



**World Food Programme**

**Executive Board**

**Second Regular Session**

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Resource, Financial and Budgetary Matters

Executive Board documents are available on WFP's Website (<http://executiveboard.wfp.org>).

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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:

- WFP Management Plan (2017–2019) (WFP/EB.2/2016/5-A/1)
- Financial Framework Review (WFP/EB.2/2016/5-B/1)
- Work Plan of the External Auditor (WFP/EB.2/2016/5-C/1)
- WFP Strategic Plan (2017–2021) (WFP/EB.2/2016/4-A/1)
- Corporate Results Framework (2017–2021) (WFP/EB.2/2016/4-B/1)
- Policy on Country Strategic Plans (WFP/EB.2/2016/4-C/1)



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## COUNCIL

### Hundred and Fifty-fifth Session

Rome, 5 - 9 December 2016

### Report of the 163<sup>rd</sup> Session of the Finance Committee (2-3 November 2016)

#### Executive Summary

At its 163<sup>rd</sup> Session, the Committee reviewed a number of financial, budgetary and oversight matters relating to the World Food Programme (WFP), prior to their consideration by the Second Regular Session of the WFP Executive Board in November 2016.

#### Suggested action by Council

The Council is invited to note the views and recommendations of the Finance Committee in respect of matters considered by the Second Regular Session of the WFP Executive Board in November 2016.

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## Table of Contents

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	Pages
Introduction.....	4
Election of Vice-Chairperson .....	5
World Food Programme Matters .....	5
WFP Management Plan (2017–2019) .....	5
Financial Framework Review.....	7
WFP Strategic Plan (2017–2021).....	8
Policy on Country Strategic Plans .....	10
Corporate Results Framework (2017–2021) .....	11
Other Matters .....	11
Date and Place of the Hundred and Sixty-fourth Session.....	11
Documents for information.....	11

## Introduction

1. The Committee submitted to the Council the following report of its 163<sup>rd</sup> Session.
2. In addition to the Chairperson, Mr Khalid Mehboob, the following representatives of Members were present:
  - Mr Carlos Alberto Amaral (Angola)
  - Ms Antoinette Merrillees (Australia)
  - Mr Antonio Otávio Sá Ricarte (Brazil)
  - Mr Xie Jianmin (China)
  - Mr Khaled M.S.H. Eltaweel (Egypt)
  - Mr Mateo Nsogo Nguere Micue (Equatorial Guinea)
  - Ms Hannah Laubenthal (Germany)
  - Mr Benito Santiago Jiménez Sauma (Mexico)
  - Mr Lupino jr. Lazaro (Philippines)
  - Mr Vladimir V. Kuznetsov (Russian Federation)
  - Ms Abla Malik Osman Malik (Sudan)
  - Ms Elizabeth Petrovski (United States of America)
3. The Chairperson informed the Committee that:
  - Ms Cathrine Stephenson (Australia) had been designated to replace Mr Matthew Worrell as the representative of Australia for the remainder of its term of office;
  - Ms Antoinette Merrillees (Australia) had been designated to replace Ms Cathrine Stephenson for this session;
  - Mr Xie Jianmin (China) had been designated to replace Mr Niu Dun for this session;
  - Mr Mateo Nsogo Nguere Micue (Equatorial Guinea) had been designated to replace Mr Crisantos Obama Ondo for this session;
  - Ms Hannah Laubenthal (Germany) had been designated to replace Mr Heiner Thofern for this session;
  - Following the withdrawal of the Republic of Trinidad and Tobago from Membership of the Finance Committee, the 154<sup>th</sup> Session of the Council (30 May to 3 June 2016) had elected Mr Benito Santiago Jiménez Sauma (Mexico) as member of the Finance Committee for the remainder of the term of office;
  - Mr Thomas M. Duffy (United States of America) had been designated to replace Ms Nathalie Brown as the representative of the United States of America for the remainder of her term of office; and
  - Ms Elizabeth Petrovski (United States of America) had been designated to replace Mr Thomas M. Duffy for this session.
4. A summary of the qualifications of the substitute representatives can be downloaded from the Governing and Statutory Body Web site at:  
<http://www.fao.org/unfao/govbodies/gsbhome/finance-committee/substitute-representatives/en/>

5. In addition, silent observers from the following Members attended the 163<sup>rd</sup> Session of the Committee:

- Afghanistan
- Argentina
- Austria
- Bulgaria
- Costa Rica
- Cuba
- Cyprus
- Denmark
- Ecuador
- European Union
- France
- Hungary
- Iceland
- Iran, Islamic Republic of
- Italy
- Japan
- Lithuania
- Netherlands
- Norway
- Panama
- Republic of Malta
- Slovakia
- Spain
- Switzerland
- Venezuela, Bolivarian Republic of

### **Election of Vice-Chairperson**

6. Thomas M. Duffy (United States of America) was elected Vice-Chairperson until the end of the Committee's present term of office.

## **World Food Programme Matters**

### **WFP Management Plan (2017–2019)**

7. The Committee considered the *WFP Management Plan (2017–2019)* which included: i) a revenue forecast of USD 5.2 billion for 2017 used as the basis for setting the Programme Support and Administrative (PSA) budget; ii) operational requirements of USD 9.0 billion; iii) a PSA budget of USD 335.4 million; and iv) a proposed transfer of USD 15 million from the PSA Equalization Account (PSAEA) to the Immediate Response Account (IRA). The Committee was also informed of WFP's intention to submit a proposal for critical corporate initiatives, tentatively set at USD 15.0 million, at the first Regular Session of the Executive Board in 2017.

8. The Committee noted that the PSA budget contained an increase of 3.4 % (USD 10 million) for Headquarters and the Regional Bureaux compared to 2016, and that the budget had been formulated to include a revision ("churn") of headquarters budget allocations to meet evolving priorities of WFP. Looking ahead, the Committee encouraged WFP to continue to pursue cost efficiencies and to renew its efforts to keep reporting on the achievement of real savings within the PSA budget and to limit base PSA budget growth.

9. In discussions on the technical adjustment for centralized services, the Committee expressed support for the concept of making a value transfer to beneficiaries while still allowing WFP to maintain the principle, adopted in recent years, of living within its means. The Committee was informed that the proposal to use USD 35.1 million in indirect support costs (ISC) income to meet the

cost of certain centralized services was a substitution, not provision of additional funds. The proposal would better allow comparison to the funding models of other organizations given that WFP was 100% voluntarily funded. The Committee understood that the proposed measure was prudent, with WFP continuing to live within its means. Looking ahead, the Committee was informed that future funding projections contained in the Management Plan were generally conservative, but that if a decline were to transpire then the PSA as a whole would be subject to review. The Committee also took note that the proposal would allow WFP to make a value transfer to beneficiaries of approximately 117 million extra rations in 2017 and noted the positive outcomes to be gained from the proposal. Implementation of the Integrated Road Map in 2017 would require WFP to review such an approach in the light of the country portfolio budgets.

10. With regard to the issue of cash-based transfers, the Committee noted WFP's goal of achieving by 2020 the transfer of 40 cents in currency or value entitlement of every transfer value to beneficiaries of 1 dollar. The Committee was informed that WFP showed this as a baseline figure which was not necessarily based on country-specific programmatic analysis.

11. The Committee considered the request to transfer USD 15 million from the PSA Equalization Account to the IRA. The Committee was informed that the annual target level for the IRA had been set at USD 200 million in 2014 but that annual contributions to the IRA in recent years had remained more or less unchanged at a level of around USD 50 million. The Committee was also informed that new contributions to the IRA so far in 2016 amounted to USD 37 million while there had been allocations made of USD 124 million. The Committee was informed that the projected 2017 balance on the PSA Equalization Account would be well above the target level for the account that was agreed in 2015 with WFP's Executive Board, and that the transfer would not affect the underlying financial health of the account. Thus, a transfer to the IRA was a sensible proposal to put funds at the disposal of WFP in support of its core activities for addressing life-threatening situations.

12. The Committee noted that information provided in the *Management Plan (2017 – 2019)* was presented under the current strategic objectives and enquired how corporate planning and accountability documents would be affected from 2017, following the approval of the Integrated Road Map. The Committee was informed that the *Management Plan (2017–2019)* would not be revised, but all current projects would have their logframe mapped with the new Strategic Plan in the course of 2017, and this would be used to prepare the Annual Performance Report in early 2018 reflecting on performance achieved in 2017.

13. **The Committee:**

- a) **congratulated the Secretariat on the quality of the document presented and the consultative process followed during its preparation;**
- b) **encouraged the Secretariat to continue to review the structure and format of the Management Plan with the objective of making it more reader-friendly;**
- c) **noted that projected operational requirements for 2017 were USD 9.0 billion and that the implementation plan and prioritized plan of work had been aligned to an anticipated funding level of USD 5.5 billion including Trust Funds and carryover;**
- d) **agreed with the proposed level and allocation of the Programme Support and Administrative Budget;**
- e) **endorsed the proposed transfer of USD 15 million from the PSA Equalization Account to the Immediate Response Account;**
- f) **supported a single harmonized Indirect Support Cost recovery rate of 7 percent for 2017;**
- g) **agreed with the proposal to maintain the ceiling for corporate services advances at USD 82 million for 2017;**
- h) **agreed with the proposal that the Executive Director be given the authority to adjust the Programme Support and Administrative component of the budget in accordance with the level of forecast income for the year, at a rate not to exceed 2 percent of the anticipated change in income; and**
- i) **recommended that the draft decisions as laid out in the *WFP Management Plan (2017–2019)* be approved by the Executive Board.**

### Financial Framework Review

14. The Committee welcomed the *Financial Framework Review* (FFR) and its three prioritized work streams. It noted the FFR, as a key component of the Integrated Road Map, would more effectively operationalize the Strategic Plan through country portfolios rather than the current project-based approach. The Committee recalled its previous discussions on the FFR (doc FC 162/10) which outlined the rationale for changing WFP's financial framework.

15. The Committee reviewed the principles of the country portfolio budget structure and noted its key features, including i) use of a single period, based on a calendar year; ii) planning and budgeting of emergency responses; iii) more detailed cost elements linked to the United Nations harmonized cost categories; and iv) provision of country-level operational and budgetary information on an annual basis to complement Country Strategic Plans (CSPs).

16. The Committee considered the transitional arrangements that would be required to implement up to 16 CSPs with pilot country portfolio budgets in 2017; specifically the derogations requested from General Rule XIII.4 and Financial Regulations 1.1 and 4.5.

17. The Committee noted that the approval of sudden-onset and other unforeseen emergency assistance would continue to be delegated to the Executive Director and the Director-General of the Food and Agriculture Organization of the United Nations (FAO) to maintain WFP's rapid response abilities.

18. The Committee recommended that the goal of improved transparency of costs and cost-drivers should be monitored by the Committee and the Executive Board.

19. The Committee requested that the lessons learned from the 2017 CSP pilots should be shared and inform all aspects of the final design of the country portfolio budget structure. It noted that the Executive Board and other governing bodies would consider a final package of amendments to the WFP General Rules and Financial Regulations at the Second Regular Executive Board session in 2017.

20. In reviewing the status of the on-going macro-advance financing pilots, the Committee noted that an analysis to identify any gains in efficiency and effectiveness and the associated risks would be conducted in the first quarter of 2017.

21. The Committee was assured that prioritization processes would be made more transparent through the aggregation of resource-based implementation plans within the Management Plan as well as through the online portal where details drilled down to the activity level would be made available to Member States.

22. Further assurance was also provided that the country portfolio budget structure, with its increased transparency and "line of sight" between resources and results, would increase the focus on performance, both internally and with donors, thereby encouraging partners to contribute at higher levels of the budget structure and/or over multi-year periods.

23. **The Committee:**

- a) **reviewed the document on the *Financial Framework Review*;**
- b) **noted that the *Financial Framework Review* comprised three work streams: budgeting for operational effectiveness; resource-based planning (RBP); and macro-advance financing (MAF);**
- c) **noted that the objectives of the *Financial Framework Review*, a key component of the Integrated Road Map, were to maximize operational effectiveness through realistic financial planning, enhanced accountability, streamlined processes and harmonized financial and results frameworks;**
- d) **emphasized the importance of ensuring that the new financial framework led to a more efficient decision making process of the EB and not a weakening of its role;**

- e) **commended** the Secretariat on having incorporated in the *Financial Framework Review* recommendations arising from the Quadrennial Comprehensive Policy Review (QCPR) on harmonizing business practices in UN Organizations;
- f) **endorsed** the principles and elements set out in the document to guide the introduction of pilot Country Portfolio (CP) Budgets in 2017 and the finalization of the CP Budget structure;
- g) **endorsed** the proposed derogations from WFP General Rules and Financial Regulations required during the 2017 transitional period for piloting the new programmatic and financial framework;
- h) **supported** the proposal to grant the Executive Director authority to make necessary revisions during the pilot period, subject to existing delegations of authority with respect to emergency operations;
- i) **noted** that the Secretariat would present proposed amendments to the WFP General Rules and Financial Regulations and the revised budgetary thresholds for delegations of authority for the approval of the Executive Board at its Second Regular Session in 2017, and recommended that the thresholds be reviewed after an appropriate period of time and amended, as necessary;
- j) **encouraged** the continued informal consultations to be scheduled during 2017 regarding the finalization of the CP Budget structure and required amendments to the General Rules, Financial Regulations and Executive Director delegations of authority;
- k) **recalled** its previous discussions on the RBP and MAF, noting the work streams were driven by internal resource management needs, and **noted** that all country offices had prepared resource-based implementation plans for 2017 and these plans were aggregated to create the global Prioritized Plan of Work in the Management Plan (2017–2019); and
- l) **recommended** for adoption by the Executive Board, the draft decisions presented in the document.

#### **WFP Strategic Plan (2017–2021)**

24. The Committee noted that the Strategic Plan aligned WFP's work with the 2030 Agenda for Sustainable Development and covered the period 2017–2021.
25. The Committee observed that WFP's Strategic Plan (2017–2021) provided a new planning and operational framework to reinforce, through effective partnerships, WFP's emergency, life-saving and logistics contributions as well as those it could make to ending hunger and malnutrition.
26. The Committee noted that the Strategic Plan did not articulate WFP's resourcing projections, funding and shortfalls. Country Strategic Plans would serve as the basis for resource mobilization.
27. The Committee noted that responding to emergencies and saving lives and livelihoods – directly and by strengthening country response capacities – were paramount and would remain the major part of WFP's operations.
28. The Committee observed that the Strategic Plan 2017–2021 allowed WFP to partner with other entities of the United Nations Development System (UNDS), particularly with FAO and IFAD, and that the 2030 Agenda required the UNDS to pursue integrated approaches and create cross-sectoral synergies to deliver interlinked results at all levels, supported by an enabling funding and governance architecture.
29. The Committee noted that WFP would prioritize SDG 2, on achieving zero hunger; and SDG 17, on partnering to support implementation of the SDGs.



30. The Committee noted that the Strategic Plan's strategic goals, strategic objectives and strategic results were as follow:

**Strategic Goal 1: Support countries to achieve zero hunger (SDG 2)**

Strategic Objective 1: End hunger by protecting access to food

- Strategic Result 1 – Everyone has access to food (SDG Target 2.1)

Strategic Objective 2: Improve nutrition

- Strategic Result 2 – No one suffers from malnutrition (SDG Target 2.2)

Strategic Objective 3: Achieve food security

- Strategic Result 3 – Smallholders have improved food security and nutrition (SDG Target 2.3)
- Strategic Result 4 – Food systems are sustainable (SDG Target 2.4)

**Strategic Goal 2: Partner to support implementation of the SDGs (SDG 17)**

Strategic Objective 4: Support SDG implementation

- Strategic Result 5 – Countries have strengthened capacities to implement the SDGs (SDG Target 17.9)
- Strategic Result 6 – Policies to support sustainable development are coherent (SDG Target 17.14)

Strategic Objective 5: Partner for SDG results

- Strategic Result 7 – Developing countries access a range of financial resources for development investment (SDG Target 17.3)
- Strategic Result 8 – Sharing of knowledge, expertise and technology, strengthen global partnership support to country efforts to achieve the SDGs (SDG Target 17.16)

31. The Committee noted that the Strategic Plan would be operationalized by the remaining elements of the integrated roadmap.

32. **The Committee:**

- a) **examined the *WFP Strategic Plan (2017–2021)*;**
- b) **commended the Secretariat on the extensive consultative process leading to the preparation of the *WFP Strategic Plan (2017–2021)*;**
- c) **emphasized the importance of WFP implementing its Strategic Plan 2017–2021 in collaboration with FAO, IFAD and other entities of the United Nations Development System to maximize results for achieving the SDGs;**
- d) **noted that WFP would continue to engage fully in the current QCPR process in 2017, and, if necessary, amend the Strategic Plan 2017–2021 in order to ensure its full alignment with UNDG strategic planning and actions;**
- e) **noted and appreciated the emphasis placed on partnerships, in particular at the operational level, in the Strategic Plan in line with the 2030 Agenda; and**
- f) **in accordance with Article XIV of the General Regulations of WFP and Financial Regulation 7.1, recommended the adoption of the *WFP Strategic Plan (2017–2021)* as well as the draft decision presented in the document by the WFP Executive Board at its Second Regular Session in November 2016.**

### Policy on Country Strategic Plans

33. The Committee welcomed the Policy on Country Strategic Plans (CSP) and noted WFP's new approach to strategic and programmatic planning at the country-level.
34. The Committee noted that the CSP framework responded to the increasingly complex world in which WFP operated, marked by protracted humanitarian crises resulting from conflicts and disasters and emerging global food security and nutrition challenges.
35. The Committee took note that the CSP framework would leverage WFP's strengths and capacities in humanitarian response and recovery, seizing opportunities to apply these capabilities beyond saving lives. The Committee observed that the CSP approach would provide the flexibility to respond under fluctuating circumstances and to unforeseen emergencies (e.g. Interim Country Strategic Plans and Limited Emergency Operations).
36. The Committee noted that the CSPs introduced a programmatic framework based on coherent country portfolios, which replaced existing programme categories and project documents.
37. The Committee noted that the CSP approach sought to: i) support countries in responding to emergencies and making progress towards zero hunger; ii) operationalize the WFP's Strategic Plan at the country level; and iii) enhance strategic coherence, focus, operational effectiveness and partnerships.
38. The Committee noted that CSPs would support countries in responding to emergencies and making progress towards zero hunger.
39. The Committee noted that CSPs provided, with the other components of the Integrated Road Map, a line of sight of how resources were deployed against the organizations strategy and how they contributed to results achieved, and would be central to resource mobilization and management. The Committee noted that WFP expected resource flows to mirror past trends including for multilateral resources.
40. The Committee noted that the CSP approach would: i) improve alignment with country priorities; ii) support countries in making progress towards zero hunger; iii) enhance strategic coherence, focus, operational effectiveness and partnerships by integrating humanitarian and development support; iv) increase effectiveness and efficiency in dynamic contexts (i.e. emergencies and protracted crises); and v) ensure closer harmonization with UN agencies and processes.
41. **The Committee:**
- a) **reviewed the *Policy on Country Strategic Plans* which outlined WFP's approach to strategic and programmatic planning at the country-level;**
  - b) **noted that the first CSPs and their associated country portfolio budgets (pilot CSPs) would be presented for Executive Board approval during 2017;**
  - c) **noted that CSPs with pilot country portfolio budgets would necessitate amendments to some provisions of WFP's current General Rules and Financial Regulations and supported the proposal that the Executive Board authorize the temporary application to pilot CSPs of provisions in the WFP General Rules and Financial Regulations referring to existing programme categories as if they referred to CSPs;**
  - d) **noted that the Secretariat would present proposed amendments to the WFP General Rules and Financial Regulations to accommodate the Country Strategic Plans framework at the Second Regular Session of the EB in 2017 and looked forward to reviewing these proposals; and**
  - e) **recommended for adoption by the Executive Board, the draft decisions presented in the document.**

### **Corporate Results Framework (2017–2021)**

42. The Committee noted that as an integral part of the integrated roadmap, the Corporate Results Framework operationalized the Strategic Plan and Country Strategic Plans; being a compendium of result categories and indicators used for programme design and implementation, and to manage, monitor and report programme performance.

43. The Committee recognised that building on the new financial framework and the results chain, the Corporate Results Framework supported a clear line of sight from resources to results, simplified performance management, supported management of operations, and served to enhance accountability and transparency.

44. The Committee noted that the Corporate Results Framework provided an opportunity to link financial resources to results, with this integration tested through the Strategic Country Plan pilots over 2017. The Committee expressed its interest in the results and to be informed of progress. The Committee also requested that the pertinent cross cutting indicators be disaggregated by disability where relevant.

45. **The Committee:**

- a) reviewed the *Corporate Results Framework*;
- b) noted the management performance approach (2017–2021); and
- c) recommended the adoption of the *Corporate Results Framework* by the WFP Executive Board.

### **Other Matters**

#### **Date and Place of the Hundred and Sixty-fourth Session**

46. The Committee was informed that the 164<sup>th</sup> Session was scheduled to be held in Rome from 7 to 11 November 2016.

#### **Documents for information**

- Work Plan of the External Auditor for the period July 2016 to June 2017 (doc. FC 163/INF/2)