

FINANCIAL FRAMEWORK REVIEW



**Annual Session of the Executive Board
7-11 June 2010**

This Presentation will:

- 1) Summarise review status
- 2) Provide update on the financial issues considered to date and present recommendations
- 3) Outline proposed next steps



Financial Framework Review

1. Project Status
2. Issues and Recommend.
3. Next Steps

Goals:

1. Improve **Predictability and Stability** of funding
Why? Better project planning leading to more efficient resource usage and improved timeliness in meeting beneficiary needs
2. Achieve a higher level of **Flexibility** in resource usage
Why? To direct resources to where they are most needed at the moment
3. Reinforce **Transparency** in allocation of resources
Why? Increase donor confidence leading to higher levels of contributions and less restrictions on funds usage



Process so far:

1. Project Status
2. Issues and Recommend.
3. Next Steps

- Review initiated by the Secretariat in support of the implementation of the Strategic Plan 2008-2013
- Three Formal Executive Board papers (last three EB sessions)
- Three Informal Consultations in 2010 (*March, April, May*)
- General Questions and Answers from March 11th
- List D Questions and Answers from March 11th
- Paper presented and discussed at ACABQ and Finance Committee (*reports available*)



FFR Options paper

1. Project Status
2. Issues and Recommend.
3. Next Steps

Issues included:

- A.** WFP Tonnage-Based Funding model, including a cost model for non-commodity activities
- B.** Funding of direct support costs
- C.** PSA budget stability

Issues included in a separate paper:

Programme Category Review



WFP Tonnage-Based Funding Model

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ISSUE A: Lack of a specific model for non-commodity activities

Recommendation 1: Segregate non-commodity activities within projects and – exceptionally – allow separate funding



Funding of Direct Support Costs

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ISSUE B: Funding of country-specific support costs ('The DSC Issue')

Recommendation 2: Modify current DSC funding model to a percentage of direct costs rather than a rate per MT

Recommendation 3: Encourage and accept contributions specifically for direct support costs more transparently and with greater flexibility ('Champion Donors')



PSA Funding Stability

ISSUE C:

PSA (ISC) income – highly uncertain and difficult to predict as WFP is 100% voluntary funded organization

PSA expenditures - relatively fixed in its nature

Recommendation 4: Move to a rolling 3-year Management Plan with yearly approval

Recommendation 5: Encourage and accept direct contributions to PSA budget on a case-by-case basis more transparently and flexibly

Recommendation 6: Maintain current ISC model for funding PSA



Presented for EB's consideration:

1. Project Status
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3. Next Steps

Rec 1: Segregate non-commodity activities within projects and – exceptionally – allow separate funding

Rec 2: Modify current DSC funding model to a percentage of direct costs rather than a rate per MT

Rec 3: Encourage and accept contributions specifically for direct support costs more transparently and with greater flexibility

Rec 4: Move to a rolling 3-year Management Plan with yearly approval

Rec 5: Encourage and accept direct contributions to PSA budget on a case-by-case basis more transparently and flexibly

Rec 6: Maintain current ISC model for funding PSA



Next Steps

1. Project Status
2. Issues and Recommend.
3. Next Steps

- Ensure consensus for recommendations presented
- Review potential implications on WFP's systems and processes *(Nov'2010)*
- Propose specific changes to the WFP General Rules, General Regulations and Financial Regulations *(Nov'2010)*
- Continue consultations on advance financing and forward purchases and present proposals for approval *(Nov'2010)*

