFP'S OPERATIONS?

WFP uses its ISC income to provide a range of programme and management activities essential to the success of operations. The value of the ISC rate to beneficiaries can be broadly placed into ten categories:

1 LOCAL PRESENCE WITH GLOBAL PROGRAMME SUPPORT

Through the ISC, WFP is able to ensure an extensive field presence. This allows us to be in the communities we serve and improve WFP's emergency preparedness and response. To ensure that programmes are meeting globally-set objectives, WFP's Strategic Plan will be supported by Country Strategic Planning approach, revised Financial Framework and Corporate Results Framework to enable WFP implement results-focused portfolios that maximize its contributions at the country level.

2 PARTNERSHIPS AND VISIBILITY FOR A ZERO HUNGER WORLD

The ISC helps ensure WFP maintains relationships and grows partnerships with stakeholders and the general public. This includes engaging with various non-governmental actors and Rome-Based Agencies (RBAs). Such partnerships ensure coordination with implementing partners for improved coherence and joint delivery of programmes. They also help us stay actively engaged

with governments in various decision-making fora. The ISC helps increase the visibility of WFP's programming with the general public and raises awareness about food assistance and Zero Hunger, to garner greater operational and financial support.

3 HUNGER SOLUTIONS FOR THE DIGITAL AGE

The ISC enables us to provide user services (IT security, telecommunications equipment and software etc.), efficient tools and business models for WFP and its partners such as digital platforms, blockchains, dashboards and Emergency Telecommunications Cluster etc., to ensure WFP has the Information and Communications Technology (ICT) systems and equipment necessary to carry out day-to-day operations.

4 A GLOBAL WORKFORCE ON THE FRONTLINES OF HUNGER

WFP is able to be present in the communities it serves because of ISC investments in our global workforce. This includes providing these dedicated staff with adequate medical care and security, as well as managing the places where they live and work. The ISC helps support the human resource element of emergency response and surge capacity. To maintain its position as a leader in operating at the humanitarian-development-peace nexus, WFP must continue to invest in its most important asset — its workforce.

5 CAPITALIZING ON ECONOMIES OF SCALE

In order to optimize resources, WFP capitalizes on economies of scale. Goods, services and food are often purchased in larger quantities to take advantage of better prices and conditions. For example, we purchase the majority of the food requirements for our programmes through our Global Commodity Management Facility (GCMF) to get the best prices and reduce the lead time on food purchases.

WFP also realizes efficiency savings across the UN by providing services for the wider humanitarian community, such as UNHAS (safe and reliable air transport) and the Logistics Cluster (coordination and operational information management).

6 A DILIGENT FINANCIAL MANAGEMENT MODEL

Ensuring effective management of resources and financial internal controls are crucial functions covered by the ISC. Daily management of transactions, budgets and financial services enable programme delivery to function smoothly. The ISC also allows WFP to implement Internal Project Lending (IPL).

IPL advances financing to operations on the basis of forecasted contributions, reducing financial pipeline breaks and allowing WFP to maintain stable operations. Diligent financial management also includes change management initiatives such as Cost Excellence.

7 PROVIDING TECHNICAL SERVICES TO PROGRAMMES

WFP carries out a number of technical support functions to reinforce country-level capacities in operations. In some operations, this may be to provide technical expertise not present in the location. This technical support covers a full range of activities from developing technical systems for operational readiness, to identifying beneficiaries and modalities. It also includes support in technical areas such as emergency surge capacity, gender, nutrition and cash-based transfer support.

CORPORATE PLANNING AND PERFORMANCE DIVISION

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8 DRIVING INFORMED DECISION-MAKING, RESILIENCE AND PREPAREDNESS

In order to better identify and monitor risks, WFP invests in systems for informed decision making. This includes improving monitoring, performance and enterprise risk management in operations. Additionally, the ISC provides funding for informed early response. This ensures senior management has a common operational picture to support evidence-based decision making.

9 PROVIDING STRATEGIC GUIDANCE, OVERSIGHT, AND EVALUATIONS

The ISC funds the strategic guidance, oversight and evaluations of WFP's activities. This covers a broad range of functions which ensure that operations are in line with international standards and stakeholder expectations. This includes legal services, audit and investigations, corporate evaluations and ethics.

10 INNOVATING AND STREAMLINING

As the world changes, WFP looks to adapt and improve our services. We are investing ISC income into innovating and streamlining. WFP continues to invest with the aim of ensuring that it leads the way as the largest, most agile, innovative and technologically advanced humanitarian agency, this includes ongoing projects in greening, feedback systems from serviced communities and improved procurement processes. Such investments ensure that WFP is ready to serve communities in more effective and efficient ways.