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**Executive Board
Third Regular Session**

Rome, 19 - 22 October 1999

FINANCIAL AND BUDGETARY MATTERS

Agenda item 3

For information



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27 September 1999

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REPORT OF THE FAO FINANCE COMMITTEE

The Executive Director is pleased to submit herewith the report of the FAO Finance Committee pertaining to WFP. The report covers the following agenda items:

- Item 3-A—WFP's Biennial Budget (2000–2001)
- Item 3-B—Progress Report on Implementation of the External Auditor's Recommendations (1996–1997)
- Item 3-C—Funding of WFP's After-Service Medical Liabilities

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September 1999



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de las
Naciones
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para la
Agricultura
y la
Alimentación

FINANCE COMMITTEE

Ninety-third Session

Rome, 13 - 17 September 1999

Report on WFP items

I. WFP Biennial Budget 2000–2001

1. The Committee considered the document (WFP/EB.3/99/3-A) submitted to it for discussion and recommendations to be presented to the Executive Board at its Third Regular Session in October 1999.
2. The Executive Director, Ms Catherine Bertini, introduced the WFP budget for 2000–2001 and explained that the projections were in line with the estimates contained in the Strategic and Financial Plan (SFP), 2000–03. In formulating the budget, the Executive Director cited the new features resulting from: (i) the introduction of revised Resource and Long-Term Financing (R<F) policies, including the elements that dealt with cost re-categorization and a single across-the-board indirect support cost (ISC) rate; (ii) incorporation of comparative data over three consecutive biennia; and (iii) a presentation of data, particularly for the treatment of support costs, in accordance with the budget harmonization initiative arising from United Nations (UN) reform.
3. The Committee expressed appreciation for the concise and well-balanced format of the document, as it afforded clear insight into the methodology employed to prepare the budget and gave a detailed and concentrated account of how WFP's resources were foreseen to be used in the coming biennium and from where those resources were expected to come. The Committee noted that the overall themes and directions of the budget were well-connected to the strategic framework laid out in the Strategic and Financial Plan (SFP) 2000-2003. The Committee urged the Executive Director to submit future budgets in a similar condensed and informative manner with the possible inclusion of a brief highlight section on the budgetary impact regarding WFP's

means of responding to large-scale extra-ordinary relief operations, both in terms of resource mobilization efforts and reaction on the ground.

4. The Committee sought and received responses on clarifications concerning: (i) the de-obligation process and its impact on transport and other costs; (ii) reasons behind volume fluctuations in programme categories, particularly in development; (iii) the implementation strategy, including budgetary support, for recommendations associated with the Food Aid and Development review; (iv) the means for determining ISC rates; (v) how WFP estimated commodity values; (vi) the implications of R<F policies on budget preparations; (vii) the influence of cash and in-kind contributions on the budget; (viii) decentralization with emphasis on ensuring that responsibility and delegated authority accompanied such initiatives; (ix) UN common house; (x) the presence and role of Junior Professional Officers (JPO) in WFP and their prospects for employment in the organization; and (xi) WFP's overall training strategy.

5. In summing up, the Committee expressed its appreciation to the Executive Director and her staff for the further insight and responses given to the clarifications sought and decided to recommend to the Executive Board that it approve the Executive Director's proposals contained in the Executive Board Action section on page 3 of the WFP 2000-01 Budget document.

II. Funding of WFP's After-Service Medical Liabilities

6. The Committee considered document WFP/EB.3/99/3-C which was prepared in response to the decision of the Executive Board 97/EB.A/8 and which set out the financial liabilities of WFP for After Service Medical Benefits and provided options for the funding of these liabilities.

7. The Committee asked questions on the proposal and on the approaches taken on this issue by other organizations in the UN system. Some members stated that they were not in a position to provide guidance on this subject until further information, including the views of the UN Advisory Committee on Administrative and Budgetary Questions (ACABQ), was provided for consideration by capitals. The Committee also sought the views of the External Auditor who agreed that the recognition of the liabilities in the Financial Statements was desirable and transparent.

8. The representatives of WFP responded to the questions raised and advised that further information on comparative approaches in the UN system as well as the report of the ACABQ would be presented to the Executive Board.

9. The Legal Counsel advised that under the WFP General Regulations, the Executive Board had the full authority to exercise intergovernmental supervision and scrutiny of all aspects of the WFP Fund. The General Regulations required the Board to draw on the advice of ACABQ and the FAO Finance Committee on all matters relating to the financial administration of WFP. In the absence of substantive advice proffered by one of these bodies, it would be for the WFP Executive Board to decide whether or not to proceed with the matter.

10. The Committee concluded that it was not in a position, due to the reasons stated in para. 7 above, to endorse the proposals of the Executive Director to recognize the After Service Medical Liabilities in the Financial Statements.

III. Progress Report on the Implementation of the External Auditor's Recommendations 1996-1997

11. The Committee decided to defer consideration of this item to its next session.