ANNEX V

WFP Innovative Financing Facility[1]

Introduction

1. Management proposes to establish an "Innovative Financing Facility" to provide the upfront capital that innovative financing transactions require to reach "financial close", that is, the point at which financing agreements are finalized and resources can be released for use for WFP operations and national food security programmes. An allocation of USD 15 million from the unearmarked portion of the General Fund would provide the facility's initial capital for 2027–2029. The facility would be used to defray the costs that arise before a financing transaction closes and that cannot be covered by an existing instrument. Such costs would include those for design and transaction structuring; external legal fees; the "anchor contributions" that allow other funders to commit; premiums for risk transfer instruments; and bridging working capital.[2] To be eligible for financing from the facility, a transaction would have to show a credible path to raising at least two dollars for every dollar the facility commits.

2. The USD 15 million allocation is expected to support approximately 15 financial transactions aimed at raising USD 55 million for WFP operations, more than three times the capital deployed, and to catalyse additional resources for programme countries and partners. The facility would complete WFP's set of catalytic instruments, alongside the Emerging Donor Matching Fund and the Changing Lives Transformation Fund. No new governance body would be created; instead the facility would be overseen by the existing Innovative Finance Steering Committee, and its use would be reported annually to the Executive Board.

WFP's definition of innovative finance

Definition applied in this annex
WFP defines innovative finance as a set of financing approaches that aim to generate additional, sustainable funds by tapping into new funding sources or engaging new partners; enhance the efficiency of financial flows by reducing delivery times and costs; and make financial flows more programmatically effective by more explicitly linking funding to outcomes. For the purposes of this annex the relevant instruments are debt swaps and conversions, co-financing with development banks and other partners, blended finance, results-based financing and disaster risk and climate finance.

I. The gap the facility would close

3. In 2025, WFP's operational requirements stood at USD 16.0 billion, while contributions of USD 6.1 billion met 38 percent of that amount. Official development assistance fell by more than 23 percent in 2025, the largest annual contraction on record, and the World Bank estimates that about 70 percent of fragile and conflict-affected economies are in, or at high risk of, debt distress.[3] Closing a gap of this scale requires financing instruments that mobilize larger, more durable and more diversified flows.

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[1] The proposed name "Innovative Financing Facility" is subject to confirmation by WFP's leadership team. Any change in the name would not affect the substance of this annex.

[2] Bridging working capital means short-term financing specific to an innovative finance transaction, for example pre-financing delivery under a debt swap whose repayment schedule extends beyond the implementation period, or a verified outcome contract. It is not a substitute for WFP's existing corporate working capital arrangements.

[3] WFP annual performance report for 2025; Organisation for Economic Co-operation and Development preliminary estimates of official development assistance for 2025; World Bank.

4. WFP has demonstrated the value of innovative finance. Since 2009, 16 debt swap agreements have mobilized more than USD 160 million, most of them since 2020. In February 2025, WFP and the Islamic Development Bank launched the Nutritious Start initiative, a human capital financing package targeting USD 100 million of deployed programme resources over five years, under which the Bank offers governments up to three dollars of financing for every dollar raised by WFP for nutrition and school meals. In addition, several blended finance initiatives have reached thousands of beneficiaries. Growth has nevertheless been constrained by the absence of timely, risk-tolerant and, where feasible, recoverable capital for design, structuring, premiums and co-financing. A USD 75–100 million drought catastrophe bond intended to protect up to 2.5 million people across Mali, Mozambique and Somalia was postponed because WFP could not meet the donors' condition that it contribute approximately USD 2 million a year to the premium; the Nutritious Start package likewise awaits a modest grant investment.

5. WFP currently has two catalytic instruments. The Emerging Donor Matching Fund helps to remove the cost-recovery barrier for eligible donors. The Changing Lives Transformation Fund invests in long-term country programmes with transformational potential. Each addresses a different constraint, but neither provides the fast, risk-tolerant and potentially recoverable capital needed to structure and close transactions with capital markets, development banks and sovereign partners. The gap also weakens WFP's standing with programme country governments, which increasingly finance nutrition and social protection through domestic budgets and expect operational partners to provide catalytic co-financing; WFP has already seen a major government-funded programme come under pressure on that account.

II. What the Innovative Financing Facility would finance and WFP's role

6. The Innovative Financing Facility would be a WFP internal instrument providing catalytic capital through a mix of revolving and direct funding. It would finance the discrete time critical costs that enable a credible financing opportunity to proceed, including the costs associated with design and structuring work, external legal fees, anchor grant shares, premiums and bridging working capital.

7. It is envisaged that the facility will support the five thematic areas set out in table 1 and will apply a minimum portfolio leverage ratio of 2:1 in resources mobilized, with several instruments expected to achieve higher ratios. Resources mobilized would reach WFP and would be budgeted and reported through its country strategic plans. Co-financing commitments would be excluded from the ratio, as would risk transfer instruments. The latter would be measured instead by coverage placed in force and people protected; this would be so because a premium purchases contingent protection rather than a financing flow and is consumed if no trigger is met.

TABLE A.V.1: THEMATIC AREAS, WFP'S ROLE AND THE USE OF CATALYTIC INVESTMENT			
Thematic area	**WFP's role**	**What the catalytic investment funds**	**Recovery by the facility**
Debt swaps and conversions	Trusted implementing partner. WFP convenes creditor and debtor governments and development banks, co-designs the programmes that debt-service savings finance and leads implementation, remaining outside the liability management operation and assuming no commercial liability.	Technical, design and external legal costs and the co-financing or pre-financing contributions that a transaction may require	Design, legal and pre-financing costs at or after financial close; co-financing not recovered
Co-financing with development banks and other partners	WFP co-designs the programme with the financing partner and, in most cases, implements the whole programme rather than only the portion it finances.	WFP's anchor contribution and associated design costs, unlocking concessional lending or other financing on a significantly larger scale, including from multilateral development banks and vertical funds	None
Blended finance	Sponsor and design partner. WFP funds early-stage implementation that demonstrates impact and attracts large-scale investment from development finance institutions and private co-investors.	Seed capital and design-stage funding that brings food systems and resilience programmes to the point where they can attract investment	Conditional on partner reimbursement of feasibility, design and early-stage costs
Results-based financing	WFP delivers against clearly defined targets and is paid by an outcome funder once results are independently verified.	Design and verification frameworks and possible bridging contributions	On release of outcome payments
Disaster risk and climate finance	Sponsor and beneficiary of risk transfer, for example through a catastrophe bond, with payouts channelled to the country strategic plans of the covered countries when triggers are met	Premiums and design costs, so that protective instruments can be placed and kept in force	Conditional on a trigger event, WFP's share of the premium is recovered only if a trigger occurs.

The five areas are illustrative, not exhaustive. Transaction risks and safeguards are addressed in section VII of this annex; the full risk register is maintained by management and is available on request.

8. Two examples illustrate the type of investment involved. In blended finance, seed capital that demonstrates programme impact can attract development partners and private investors to smallholder agriculture and local food systems in fragile settings, creating a

credible path from humanitarian response towards resilience. In results-based financing, outcome funders are emerging as new counterparts, including in Brazil, Ghana, Indonesia and South Africa, where outcome bonds have mobilized institutional capital against independently verified results, particularly for land restoration and resilience building.[4] Such a structure may be replicable in countries where WFP works, including to expand programmes such as the Sahel Integrated Resilience Programme.[5]

III. What the USD 15 million allocation would achieve

9. The proposed USD 15 million allocation would serve as the facility's initial capital base, reflecting what can be deployed responsibly over approximately three years while maintaining rigorous appraisal and measurable results. Table A.V.2 sets out an indicative deployment profile; actual annual amounts may vary and deployment could be completed ahead of schedule should transactions mature faster than assumed.

TABLE A.V.2: INDICATIVE DEPLOYMENT PROFILE, 2027–2029

Funds deployed (*USD million*)	**2027**	**2028**	**2029**	**Total**
Catalytic capital deployed	10.0	3.0	2.0	**15.0**
Transactions reaching financial close (number)	8	4	3	**15**
Resources mobilized for WFP operations	~25	~20	~10	**~55**

Based on the current indicative pipeline and sensitive to market conditions and transaction timing. The column for each year shows the potential amount deployed or mobilized in that year. Mobilization does not move in step with deployment, because payments follow financial close and the mix differs by year. Deployment in 2027 is weighted towards premiums and seed capital, which carry lower multiples, while later deployment is concentrated in debt operations, which carry higher ones. Management therefore proposes that the Board assess leverage over the three years rather than in any single year. Mobilization of approximately USD 55 million against deployment of USD 15 million implies portfolio leverage above 3:1, greater than the 2:1 minimum. Risk transfer coverage is excluded from these figures. The allocation fully funds this profile without assuming any recovery of capital; based on the recovery assumptions in table 4, approximately USD 2.6 million would be available for redeployment by the end of 2028 and approximately USD 5.0 million by the end of 2029, in addition to the amounts shown.

10. In 2027 deployment of this allocation would focus on opportunities already well advanced. While exact allocations would be confirmed once the facility is operational, the USD 10 million likely to be deployed in 2027 could fund the co-financing and de-risking contributions needed to finalize debt swap programmes now being developed; the anchor contributions needed to unlock concessional co-financing from partners with arrangements in place or under discussion; WFP's share of the premium for its first drought catastrophe bond; and seed capital for blended finance transactions relating to food systems and resilience. This is summarized in table A.V.3.

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[4] World Bank Group. IRBD Funding Programme: Outcome Bonds.

[5] WFP. 2026. Integrated Resilience in the Sahel.

TABLE A.V.3: INDICATIVE USE OF FUNDS, 2027	
Use of funds	***USD million***
Anchor grant shares and co-financing contributions	4.00
Risk transfer (catastrophe bond) premiums	2.00
Design, structuring and legal costs to financial close	1.50
Seed capital for blended finance	1.25
Design support and bridging contributions for results-based financing	1.25
Total	**10.00**

The table is indicative. Allocations would be determined by transaction readiness, due diligence, market conditions, partner commitments and portfolio balance, under the process set out in section V of this annex.

11. The USD 15 million is proposed as an initial allocation, not a ceiling on the facility's future scale. The facility's financial sustainability would rest on four elements: its initial capitalization; targeted donor fundraising; a revolving mechanism that returns eligible recoveries to the facility for redeployment; and recovery of eligible costs through project design charges, management fees and, where appropriate, success-based fees. Across the portfolio, management would aim for approximately one third of capital deployed to be recovered and redeployed. Recovery expectations vary by instrument: the design, preparation and pre-financing costs of debt operations would be expected to be recovered at or after financial close, although repayment might follow an agreed schedule; bridging contributions would be recovered when outcome payments are released; and anchor grant shares, seed capital and insurance premiums are not expected to be recovered.

IV. Expected results and key performance indicators

12. By the end of 2029 the initial allocation would deliver three results: a portfolio of innovative finance transactions brought to financial close that would not otherwise have proceeded; resources mobilized for WFP operations at a multiple of the capital deployed by the facility; and the recovery of capital for redeployment. Table A.V.4 sets out the key performance indicators to be used for measuring success in these areas.

TABLE A.V.4: KEY PERFORMANCE INDICATORS, 2027–2029				
Indicator	**Baseline**	**2027**	**2028**	**2029**
Catalytic capital deployed (*USD million*)	0	10.0	13.0	15.0
Transactions brought to financial close (number)	0	8	12	15
Resources mobilized for WFP operations *(USD million)*	0	25	45	55
Country offices with a facility-supported transaction (*number*)	0	6	9	12
Percentage of capital deployed recovered for redeployment	0	5	20	33

Targets are cumulative and show the position at the end of each year; performance would be reported annually to the Executive Board. Resources mobilized exclude risk transfer instruments, which are measured by coverage placed in force, subject to market conditions. The recovery percentages are planning assumptions, not guarantees, and actual recoveries would be reported annually.

V. Operating model and governance

13. Transactions would follow a single process: origination by country offices and headquarters units; appraisal by the Innovative Finance Operations Team; endorsement by the Innovative Finance Steering Committee; approval by the Executive Director; monitoring; and, where applicable, recovery for redeployment. Proposals would be accepted on a rolling basis and reviewed as they are received, allowing WFP to respond to opportunities whose timing is affected by markets or partner decision cycles. Each proposal would pass through three filters: minimum eligibility against the criteria and thresholds in table A.V.5; prioritization by expected leverage, urgency, programmatic impact, feasibility, replicability and recoverability; and portfolio-level rules on geographic diversification, instrument and partner balance, exposure across fragile and relatively stable contexts and minimum revolving share.

TABLE A.V.5: MINIMUM CRITERIA AND THRESHOLDS APPLIED AT APPRAISAL

Criterion	Threshold or requirement
Portfolio leverage	At least USD 2 mobilized for every USD 1 committed for deployment by the facility, assessed across the portfolio over 2027–2029 rather than in any single year
Risk transfer instruments	Expected value of the protection purchased, being the probability of a trigger over the coverage period multiplied by the coverage amount, with the purchased protection being at least twice WFP's premium. Amounts provided through risk transfer instruments are excluded from the leverage ratio and are measured by coverage placed in force.
Expected recovery by the end of 2029	Approximately one third of capital deployed is recovered and available for redeployment. This is a planning assumption, not a guarantee.
Minimum transaction and commitment size	Set by instrument in the internal guidance issued before the first allocation so that capital is not spread across transactions too small to warrant the cost of appraisal
Additionality and alignment	Demonstrable additionality in the resources mobilized, a genuine innovative financing objective and alignment with WFP's strategic plan
Due diligence and fiduciary limits	Full due diligence must be completed before capital is committed. No instrument may conflict with WFP's regulatory or fiduciary frameworks.

14. The facility would require no new governance body, and it is proposed that allocations would be approved by the Executive Director following endorsement by the existing cross-functional Innovative Finance Steering Committee, which sets WFP's innovative financing priorities, reviews the financing pipeline, endorses individual transactions and monitors portfolio performance. Governance of WFP's Emerging Donor Matching Fund and Changing Lives Transformation Fund would remain unchanged, and coherence across the three would be ensure through the participation of members of WFP's leadership team in the governance of all three instruments, with the Executive Director approving allocations from each.

15. The facility would be established as a dedicated special account, and internal guidance setting out the administrative, accounting and reporting procedures governing it would be issued before any funds were allocated to it. Approved allocations would flow through WFP's standard budgeting architecture, with country-level investments flowing through the relevant country strategic plans and country portfolio budgets and centrally managed commitments, such as catastrophe bond premiums, managed at the corporate level. From 2028, as initial transactions close and capital begins to revolve, the portfolio would extend to mid-stage opportunities and selected newer instruments. Country offices would receive support through innovative finance action plans anchored in their country strategic plans, common templates, training and legal advice, and each transaction would close with a detailed learning note recording results, leverage achieved, recoveries and scalability. The learning notes would be drawn on to develop standard models so that successive transactions would cost less and close faster.

VI. Relationship with the proposed critical corporate initiative

16. The management plan for 2027–2029 proposes a USD 2.7 million critical corporate initiative (CCI) on scaling innovative finance in 2027 and 2028. The facility and the CCI address different needs and are not interchangeable. The CCI would build internal capability by funding the technical expertise, tools, training, internal legal support and procedures needed to originate, structure and execute financial transactions across the portfolio; the facility, on the other hand, would provide the capital needed to move individual transactions to financial close. WFP's experience shows that both are needed: the stalled opportunities described in section I had capability and willing partners but lacked modest early capital commitments, while capital without capability would be deployed slowly and without consistent standards.

17. The CCI would be a time-limited corporate investment aimed at building capability; it would provide no transaction capital, and its outputs would be integrated into regular corporate processes by the end of the initiative. The facility and the CCI would overlap only in the set-up phase, during which the CCI would support the work needed to establish the facility's technical architecture, appraisal process, tools and risk framework. This would ensure that no set-up costs were charged to the facility's capital base, that no part of the USD 15 million was used for CCI staff and that there was no double counting. If the allocation described in this annex were not approved, the CCI's other deliverables would continue, but without a catalytic capital component.

VII. Risk management and assurance

18. The facility would accept execution risk only where necessary to unlock significantly larger than normal financing flows, and only within clear limits to be set out in internal guidance. Due diligence would be undertaken for every transaction before capital was committed, and no instrument would conflict with WFP's regulatory or fiduciary frameworks. Execution and market risks would be assessed transaction by transaction, with instrument-specific safeguards recorded in the risk register maintained by the Innovative Finance Operations Team.

19. Controls would operate at both the transaction and portfolio levels. Each proposal would identify expected leverage, a recovery pathway, implementation milestones and the points at which management would reassess or discontinue support, while exposure across instruments, geographic areas and contexts would be managed through portfolio diversification. The facility's dedicated special account would be subject to scrutiny by WFP's internal and external oversight bodies, and facility performance would be reported annually to the Executive Board. Allocations flowing to country strategic plans and country portfolio budgets would also be reflected in the relevant annual country reports, while centrally managed commitments would be reported on at the corporate level.