

Note on Governance Aspects of the Country Strategic Plans Policy
and the
Budgeting for Operational Effectiveness component
of the Financial Framework Review

1. The Policy on Country Strategic Plans (“CSP Policy”) and the Budgeting for Operational Effectiveness component of the Financial Framework Review (“FFR”) are intended, together, to establish a new approach to the classification and implementation of WFP’s programmes, projects and activities (the “CSP Approach”). If the CSP Approach is approved by WFP’s Executive Board, programmes, projects and activities in a country will normally be consolidated into a single Country Strategic Plan (“CSP”) that would include a Country Portfolio Budget (“CP Budget”).¹ The CSP Approach is also intended to simplify WFP’s cost categories and its application of the principle of full cost recovery.
2. The CSP Approach would revise WFP’s programmatic and financial framework. It would not require modification of any provision of the Programme’s constitutional document, the WFP General Regulations, and would not accordingly necessitate any action by the General Assembly and FAO Conference. Instead, the CSP Approach may be approved by the Executive Board of WFP, under authorities granted to it by WFP’s General Regulations, through the issuance of policies and the amendment of existing General Rules, Delegations of Authority, and Financial Regulations.²
3. The CSP Approach is expected to be deployed in two stages.
4. The first, “pilot”, stage would encompass 2017, during which 16 CSPs with pilot CP Budgets (“Pilot CSPs”) are expected to be submitted to the Executive Board for approval. The Pilot CSPs will afford an opportunity for member states, WFP’s two parent organizations, and other WFP stakeholders to look beyond the principles of the CSP approach, and see how it works in practice.

¹ CP Budgets will apply to the entirety of programme categories, which include Interim Country Frameworks and rapid onset emergency responses, to be introduced by the CSP Policy.

² General Regulations VI.2(b)(vi) and VI.2(b)(vii), and VI.2(c) respectively grant the Executive Board the authority to make the necessary revisions to the General Rules, Financial Regulations and Delegation of Authority to the Executive Director.

Indeed, it is expected that the Pilot CSPs will yield results and data that can inform the CSP Approach before it is finalized at EB.2/2017.

5. In the second stage of deployment, beginning in 2018, the CSP Approach is expected, after the Executive Board approves its roll-out and enacts the necessary normative amendments at EB.2/2017, to be introduced across WFP through CSPs and Interim Country Frameworks (“ICF”)³ and rapid onset emergency responses.
6. In accordance with its General Regulations, WFP will seek the advice of the Finance Committee of FAO and the Advisory Committee on Administrative and Budgetary Questions throughout both stages, and report on General Rule revisions to the FAO Council and Economic and Social Council.
7. What normative action will be required in order for the CSP Approach to be deployed?
8. As already indicated, the CSP Approach is consistent with WFP’s highest constitutional document, the General Regulations, and its approval is within the authority of the Executive Board. By exercising the authority that the General Regulations grant to it, the Executive Board will be in a position to approve the CSP Approach and make certain necessary amendments of WFP’s General Rules and Financial Regulations – more specifically, to adjust references to existing WFP programme categories, which will be phased out, so that they refer to CSP framework terminology instead; to simplify guidance on cost management and full cost recovery; and to bring up to date the current Delegations of Authority to the Executive Director with regard to programme approvals and revisions (the “Delegations of Authority”) so they

³ The ICF shall be used in exceptional circumstances when a strategic review may not be undertaken owing to ongoing conflict or instability that undermines governance, including the functioning of national institutions. The ICF articulates WFP’s strategic orientation, programme framework and strategic outcomes in a country, pending a strategic review and is aligned with the CP Budget structure. The ICF should to the extent possible be based on national consultations and coordination with United Nations agencies. In countries where WFP has no operational presence and during the transitional period of 2017-2018, the ICF may be used while a full CSP is developed. During the transition period, ICFs will combine all existing WFP activities in a country into a framework that is based on the CSP template and structured around strategic outcomes aligned with the WFP Strategic Plan. Countries that do not plan to submit a CSP for EB.1/2018 must submit an ICF for approval by the Executive Director by 31 December 2017.

are consistent with the CSP Approach and the context in which WFP assistance is provided.⁴

9. While it is already possible to foresee in general terms what amendments will be required (the provisions of the General Rules and Financial Regulations are laid out Annex VIII of the first draft of the FFR paper), the Secretariat proposes that normative changes only be presented for approval at EB.2/2017, after WFP has had the opportunity to consider the experience of the Pilot CSPs, which may usefully affect the ultimate form of the CSP Approach and therefore the normative changes that will be required in order to implement it.
10. Pending the normative revisions, the Board will be asked, for the limited purpose of facilitating the effective implementation of the Pilot CSPs, to authorize temporary derogations from specific provisions of the General Rules and Financial Regulations. In particular, the Executive Board would be requested to authorize, solely for the purpose of implementation of the Pilot CSPs in 2017:
 - The application of references in the General Rules and Financial Regulations to current WFP programme categories (e.g. EMOPs, PRROs, Development and Country Programmes) as if such references were to Country Strategic Plans; and
 - The application of General Rules and Financial Regulations concerning budgetary cost categories and full cost recovery (notably, General Rule XIII.4, Financial Regulations 1.1 and 4 .5) in a manner consistent with principles approved in advance by the Executive Board as part of the FFR decision point.
11. In addition, to facilitate and inform the development of new Delegations of Authority, the Board will be requested to grant to the Executive Director, for 2017 only, the authority to make any necessary revisions to the Pilot CSPs themselves. (The General Regulation Article X.6 requirement that emergency

⁴ Annex VIII to Financial Framework Review provides a preliminary list of provisions likely to require adjustment to give effect to the new CSP Approach. It should be borne in mind that new provisions may need to be drafted and added to the General Rules and Financial Regulations to accommodate the proposed CSP Approach.

requests for assistance to be decided jointly by the Executive Director and Director General of FAO where the food value exceeds USD 3 million, will as provided at decision point xii of the FFR paper⁵, be maintained.) The Executive Director would report any use of this authority promptly to the Board, and shall ensure that it informs the development of more permanent Delegations of Authority beyond the pilot stage. The Secretariat will present, for the Executive Board's approval at EB.2/2017, revised Delegations of Authority that employ the CSP's new programme category terminology and budgetary thresholds that are consistent with WFP General Regulation X.6 with respect to emergency operations.

12. It is important to note that because, in 2017, the CSP Approach would be limited to CSP Pilots only, all other WFP programmes, projects and activities would continue to be managed in the same way as before, applying the existing General Rules and Financial Regulations and Delegations of Authority.
13. At EB.2/2017 it is expected that the Board, informed by the experience of the Pilot CSPs, would approve the roll-out of the CSP Approach across WFP, enact the necessary revisions to the General Rules, Financial Regulations, and Delegations of Authority, and call for CSPs to be presented to it for approval beginning at EB.1/2018, with ICFs to be approved by the Executive Director where necessary under the terms of the CSP Policy.⁶ During the deployment phase that would follow, the revised General Rules, Financial Regulations and Delegations of Authority would be brought into effect and apply to programmes, projects and activities across the organization.⁷

⁵ See Annex B to this paper.

⁶ ICFs with a duration of up to two years will be approved by the Executive Director, subject to General Regulation Article X.6, thereafter ICFs shall be approved by the Executive Board, if the conditions for a national strategic review still do not exist.

⁷ Except where, because a CSP or ICF has not yet been approved, existing programmes projects and activities would necessarily continue to be governed by the unrevised version of WFP's General Rules, Financial Regulations, and Delegations of Authority.

Proposed Decision Points

14. The decision points with respect to the CSP Policy and FFR, included at Annexes A and B of this paper respectively, would give effect to the two-stage approach that is described above.
15. With its CSP Policy decision point, the Board would approve the CSP Policy, as presented in [DOCUMENT NUMBER]. In addition, the Board would request Pilot CSPs to be undertaken in 2017 and authorize derogations from the programmatic terminology of the General Rules and Financial Regulations in order to facilitate their implementation. Furthermore, to accommodate the revised programmatic framework, the Board would request proposals on permanent amendments to the General Rules and Financial Regulations to be presented for its approval at EB.2/2017.
16. With its FFR decision point, the Board would approve the principles and elements that will guide the CP Budget model. In addition, the Board would note the introduction of Pilot CSPs and their role in finalizing the CP Budget model, and acknowledge that the CP Budget model will necessitate the revision of current cost categories in the General Rules and Financial Regulations. The Board would, for 2017 Pilot CSPs only, authorize the Secretariat to apply the General Rules and Financial Regulations (notably, General Rule XIII.4, Financial Regulations 1.1 and 4.5) in a manner consistent with the CP Budget model principles and elements. The decision point would also grant authority to the Executive Director to make the necessary revisions to the Pilot CSPs pending finalization of the Pilot Approach in 2017, save for emergencies (for which the current emergency operations delegation requiring joint approval by the Executive Director and the FAO Director-General where the food value exceeds USD 3 million will continue to apply) and direct the Executive Director to report on any revisions to the Board. In addition, the Board would request that proposed revisions to the General Rules and Financial Regulations and Delegations of Authority, intended to adjust them to the CSP Approach, be proposed for approval at EB.2/2017.

ANNEX A

Draft decision point as set forth in the fourth draft of the CSP Policy

The Executive Board:

- *approves* the Policy on Country Strategic Plans (WFP/EB.2/2016/4-C) (the CSP Policy);
- *requests* the *Executive* Director to submit Country Strategic Plans containing pilot country portfolio budgets for Executive Board approval in 2017 (pilot CSPs);
- *notes* that the CSP Policy provides for modification of WFP's existing programme categories, and accordingly *authorizes*, pending normative amendments expected to be approved at EB.2/2017, the temporary application to the pilot CSPs of provisions of the WFP General Rules and Financial Regulations referring to existing programme categories as if such references were to the Country Strategic Plan; and
- *requests* the Secretariat to propose for Executive Board approval at EB.2/2017 amendments to the programmatic terminology employed in WFP General Rules and Financial Regulations to accommodate the Country Strategic Plans framework.

ANNEX B

Draft decision point as set forth in Annex IX of the first draft of the Financial Framework Review

Having considered the Financial Framework Review (WFP/EB.2/2016/5-B/1), the Executive Board:

- i. *notes that the FFR is composed of [three FFR workstreams];*
- ii. *notes that under the Policy on Country Strategic Plans (CSPs) [WFP/EB.2/2016/4-C] (the “CSP Policy” each CSP will include a country portfolio budget (CPB), to which the approval mechanisms and transition and implementation arrangements set forth in the CSP Policy will apply;*
- iii. *notes that under the CSP Policy the pilot CSPs shall be submitted for Executive Board approval, and requests the Executive Director to ensure that experience from the pilot Country Strategic Plans (CSPs) informs design of the Country Portfolio Budget (CPB) structure;*
- iv. *notes that the full roll out of the CPB structure throughout WFP is expected to begin in 2018, following finalization of the structure and approval of amendments to the General Rules and Financial Regulations at EB.2/2017;*
- v. *in line with the recommendations set forth in this paper, approves the following principles to guide the introduction of pilot CPBs in 2017 and the finalization of the CPB structure:*
 - a. *that the CPB structure encompass all operations in all contexts and replace the multiple programme, project and trust fund budgets that currently exist within a country;*
 - b. *that the CSP, Interim Country Framework and emergency operation of a limited duration will all adopt a CPB;*
 - c. *that the CPB be results-oriented with clear links from WFP Strategic Results to WFP Strategic Outcomes to activities to costs; and*

- d. that the principle of full-cost recovery is applied to adjusted direct support costs and indirect support costs, and that the attribution of costs be equitable and simplified to focus on these costs for the simplification of full-cost recovery norms approved by the Executive Board in the General Rules, with detailed guidance on implementation issued by the Executive Director in internal instruments.
- vi. Consistent with these principles, the Executive Board *further approves* the following elements for inclusion in the CPB structure:
 - a. the CPB be based on a standard calendar year and a year-by-year budget provided for the duration of the CSP;
 - b. the planning and budgeting for the initial response to emergencies be handled through the introduction, within the context of the CSP, of one or more separate WFP Strategic Outcomes or the augmentation of a WFP Strategic Outcome(s) in the country portfolio budget.
 - c. budgetary approval be in accordance with WFP Strategic Results and WFP Strategic Outcomes;
 - d. costs summarized into four main cost categories of transfer, implementation, adjusted direct support costs and indirect support costs;
 - e. detailed cost planning elements be aligned with harmonized United Nations cost categories where possible;
- vii. notes that the application of these principles and elements set forth above would derogate from, and eventually require amendment of certain provisions of the General Rules and Financial Regulations, notably those related to cost categorizations and full cost recovery;
- viii. expects that experience from the pilot CSPs will be of significant importance in completing the design of the CPB structure and identifying the necessary normative amendments;

- ix. *authorizes*, pending Executive Board approval of amendments of the WFP General Rules and Financial Regulations expected to be approved at EB.2/2017, derogations from existing provisions of such norms concerning cost categorizations and full cost recovery [including General Rule XIII.4 and Financial Regulations 1.1] solely where these are necessary to permit application of the aforementioned country portfolio budget principles and elements of this decision in the 2017 pilot CSPs.
- x. *notes* that the CSP framework will necessitate revision of the programme category terminology and the budgetary thresholds for Delegation of Authority to the Executive Director;
- xi. *requests* the Secretariat to propose for Executive Board approval at EB.2/2017 a revised Delegation of Authority to the Executive Director;
- xii. *grants*, as an interim measure for 2017, authority to the Executive Director to make revisions to the pilot CSPs, subject to existing delegations of authority with respect to emergency operations, with the understanding that such revisions will be reported promptly to the Executive Board;
- xiii. *requests* the Executive Director to finalize the CPB structure and propose the necessary decisions, including amendments to the WFP General Rules and Financial Regulations, to the Executive Board at EB.2/2017; and
- xiv. *notes* the preliminary resourcing requirements for transition to and implementation of the CPB structure in 2017 and 2018.