



World Food Programme
Programme Alimentaire Mondial
Programa Mundial de Alimentos
برنامج الأغذية العالمي

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Resource, financial and budgetary matters

For information

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

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 (2025–2027) (WFP/EB.2/2024/5-A/1)
- Report of the External Auditor on findings from field audits (WFP/EB.2/2024/5-B/1)
- WFP management response to the recommendations in the report of the External Auditor on findings from field audits (WFP/EB.2/2024/5-B/1/Add.1)



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COUNCIL

Hundred and Seventy-sixth Session

Rome, 2-6 December 2024

Report of the 201st Session of the Finance Committee (Rome, 4-5 November 2024)

Executive summary

At its 201st Session, the Committee considered the *WFP management plan (2025-2027)* and the *Report of the External Auditor on findings from field audits* and WFP Management response, prior to their consideration by the second regular session of the WFP Executive Board in November 2024.

Suggested action by the 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 2024.

Queries on the substantive content of this document may be addressed to:

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Introduction

1. The Committee submitted to the Council the following report of its Two hundred and first Session.
2. In addition to the Chairperson, Mr Mina Rizk (Egypt), the following representatives of Members were present:
 - Ms Kristina Gill (Australia)
 - Mr Bienvenu Ntsouanva (Congo)
 - Ms Berioska Morrison González (Dominican Republic)
 - Mr Jujjavarapu Balaji (India)
 - Mr Sultan Alotaibi (Kuwait)
 - Mr Miguel Jorge García Winder (Mexico)
 - Mr Abdellah Larhmaid (Morocco)
 - Ms Fadia Aljamal (Oman)
 - Mr Petter Nilsson (Sweden)
 - Mr Christopher Mace (United Kingdom of Great Britain and Northern Ireland)
 - Ms Elizabeth Petrovski (United States of America)
3. The Chairperson informed the Committee that:
 - Ms Kristina Gill (Australia) had been designated to replace Ms Emma Hatcher as the representative of Australia for this session;
 - Ms Patricia Rodríguez (Dominican Republic) had been designated to replace Ms Berioska Morrison González as the representative of the Dominican Republic for part of this session;
 - Mr Massimo Ziad Ammar (Kuwait) had been designated to replace Mr Sultan Alotaibi as the representative of Kuwait for part of this session;
 - Mr Petter Nilsson (Sweden) had been designated to replace Ms Pernilla Ivarsson as the representative of Sweden for this session;
 - Ms Elizabeth Petrovski (United States of America) had been designated to replace Mr Rodney M. Hunter as the representative of United States of America for this session.
4. A summary of the qualifications of the substitute representatives can be downloaded from the Governing and Statutory Body website at: <https://www.fao.org/governing-bodies/council-committees/finance-committee/en>.

5. In addition, silent observers from the following Member Nations attended the 201st Session of the Committee:
- Burkina Faso
 - Canada
 - Equatorial Guinea
 - Finland
 - France
 - Greece
 - Haiti
 - Iceland
 - Indonesia
 - Russian Federation
 - Sri Lanka
 - Sudan
 - Ukraine
 - Uzbekistan

World Food Programme Matters

WFP management plan (2025-2027)

6. The Committee welcomed the *WFP management plan (2025-2027)*, and congratulated the World Food Programme (WFP) on the structure and comprehensive nature of the document.
7. The Committee welcomed WFP's four corporate priorities: i) maintaining strength in emergency response with sharper focus on resilience and climate; ii) duty of care; iii) diversifying and growing WFP's resource base; and iv) achieving efficiency and effectiveness gains, highlighted in the document, and mentioned their importance for WFP.
8. The Committee expressed concern about the funding shortfall, given the significant operational needs and the strong reliance on a few donors. The Committee appreciated WFP's efforts to diversify the funding base and emphasized its importance for WFP given funding constraints, while encouraging the Executive Board to urge Members to increase funding to, and seek innovative and sustainable ways of, supporting WFP in fulfilling its mandate. The Committee also highlighted the need for flexible funding to facilitate appropriate and timely responses to emergencies. WFP Management appreciated the emphasis on flexibility and diversification and reassured the Committee of its continued efforts in these areas.
9. The Committee noted the projected operational requirements for 2025 of USD 16.9 billion to reach 123 million beneficiaries and the provisional implementation plan of USD 8.8 billion planned to assist 98 million beneficiaries. The Committee requested clarification on the beneficiary-to-funds ratio presented under the operational requirements and the provisional implementation plan, noting that, with economies of scale, such a stark contrast between the two would not be expected. The Committee was informed that, when faced with lower funding, country offices often reduced the duration of assistance and the size of rations rather than the number of beneficiaries, with the result that the operational requirements' cost per beneficiary was higher than the implementation plans', while the opposite was true for the beneficiary-to-funds ratio.

10. The Committee requested further information on the revised planning approach, noting that operational requirements had decreased compared to the previous year. The Committee was informed that operational requirements had decreased following an exercise that started in 2023 to prioritize and sharpen operational requirements in large operations considering the universe of needs, what governments and other actors were doing, WFP's capacity and ability to deliver, access constraints and an informed approach around funding. The Committee requested that the specific guidelines issued to country offices be shared with the Executive Board.
11. The Committee noted the USD 480 million programme support and administrative (PSA) budget for 2025 and was informed that the organization expected the 2024 PSA utilization to be close to the utilization plan of USD 483 million rather than the approved PSA of USD 528 million.
12. The Committee expressed its appreciation that the oversight offices were protected from funding reductions for 2025, while at the same time noting its concerns on budget reductions in the risk management function, even if those reductions were in line with other divisions.
13. The Committee noted the organizational realignment and the final phase of the exercise relating to regional bureaux, and requested information on whether this phase would have an impact on the 2025 PSA budget. The Committee was provided assurances that there would not be any immediate impact and that the membership would be informed of any material impact.
14. The Committee expressed its support for the USD 75 million allocation to the Immediate Response Account and inquired about the projected balance at the end of the year given the USD 400 million resourcing target. The Committee was informed that given the unpredictability of new crises and the revolving nature of the account, it was difficult to provide an estimate of the projected end-of-year balance. WFP Management stressed that the USD 400 million was a target and did not represent a commitment.
15. The Committee expressed its support for the USD 20 million allocation for individual fundraising. Noting that the allocation was part of the USD 100 million strategy, the Committee requested that it be provided regular updates before any additional tranche was requested. The Committee also requested clarification on the USD 20 million for individual fundraising and the USD 5.1 million planned in the critical corporate initiative (CCI) on "Positioning WFP to unlock diverse funding". The Committee was provided with clarifications that while both investments were about increasing resources and flexibility, the CCI was field-facing to help country offices better understand resourcing ecosystems. Furthermore, the Committee requested and received clarification on the current financing modalities of the individual fundraising model, which included the use of a capital budgeting facility loan in the amount of USD 24 million that was planned to be repaid starting in 2026.
16. The Committee supported the expansion of the self-insurance schemes. Furthermore, the Committee supported the USD 7 million allocation to serve as capital for the health self-insurance, but requested clarification on the USD 7 million allocation and the USD 23 million mentioned in Section V of the document. Management clarified that the USD 23 million consisted of a reimbursable cash advance to the third-party administrator to provide liquidity when processing claims but was not a fund allocation.
17. The Committee enquired on the adequacy of the 6.5 percent and 4.0 percent indirect support cost (ISC) rates, noting that these were relatively low rates compared to some other United Nations agencies. WFP Management clarified that with the healthy balance in the PSA equalization account (PSAEA) to absorb ISC shortfalls and with other indirect costs complemented by funding from the unearmarked portion of the General Fund and extrabudgetary resources, the proposed rates were adequate.

18. The Committee enquired about the extent to which the current document addressed the recommendations of the External Auditor in his report, *Audited annual accounts, 2023*, and was informed that the document now reflected: i) additional details on the programme of work and operational requirements in country strategic plans in 2025; ii) inclusion of the PSAEA balance from the last audited financial statements; and iii) specificity on the Executive Director's authority with regard to PSA budget adjustments in the draft decision. The Committee was informed that additional work would be done to close the External Auditor's recommendations.
19. The Committee enquired about the likelihood of an extension and additional funding of the CCIs, in particular the "Monitoring, identity management and traceability" CCI. WFP Management confirmed that this CCI was currently on track to be completed by the end of 2025 and that the cost of monitoring activities was operational in nature and should be funded from country strategic plan resources. Nonetheless, this did not rule out an extension and requests for additional funding. Furthermore, the feasibility study of track-and-trace would identify options which could be funded from a variety of sources depending upon the approach and cost.
20. **With the observations and recommendations above, the Committee recommended that the Executive Board approve the draft decision as outlined in the document *WFP management plan (2025-2027)*.**

Report of the External Auditor on findings from field audits and WFP Management response

21. The Committee reviewed the *Report of the External Auditor on findings from field audits* and the WFP Management response.
22. The Committee was informed that:
 - a) 75 out of 98 recommendations outstanding from previous audits of the regional bureaux and country offices were assessed by the external auditor as implemented, with a 77 percent implementation rate, while two were closed as overtaken by events;
 - b) 21 recommendations remained outstanding; and
 - c) 106 new recommendations were issued pertaining to three regional bureaux and six country offices audited in 2023.
23. The Committee:
 - a) expressed concern about the findings highlighted in the External Auditor's report such as deficiencies pertaining to asset management, inadequate checks and balances, including a severe lack of spot checks of non-governmental organizations, and unclear delegation of financial authority;
 - b) noting that the recommendations of the External Auditor were fundamental to the day-to-day operations of WFP, underlined the crucial importance of implementing the External Auditor's recommendations to ensure the adequacy and effectiveness of WFP internal controls and risk management in its field offices; and
 - c) appreciated the willingness of WFP Management to implement all the recommendations from the External Auditor's report.
24. The Committee requested and received clarifications on the number of recommendations from previous years and the scope of the field audits for comparison, including the criteria for selection of country offices annually.

25. The Committee requested and received clarifications on actions being taken by WFP Management to address the audit findings, including:
- a) enhancing cooperating partner management, including ensuring compliance with spot checks through enhanced cooperating partner spot check guidance, as well as cooperating partner committee terms of reference to facilitate risk-informed decision-making by country offices;
 - b) strengthening internal control for asset management, particularly the timely updating of asset registers and effective monitoring and disposal of unused assets;
 - c) increasing transparency and accuracy in the delegation of financial authority dashboard for implementation globally;
 - d) the WFP staffing framework, which was currently being implemented (deadline of 31 December 2025), and that WFP Management intended to ensure that the most appropriate employee contract modalities were applied based on the functions/roles that needed to be performed, including where it pertained to supervisory responsibilities, in particular selecting consultants, including retirees, over unassigned fixed-term staff; and
 - e) in addition to country director accountabilities for implementing their respective country strategic plan, strengthening corporate accountability and oversight by:
 - i) triangulating self-assurance results with regional bureaux and headquarters oversight activities;
 - ii) analysing oversight recommendations to address cross-cutting and recurrent issues and implement corporate solutions, in addition to country-specific efforts to implement the External Auditor's recommendations; and
 - iii) updating of the 2018 WFP Oversight Framework to further clarify accountabilities and address overlapping roles through a holistic accountability and oversight framework.
26. The Committee was informed by the External Auditor that the overall state of WFP's internal controls was reflected in the results of the audits.
27. **With the observations and recommendations above, the Committee recommended that the Executive Board approve the draft decision as outlined in the document *Report of the External Auditor on findings from field audits* and urged WFP Management to implement the outstanding audit recommendations in a timely manner.**

Other Matters

Date and Place of the Two hundred and second Session

28. The Committee was informed that the next session was scheduled to be held in Rome from 11 to 15 November 2024.

Any Other Matters

29. The Committee invited WFP Management to reflect upon previous guidance provided by the Finance Committee as a standing item in future Finance Committee meetings on WFP matters.