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World
Food
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de Alimentos

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FINANCIAL AND BUDGETARY MATTERS

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REPORT OF THE OPEN-ENDED WORKING GROUP

Revision of WFP's Financial Regulations

This document is produced in a limited number of copies. Delegates and observers are kindly requested to bring it to the meetings and to refrain from asking for additional copies.

NOTE TO THE EXECUTIVE BOARD

**This document contains recommendations for review and approval by
the Executive Board.**

Pursuant to the decisions taken on the methods of work by the Executive Board at its First Regular Session of 1996, the documentation prepared by the Secretariat for the Board has been kept brief and decision-oriented. The meetings of the Executive Board are to be conducted in a business-like manner, with increased dialogue and exchanges between delegations and the Secretariat. Efforts to promote these guiding principles will continue to be pursued by the Secretariat.

The Secretariat therefore invites members of the Board who may have questions of a technical nature with regard to this document, to contact the WFP staff member(s) listed below, preferably well in advance of the Board's meeting. This procedure is designed to facilitate the Board's consideration of the document in the plenary.

The WFP focal points for this document are:

Director, FS:	G. Eidet	Tel.: 6513-2700
Financial Analyst:	D. Ducharme	Tel.: 6513-2745

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Documentation and Meetings Clerk (tel.: 6513-2641).



1. At its First Regular Session of 1996, the Executive Board decided that an open-ended working group should be formed to review, *inter alia*, the Financial Regulations of WFP. The enclosed document sets out the proposed Financial Regulations.
2. The Working Group considered that its mandate required it to present proposals aimed at:
 - a) bringing the Financial Regulations in line with the proposed General Regulations and Rules and elucidating concepts contained therein insofar as they refer to financial issues;
 - b) removing from the current Financial Regulations clearly outdated or superseded provisions and concepts which are expressed in the proposed General Regulations and Rules; and
 - c) updating the Financial Regulations to reflect the decisions of the Board, and the responsibilities and functions which WFP is called upon to discharge.
3. Mr. Atul Sinha, Alternate Permanent Representative of India and member of the Executive Board Bureau, acted as Chairman of the Working Group. The Group held five sessions (February 3-4, February 14, March 5-6, March 20 and September 12, 1997). The FAO Legal Counsel assisted the Working Group in the analysis of its proposals throughout the entire process of revision.
4. The Working Group submitted the results of its work to the Executive Board at its Annual Session of 1997. The proposed Financial Regulations were submitted to the FAO Finance Committee and the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for review and comments. The Working Group met again on 12 September 1997 to review the comments (WFP/EB.3/97/4-B/Add.1 and WFP/EB.3/97/4-B/Add.2) of these two bodies.
5. The final recommended text of the proposed Financial Regulations was adopted by the Working Group on 12 September 1997. The Working Group now submits it to the Board for its approval.
6. The Working Group recommends that the proposed Financial Regulations be adopted provisionally by the Board, effective 1 January 1998, and be reconfirmed once the General Regulations and Rules are adopted.





PROPOSED WFP FINANCIAL REGULATIONS

Text adopted by the Open-ended Working Group
on the Revision of WFP's Financial Regulations
on 12 September 1997



Current Financial Regulations

I: DEFINITIONS

Regulation 1.1: For the purposes of these Regulations, the following definitions shall apply:

“ACABQ” shall mean the United Nations Advisory Committee on Administrative and Budgetary Questions.

“Administrative Budget” shall mean the biennial budget for programme support and administrative services

“Allocation” shall mean a financial authorization issued by the Executive Director to an official to enter into obligations and incur expenditures within specific limits and during a specified time, in respect of Programme activities other than those funded by the administrative budget.

“Allotment” shall mean a financial authorization issued by the Executive Director, pursuant to appropriations voted, to an official to incur obligations for specific purposes within the administrative budget, within specified limits and during a specified time.

“Appropriation” shall mean an amount approved by the Committee for specified purposes within the administrative budget.

“Committee” shall mean, wherever not otherwise specified, the Committee on Food Aid Policies and Programmes.

“Contribution” shall mean a donation of appropriate commodities, related non-food items, acceptable services or cash made in accordance with procedures set out in these Regulations.

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I: Definitions

Financial Regulation 1.1: For the purposes of these Regulations, and the rules promulgated thereto, the following definitions shall apply:

“ACABQ” shall mean the United Nations Advisory Committee on Administrative and Budgetary Questions.

“Account” shall mean a formal record of an asset, liability, revenue or expense for which the effects of transactions are indicated in terms of money or other unit of measurement.

“Allotment” shall mean a financial authorization issued by the Executive Director to an official to incur obligations for specific purposes within approved budgets, within specified limits and during a specified time.

“Appropriation” shall mean the amount approved by the Board for specified purposes in the programme support and administrative budget for a financial period, against which obligations up to the amount approved may be incurred for those purposes.

“Appropriation line” shall mean the largest subdivision of the programme support and administrative budget within which the Executive Director is authorized to make transfers without prior approval of the Board.

“Bilateral contribution” shall mean a contribution directed by the donor to be used to support an activity not initiated by WFP.

“Board” shall mean the Executive Board of WFP and its predecessors.

“Contribution” shall mean a donation of appropriate commodities, non-food items, acceptable services or cash made in accordance with procedures set out in these Regulations. A contribution may be multilateral, directed multilateral or bilateral.

“Country Programme” shall mean a Country Programme approved by the Board in accordance with General Regulation VI.2 (c).

“Directed Multilateral Contribution” shall mean a contribution, other than a response to an



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“Executive Director” shall mean the Executive Director of the World Food Programme, or the official to whom the Executive Director has delegated authority and responsibility for the matter in question.

“Ex gratia payment” shall mean a payment made when there is no legal liability, but the moral obligation is such as to make payment desirable.

“Finance Committee” shall mean the Finance Committee of FAO.

“Financial period” shall mean a two-year period starting on 1 January of each even-numbered year.

“FAO” shall mean the Food and Agriculture Organization of the United Nations.

“Fund” shall mean the World Food Programme Trust Fund which was established by the Director-General of FAO under FAO Financial Regulation 6.7.

“General Regulations” shall mean the revised General Regulations of the World Food Programme, as approved by the General Assembly of the United Nations and the Conference of FAO.

“IEFR” shall mean the International Emergency Food Reserve.

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appeal made by WFP for a specific emergency operation, which a donor requests WFP to direct to a specific activity or activities initiated by WFP or to a specific Country Programme or Country Programmes.

“Direct support cost” shall mean a cost which can be directly linked with the provision of support to an operation and which would not be incurred should that activity cease.

“Executive Director” shall mean the Executive Director of the World Food Programme, or the official to whom the Executive Director has delegated authority and responsibility for the matter in question.

“Ex gratia payment” shall mean a payment made when there is no legal liability, but the moral obligation is such as to make payment desirable.

“Finance Committee” shall mean the Finance Committee of FAO.

“Financial period” shall mean a two-year period starting on 1 January of each even-numbered year.

“Financial Rules” shall mean the rules established under Financial Regulation 2.2.

“Financial Statements” shall mean formal presentation of financial information showing the income and expenditure for a given period and assets and liabilities at the end of that period, including notes, which form an integral part thereof.

“FAO” shall mean the Food and Agriculture Organization of the United Nations.

“Full-cost recovery” shall mean the recovery of operational costs, direct support costs and indirect support costs in full.

“Fund” shall mean an accounting entity with a self-balancing set of accounts recording cash and other financial and non-financial resources, together with related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

“General Fund” shall mean the accounting entity established for recording, under separate accounts, indirect support cost recoveries, miscellaneous income, operational reserve and contributions received which are not designated to a specific programme category, project or a bilateral project.

“General Regulations” shall mean the General Regulations of the World Food Programme, as approved by the General Assembly of the United Nations and the Conference of FAO.

“General Rules” shall mean the General Rules of the World Food Programme, as approved by its Executive Board.

“IEFR” shall mean the International Emergency Food Reserve.



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“Obligation” shall mean a written commitment of funds resulting in a liability against approved allocations or allotments.

“Pledge” shall mean a promise to make a contribution.

“Programme” shall mean the World Food Programme.

“Programme support and administrative services” shall mean the activities undertaken by the Programme to provide management, technical, administrative, financial and logistic support to its activities.

“Project” shall mean a separately identified undertaking executed with the assistance of the Programme.

“Project agreement” shall mean a document, which may also be termed “letter of understanding” or “plan of operations”, executed in accordance with the provisions of General Regulation 22.

“Special account” shall mean an identifiable subdivision of the Fund, established by the Executive Director in order to account for a special contribution or for funds especially earmarked.

“Trust Fund” shall mean an identifiable subdivision of the Fund, established by the Executive Director in order to account for a special contribution of which the purpose, scope and reporting procedures have been agreed with the donor.

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“Indirect support cost” shall mean a cost which supports the execution of projects and activities but cannot be directly linked with their implementation.

“IRA” shall mean the Immediate Response Account of the IEFR.

“Multilateral contribution” shall mean a contribution, for which WFP determines the Country Programme or WFP activities in which the contribution will be used and how it will be used, or a contribution made in response to an appeal made by WFP for a specific operation. In such cases, the donor will accept reports submitted to the Board as sufficient to meet the requirements of the donor.

“Obligation” shall mean a written commitment of monies resulting in a liability against an allotment.

“Operational costs” shall mean the costs of commodities, ocean transportation and related costs, and landside transportation, storage and handling (LTSH).

“Operational reserve” shall mean monies maintained as an account within the General Fund to be used to ensure continuity of operations in the event of a temporary shortfall of resources.

“Programme category” shall mean a classification of WFP activities as established in accordance with the General Rules.

“Programme category fund” shall mean an accounting entity established by the Board for the purposes of accounting for contributions, income and expenditures for each programme category.

“Programme support and administrative budget” shall mean the portion of the WFP Budget that pertains to providing indirect support to WFP’s activities.

“Project” shall mean a separately identified undertaking within a programme category.

“Project agreement” shall mean a document, howsoever designated, executed in accordance with the provisions of General Regulation XI.

“Special account” shall mean an account established by the Executive Director for a special contribution, or for monies earmarked for specific activities, the balance of which may be brought forward to the succeeding financial period.

“Trust fund” shall mean an identifiable subdivision of the WFP Fund, established by the Executive Director in order to account for a special contribution, the purpose, scope and reporting procedures of which have been agreed with the donor.



Current Financial Regulations

II. APPLICABILITY

Regulation 2.1: These Regulations shall govern the financial management of the Programme. They are enacted pursuant to General Regulation 29(e), in terms of which the Committee shall establish Financial Regulations to govern the management of the Fund.

Regulation 2.2: The Executive Director shall establish Financial Rules, consistent with these Regulations, to ensure effective financial administration and the exercise of economy. He/She shall circulate those Rules for information to the Committee, the ACABQ and the Finance Committee.

III: ACCOUNTABILITY

Regulation 3.1: The Executive Director shall be fully responsible and accountable to the Committee for the financial management of the activities of the Programme.

IV: Resources

Regulation 4.1: All contributions to the Programme shall be on a voluntary basis. They shall generally be pledged at conferences convened jointly by the Secretary-General of the United

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“WFP Budget” shall mean the biennial budget approved by the Board indicating estimated resources and expenditures for programmes, projects and activities and shall include a programme support and administrative budget.

“WFP Fund” shall mean the World Food Programme fund established in accordance with General Regulation XIV.1, comprised of the General Fund, the programme category funds, trust funds and special accounts.

II. Applicability

Financial Regulation 2.1: These Financial Regulations, adopted pursuant to General Regulation XIV.5, shall govern the financial management of the WFP Fund. The Board may, in exceptional circumstances, grant exemptions from these Financial Regulations.

Financial Regulation 2.2: The Executive Director shall establish Financial Rules, consistent with the General Regulations and these Financial Regulations, to ensure effective financial administration and the exercise of economy. The Executive Director shall circulate the Financial Rules for information to the Board, the ACABQ and the Finance Committee.

III: Accountability

Financial Regulation 3.1: The Executive Director shall be fully responsible and accountable to the Board for the financial management of the activities of WFP.

IV: Resources

Financial Regulation 4.1: The resources of WFP shall consist of:

- a) Contributions made pursuant to Article XIII of the General Regulations;
- b) Miscellaneous income, including interest on investments, and
- c) Contributions received in trust as set forth in Financial Regulation V.



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Nations and the Director-General of FAO before the commencement of the pledging period to which they relate and shall aim at such total as may from time to time be set by the General Assembly of the United Nations and the FAO Conference, based on the recommendation of the Committee, for such pledging periods as may be determined by those bodies.

Regulation 4.2: Contributions may be pledged by countries in the form of appropriate commodities, acceptable services (including transport and other services) and cash, aiming at a cash-and-services component amounting in the aggregate to at least one third of the total contributions.

Regulation 4.3: The Executive Director may also accept contributions in commodities, services and cash from intergovernmental bodies, other public sources and appropriate non-governmental sources.

Regulation 4.4:

In addition to regular pledges:

- a) Contributions may be made for the purpose of emergency food assistance to the IEFR. Countries participating in the IEFR should indicate to the Programme, over and above their regular pledges to the Programme, availabilities of primarily food commodities or of cash contributions which might be called upon for emergency food aid purposes, in accordance with United Nations General Assembly resolution 3362 (s-VII). Developing countries not in a position to make contributions in cash or in kind to the IEFR should, where possible, indicate their willingness to make interest-free loans of commodities to be used by the Programme.

- b) Contributions may also be made for such other purposes, including assistance to refugees and displaced persons, as may be identified by the Committee.

Regulation 4.5: Donors shall be responsible for all costs of their commodity contribution up to and including delivery free on board at the export port or, where appropriate, free on rail at a recognized exit point of the country concerned.

Regulation 4.6: In addition to the costs referred to in Regulation 4.5, donors contributing commodities or non-food items to protracted refugee or IEFR operations shall normally be responsible for related transportation costs, including the cost of internal transportation, storage and handling in the country of destination.

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Financial Regulation 4.2 Contributions to support the purposes of WFP shall be recorded under the following funds and accounts:

- a) programme category funds;
- b) the General Fund;
- c) trust funds; or
- d) special accounts.

Financial Regulation 4.3: The Board shall establish a target level for the IRA for each financial period. The target level should be maintained by annual replenishment contributions from donors and, when possible, by repayment of advances made for specific emergencies. Contributions for food and food-related costs will be distinguished clearly from contributions for non-food related costs to enable reporting to the Food Aid Committee of the International Grain Council.

Financial Regulation 4.4: Each donor shall be responsible for all costs of its commodity and non-food contributions up to and including delivery free on board at the export port or, where appropriate, free on rail at a recognized exit point of the country concerned.

Financial Regulation 4.5: Each donor contributing commodities or non-food items shall be responsible for related transportation costs as well as all associated operational and support costs. The donor shall also be responsible for the costs of unloading and internal transport and any necessary technical and administrative supervision, and all associated operational and support costs, where the responsibility of the government of the recipient country for these



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Regulation 4.7: Cash contributions to the Programme shall be made in convertible currencies. In exceptional circumstances, however, developing countries may, with the agreement of the Executive Director, make cash contributions in non-convertible currencies.

Regulation 4.8: Having regard to the circumstances of the project or projects concerned, the Executive Director, under guidelines established by the Committee and in consultation with the donor and the recipient country, may sell commodities for cash if in his/her opinion such cash will contribute more effectively to the objectives of the project or projects in question. The Executive Director shall retain responsibility for the financial management of the resources so generated.

Regulation 4.9: Governments of recipient countries are expected to contribute a substantial portion of the costs of the Programme's country offices, in kind and in cash. The extent of this contribution shall be set out in an agreement between the Programme and the government concerned. On the recommendation of the Executive Director, the Committee may exempt specific countries from this Regulation.

[Regulation 6.2 SHOWN HERE FOR COMPARISON PURPOSES]: The Executive Director

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costs is waived by the Executive Director in accordance with General Regulation XII.3.

Financial Regulation 4.6: The Executive Director, under guidelines established by the Board and in consultation with the donor and the recipient country, may approve the sale of commodities for cash if in the Executive Director's opinion such cash will contribute more effectively to the objectives of the Country Programmes, projects or activities in question. The responsibility of managing the generated financial resources will rest with the holder of the title of commodities at the time of sale. The Executive Director shall retain in all circumstances responsibility for monitoring the management of resources so generated through audit requirements or other measures. When the Executive Director determines that it is in the best interest of the project or activity for WFP to manage the generated financial resources belonging to the recipient government, WFP will enter into a trust fund arrangement with the government. The delineation of the respective responsibilities of WFP, the donor, and the recipient government in the management of such trust fund shall be in accordance with the guidelines established by the Board.

Financial Regulation 4.7: Governments of recipient countries are expected to contribute a substantial portion of the costs of WFP country offices, in kind and in cash. The extent of this contribution shall be set out in an agreement between WFP and the government concerned. On the recommendation of the Executive Director, the Board may exempt specific countries from this Regulation.

V: Trust Funds and special accounts

Financial Regulation 5.1: Trust funds and special accounts may be established by the Executive Director for specified purposes consistent with the policies, aims and activities of WFP. The Executive Director shall report all such trust funds or special accounts to the Board.

Financial Regulation 5.2: The purpose and limits of each trust fund and special account shall be clearly defined and contributions thereto shall be on a full cost recovery basis.

VI: Approvals of country programmes and projects

Financial Regulation 6.1: To provide for continuity in the programming and implementation of WFP assistance to country programmes and projects, approvals for the purposes of the proposed utilization of resources and of the entering into commitments in respect of activities shall remain valid for the duration of each Country Programme or Project.

VII: Strategic and Financial Plan

Financial Regulation 7.1: The Executive Director shall forward the Strategic and Financial



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shall submit to the Committee, at its first regular session in the second year of each financial period, a Strategic Financial Plan that will highlight such main features of the proposed programme of work for the ensuing financial period as are likely to have a significant impact upon the related resources required for that period. He/She shall forward copies of the Strategic Financial Plan to the ACABQ and the Finance Committee for their review and comment and shall submit to the Committee any such comments.]

V: PROJECT ACTIVITIES

Regulation 5.1: Food aid projects shall be requested by governments, and reviewed by the Executive Director, in accordance with the procedures set out in General Regulation 20.

Regulation 5.2: The Committee shall from time to time determine the level up to which the Executive Director is authorized to approve projects.

Regulation 5.3: After review, and bearing in mind the level referred to in Regulation 5.2, the Executive Director shall either decide on the project or submit project proposals, together with a recommendation, to the Committee. The Executive Director shall ensure that projects approved, or submitted for approval, can be implemented within available resources. Resource availability for this purpose shall take into account pledges and contributions that can be applied to the current financial period, as well as resources reasonably expected to be contributed during the two subsequent financial periods.

Regulation 5.4: Approval of a project constitutes authority for the Executive Director to incur obligations and expend funds for the project, subject to the preparation and signature of the project agreement referred to in Regulation 5.5.

Regulation 5.5: Upon approval of a project by the Committee, or by the Executive Director on its behalf, the Executive Director shall prepare a project agreement, in consultation with the government concerned, and in accordance with the procedures set out in General Regulation 22.

Regulation 5.6: The primary responsibility for project execution shall rest with the recipient country, in accordance with the provisions of the project agreement. The Executive Director shall, however, be responsible for supervision and assistance in execution, shall take the necessary measures for this purpose and shall utilize the services of the United Nations and FAO and, where appropriate, other organizations, under such arrangements as may be agreed upon.

Regulation 5.7: Emergency operations shall be initiated, approved and implemented in accordance with the procedures set out in General Regulations 21, 23 and 25. All such operations shall be reported to the Committee at the earliest possible time after they have been approved.

Regulation 5.8: Transfers between project budgets may be effected by the Executive

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Plan to the ACABQ and the Finance Committee for their review and shall thereafter submit to the Board their comments and recommendations.

VIII: Country Programmes and Projects

Financial Regulation 8.1: Approval of a Country Programme or project shall constitute authority for the Executive Director to issue allotments, incur obligations and expend resources for the country programme or project, subject to the preparation and signature of the country programme or project agreement.



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Director, who will report thereon to the Committee.

Regulation 5.9: Except as may be specifically agreed with donors, the financial administration of activities funded by special accounts or trust funds shall mutatis mutandis be governed by the provisions of this chapter and the Regulations and Rules.

Regulation 5.10: The Executive Director shall make arrangements for the evaluation of projects.

VI: THE PROGRAMME SUPPORT AND ADMINISTRATIVE BUDGET

Regulation 6.1: The Executive Director shall prepare proposed biennial budgets for programme support and administrative services.

Regulation 6.2: The Executive Director shall submit to the Committee, at its first regular session in the second year of each financial period, a Strategic Financial Plan that will highlight such main features of the proposed programme of work for the ensuing financial period as are likely to have a significant impact upon the related resources required for that period. He/She shall forward copies of the Strategic Financial Plan to the ACABQ and the Finance Committee for their review and comment and shall submit to the Committee any such comments.

Regulation 6.3: The Executive Director shall submit to the Committee, at its second regular session in the second year of each financial period, the proposed biennial budget for the following financial period. The budget document shall be circulated to members of the Committee not later than 60 days before the session. He/She shall forward copies of the proposed budget to the ACABQ and the Finance Committee for their review and comment.

Regulation 6.4: The proposed budget shall show the estimated costs of the Programme in such separate main appropriation lines as may be decided by the Committee.

Regulation 6.5: The proposed budget will contain:

- a) comparative tables showing appropriations approved for the current financial period and estimates proposed for the following period;
- b) Such statistical data, information annexes and explanatory statements, including staffing tables, as may be requested by the Committee or considered appropriate by the Executive Director.

Proposed Financial Regulations

Financial Regulation 8.2: Except as may be specifically agreed with donors, the financial administration of activities financed by special accounts or trust funds shall be governed by these Regulations.

IX: The WFP Budget

Financial Regulation 9.1: The Executive Director shall propose a WFP budget for each financial period and submit it to the Advisory Committee on Administrative and Budgetary Questions and the FAO Finance Committee in accordance with the General Regulations of WFP.

Financial Regulation 9.2: The Executive Director shall submit the proposed WFP Budget, as well as the reports thereon of the ACABQ and Finance Committee, to the Board at its last regular session in the second year of each financial period. The proposed WFP Budget shall be circulated to members of the Board not later than 60 days before the session.

Financial Regulation 9.3: The proposed WFP Budget shall show the estimated resources and expenditures for each programme category and shall show proposed appropriations for programme support and administrative services in such separate main appropriation lines as may be decided by the Board.

Financial Regulation 9.4: The proposed WFP Budget will contain:

- a) comparative tables setting out the proposals for the following financial period, the approved WFP Budget for the current financial period and the approved WFP Budget for the current financial period as modified in the light of actual receipts and expenditures.
- b) such statistical data, information and explanatory statements, including staffing tables, as may be requested by the Board or considered appropriate by the Executive Director.



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Regulation 6.6: The Committee shall consider the proposed budget and the related reports of the ACABQ and the Finance Committee, and shall adopt the budget prior to the financial period covered by the budget.

Regulation 6.7: Approval of the budget by the Committee shall constitute an authorization to the Executive Director to incur obligations and make payments for the purposes for which the appropriations were approved and up to the amounts so approved.

Regulation 6.8: The Executive Director may make transfers within each of the main appropriation lines of the approved budget, as defined by the Committee pursuant to Regulation 6.4. He/She may also make transfers between such appropriation lines up to limits the Committee may specifically set.

Regulation 6.9: The Executive Director may prepare supplementary estimates in a form consistent with the budget for the financial period. Such estimates shall be submitted to the Committee with the related comments of the ACABQ and the Finance Committee.

Regulation 6.10: Appropriations shall remain available for twelve months following the end of the biennium to which they relate, to the extent that they are required to discharge any outstanding legal obligation of the biennium. At the end of that twelve-month period, the remaining balance of any appropriation shall revert to the Fund. Any unliquidated obligations shall at that time be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.

VII: THE FUND

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Financial Regulation 9.5: The Board shall consider the proposed WFP Budget, and the related reports of the ACABQ and the Finance Committee, and shall approve the WFP Budget prior to the financial period covered by the WFP Budget.

Financial Regulation 9.6: Approval of the WFP Budget by the Board shall constitute:

- a) acceptance of the WFP programme of work for the following financial period and an authorization to the Executive Director to proceed with the implementation of that programme of work; and
- b) an authorization to the Executive Director to allocate funds, issue allotments, incur obligations and make payments for the purposes for which the appropriation was approved, up to the amount so approved.

Financial Regulation 9.7: The Executive Director may make transfers within each of the main appropriation lines of the approved programme support and administrative budget. The Executive Director may also make transfers between appropriation lines up to limits the Board may specifically set.

Financial Regulation 9.8: The Executive Director may propose supplementary WFP Budgets for a financial period in a form and manner consistent with the WFP Budget.

Financial Regulation 9.9: Appropriations for programme support and administrative services shall remain available for twelve months following the end of the financial period to which they relate, to the extent they are required to discharge any outstanding legal obligations. At the end of that twelve-month period, the remaining balance of any appropriation shall revert to the General Fund. Any unliquidated obligations shall at that time be cancelled or, where the obligations remain a valid charge, transferred to an obligation against current appropriations.

X: The WFP Fund

Financial Regulation 10.1: The WFP Fund shall be subdivided into a General Fund, programme category funds, trust funds, and such other funds as the Board may establish from time to time. The Executive Director shall establish such accounts within the WFP Fund as are necessary to implement these Regulations.



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Regulation 7.1: All contributions and pledges to the Programme shall be credited to the Fund and all expenditures of the Programme shall be charged to the Fund.

Regulation 7.2: Pledges and contributions shall normally be made without limitation as to their purpose or use. The Executive Director may, however, accept contributions in cash or in kind for special purposes, provided these are consistent with the objectives and policies of the Programme, and provided further that any related additional costs to the Programme are paid for by the donor. He/She shall report all such contributions to the Committee.

Regulation 7.3: In respect of each special contribution accepted under Regulation 7.2, the Executive Director shall establish, as appropriate, a trust fund or special account within the Fund.

Regulation 7.4: Within the Fund, there shall be maintained an operational reserve at a level to be determined from time to time by the Committee, on the recommendation of the Executive Director after consultation with the ACABQ and the Finance Committee. The purpose of the operational reserve shall be to ensure continuity of operations in the event of a temporary shortfall of cash. The Committee shall establish guidelines for the use of the operational reserve.

Regulation 7.5: Drawdowns from the operational reserves shall be restored from cash contributions as soon as possible.

Regulation 7.6: The Committee may establish other reserve funds as required.

Regulation 7.7: The resources of the Fund shall be used exclusively for the operational and administrative expenses of the Programme. A portion of the resources of the Fund shall be reserved each year for meeting emergency food needs in accordance with the procedures set out in General Regulation 5(a).

Regulation 7.8: The cash portion of the resources of the Fund shall be used for:

- a) the transport and related expenses necessary for project and emergency operations;
- b) programme support and administrative costs;
- c) The purchase of commodities, to the maximum extent possible from developing countries, and
- d) any other purpose authorized by the Committee.

Regulation 7.9: Except for contributions, direct refunds of expenditure, and investment return credited to the related special account under Regulation 8.3, all income shall be credited to the Fund as miscellaneous income.

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Financial Regulation 10.2: All contributions to WFP shall be credited to the relevant programme category fund, trust fund, General Fund or special account and all expenditures shall be charged to the relevant fund.

Financial Regulation 10.3: All contributions will be classified as multilateral, directed multilateral, or bilateral. The Executive Director may accept bilateral contributions only if they are for activities consistent with the objectives and policies of WFP's mission statement and compatible with assistance provided by WFP in the recipient country. The Executive Director shall report all contributions to the Board.

Financial Regulation 10.4: In respect of each bilateral contribution accepted under Regulation 10.3 of these Regulations, the Executive Director shall establish a trust fund.

Financial Regulation 10.5: Within the General Fund, there shall be maintained an operational reserve at a level to be determined from time to time by the Board, on the recommendation of the Executive Director and after having considered the advice of the ACABQ and the Finance Committee. The purpose of the operational reserve shall be to ensure continuity of operations in the event of a temporary shortfall of resources. The Board shall establish guidelines for the use of the operational reserve.

Financial Regulation 10.6: Drawdowns from the operational reserve shall be restored as soon as possible from the contributions made for the purpose for which the drawdown was made.

Financial Regulation 10.7: The Board may establish other reserves as required.

Financial Regulation 10.8: The resources of the WFP Fund shall be used exclusively for the operational and support expenses of WFP.

Financial Regulation 10.9: All income other than contributions received shall be classified as miscellaneous income, subject to the provisions of Financial Regulation 11.3 below.



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VIII: MANAGEMENT OF FUNDS

Regulation 8.1: The Executive Director shall designate the bank or banks in which the monies of the Fund will be kept.

Regulation 8.2: Monies not required immediately may be invested by the Executive Director, bearing in mind the need for safety, liquidity and profitability. Any resulting income shall accrue to the Fund.

Regulation 8.3: Income from investments shall, where applicable, be credited to the related special account, and in all other cases to miscellaneous income. Unless otherwise authorized by the Executive Director, interest accrued on donor funds administered by the Programme for bilateral services shall also be credited to miscellaneous income.

IX: INTERNAL CONTROL

Regulation 9.1: The Executive Director shall establish internal controls, including internal audit, to ensure the effective and efficient use of the resources of the Programme and the safeguarding of its assets. Such internal controls shall take into account best prevailing practices of governmental and commercial management and shall, *inter alia*, ensure:

- a) that all payments are made on the basis of supporting vouchers or other documents which ensure that the services or goods have been received and that payments have not previously been made;
- b) the regularity of the receipt, custody and disposal of all resources of the Programme;
- c) the conformity of expenditures and obligations with the appropriations, allocations or other authorizations approved as the case may be by the Committee, or by the Executive Director.

Regulation 9.2: Obligations and commitments, regardless of the source of funds, shall be incurred only after the relevant allocations, staffing authorizations or other authorizations have

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XI: Management of Financial Resources

Financial Regulation 11.1: The Executive Director shall designate the bank or banks in which the monies of the WFP Fund will be kept.

Financial Regulation 11.2: Monies not required immediately may be invested by the Executive Director, bearing in mind the need for safety, liquidity and profitability.

Financial Regulation 11.3: Income from investments shall be credited, where applicable, to the related special account, and in all other cases to the General Fund as miscellaneous income. Unless otherwise specified by the contributor, interest accrued on donor funds administered by WFP for bilateral services shall be credited to the IRA.

XII: Internal Control

Financial Regulation 12.1: The Executive Director shall establish internal controls, including internal audit and investigation, to ensure the effective and efficient use of the resources of WFP and the safeguarding of its assets. Such internal controls shall take into account the best prevailing practices of governmental and commercial management and shall, *inter alia*, ensure:

- a) that all payments are made on the basis of supporting vouchers or other documents which ensure that the services or goods have been received and that payments have not previously been made;
- b) the regularity of the receipt, custody and disposal of all resources of WFP;
- c) the conformity of expenditures and obligations with the appropriations, allotments or other authorizations approved, as the case may be, by the Board, or by the Executive Director.

Financial Regulation 12.2: An obligation, regardless of the source or purpose of the monies, shall be incurred only after the relevant allotment has been made in writing by or under the



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been made in writing by or under the authority of the Executive Director. (See also Rule 105.3 and 106.1)

Regulation 9.3: The Executive Director may make such ex gratia payments as he/she deems necessary in the interest of the Programme. He/She shall report all such payments to the Committee with the accounts.

Regulation 9.4: The Executive Director may, after full investigation, authorize the writing-off of losses of cash, commodities and other assets, provided that a statement of all amounts written off shall be submitted to the External Auditor with the accounts.

Regulation 9.5: Competitive tenders for commodities, transport, equipment, supplies and other requirements shall be invited by means of formal invitations to bid, advertisements or requests for proposals, except where the Executive Director takes a documented decision that a departure from the Regulation is necessary in the interest of the Programme.

X: THE ACCOUNTS

Regulation 10.1: The Executive Director shall submit to the Committee biennial accounts in respect of the Fund, including all trust funds and special accounts established under Regulation 7.3. These accounts shall be prepared in accordance with generally accepted international accounting standards. The format of the accounts shall be such as may be appropriate to clearly show the financial position of the Programme and meet the managerial requirements of the Committee and of the Executive Director.

Regulation 10.2: The accounts shall be presented in United States dollars. Accounting records may also be kept in such other currencies as the Executive Director may deem necessary.

Regulation 10.3: The accounts of the Programme shall be certified by the Executive Director, and submitted by him/her, not later than 31 March following the end of each financial period, to the External Auditor for examination and opinion.

XI: EXTERNAL AUDIT

Regulation 11.1: The Committee shall appoint an External Auditor to perform the audit of the accounts of the Programme. The External Auditor shall be the Auditor-General (or official

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authority of the Executive Director.

Financial Regulation 12.3: The Executive Director may make such ex gratia payments as the Executive Director deems necessary in the interest of WFP. The Executive Director shall report all such payments to the Board with the financial statements.

Financial Regulation 12.4: The Executive Director may, after full investigation, authorize the writing-off of losses of cash, commodities and other assets, provided that a statement of all amounts written off shall be submitted to the External Auditor with the financial statements.

Financial Regulation 12.5: Competitive tenders for commodities, transport, equipment, supplies and other requirements shall be invited by means of formal invitations to bid, advertisements or requests for proposals, except where the Executive Director takes a documented decision that a departure from this Financial Regulation is necessary.

XIII: Financial Statements

Financial Regulation 13.1: The Executive Director shall submit to the Board for its approval biennial financial statements in respect of the WFP Fund, including its funds and accounts. These financial statements shall be prepared in accordance with the UN Common Accounting Standards except when the nature of WFP's operation requires different internationally accepted accounting standards. The format of the financial statements shall be such as may be appropriate to clearly show the financial position of WFP and meet the managerial requirements of the Board and of the Executive Director.

Financial Regulation 13.2: The financial statements shall be presented in United States dollars. Accounting records may also be kept in such other currencies as the Executive Director may deem necessary.

Financial Regulation 13.3: The Executive Director shall certify the financial statements, and submit them not later than 31 March following the end of each financial period, to the External Auditor for examination and opinion.

XIV: External Audit

Financial Regulation 14.1: The Board shall appoint an External Auditor to perform the audit of the accounts of WFP. The External Auditor shall be the Auditor-General (or official holding



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holding the equivalent title) of a State Member of the United Nations or FAO.

Regulation 11.2: The External Auditor shall be appointed for a four-year term which shall commence on 1 July of the first year of a financial period. He or she may be reappointed for only one further four-year term.

Regulation 11.3: The audit shall be conducted in accordance with generally accepted auditing standards and in accordance with the additional terms of reference set out in the Annex to these Regulations.

Regulation 11.4: The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Programme.

Regulation 11.5: The External Auditor shall be completely independent and solely responsible for the conduct of the audit.

Regulation 11.6: The Committee may request the External Auditor to perform specific examinations and issue separate reports thereon.

Regulation 11.7: The Executive Director shall provide the External Auditor with the facilities he or she may require in the performance of the audit.

Regulation 11.8: The External Auditor shall issue a report on the audit of the financial statements and relevant schedules relating to the accounts of the financial period, which shall include such information as the External Auditor deems necessary with regard to the matters referred to in Regulation 11.4 and in the Additional Terms of Reference.

Regulation 11.9: The Executive Director shall transmit the report of the External Auditor together with the audited financial statements, to the Committee through the ACABQ and the FAO Finance Committee, and in accordance with any directions given to the Committee. The Executive Director shall also forward to the Committee the related comments of the ACABQ and the FAO Finance Committee.

Regulation 11.10: After its review, the Committee shall forward the report of the External Auditor and the audited financial statements to the United Nations General Assembly and the FAO Conference, together with the comments thereon of the ACABQ, the Finance Committee and the Committee itself.

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the equivalent title) of a State Member of the United Nations or FAO.

Financial Regulation 14.2: The External Auditor shall be appointed for a four-year period covering two financial periods. He or she may be reappointed for only one further four-year term.

Financial Regulation 14.3: The audit shall be conducted in accordance with Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency and in accordance with the additional terms of reference set out in the Annex to these Regulations.

Financial Regulation 14.4: The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of WFP.

Financial Regulation 14.5: The External Auditor shall be completely independent and solely responsible for the conduct of the audit.

Financial Regulation 14.6: The Board may request the External Auditor to perform specific examinations and issue separate reports thereon.

Financial Regulation 14.7: The Executive Director shall provide the External Auditor with the facilities he or she may require in the performance of the audit and any specific examination requested by the Board.

Financial Regulation 14.8: The External Auditor shall issue a report on the audit of the financial statements and relevant schedules relating to the s deems necessary with regard to the matters referred to in Financial Regulation 14.4 and in the additional terms of reference.

Financial Regulation 14.9: External audits will be conducted exclusively by the External Auditor appointed by the Board, provided that for the purpose of making a local or special examination or of effecting economies of audit cost, the External Auditor may engage the services of any national Auditor-General (or person exercising an equivalent function) or



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commercial public auditors of known repute or any other person or firm who, in the opinion of the External Auditor, is technically qualified.



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Additional terms of reference governing External Audit

1. The External Auditor shall perform such audit of the accounts of the Programme including all trust funds and special accounts, as he deems necessary in order to satisfy himself:
 - a) that the financial statements are in accordance with the books and records of the Programme;
 - b) that the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives;
 - c) that the securities and monies on deposit and on hand have been verified by certificate received direct from the Programme's depositories or by actual count of WFP;
 - d) that the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereon; and
 - e) that procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits.
2. The External Auditor shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Executive Director and may proceed to such detailed examination and verification as he chooses of all financial records including those relating to supplies and equipment.
3. The External Auditor and his staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor, necessary for the performance of the audit. Information classified as privileged and which the Executive Director (or his designated senior official) agrees is required by the External Auditor for the purposes of the audit and information classified confidential shall be made available on application. The External Auditor and his staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The External Auditor may draw the attention of the Executive Board to any denial of information classified as privileged which, in his opinion, was required for the purpose of the audit.
4. The External Auditor shall have no power to disallow items in the accounts but shall

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Additional terms of reference governing External Audit

1. The External Auditor shall perform such audit of the accounts of WFP, including all trust funds and special accounts, as ~~he~~ deemed necessary in order to satisfy himself or herself:
 - a) that the financial statements are in accordance with the books and records of WFP;
 - b) that the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives;
 - c) that the securities and monies on deposit and on hand have been verified by certificate received direct from WFP's depositories or by actual count of WFP;
 - d) that the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereon; and
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4. The External Auditor shall have no power to disallow items in the accounts but shall

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draw to the attention of the Executive Director for appropriate action any transaction concerning which he entertains doubt as to legality or propriety. Audit objections to these or any other transactions arising during the examination of the accounts shall be immediately communicated to the Executive Director.

5. The External Auditor shall express and sign an opinion on the financial statements in the following terms: "I have examined the following appended financial statements, numbered ... to ... properly identified, and relevant schedules of the Programme for the financial period ended 31 December My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances."
6. The opinion shall state, as appropriate, whether:
 - a) the financial statements present fairly the financial position as at the end of the period and the results of its operations for the period then ended;
 - b) the financial statements were prepared in accordance with the stated accounting principles;
 - c) the accounting principles were applied on a basis consistent with that of the preceding financial period; and
 - d) transactions were in accordance with the financial regulations and legislative authority.
7. The report of the External Auditor to the Committee on the financial operations of the period should mention:
 - a) the type and scope of the examination;
 - b) matters affecting the completeness or accuracy of the accounts, including where appropriate:
 - i) information necessary to the correct interpretation of the accounts;
 - ii) any amounts which ought to have been received, but which have not been brought to account;
 - iii) any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
 - iv) expenditures not properly substantiated; and
 - v) whether proper books of accounts have been kept; where in the presentation of statements there are deviations of material nature from the generally accepted accounting principles applied on a consistent basis,

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 - d) transactions were in accordance with the financial regulations and legislative authority.
7. The report of the External Auditor to the Board on the financial operations of the period should mention:
 - a) the type and scope of the examination;
 - b) matters affecting the completeness or accuracy of the accounts, including where appropriate:
 - i) information necessary to the correct interpretation of the accounts;
 - ii) any amounts which ought to have been received, but which have not been brought to account;
 - iii) any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
 - iv) expenditures not properly substantiated; and
 - v) whether proper books of accounts have been kept; where in the presentation of statements there are deviations of material nature from the generally accepted accounting principles applied on a consistent basis,

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these should be disclosed.

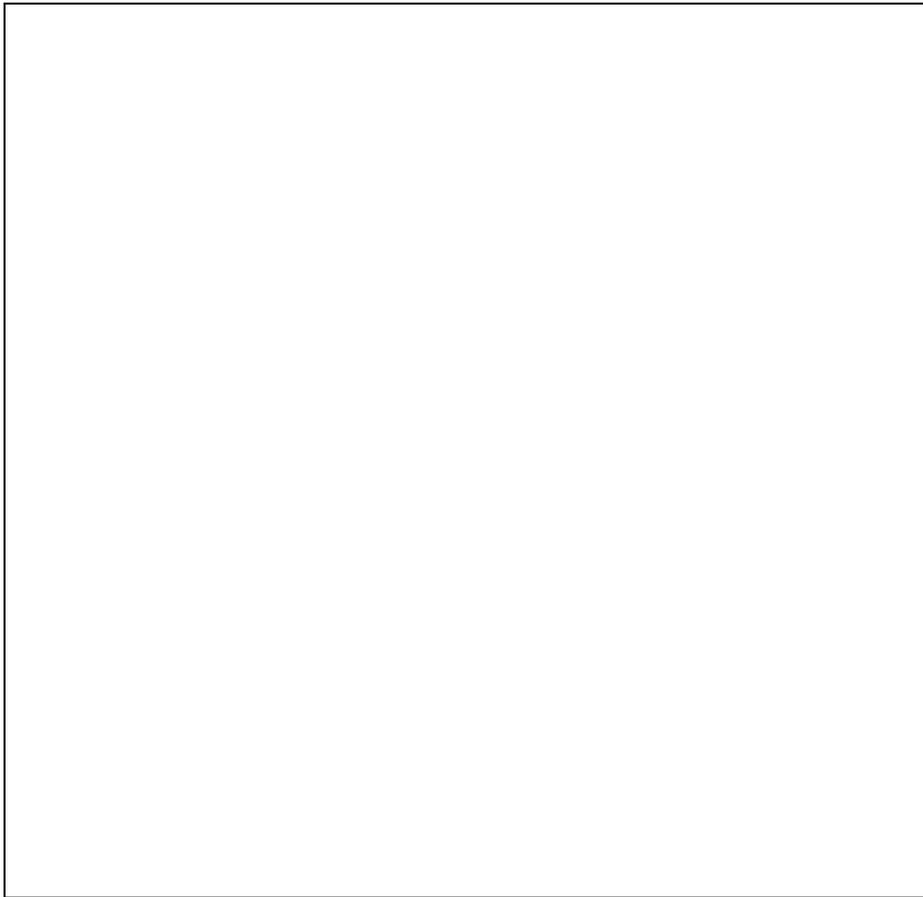
- c) other matters which should be brought to the notice of the Committee, such as:
 - i) case of fraud or presumptive fraud;
 - ii) wasteful or improper expenditure of the Programme's money or other assets (notwithstanding that the accounting for the transaction may be correct);
 - iii) expenditure likely to commit the Programme to further outlay on a large scale;
 - iv) any defect in the general system of detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
 - v) expenditure not in accordance with the intention of the Committee after making allowance for duly authorized transfers within the budget;
 - vi) expenditure not in conformity with the authority which governs it.
 - d) the accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records.
 - e) In addition, the reports may contain reference to transactions accounted for in a previous financial period concerning which further information has been obtained or transactions in a later financial period concerning which it seems desirable that the Committee should have early knowledge.
8. The External Auditor may make such observations with respect to his findings resulting from audit and such comments on the Executive Director's financial report as he deems appropriate to the Committee or to the Executive Director.
9. Whenever the External Auditor's scope of audit is restricted, or whenever he is unable to obtain sufficient evidence, the External Auditor shall refer to the matter in his opinion and report, making clear in the report the reasons for his comments, and the effect on the financial position and the financial transactions as recorded.
10. In no case shall the External Auditor include criticism in his report without first affording the Executive Director an adequate opportunity to explain the matter under observation.
11. The External Auditor is not required to mention any matter referred to in the foregoing which, in his opinion, is insignificant in all respects.

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- c) other matters which should be brought to the notice of the Board, such as:
 - i) case of fraud or presumptive fraud;
 - ii) wasteful or improper expenditure of WFP's money or other assets (notwithstanding that the accounting for the transaction may be correct);
 - iii) expenditure likely to commit WFP to further outlay on a large scale;
 - iv) any defect in the general system of detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
 - v) expenditure not in accordance with the intention of the Board after making allowance for duly authorized transfers within the budget;
 - vi) expenditure not in conformity with the authority which governs it.
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