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**Executive Board
Second Regular Session**

Rome, 4–7 November 2013

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 5



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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 (2014–2016)
(WFP/EB.2/2013/5-A/1)
- Work Plan of the External Auditor for the Period
July 2013 to June 2014 (WFP/EB.2/2013/5-B/1)

October 2013



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COUNCIL

Hundred and Forty-eighth Session

Rome, 2 - 6 December 2013

Report of the 150th Session of the Finance Committee (21 - 22 October 2013)

Executive Summary

- At its 150th Session, the Committee reviewed the WFP Management Plan (2014-2016) prior to its consideration by the Second Regular Session of the WFP Executive Board in November 2013.

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 2013.

Queries on this document may be addressed to:

David McSherry

Secretary, Finance Committee

Tel: +3906 5705 3719

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**REPORT OF THE HUNDRED AND FIFTIETH SESSION OF THE
FINANCE COMMITTEE
(21 - 22 October 2013)**

Introduction

1. The Committee submitted to the Council the following report of its Hundred and Fiftieth Session.
2. In addition to the Chairperson, Mr MOUNGUI MÉDI, the following representatives of Members were present:
 - Ms Kristina Gill (Australia)
 - Mr Olyntho Vieira (Brazil)
 - Mr Georg Friedel Cramer (Germany)
 - Mr Abdoulaye Traore (Guinea)
 - Mr Hideya Yamada (Japan)
 - Ms Emma María José Rodríguez Sifuentes (Mexico)
 - Mr Khalid Mehboob (Pakistan)
 - Mr Vladimir V. Kuznetsov (Russian Federation)
 - Ms Abla Malik Osman Malik (Sudan)
 - Ms Elizabeth Petrovski (USA)
3. The Chairperson informed the Committee that:
 - Ms Kristina Gill had been designated to replace Mr Matthew Worrell as the representative of Australia for this session;
 - Mr Magdi Anwar (Egypt) had informed that he would be unable to attend the session for health reasons;
 - Ms Melanie Rosenbaum had been designated to replace Mr Georg Friedel Cramer as the representative of Germany for part of this session;
 - Mr Fouzi Lekjaa (Morocco) did not attend this session; and
 - Ms Elizabeth Petrovski had been designated to replace Ms Natalie Eugenia Brown as the representative of the 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 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 150th Session of the Committee:
 - Iceland
 - Iran (Islamic Republic of)
 - San Marino
 - Norway
 - Netherlands
 - European Union

Election of Vice-Chairperson

6. Mr Hideya Yamada (Japan) was elected unanimously Vice Chairperson until the first session of the Committee in the next calendar year.

World Food Programme Matters

WFP Management Plan (2014-2016)

7. The Committee considered the WFP Management Plan (2014-2016) which contained WFP's 2014 budget totalling USD 6,596 million, including: i) operational requirements of USD 5,857 million; ii) programme support and administrative budget of USD 281.8 million based on a forecast of likely 2014 income of USD 4,200 million; iii) Programme Support and Administrative (PSA) non-recurring investments of USD 9.2 million to achieve the goals of the Fit for Purpose process and the implementation of the Strategic Plan (2014-2017); iv) USD 10.0 million for security related expenditures; and v) trust funds and special accounts of USD 438 million.

8. The Committee welcomed the report, prepared through an inclusive consultative process involving the three informal consultations and the provisions of key extracts of the plan. The Committee welcomed the structure of the document and suggested that efforts should be made to condense the structure in line with best practices of other UN organizations. Acknowledging the approved deadline for the submission of the final Management Plan proposal, the Committee also requested WFP to provide a greater level of detail at an earlier point in time in the consultation process of future Management Plans.

9. The Committee noted the projected funding forecast of USD 4.2 billion for 2014. It also noted the number of beneficiaries that WFP aims to reach in 2014 (76 million) in the context of the operational requirements that are set out at USD 5.9 billion, noting the potential funding shortfall for 2014, and recognizing current financial constraints, the Committee encouraged WFP to intensify efforts to invite donors to fund its activities.

10. The Committee welcomed inclusion of the prioritization process in the Management Plan for the first time, and encouraged the Secretariat to continue with this process utilizing established criteria with a dynamic combination of a bottom up and top down process, recognizing that a high percentage of funding is earmarked and the transition from food aid to food assistance. The Committee also encouraged the prioritization process to be in line with the strategic plan.

11. The Committee encouraged WFP to include a presentation of monetary and non-monetary savings clearly identifying the value for money achieved, with respect to the PSA. The Committee recommended that the Management Plan include the long term financial and staffing benefits and implications of investments and their future potential utilization in WFP activities.

12. The Committee recommended that presentation of the PSA budget in the Management Plan should be prefaced by a discussion of the projected level of Indirect Support Costs (ISC) revenue. The Committee also considered the sustainability of a PSA budget that exceeded anticipated ISC revenue.

13. Noting that the PSA budget was calculated on the basis of estimated funding and on the previous year level, and also noting that the PSA budget was higher than the anticipated ISC income, the Committee requested that future yearly PSA budgets should be prepared on the basis of a critical assessment of needs.

14. The Committee was informed on the inclusion of the Private Sector division into the PSA budget as approved by the Executive Board at the 2013 Annual Session, noting that there were twenty-eight additional professional positions included in the PSA budget because of the move of special account funding to the regular PSA.

15. The Committee noted that the document did not quantify efficiency savings and economies of scale in respect of either their amount or source. The Committee was presented with some specific examples occurring in both the recurring and non-recurring investments. The Committee recommended that more detailed information in this regard be provided in future management plans.

16. The Committee noted and encouraged the two stage process in the development of an ISC review to be undertaken by the Secretariat in 2014 and requested that the process should be inclusive.

17. In the framework of the PSA Equalization account the Committee noted the proposal to fund non-recurring investments from this source and recommended this proposal for endorsement. The Committee also recommended for endorsement the funding for security cost from the general fund and the increase of the WCF facility of USD 50 million bringing the WCF facility up to USD 607 million.

18. The Committee supported the creation of a capital budgeting facility with a ceiling of USD 20 million in 2014, and noted that WFP proposed to pilot the use of the fund for the Logistics Execution Support System (LESS) and that it would amount to USD 35 million over a three year period, which would include a repayment to the facility as countries implemented the system.

19. The Committee looked forward to the discussion on the Financial Framework review which should include, *inter alia*, a review of the PSA budget elements, and how the general fund and its components are used.

20. The Committee noted the need for further cooperation of the Rome based agencies in financial and operational areas including HR, Procurement and IT. The Committee was informed that in the context of the HLCM a review has been initiated to identify common services in the UN system to increase efficiencies in these areas.

21. **The Committee:**

- a) **Congratulated the Secretariat on the quality of the Management Plan (2014-2016) and welcomed details presented, as well as the consultative process leading to its finalisation;**
- b) **Encouraged the Secretariat to engage the Board in the review of the structure and future length and content of the Management Plan drawing on best practice, and experience of other agencies;**
- c) **Took note of the plans to reach 76 million beneficiaries in 2014 through the distribution of 4 million metric tons of food with a total cost of foreseen requirements of USD 5,857 million;**
- d) **Acknowledged the forecast contributions of USD 4.2 billion for 2014, and the resultant gap of 33% between that and the total operational requirements;**
- e) **Welcomed the process of prioritization to manage the funding gap and called on WFP to appeal to donors to look for possible ways to close the gap and, at the same time, to make timely contributions;**
- f) **Recommended the Secretariat to include a balance between the bottom-up and top-down approach in setting prioritization guidelines in future;**
- g) **Recommended endorsement of the regular and non-recurring PSA budget for 2014 and recommended that future supplementary PSA proposals clearly state anticipated return on investments and/or savings;**
- h) **Supported the review of the ISC to be accomplished in two stages during 2014;**
- i) **Recommended that the Management Plan incorporate indications of the implications of investments on future expenditures, budgets and the PSA Equalization Account;**
- j) **Recommended increased cooperation with Rome Based agencies to achieve greater efficiencies;**
- k) **Accepted that security costs, of up to USD 10 million, be paid through the general fund;**
- l) **Recommended for endorsement the increase in working capital facility to USD 607 million;**
- m) **Welcomed the steps to be taken, in the immediate future, in the Financial Framework Review;**
- n) **Encouraged WFP to intensify efforts to invite donors not to earmark funds, to enable WFP to better meet its objectives; and**
- o) **Recommended for endorsement the approval of the draft decisions contained in the document at the Second Regular Session of the Executive Board.**

Date and Place of the Hundred and Fifty-first Session

22. The Committee was informed that the 151st Session was scheduled to be held in Rome from 11 to 15 November 2013.

ANNEX I

Documents for information

- Work Plan of the External Auditor for the period July 2013 to June 2014 (doc FC 150/INF/2)