



World Food Programme  
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برنامج الأغذية العالمي

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For information

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

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## Report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ)

The Executive Director is pleased to submit herewith the report of the Advisory Committee on Administrative and Budgetary Questions pertaining to WFP. The report covers the following agenda item:

- Utilization of the Programme Support and Administrative Equalization Account reserve (WFP/EB.1/2022/5-A/1)

## COPY OF LETTER RECEIVED FROM THE UNITED NATIONS — NEW YORK

Reference: AC/2197

Advisory Committee on  
Administrative and Budgetary Questions

22 February 2022

Dear Mr Beasley,

Please find attached a copy of the report of the Advisory Committee on your submission of the report on the utilization of the Programme Support and Administrative Equalization Account reserve (WFP/EB.1/2022/5-A/1).

I should be grateful if you could arrange for the Advisory Committee's report to be placed before the Executive Board at its forthcoming session, as a complete and separate document. I would appreciate it if a copy of the document could be provided to the Advisory Committee at the earliest possible opportunity.

Yours sincerely,

Abdallah Bachar Bong  
Chairman

Mr David Beasley  
Executive Director  
World Food Programme  
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## I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report on the utilization of the Programme Support and Administrative Equalization Account reserve (WFP/EB.1/2022/5-A/1) of the World Food Programme (WFP) Secretariat, which is being submitted to the WFP Executive Board for approval at its annual session to take place in Rome, Italy, from 28 February 2022. The Committee was also provided with the following documents for background information as relating to the report: Progress on the Financial Framework Review, Including Indirect Support Costs (WFP/EB.A/2015/6-C/1) and Review of the Immediate Response Account (IRA) (WFP/EB.3/2004/12-A). During the Advisory Committee's consideration of the report, the WFP Secretariat provided additional information and clarification, concluding with written responses received on 9 February 2022.

## II. Utilization of the Programme Support and Administrative Equalization

### Account reserve

2. The report indicates that the Executive Board is requested to approve the transfer of USD 30 million from the Programme Support and Administrative Equalization Account (PSAEA) reserve of WFP to the Immediate Response Account (IRA) in order to meet food assistance requests. Upon enquiry, the Committee was informed that WFP has received record demands for critical food assistance and emergencies and that a number of countries have received allocations from the IRA for life-saving activities since 2015. The Committee was also informed of the need for immediate funding to scale-up operations and that the majority of IRA allocations are linked directly to food insecurity drivers of climate shocks and conflict. The Committee was further informed that economic downturns exacerbated by the impact of the global pandemic, as well as climate changes, are the main drivers of food insecurity and that IRA utilization is directly linked to the unprecedented rise in food insecurity and WFP's implementation of life-saving activities.
3. The report indicates that the PSAEA records the difference between WFP's indirect support cost (ISC) income and the programme support and administrative (PSA) expenses for the financial period. The report also indicates the purposes of the PSAEA and that in 2006, the Executive Board decided that the PSAEA balance should be linked to the annual PSA appropriation approved by the Board (WFP/EB.1/2022/5-A/1, paras 1 – 3 and footnote 1; WFP/EB.A/2015/6-C/1). Upon enquiry, the Committee was informed that the target PSAEA balance was set at the equivalent of five months of PSA expenditures in 2015, and that a "floor" of two months of approved PSA expenditures was adopted to cover the period needed to adjust to a long-term reduction in ISC income and implement associated PSA cost reductions. The Committee was further informed that the levels are designed to provide a desirable range for the PSAEA where the minimum level of two months of PSA expenditures is required to adjust for differences between ISC income and approved PSA expenditure and to underwrite the risk of decreases in ISC income or underfunding of the PSA budget. The maximum level of five months of PSA expenditures is the target level for providing a more robust financial safety net for the PSAEA in covering temporary differences between ISC income and approved PSA expenditure, underwriting the risk of decreases in ISC income or underfunding of the PSA budget, and covering critical corporate initiatives, thematic fund transfers and increased reserves. The Advisory Committee recalls paragraph 18 of its report A/75/539, as endorsed by the General Assembly, regarding the development of reasonable benchmarks for minimum and maximum levels of the operational reserves for the United Nations system.
4. As regards PSAEA projections for 2022, the report indicates that the management plan for 2022–2024 projected a PSAEA balance of USD 229.4 million at 31 December 2022 which is equivalent to 5.6 months of PSA expenditure. The report indicates that projected revenue of USD 8.4 billion for 2022 was based on contribution revenue of USD 8.6 billion for 2021 and

an ensuing ISC income level of USD 511 million in 2021. Preliminary financial results however indicate that actual contribution revenue in 2021 will be at least 9 percent higher than the 2021 management plan estimate in response to unprecedented needs resulting from growing food insecurity caused by various crises. The report further indicates that a higher projected PSAEA balance will result for 2022 and a higher actual PSAEA balance compared with the target level of 5 months of PSA expenditure will also result for 2022 (WFP/EB.1/2022/5-A/1, paras 4 - 6).

5. Upon enquiry, the Committee was provided with the following tables indicating PSAEA movements, including four transfers to the IRA since 2015, and the PSAEA balance from 2012 to 2021 as compared with the target level of 5 months of PSA expenditure.

<b>TABLE1: PSAEA MOVEMENTS FROM 2012 TO 2021 (in USD million)</b>										
<b>PSAEA level</b>										
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Opening balance</b>	<b>114.4</b>	<b>102.8</b>	<b>121.3</b>	<b>189.8</b>	<b>138.3</b>	<b>212.5</b>	<b>256.8</b>	<b>247.1</b>	<b>249.5</b>	<b>231.6</b>
Change in accounting policy	-	-	-	-	(14.8)	-	-	-	-	-
Approved EB allocations	(21.6)	(20.0)	(9.2)	(37.2)	(20.0)	(13.5)	(65.6)	(77.3)	(47.7)	(32.2)
Transfer to IRA	-	-	-	(50.0)	-	(15.0)	(44.0)	-	(52.5)	-
Repayments of unspent balance for EB allocations	3.5	1.9	1.7	2.3	0.2	0.4	0.6	0.1	-	0.2
Surplus/ (deficit) of ISC revenue from PSA expense	6.5	36.6	76.0	33.4	108.8	72.5	99.3	79.6	82.3	126.9
<b>Closing balance</b>	<b>102.8</b>	<b>121.3</b>	<b>189.8</b>	<b>138.3</b>	<b>212.5</b>	<b>256.8</b>	<b>247.1</b>	<b>249.5</b>	<b>231.6</b>	<b>326.6</b>

Note: Figures for 2021 are preliminary and unaudited

<b>TABLE 2: LEVEL OF PSAEA BALANCE VIS-À-VIS THE TARGET LEVEL OF 5 MONTHS OF PSA EXPENDITURE FROM 2012 TO 2021 (in USD million)</b>										
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Closing balance	103	121	190	138	212	257	247	250	232	327
Target Level (5 months)	104	104	117	117	121	140	140	161	177	185

Note: Figures for 2021 are preliminary and unaudited

6. The Committee was also informed that the preliminary and unaudited balance of PSAEA was USD 326.6 million as of 31 December 2021, and that an unexpected increase in the ISC income was generated in 2021 due to contribution revenue over and above that projected in the Management Plan (2022-2024) approved by the Board in November 2021.

7. The Committee notes that the PSAEA closing balance has been consistently in excess of the 5 month target level since 2013 and that as of 31 December 2021, the preliminary and unaudited balance of PSAEA was USD 326.6 million, thereby reflecting a significantly higher balance in 2021 compared with the previous year. The Committee also notes the significant surplus of indirect support cost (ISC) revenue from PSA expense. **The Advisory Committee trusts that additional information regarding the balance of the PSAEA, the status of indirect support cost revenue, as well as the minimum and maximum levels of the PSAEA, will be provided to the Board at the time of its consideration of the current report and in future WFP reports.**
8. As regards the role of the Immediate Response Account (IRA) as an advance financing mechanism to provide immediate assistance in life-threatening situations in the absence of forecasted contributions, the report indicates previous drawdowns on the PSAEA for replenishment of the IRA and the allocation of USD 220 million in 2021 to 49 country strategic plans. The report also indicates that the IRA started 2022 at a critically low balance of USD 35 million, less than half the opening balance of 2021, due to unprecedented hunger and frequent emergencies, and that record demand for IRA allocations is foreseen to continue throughout 2022 (WFP/EB.1/2022/5-A/1, paras 7 – 11 and footnote 2; WFP/EB.3/2004/12-A).
9. Upon enquiry, the Committee was informed that the 2022 IRA target level remains USD 200 million and was provided with the following tables indicating the movements in the IRA and the total “income” from new contributions and repayments as compared with the IRA target.

**TABLE 3: MOVEMENTS IN THE IRA FOR THE PERIOD 2012 to 2021 (USD million)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>New contributions</b>	<b>56.2</b>	<b>52.1</b>	<b>53.1</b>	<b>107.3</b>	<b>47.6</b>	<b>61.9</b>	<b>96.7</b>	<b>45.7</b>	<b>102.2</b>	<b>117.8</b>
Directed contributions	56.2	52.1	53.1	50.2	33.9	33.2	29.6	22.6	24.7	64.0
Multilateral contributions	-	-	-	-	13.7	13.7	23.1	23.1	25.0	30.6
PSAEA	-	-	-	50.0	-	15.0	44.0	-	52.5	-
Other	-	-	-	7.1	-	-	-	-	-	23.2
<b>Allocations</b>	<b>126.1</b>	<b>165.3</b>	<b>182.0</b>	<b>164.2</b>	<b>215.2</b>	<b>154.2</b>	<b>144.2</b>	<b>161.0</b>	<b>188.6</b>	<b>220.0</b>
<b>Revolved funds</b>	<b>82.4</b>	<b>88.6</b>	<b>132.6</b>	<b>95.3</b>	<b>125.2</b>	<b>114.5</b>	<b>68.3</b>	<b>150.0</b>	<b>82.5</b>	<b>70.4</b>

**TABLE 4: COMPARISON OF THE TARGET AGAINST THE TOTAL “INCOME” FROM NEW CONTRIBUTIONS AND REPAYMENTS (REVOLVED FUNDS) FOR THE PERIOD 2011 TO 2021 (USD million)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>IRA Target</b>	70	70	70	70	200	200	200	200	200	200	200
<b>New contributions + Revolved funds</b>	142.5	138.6	140.7	185.7	202.6	172.8	176.4	165	195.7	184.7	188.2

10. The report indicates that to mitigate the risk of WFP not being able to accommodate concurrent food assistance requests for IRA funds, the amount of USD 30 million is proposed to be transferred from the PSAEA to the IRA, thereby allowing WFP to utilize the unexpected increase in the ISC income generated in 2021 (WFP/EB.1/2022/5-A/1, para 12; see also table 1 above). Upon enquiry, the Advisory Committee was informed that allocations from the IRA in 2022 were made to DRC, Malawi, Myanmar, Cuba, Madagascar and Mozambique, and that the account balance was USD 23.7 million as of 7th February 2022. The Committee was also informed on the four prior transfers from the PSAEA to the IRA between 2015 and 2020.
11. The Committee notes that the IRA target level for 2022 is USD 200 million while the IRA balance as of 7th February 2022 was USD 23.7 million and that new contributions and revolved funds have consistently been below the target level since 2016. **The Advisory Committee trusts that additional information on efforts to solicit new contributions to the IRA will be provided to the Board at the time of its consideration of the current report and in future WFP reports.**
12. Upon enquiry, the Advisory Committee was informed that in addition to the PSAEA and IRA, WFP has the Global Commodity Management Facility (GCMF) and Internal Project Lending (IPL) as internal financial instruments. The Committee was also provided with information regarding the maximum levels and utilization of the GCMF and IPL as indicated in the tables below (see also tables 1 and 3 above regarding movements of the PSAEA and IRA).

<b>TABLE 5: GCMF AND IPL UTILIZATION (2017–2021) (USD million)</b>					
<b>GCMF Utilization</b>					
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Ceiling ( <i>Maximum level</i> )	350	500	560	560	660
Sales	861	917	932	942	1 537
<b>IPL Utilization</b>					
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Ceiling ( <i>Maximum level</i> )	570	570	570	570	570
Advances	1 278	1 249	1 616	1 436	1 842

13. **Subject to its observations above, the Advisory Committee has no objections regarding the transfer of USD 30 million from the Programme Support and Administrative Equalization Account reserve of WFP to the Immediate Response Account in order to meet immediate assistance requests in a number of countries.**