



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

## Executive Board

First regular session  
Rome, 22–24 February 2021

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Distribution: General

Agenda item 5

Date: 1 February 2021

WFP/EB.1/2021/5(A,B)/3

Original: English

Resource, financial and budgetary matters

For information

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

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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:

- Update on the bottom up strategic budgeting exercise (WFP/EB.1/2021/5-A/1)
- Update on operational requirements and funding forecast for 2021 (WFP/EB.1/2021/5-B/1)



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# COUNCIL

## Hundred and Sixty-sixth Session

26-30 April 2021

### Report of the 184th Session of the Finance Committee (28-29 January 2021)

#### Executive Summary

At its 184th Session, the Committee reviewed the *Update on the bottom up strategic budgeting exercise*, and the *Update on operational requirements and funding forecast for 2021* prior to their consideration by the First Regular Session of the WFP Executive Board in February 2021.

#### 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 First Regular Session of the WFP Executive Board in February 2021.

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

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## Introduction

1. The Committee submitted to the Council the following report of its Hundred and Eighty-fourth Session.
2. In addition to the Vice Chairperson, Ms Jennifer Harhigh (United States of America), chairing the session in the absence of the Chairperson, Ms Imelda Smolčić Nijers (Uruguay), the following representatives of Members were present:
  - Ms Kristina Gill (Australia)
  - Mr Manash Mitra (Bangladesh)
  - Mr Rodrigo Estrela de Carvalho (Brazil)
  - Mr Haitham Abdelhady Elsayed Elshahat (Egypt)
  - Ms Helina Dinku Godana (Ethiopia)
  - Mr Ramón Lohmar (Germany)
  - Mr Toru Hisazome (Japan)
  - Mr Benito Santiago Jiménez Sauma (Mexico)
  - Ms Tahirou Rahila Rabiou (Niger)
  - Mr Vladimir V. Kuznetsov (Russian Federation)
  - Ms Saadia Elmubarak Ahmed Daak (Sudan)
  - Ms Elizabeth Petrovski (United States of America)
3. The Chairperson informed the Committee that:
  - Ms Kristina Gill (Australia) had been designated to replace Ms Lynda Hayden as the representative of Australia for this session;
  - Ms Helina Dinku Godana (Ethiopia) had been designated to replace H.E. (Ms) Zenebu Tadesse Woldetsadik as the representative of Ethiopia for this session;
  - Mr Ramón Lohmar (Germany) had been designated to replace Mr Heiner Thofern as the representative of Germany for this session;
  - Ms Saadia Elmubarak Ahmed Daak (Sudan) had been designated to replace Mr Sid Ahmed M. Alamain Hamid Alamain as the representative of Sudan for the remainder of the term of office; and
  - Ms Elizabeth Petrovski (United States of America) had been designated to replace Ms Jennifer Harhigh 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. The 184th Session of the Finance Committee was convened virtually on an exceptional basis due to the COVID-19 pandemic. The Finance Committee confirmed, pursuant to Rule VII of the rules of procedure of the Finance Committee, that it agreed to suspend Rule II(4) of the rules of procedure of the Committee which requires that sessions shall be held at the seat of the Organization.

6. In addition, silent observers from the following Members attended the 184th Session of the Committee:

- Angola
- Cabo Verde
- Cameroon
- China
- Colombia
- Costa Rica
- Dominican Republic
- European Union (Member Organization)
- Guatemala
- Hungary
- India
- Iran (Islamic Republic of)
- Italy
- Madagascar
- Morocco
- Netherlands
- Portugal
- United Kingdom of Great Britain and Northern Ireland

## **World Food Programme Matters**

### **Update on the bottom up strategic budgeting exercise**

7. The Committee welcomed the update from WFP on the bottom up strategic budgeting exercise (BUSBE) and the efforts to improve the allocation of resources to meet the growing needs of the Organization.
8. The Committee noted the proposed approach demonstrated in the paper was positive. It recognised that the exercise, while ambitious, would help the Organization to prioritise activities and assign them to the most appropriate funding source.
9. The Committee was informed that it was not anticipated that the BUSBE would result in an increase of the Programme Support and Administrative Budget but would see baseline activities funded in a more sustainable and consistent manner.
10. The Committee requested to see the findings from the 2021 Management Plan modelling exercise, which was being finalised, at the first regular session of the Executive Board. The Committee also advised Management that the Executive Board should be kept informed of interim recommendations and emerging outcomes of the BUSBE.
11. The Committee noted the importance of baseline processes being funded in a sustainable manner and welcomed the BUSBE efforts to ensure funding for core processes and functions.
12. The Committee sought further information on the direction of cost recovery and the future role of service centres for the Organization. It was informed that WFP was currently looking into the feasibility and suitability of service centres, but this would likely be conducted in a phased approach, initially through pilot projects.
13. The Committee raised concerns as to whether a greater involvement of country offices and regional bureaux in budget governance would result in issues related to the sharing of resources. Management clarified that a more rigorous review through expanded budget governance would bring greater transparency to budgetary decisions, reducing the likelihood of misunderstanding, while decision making on the budget would be retained by the Leadership Group. Management also noted that more explicit priorities were being developed to provide better corporate guidance on the allocation of resources.

14. The Committee looked forward to greater clarity on how the BUSBE would impact the 2022 Management Plan, which would be provided in subsequent formal and informal updates throughout 2021.
15. **The Committee:**
- a) **welcomed the document noting that it presented an overview of developments with the bottom up strategic budgeting exercise (BUSBE);**
  - b) **noted that the BUSBE consisted of an in-depth analysis of WFP's recurring programme support and business operations requirements, as well as a review of the current sources of funding for those requirements;**
  - c) **supported the main objectives of the exercise that were to: ensure the use of the optimum funding sources for activities; enable a more efficient use of funding; improve the transparency of headquarters division and regional bureaux funding; and examine the programme support and administrative (PSA) support provided to country offices;**
  - d) **took note of the phased approach to the BUSBE and requested detailed updates on its progress as the respective phases are implemented; and**
  - e) **recommended that the WFP Executive Board take note of the *Update on the bottom up strategic budgeting exercise*.**

#### **Update on Operational Requirements and Funding Forecast for 2021**

16. The Committee considered the *Update on operational requirements and funding forecast for 2021* which provided an updated forecast of USD 7.8 billion for 2021 compared with operational requirements of USD 13.5 billion, resulting in a funding gap of 42 percent.
17. The Committee was pleased to note that the projected indirect support cost income stood at USD 469.2 million, which was higher than the indirect support cost income projected in the Management Plan (2021-2023) and higher than the approved PSA budget for 2021 of USD 443.5 million.
18. The Committee emphasized the need for WFP to continue efforts to reduce the funding gap, broaden and diversify its funding base, including for activities related to root causes in compliance with General Rule X.8 of the WFP General Rules and Financial Regulations. The Committee was informed of WFP's ongoing efforts in this area, particularly through continued private sector engagement, and its work on innovative financing mechanisms, such as debt swaps and co-financing.
19. **The Committee:**
- a) **welcomed the document noting that it presented the latest 2021 operational and funding forecast data arising from the implications of the COVID-19 pandemic;**
  - b) **noted that this update was presented in response to the Executive Board's request to receive regular updates on the operational requirements and the funding forecast with a view to discussing any required adjustments should the projected indirect support cost income fall below the approved PSA budget level for 2021;**

- c) **noted** that the latest 2021 global funding forecast stood at USD 7.8 billion, reflecting an increase compared to the USD 7.4 billion indicated in the approved Management Plan (2021–2023), and that with the current forecast, indirect support cost revenue was projected at USD 469.2 million compared to the approved PSA budget for 2021 of USD 443.5 million;
- d) **noted** that the projected Programme Support and Administrative Equalization Account (PSAEA) balance at 31 December 2021 of USD 243.5 million was higher than the target PSAEA balance of five months of PSA expenditure and compared favourably with only 3.4 months estimated in the Management Plan and the ‘floor’ level of two months of PSA expenditure;
- e) **noted** that based on current forecast operational requirements of USD 13.5 billion and contribution income of USD 7.8 billion, the estimated funding gap now stood at 42 percent;
- f) **encouraged** WFP management in its efforts to broaden the funding base to better meet the operational requirements for 2021 and reduce the funding gap; and
- g) **recommended** that the WFP Executive Board take note of the Update on operational requirements and funding forecast for 2021.

### **Date and Place of the Hundred and Eighty-fifth Session**

20. The Committee was informed that the next session was scheduled to be held from 22 to 26 March 2021. The arrangements for the session would be established in accordance with the evolving COVID-19 restrictions.