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**Executive Board  
Annual Session**

**Rome, 21 - 24 May 2001**

# **FINANCIAL AND BUDGETARY MATTERS**

**Agenda item 5**

***For approval***



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## **AMENDMENTS TO THE WFP FINANCIAL REGULATIONS ON THE OPERATIONAL RESERVE**

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# Note to the Executive Board



**This document is submitted for approval by the Executive Board.**

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.

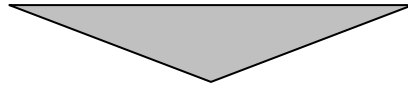
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(FSD):

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Supervisor, Meeting Servicing and Distribution Unit (tel.: 066513-2328).



# Draft Decision



The Executive Director recommends that the Executive Board take note of the relevant amendment to Financial Rule 110.1 and approve, with immediate effect, the revised Financial Regulation 10.6, as follows:

***Proposed Financial Regulation 10.6:***

Drawdowns from the operational reserve shall be restored as soon as possible from the contributions made for the purpose for which the drawdown was made. At the end of each financial period, the Executive Director should determine any such contributions that are uncollectable and for which expenditure was incurred and request the Board to approve the replenishment of the operational reserve from the unarmarked portion of the General Fund. Such requests shall be made at the time of the presentation of the audited biennial accounts.



## BACKGROUND

1. The Operational Reserve, which is maintained within the General Fund and currently has an approved level of US\$57 million, is used to ensure the continuity of operations in the event of a temporary shortfall of resources and is governed by Financial Regulations 10.5 and 10.6 and Financial Rule 110.1.
2. The need for a review and amendment of the Financial Regulations on the Operational Reserve was highlighted in the Audited Biennial Accounts document submitted to the Third Regular Session of the Executive Board in October 2000 (WFP/EB.3/2000/4-B/1) and in the Board decision. In particular:
  - In his long form report in the Financial Statements for the financial period 1 January 1998 to 31 December 1999, the External Auditor recommended a review of the Financial Regulations on the Operational Reserve to provide for situations where the authorized level of the reserve is reduced to meet a permanent shortfall in resources.
  - In the Statement of the Executive Director, reference was made to the Secretariat's intention to review the existing Financial Regulations and Rules on the Operational Reserve.
  - Executive Board decision 2000/EB.3/6 looked forward to the submission of the amendments to the Financial Regulations on the replenishment of the Operational Reserve.
3. The objective of the present document is to respond to the decision of the Board and propose amendments to the Financial Regulations for approval by the Board.

## AMENDMENTS TO THE FINANCIAL REGULATIONS

4. In order to address those situations where confirmed contributions are not eventually collected to reimburse the Operational Reserve, the Executive Director proposes amending Financial Regulation 10.6 to allow for the Operational Reserve to be replenished from the General Fund following approval by the Executive Board. The revised Financial Regulation would read as follows:

***Proposed Financial Regulation 10.6:***

Drawdowns from the operational reserve shall be restored as soon as possible from the contributions made for the purpose for which the drawdown was made. At the end of each financial period, the Executive Director should determine any such contributions that are uncollectable and for which expenditure was incurred and request the Board to approve the replenishment of the operational reserve from the unearmarked portion of the General Fund. Such requests shall be made at the time of the presentation of the audited biennial accounts.

5. A comparison of the present and proposed Financial Regulation is presented in the Annex.



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## AMENDMENTS TO THE FINANCIAL RULES

6. Subsequent to the approval of the proposed amendments to the Financial Regulations, the related Financial Rule 110.1 will also be amended. The Financial Rules are issued under the authority of the Executive Director and presented to the Executive Board for information. Hence, the amendment to the Financial Rule is also presented in the Annex.



## ANNEX

AMENDMENTS TO THE FINANCIAL REGULATIONS AND RULES	
Present Financial Regulation & Rule	Proposed Financial Regulation & Rule
<p><b>Financial Regulation 10.6:</b> Drawdowns from the operational reserve shall be restored as soon as possible from the contributions made for the purpose for which the drawdown was made.</p> <p><b>Financial Rule 110.1</b></p> <p>The Operational Reserve will be used to:</p> <ol style="list-style-type: none"> <li>Finance the implementation of approved projects in progress and other continuing multilateral operations (including directed multilateral operations) for which firm pledges have been announced, pending receipt of pledged contributions;</li> <li>finance the approved Programme Support and Administrative budget for which firm pledges or other firm sources of income have been identified; and</li> <li>make reimbursable advances to other funds as may be established by the Executive Board for which firm pledges or other firm sources of income had been identified, up to a limit of five million dollars or not exceeding 10 percent of the operational reserve, whichever is less.</li> </ol> <p>The operational reserve will be replenished as soon as the relevant contributions are received.</p>	<p><b>Financial Regulation 10.6:</b> Drawdowns from the operational reserve shall be restored as soon as possible from the contributions made for the purpose for which the drawdown was made. <b><i>At the end of each financial period, the Executive Director should determine any such contributions that are uncollectable and for which expenditure was incurred and request the Board to approve the replenishment of the operational reserve from the unearmarked portion of the General Fund. Such requests shall be made at the time of the presentation of the audited biennial accounts.</i></b></p> <p><b>Financial Rule 110.1</b></p> <p>The Operational Reserve will be used to:</p> <ol style="list-style-type: none"> <li>Finance the implementation of approved projects in progress and other continuing multilateral operations (including directed multilateral operations) for which firm pledges have been announced, pending receipt of pledged contributions;</li> <li>finance the approved Programme Support and Administrative budget for which firm pledges or other firm sources of income have been identified; and</li> <li>make reimbursable advances to other funds as may be established by the Executive Board for which firm pledges or other firm sources of income had been identified, up to a limit of five million dollars or not exceeding 10 percent of the operational reserve, whichever is less.</li> </ol> <p>The operational reserve will be replenished as soon as the relevant contributions are received. <b><i>Where firm pledges or other firm sources of income are subsequently assessed as not collectable and for which expenditure was incurred, the Executive Director shall request the Executive Board to restore the operational reserve to the authorized level by way of replenishment from the unearmarked portion of the General Fund. The reasons for non-collection shall be explained and documented. The request for approval shall be submitted to the Board at the time of the submission of the audited biennial accounts for the relevant financial period. The replenishment of the operational reserve shall be effective at the beginning of the ensuing financial period.</i></b></p>

*Note:* The changes to the Financial Regulations and Rules are emphasized in bold italics.

