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**Executive Board
Annual Session**

Rome, 7–11 June 2010

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For approval

E

Distribution: GENERAL
WFP/EB.A/2010/6-E/1
19 May 2010
ORIGINAL: ENGLISH

FINANCIAL FRAMEWORK REVIEW OPTIONS

Financial Issues

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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for approval

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

Chief Financial Officer and Deputy Executive Director, RM*:	Ms G. Casar	tel.: 066513-2885
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Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms I. Carpitella, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

* Resource Management and Accountability Department

** Budget and Programming Division

EXECUTIVE SUMMARY

To ensure that WFP's financial framework fully supports implementation of WFP'S Strategic Plan (2008–2013), a review of the framework is under way. The review has three mutually reinforcing objectives:

- i) to ensure the predictability and stability of the Programme's funding;
- ii) to achieve greater flexibility and effectiveness in resource usage; and
- iii) to reinforce transparency in the allocation of resources.

At the request of members, the Secretariat gave priority to the issue of programme categories. In February 2010, members expressed an interest in addressing the other issues in parallel. In response, and following extensive discussions internally, the Secretariat presented the membership with issues and initial recommendations related to:

- i) the tonnage-based model, including a proposed cost model for non-commodity activities;
- ii) funding of direct support costs; and
- iii) Programme Support and Administrative budget stability.

This paper presents the Secretariat's findings and recommendations on those issues. Programme category issues are addressed in a separate document.

The Secretariat makes the following recommendations:

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

Recommendation 2. Modify current direct support cost funding model to a percentage of direct operational costs rather than a rate per mt.

Recommendation 3. Encourage and accept contributions specifically for direct support costs more transparently and with greater flexibility.

Recommendation 4. Move to a rolling three-year Management Plan with yearly approval.

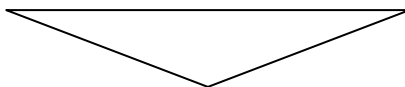
Recommendation 5. Encourage and accept direct contributions to the Programme Support and Administrative budget on a case-by-case basis more transparently and flexibly.

Recommendation 6. Maintain current indirect support cost model for funding the Programme Support and Administrative budget.

Based on the outcome of the Board discussion at the Annual Session 2010, the Secretariat will identify any necessary amendments to WFP rules and regulations, and any necessary adjustments to internal processes and systems, to be presented to the Board at its Second Regular Session in 2010.

The Secretariat intends to present a separate Board document on the issues of advance financing and forward purchase facility at the Second Regular Session in 2010.

DRAFT DECISION*



The Board approves the six recommendations made by the Secretariat as outlined in this document and looks forward to being presented at the Second Regular Session of the Board in November 2010 with:

- a) the proposed amendments to the WFP General Rules and Regulations and the Financial Rules and Regulations required to make changes to the WFP financial framework, and an outline of any other necessary changes; and
- b) a separate Board document on the issues of advance financing and forward purchase facility.

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

INTRODUCTION

1. The intention of the financial framework review is to ensure that WFP's financial framework fully supports implementation of the WFP Strategic Plan (2008–2013).¹ The review has three mutually reinforcing objectives:
 - i) to ensure the predictability and stability of the Programme's funding;
 - ii) to achieve greater flexibility and effectiveness in resource usage; and
 - iii) to reinforce transparency in the allocation of resources.
2. The review process and the issues to be addressed in the review have been discussed in Board sessions and informal consultations. At the request of members, the Secretariat gave priority to the issue of programme categories, including ensuring transparency and coherence in their application.
3. At the First Regular Session of the Board in 2010, members expressed an interest in addressing the other issues related to the financial framework review in parallel to the programme categories. In response, during informal consultations in March, April and May 2010, the Secretariat presented members with issues and initial recommendations related to three main topics:
 - i) the tonnage-based model, including a proposed cost model for non-commodity activities;
 - ii) funding of direct support costs (DSC); and
 - iii) Programme Support and Administrative (PSA) budget stability.
4. Discussions also covered such related issues as advance financing and forward purchasing, and prioritization in resource allocation.
5. The recommendations presented were based on the Secretariat's analysis of WFP's costing and funding framework, and extensive internal consultations – including with all regional directors and country directors – during which it identified important constraints and weaknesses in the framework.
6. This paper presents the Secretariat's findings and recommendations on the above issues for the Board's approval. Based on the outcome of the discussion, the Secretariat will identify any necessary amendments to WFP rules and regulations, and any necessary adjustments to internal processes and systems, to be presented to the Board at its Second Regular Session in 2010.
7. This paper does not address programme category issues. At the suggestion of members during informal consultations in May 2010, the Secretariat addresses those issues in a separate paper (WFP/EB.A/2010/11).

THE TONNAGE-BASED MODEL

8. WFP applies the principle of full-cost recovery to all contributions, whereby each donor is expected to meet the “full operational and support costs of its contributions”.² This principle means that each contribution must include an appropriate amount of associated costs,³ including a percentage to cover WFP's indirect support costs (ISC). That percentage

¹ WFP/EB.A/2008/5-A/1/Rev.1, extended until 2013 as per Board decision 2009/EB.A/3

² General Regulations, Article XIII.2.

³ Direct associated costs include external transport, LTSH, ODOC and DSC.

– referred to as the ISC rate – is approved by the Board each biennium. The ISC income is used to fund WFP’s PSA budget.

9. The current financing model outlined in the General Regulations and Rules (see box below) requires a clear delineation between operational and support costs, and between direct and indirect support costs.
10. In the model, direct operational costs (DOC) comprise commodities (food), external transport, landside transport, storage and handling (LTSH), and other direct operational costs (ODOC), which are used to cover “any other input provided by WFP to beneficiaries, the government of the recipient country or other implementing partners”.⁴
11. WFP support costs consist of: i) direct support costs (DSC), which are linked to implementation of the direct operational inputs; and ii) indirect support costs (ISC), which support the execution of projects and activities but cannot be directly linked with their implementation.
12. WFP financing model can broadly be said to be tonnage-based, given that:
 - i) cost components (commodities, external transport, LTSH, etc.) are defined primarily by their relationship to tonnage and therefore many of WFP’s budgeting, implementation and reporting processes are structured around these categories; and
 - ii) commodity tonnage serves as the basis for funding certain project costs: LTSH, ODOC and DSC are funded in accordance with the metric tonnage resourced for the project (see General Rule XIII.4 (a)(iii) and (iv)).

General Rule XIII.4: Types of contributions [emphasis added]

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 designated cash, such as cash in lieu of food commodities 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: estimated actual cost;
 - (iii) landside transportation, storage and handling (LTSH): **average per ton rate** for the project;
 - (iv) other direct costs: pro-rata share of the budgeted amount for the project as in force at the time the contribution is made, **based on tonnage**;
 - (v) indirect support costs: percentage of direct costs as determined by the Board.
- (b) Donors contributing acceptable non-food items not directly associated with other contributions shall provide sufficient cash or acceptable services to cover the full operational and support costs related to their contribution.
- (c) Donors contributing acceptable services not directly associated with other contributions shall provide sufficient cash or other acceptable resources to cover the full operational and support costs related to their contribution. [...]

⁴ WFP Financial Regulation 1.1

13. When the current model was introduced in 1996, it reflected the commodity-based assistance on which WFP relied and provided a transparent and reliable way to ensure WFP costs were covered by the relevant donor.
14. The WFP Strategic Plan 2008–2013 outlined a broader food assistance tool box with a more focused and robust set of tools and solutions for responding to critical hunger needs. Today, with both cash and commodity contributions, WFP can provide assistance not only through food transfers but also through an expanded set of tools that includes: cash components in food-for-work and food-for-asset activities; local production of nutritionally enhanced food products; cash transfers; vouchers; capacity development; and cluster leadership.
15. Although activities using these tools are usually cash-based rather than commodity-based, under the current framework the commodity-oriented cost structure, funding and reporting modalities are applied. This creates the following difficulties:
 - The costs of these activities are not separately classified for the purposes of budgeting, funding, implementation and reporting.
 - Associated costs – in particular DSC – are funded primarily on the basis of tonnage, resulting in planning difficulties and inconsistent charges among the donors.
16. There is also a perception that funding associated costs based on tonnage creates an incentive to prefer high-volume commodity-based assistance, which may not always be the most effective way to meet beneficiary needs and support local markets.

PROPOSED COST MODEL FOR NON-COMMODITY ACTIVITIES

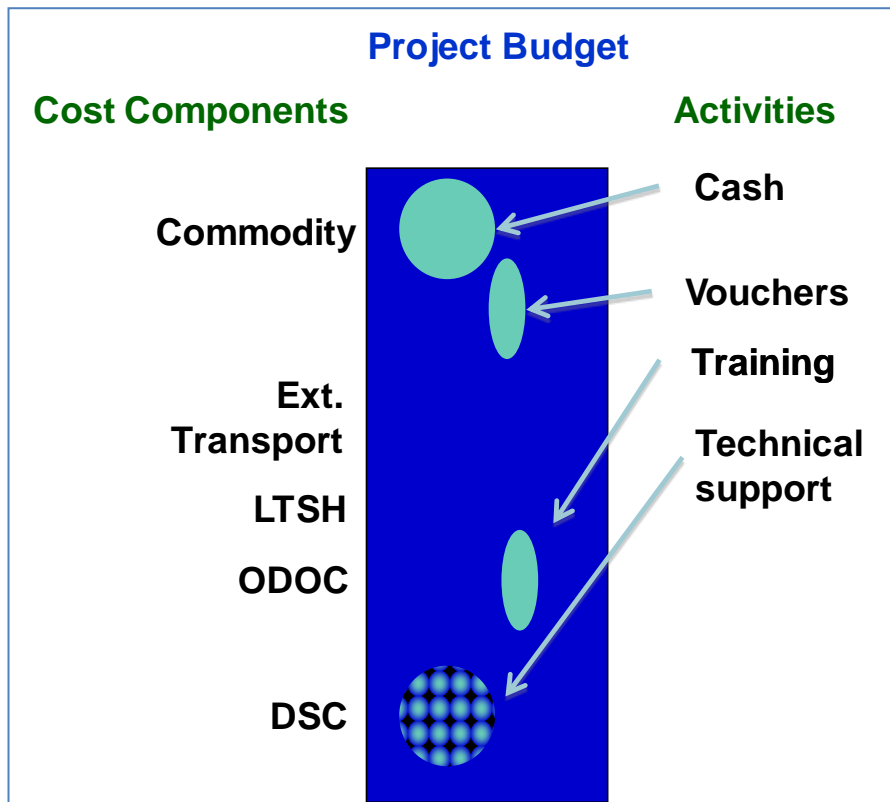
17. Increasingly, WFP provides food assistance through means other than commodity distribution. Such non-commodity inputs and activities as cash, vouchers, technical support and training play an increasingly important role in assisting beneficiaries and are often combined with commodity distributions to achieve project goals.
18. The practice of embedding non-commodity activities in the commodity-based cost structure does not necessarily affect overall costs or operational efficiency, but does result in non-commodity inputs not being properly defined and categorized. This creates significant difficulties in planning, controlling, managing and implementing the range of activities.
19. The practice also creates difficulties in benchmarking across projects, developing performance metrics and evaluating the impact of activities. For example, two similar projects can have substantially different DSC rates when compared on a per-ton basis. The project with the higher per-ton rate may seem less efficient, but it may use a more effective approach that involves a lower commodity component and/or more non-commodity inputs, with consequent increases in the per-ton DSC rate.
20. To address this problem, the following options were discussed with the regional directors and country directors, and with the Board in three informal consultations.

- Option A: Continue with the current model**
- Option B: Segregate non-commodity activities⁵ within projects**
- Option C: Segregate non-commodity activities in separate projects**

Option A: Continue with the current model

21. This option was examined as a baseline for comparison purposes. Figure 1 illustrates the current model, with non-commodity activities embedded in the existing cost categorization. This approach would perpetuate the planning and funding problems outlined above, but would not require any governance, systems or process changes.

Figure 1: Option A: Current Model

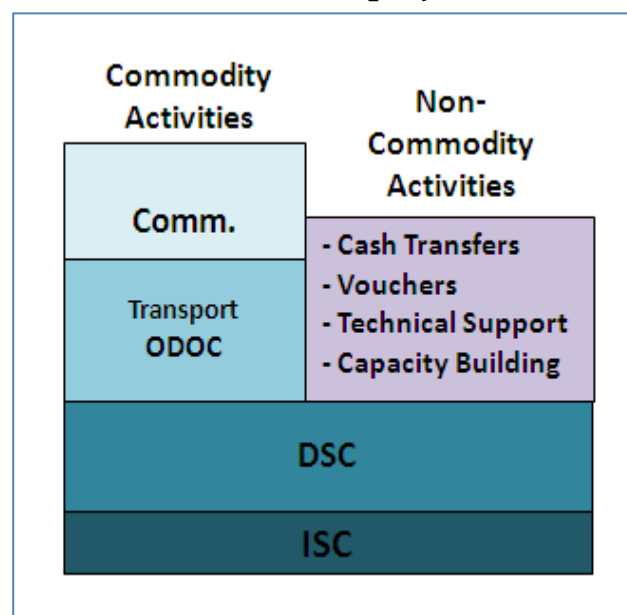


⁵ Note that commodity activities can be supported by cash and/or in-kind contributions.

Option B: Segregate non-commodity activities within projects

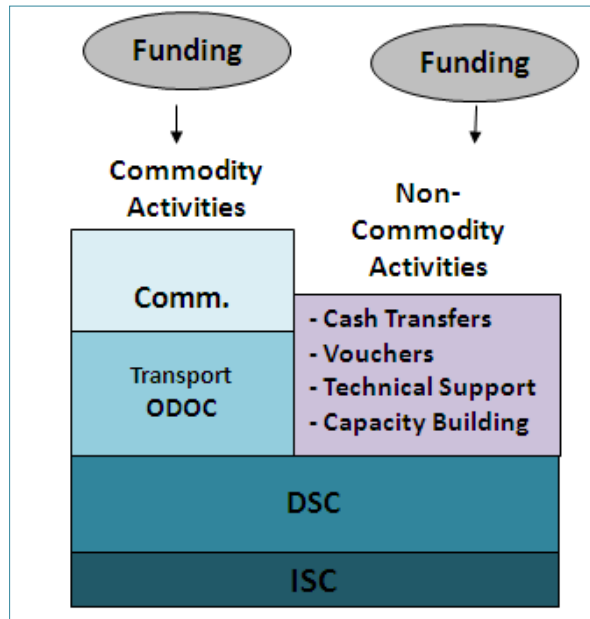
22. Under this option, illustrated in Figure 2, the cost of non-commodity activities would be segregated within projects. This option provides for more transparency, and better budgeting and control, for non-commodity activities. The cost per ton of commodities would be easily identifiable, thus allowing for more accurate benchmarking and comparison of commodity-based activities across projects.
23. This option would increase transparency, strengthen planning and management, and allow clearer links to performance indicators for both commodity and non-commodity activities.

Figure 2: Option B: Segregate non-commodity activities within projects



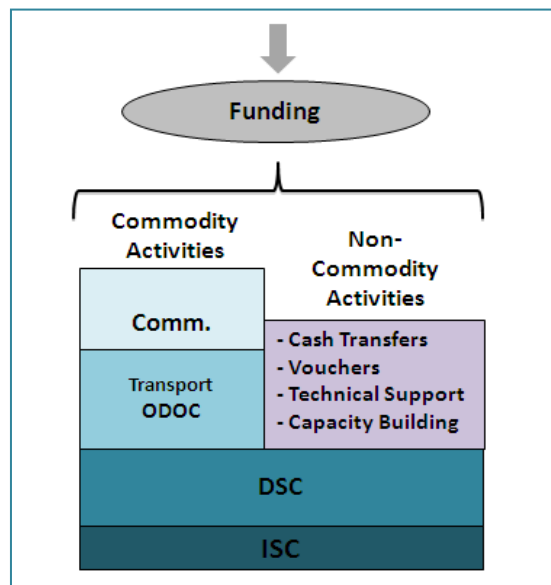
24. There are three alternative funding approaches proposed for this option.
25. The first approach, illustrated in Figure 3, would use two separate funding streams for each project: one for commodity activities and another for non-commodity activities.

Figure 3: Funding Approach B1



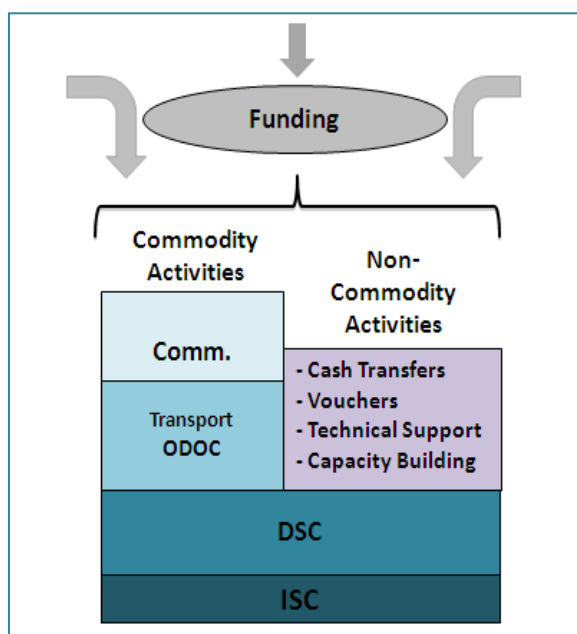
- 26. This approach would allow WFP to raise resources for each of the two types of activity based on its advantages and value. The approach could, however, mean that critical parts of a project have insufficient resources if there is limited donor interest in them. In addition, from the programmatic perspective, it would mean that the flexibility to choose one type of intervention over another would be lost.
- 27. Figure 4 illustrates a second funding approach for Option B. All contributions to a project would be provided to the project as a whole, without specifying whether they are for commodity activities or non-commodity activities.

Figure 4: Funding Approach B2



28. With a single funding stream for each project, the most appropriate types of activity could be decided upon at the time of implementation, resulting in increased flexibility and greater effectiveness.
29. This approach would not permit WFP to raise resources for specific activities separately, which could limit the amount of resources available to a given project.
30. Figure 5 illustrates a third funding approach for Option B, whereby most resources would be donated to the project as a whole (as with Funding Approach B2), but on an exceptional basis resources could be accepted for either of the two types of activities.

Figure 5: Funding Approach B3



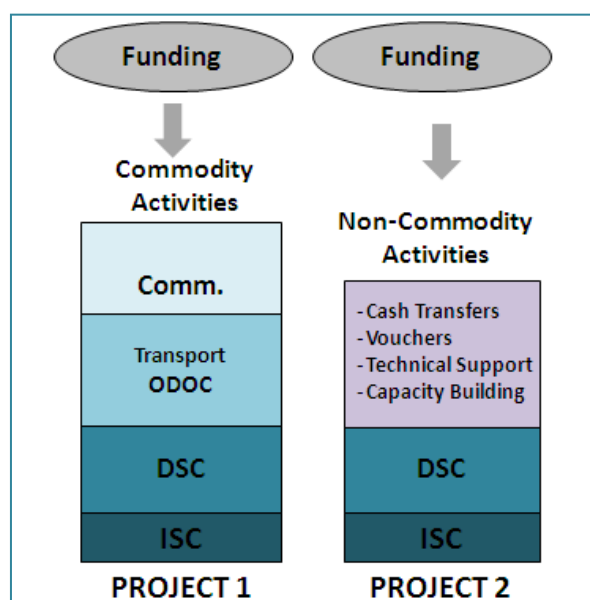
31. The approach would allow WFP to raise resources for commodity activities or non-commodity activities jointly or separately, depending on circumstance. This flexibility would maximize the resources generated with consequent benefits for the project impact.
32. Creating a separate structure for non-commodity activities, with the possibility of funding them separately, also provides an opportunity for trust funds – most of which are country-specific trust funds provided by recipient governments for non-commodity activities such as technical support and procurement services – to be included in WFP projects rather than functioning as stand-alone activities. The approach also provides a structure that encourages direct contributions for capacity development and other activities.
33. For these reasons the Secretariat recommends this approach.

Option C: Segregate non-commodity activities in separate projects

34. As illustrated in Figure 6, under Option C non-commodity activities would be approved, managed and resourced as separate projects.
35. This approach would maintain many of the benefits of Option B. However, it would also entail a significant reduction in flexibility. It could possibly result in a fragmented approach to interventions, which would reduce operational effectiveness and efficiency given that non-commodity activities are often integral to achieving project goals. In

addition such an approach would not be practical for smaller-scale activities. Identifying and funding the DSC for separate, small-scale projects would also be difficult and impractical.

Figure 6: Option C: Segregate non-commodity activities in separate projects



Summary and Recommendation

36. Table 1 summarizes the options described above in relation to the objectives of the financial framework review: option B results in increased predictability, stability and transparency, as measured against current levels.

Table 1: Options for Addressing Funding of Non-Commodity Activities

	Predictability Stability	Flexibility	Transparency
Option A: Current model (base)	X	—	X
Option B: Segregate non-commodity activities within projects	↑	—	↑
Option C: Segregate non-commodity activities in a separate project	↑	↓	↑

Recommendation 1: (Option B3) *Segregate non-commodity activities within projects and – exceptionally – allow separate funding streams*

PROPOSED FUNDING OF DIRECT SUPPORT COSTS

37. Direct support costs (DSC) are those costs, generally at the country office level, that “can be directly linked with the provision of support to an operation and which would not be incurred should the activity cease”.⁶ To calculate the DSC, recurring costs such as staff, vehicles, office rental and supplies, monitoring and evaluation, and training required are quantified and included in the project budget.
38. However, the DSC requirements are funded as a pro-rated share of the amount budgeted for a project, based on tonnage. This approach creates the following difficulties:
- i) The funding availability for DSC for a given project can be variable and unpredictable while the costs are can be relatively fixed, at least in the short term, resulting in significant planning difficulties.
 - ii) The broader and more complex nature of WFP’s food assistance means that the metric ton is no longer always the most appropriate indication of the size or complexity of an operation.
 - iii) The requirement that each donor fund DSC based on the tonnage provided does not result in a fair share of costs when there are contributions for non-commodity activities.
 - iv) There may be a built-in incentive to engage in higher-tonnage activities.
39. To address the above issues, three options were reviewed:
- Option A:** Continue with the current model (DSC funded based on tonnage);
- Option B:** Modify the current model using DSC as a percentage of direct operational costs; and
- Option C:** Fund DSC separately from direct operational costs using direct DSC appeals.

Option A: Continue with the current model

40. This option was examined as a baseline for comparison purposes. The continuation of the current model would perpetuate the planning, funding and incentive problems outlined above, but would not require any governance, systems or process changes.

Option B: Modify the current model using DSC as a percentage of direct operational costs

41. This option entails adjusting the DSC funding mechanism so that it is calculated as a percentage of the value of the total budgeted DOC rather than using a per-mt rate. A standard percentage would be applied to each contribution to a given project, thus establishing an equitable share of DSC among donors whatever the type of activity. The DSC percentage would vary by project according to the demands of the project.
42. This approach has two major advantages: i) it removes any incentive to maximize the tonnage of a project; and ii) it allows DSC to be calculated equitably for all those donors providing resources to a project, whether for commodity or non-commodity activities.

⁶ WFP Financial Regulation 1.1

Option C: Fund DSC separately from direct operational costs using direct DSC appeals

43. This option would establish separate resourcing for the DSC component of projects, appealing to donors to cover such costs independently of the project's other operational costs.
44. If independent resourcing of DSC is successful it could lead to significant planning improvements and efficiency gains. However, WFP's experience with this type of resourcing prior to 1996 – when the current resourcing model was adopted – and the results of the current review both point to an increased risk for project implementation and management: the option represents a fundamental departure from the full-cost recovery principle. It could lead to “cross-subsidization”, where some donors bear a higher share of overhead costs given that there would no longer be a mechanism to ensure an equitable share of these costs among donors.
45. However, although it is not considered appropriate to fund DSC exclusively in this manner, on a case-by-case basis contributions specifically to DSC may sometimes increase predictability and stability, and, when confirmed early and in sufficient amounts, can greatly enhance planning and result in efficiency gains. This approach is allowed by the General Regulations and Rules, but has been utilized infrequently.
46. Therefore, to improve predictability and planning the Secretariat encourages donors to make contributions specifically for the direct support costs of individual projects. It intends to adjust its processes to support this approach in a more flexible and transparent manner.

Summary and Recommendations

47. Option A would maintain the current level of flexibility and transparency, but would not address the issue of predictability. Option B would link DOC and DSC in a more appropriate way, thus providing increased transparency. Option C separates the resourcing of DOC and DSC and thus could lead to difficulties in resourcing DSC, with a negative impact on operational effectiveness.
48. Table 2 summarizes the options for addressing the funding of DSC costs in relation to the objectives of the financial framework review: increased predictability and stability, flexibility and transparency, as measured against current levels.

Table 2: Options for Addressing Funding of DSC Costs

	Predictability Stability	Flexibility	Transparency
Option A: Continue with current model (i.e. rate per MT)	X	—	—
Option B: Modify current model, i.e. use % of DOC value	—	↑	↑
Option C: Exclusively fund Direct Support Costs separately within project, i.e. Direct Appeals for DSC	↓	—	↓

Recommendation 2: Modify current DSC funding model to a percentage of DOC rather than a rate per mt (Option B)

Recommendation 3: Encourage and accept contributions specifically for DSC more transparently and with greater flexibility

REVIEW OF PROGRAMME SUPPORT AND ADMINISTRATIVE STABILITY

49. The financial framework review also looked at the issue of PSA stability.
50. WFP operates on the basis of the full-cost recovery principle, which means that each contribution must cover the “full operational and support costs of its contribution”, including a percentage of the contribution to cover ISC. The ISC income is used to fund the PSA budget.
51. The PSA budget covers costs arising from the execution of projects and activities which cannot be directly linked with their implementation;⁷ these include costs incurred in staffing and operating WFP Headquarters, a large part of the regional bureaux, and a fixed structure within country offices. It is prepared and submitted to the Board for approval as a part of the biennial Management Plan.
52. Currently, PSA planning and budgeting is based on a two-year budget cycle with a clean break between planning periods. This method is relatively transparent, but it can lead to difficulties in organizational planning and decision-making, and increased administrative burden.
53. Some of the structural challenges in having a discrete two-year budget cycle include:
- highly uncertain funding being used to fund relatively fixed costs;
 - a need for numerous Management Plan updates (five during the 2008–2009 biennium) because of frequent changes in operational requirements;
 - difficulties in attracting multi-year donor contributions; and

⁷ Financial Regulation 1.1 [Definitions]: Indirect support cost

iv) lack of alignment with the annual financial statement processes under International Public Sector Accounting Standards (IPSAS).

54. To address these limitations, three options – which are not mutually exclusive – were reviewed:

Option A: Continue with the current model;

Option B: Develop rolling Management Plan; and

Option C: Establish a mechanism to fund PSA exclusively by direct appeals.

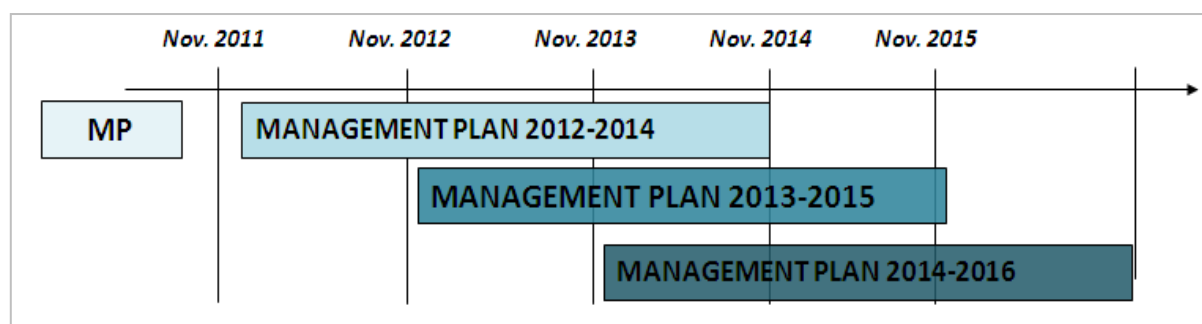
Option A: Continue with the current model

55. This option was examined as a baseline for comparison purposes. It would allow WFP to continue with its established business and budgeting processes, but would not help it in its efforts to increase PSA stability and predictability.

Option B: Develop rolling Management Plan

56. This option introduces the possibility of a rolling three-year Management Plan with yearly approval, as illustrated in Figure 2.

Figure 2: Rolling Three-Year Management Plans



57. For example: The Secretariat presents a three-year Management Plan covering 2012–2014 at the Second Regular Session of 2011. It then presents an updated three-year Management Plan covering 2013–2015 at the Second Regular Session of 2012. In this way WFP would always have in place a Management Plan of between two and three years. More importantly, the Management Plan and associated PSA budget proposal would be based on a somewhat longer-term, constantly evolving view of needs and resources, rather than on the more static and shorter-term view inherent in the current planning process.

58. The change from the current fixed two-year Management Plan structure into a “rolling” three-year plan would provide more stable PSA budget planning and would allow WFP to scale up or down in a more structured and planned manner. It could also help attract more multi-year contributions, which currently represent a very low percentage of contributions.

Option C: Establish a mechanism to fund the PSA budget exclusively by direct appeals

59. The Secretariat reviewed the use of direct funding of the PSA budget as an option. A review of other United Nations and outside organizations and agencies⁸ shows that many of them benefit from direct funding of the equivalent of PSA costs, which allows them to maintain a more stable managerial and operational support capacity and facilitates better planning. Several also cover their equivalent of PSA costs from the non-earmarked portion of their resources. The WFP funding model differs significantly from these because it operates on the full-cost recovery principle and has no predictable income for the PSA budget.
60. WFP is entirely voluntarily funded, and so direct funding of PSA could be achieved only by appealing for voluntary contributions directly for PSA. The utilization of only direct appeals to fund PSA would have to secure at least the fixed portion of PSA costs (between 70 and 80 percent) on a voluntary basis. In the absence of the full-cost recovery principle, donors' shares of PSA costs would not be linked to their contributions and would thus be unequal. Providing contributions to be used exclusively for PSA costs is not attractive to many donors, and so this approach would lead to less predictable and stable PSA funding and planning. Although WFP's current financial framework allows receipt of direct contributions for PSA costs,⁹ these contributions have been infrequent and relatively small in value.
61. The use of direct appeals to cover PSA costs could be a useful supplement to the existing PSA funding mechanism, but they would not be effective were they the only modality to cover those costs.

Conclusions and Recommendations

62. The Secretariat recommends a change to the Management Plan cycle, which should improve planning although it will not resolve the uncertainty inherent in the PSA planning process caused by unpredictability of funding.
63. Table 3 summarizes the options for addressing the issue of PSA stability in relation to the objectives of the financial framework review: increased predictability and stability, flexibility and transparency, as measured against current levels.

⁸ There are two main types of direct funding:

- a) Assessed contributions: United Nations Development Programme (UNDP), Food and Agriculture Organization of the United Nations (FAO), United Nations High Commissioner for Refugees (UNHCR), World Health Organization (WHO), International Fund for Agricultural Development (IFAD)
- b) Headquarters appeals and others: International Committee of the Red Cross (ICRC), World Bank, FAO, Save the Children Fund (SCF).

⁹ General Regulation XIII.4 (d)

Table 3: Options for Addressing PSA Stability

	Predictability Stability	Flexibility	Transparency
Option A: Current model	X	--	--
Option B: Rolling PSA budgets	↑	--	↑
Option C: PSA funded exclusively by direct appeal	↓	↑	↓

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

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

Recommendation 6: Maintain current ISC model for funding the PSA budget¹⁰

CONCLUSION AND NEXT STEPS

Conclusion

64. The financial framework review involved identifying and discussing the main problems and their potential solutions with WFP operational managers and directors. The problems identified – the lack of a clear cost model for non-commodity activities and the difficulties with the current model of funding DSC and PSA – touched on the core principle of full-cost recovery, but it was the manner of applying the principle that was found to be problematic rather than the principle itself. The two options examined that involved a departure from the full-cost recovery principle were found to be unworkable and were discarded.
65. The Secretariat recommends that the core principle of full-cost recovery be continued, as for example in Recommendation 6. However, it also recommends that the way it is applied be adapted to provide greater transparency regarding non-commodity activities (Recommendation 1) and to allow funding DSC on a percentage of operational costs basis rather than on a tonnage basis (Recommendation 2).

¹⁰ This recommendation means there will be no significant change to the PSA funding model. As discussed in the informal consultations, the Secretariat therefore intends to incorporate core cluster leadership costs (US\$6 million in 2010–2011) into the PSA budget with effect from 2012. These costs were not included in PSA pending the finalization of this review.

66. In addition, the Secretariat encourages, and will accommodate in a more transparent manner, contributions specifically for DSC (Recommendation 3) and the PSA budget (Recommendation 5) and proposes to change its planning cycle to a three-year rolling Management Plan (Recommendation 4).

Next Steps

67. Assuming the above recommendations are approved, the Secretariat proposes the following actions to conclude the financial framework review.
- i) The Secretariat will complete the work it has begun to examine the detailed implications of the above recommendations, including changes to systems and processes.
 - ii) The changes to the General Rules, General Regulations and Financial Regulations needed to enact the above recommendations will be presented for the approval of the Executive Board at the Second Regular Session in 2010.
 - iii) The Secretariat will continue the consultation process with the Board on advance financing and forward purchases with a view to presenting proposals on these issues, as a separate agenda item, for approval at the Second Regular Session in 2010.

ACRONYMS USED IN THE DOCUMENT

DOC	direct operational costs
DSC	direct support costs
FAO	Food and Agriculture Organization of the United Nations
ICRC	International Committee of the Red Cross
IFAD	International Fund for Agricultural Development
IPSAS	International Public Sector Accounting Standards
ISC	indirect support costs
LTSH	landside transport, storage and handling
ODOC	other direct operational costs
PSA	Programme support and administrative
SCF	Save the Children Fund
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
WHO	World Health Organization