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

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Audited annual accounts, 2020

The Secretariat is pleased to submit the audited 2020 financial statements together with the audit opinion and the report of the External Auditor. The financial statements have been prepared under International Public Sector Accounting Standards (IPSAS). The External Auditor has completed the audit in accordance with the International Standards of Auditing, and has provided an unqualified audit opinion.

This document is submitted to the Board in accordance with general regulation XIV.6 (b) and financial regulations 13.1 and 14.8, which provide for the submission to the Board of the audited financial statements of WFP and an associated report of the External Auditor. The statements and the report are presented in one document.

This document includes a statement on internal control which provides specific assurance on the effectiveness of internal control in WFP.

The Secretariat's responses to the External Auditor's recommendations are contained in "Report on the implementation of the External Auditor's recommendations" (WFP/EB.A/2021/6-H/1).

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Draft decision*

The Board:

i) approves the 2020 annual financial statements of WFP, together with the report of the External Auditor, pursuant to general regulations XIV.6 (b);

ii) notes the funding from the General Fund of USD 50,109 during 2020 for the ex-gratia payments and the write off of cash losses and receivables;

iii) notes losses of commodities during 2020 forming part of operating expenses for the same period.

* This is a draft decision. For the final decision adopted by the Board, please refer to the decisions and recommendations document issued at the end of the session.

Section I

Cour des comptes
FRANCE

The First President

Paris, 30 March 2021

To the Executive Board

AUDIT OPINION

Opinion

We have audited the Financial Statements of the World Food Programme (WFP), for the 12 months period ended 31 December 2020. These Financial Statements include a Statement of Financial Position as at 31 December 2020, a Statement of Financial Performance, a Statement of Changes in Net Assets, a Statement of Cash Flow, a Statement of Comparison of Budget and Actual Amounts and Notes, including a summary of the accounting policies and other information.

In our opinion, the Financial Statements present fairly the financial position of the World Food Programme as at 31 December 2020 and the results of the operations for the period, in conformity with the International Public Sector Accounting Standards (IPSAS). The Financial Statements were prepared in accordance with the stated accounting policies and the accounting policies were applied on a basis consistent with that of the preceding financial period. All transactions that we became aware of or that we tested during our audit have been carried out in compliance with the Financial Regulations and with the authorizations granted by legislative authority.

Basis for Opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISA) and in accordance with Article XIV of the Financial Regulations of the World Food Programme and its annex relating to external audit. These Standards require us to comply with the ethical rules and to plan and perform our audit in order to obtain a reasonable assurance that the Financial Statements are free from material misstatements. As required by the Charter of ethics of the Cour des comptes, we guarantee the independence, the fairness, the neutrality, the integrity and the professional discretion of the auditors. Furthermore, we also fulfilled our other ethical obligations in compliance with the Code of Ethics of the International Organisation of Supreme Audit Institutions (INTOSAI). The responsibilities of the External Auditor are more extensively described in the section "Auditor's Responsibilities for the Audit of the Financial Statements".

We believe that the audit evidence collected is sufficient and appropriate to constitute a reasonable basis for our opinion.

…/

Management's Responsibilities for the Financial Statements

Within the framework of Article XIV.6 (b) of the General Regulations and by virtue of the Articles 13.1 and 13.3 of the Financial Regulations, the Executive Director of the World Food Programme is responsible for presenting the Financial Statements. These Statements are in conformity with the International Public Sector Accounting Standards. This responsibility includes the design, implementation and monitoring of internal control procedures to ensure the preparation and the fair presentation of Financial Statements, free of significant misstatements, resulting either from frauds or errors. This responsibility also includes the determination of fair accounting estimates adapted to the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

The goal of the audit is to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

An audit therefore consists in implementing audit procedures in order to collect audit evidence regarding the amounts and the information presented in the Financial Statements. The External Auditor takes into account the internal control in effect in the entity, relative to the establishment and preparation of financial statements, so as to define appropriate audit procedures in the circumstances, and not with the aim of expressing an opinion on the effectiveness of this control. The choice of the audit procedures is based on the External Auditor's professional judgment, as is the case for the risk evaluation of the Financial Statements, for the assessment of the appropriateness of the accounting policies and of the accounting estimates, and for the overall presentation of the Financial Statements.

Pierre MOSCOVICI

Cour des comptes
FRANCE

EXTERNAL AUDIT OF THE WORLD FOOD PROGRAMME

AUDIT REPORT

FINANCIAL STATEMENTS OF THE WORLD FOOD PROGRAMME

FOR THE YEAR ENDED 31 DECEMBER 2020

COUR DES COMPTES REFERENCE: WFP-2021-1

WFP
World Food Programme

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SUMMARY

WFP continues to enjoy a strong financial position, with net assets USD 972 million higher than at the end of 2019, cash and investments representing 42 percent of total assets and a very high level of contributions. Contributions totalled USD 8.39 billion in 2020, USD 420 million more than in 2019 and USD 1.15 billion more than in 2018.

WFP had a surplus of USD 850 million in 2020, mainly attributable to the time lag between the receipt of contributions and their allocation, with an increase in contributions almost automatically leading to an increase in the surplus. The accumulated surpluses contributed to a year-over-year increase in net assets but the organization’s prudential position remained essentially unchanged, with net assets representing five months of operational requirements in 2020 compared to six months in 2019.

This situation must be viewed in the context of the global crisis triggered by the COVID-19 pandemic in 2020, which in the end did not have a major impact on the organization’s financial position: although requirements rose considerably during the year, contributions also grew significantly.

This year the External Auditor has once again issued an unqualified opinion on WFP’s financial statements. In accordance with its mandate under WFP’s financial regulations, it has also made a number of observations with respect to the efficiency of the financial procedures and controls.

In the annual management plan, approved by the Executive Board at its second regular session, the Secretariat no longer presents the implementation plan showing the resource forecasts for the following financial year broken down by activity. Apart from the fact that this detracts from the information provided by the management plan, it is not, in the opinion of the External Auditor, in full compliance with the financial regulations.

With regard to financial reporting, the External Auditor also encourages WFP to establish a written procedure for regular updating of the Financial Resources Management Manual, given the significant delays encountered to date in updating the document.

WFP has persisted in its efforts to equip the WINGS II enterprise resource planning system with appropriate and effective control processes, including with respect to the management of user rights. The organization’s security policy, including the role and user administration procedure, has been in draft form since 2018 and should be adopted without further delay. Setting up automatic integration of the data managed by the Human Resources Division in the WINGS SAP/HCM master personnel file and the WINGS/Active Directory (AD) file would be a useful step towards improving security in the immediate future.

At the end of 2020, long-term employee benefits stood at more than USD 1 billion. The bulk of this amount is derived from actuarial valuations by the actuarial firm under contract with WFP. The audit trail allowing verification of the reasonableness of the valuations could be improved by allowing fuller access to the documentation of the data and methods used.

I. OBJECTIVES AND SCOPE OF THE AUDIT

1. In accordance with our notification letter of 9 November 2020, a team of five auditors audited the financial statements of the World Food Programme (WFP) for the financial year ended 31 December 2020 with the objective of issuing an audit opinion on the financial statements. The audit was carried out mainly at WFP headquarters in Rome, in two stages:

- an interim audit from 5 to 16 October 2020; and
- a final audit from 15 February to 5 March 2021.

2. Pursuant to an Executive Board decision of 10 November 2015, WFP external auditing was entrusted to the First President of the Cour des Comptes of France for the period 1 July 2016 to 30 June 2022, in accordance with financial regulation 14.1 of the WFP Financial Regulations.

3. The External Auditor's mandate is set out in section XIV of the WFP Financial Regulations and the annex thereto, and in the call for applications for the appointment of the External Auditor. The terms of reference for the mandate comprise the call for applications and the offer of services of the Cour des Comptes, particularly its detailed technical offer, which was approved by the Board.

4. The responsibilities of the External Auditor consist of auditing the accounts of WFP (financial regulation 14.1) and making observations, as it sees fit, 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 14.4).

5. In accordance with article XIV.6 (b) of WFP's General Regulations and pursuant to financial regulations 13.1 and 13.3 of its Financial Regulations, the Executive Director submits the annual financial statements of WFP to the Executive Board for its approval after having submitted them to the External Auditor for examination and opinion. The financial statements are prepared in accordance with International Public Sector Accounting Standards (IPSAS). Management is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility includes making accounting estimates that are reasonable in the circumstances. In accordance with financial regulation 3.1, the Executive Director is also responsible and accountable to the Board for the financial management of the activities of WFP.

6. A letter of engagement was drawn up with the Secretariat to ensure that, in accordance with International Standards on Auditing (ISA), the respective obligations of management and the External Auditor are clearly understood. In addition, before each audit, the External Auditor informs the Secretariat of the scope of the audit activities to be undertaken.

7. This report falls within the scope of the annual work plan of the External Auditor submitted to the WFP Executive Board at its 2020 second regular session, in November, which describes the audit activities to be carried out from July 2020 to June 2021. In accordance with the terms of reference, each year the External Auditor must produce an audit report on the financial statements of WFP (to be submitted to the Board for approval), accompanied by an opinion on the accounts, two reports on the performance and regularity of the management of WFP, also known as "performance audit reports" (to be submitted to the Board for consideration), and management letters drafted following visits to field offices (regional bureaux and country offices). The External Auditor also validates the draft annual report on the implementation status of its previous recommendations, submitted by the Secretariat to the Board for consideration.

8. The audit of the financial statements was carried out in accordance with the International Standards on Auditing and the International Standards of Supreme Audit Institutions for financial audits.

9. The field visits in country offices,[1] which were conducted remotely due to public health measures, related mainly to the regularity of the management of the offices, although the audits performed also contributed to preparation of this report.

10. The objective of the audit was to obtain reasonable assurance about:

- whether the financial statements give a true and fair view, in all material respects, of the financial position of WFP at 31 December 2020 and the results of the operations recorded during the financial year, in accordance with IPSAS;
- whether the financial statements were prepared in compliance with the Financial Regulations and the stated accounting policies;
- whether the accounting policies applied are consistent with those of the previous financial year; and
- whether the transactions were performed in compliance with the Financial Regulations and the authority conferred by the legislative bodies.

11. Each observation and recommendation was discussed with the relevant staff. The audit closure meeting was held with senior management of the Corporate Finance Division on 5 March 2021. Management received the External Auditor's draft report and provided feedback; the present report takes into account all its comments and responses.

12. The External Auditor has issued an **unqualified** opinion on the financial statements.

13. The travel restrictions arising from the public health situation, which led the External Auditor to perform its final headquarters and field office verifications remotely, resulted in longer processing times for some data. In addition, this year the audit evidence gathered is not based on visual observations made in the field with respect to the tracking of fixed assets and inventories. The External Auditor is of the view that these constraints did not prevent it from gathering sufficient appropriate audit evidence on which to base its opinion.

[1] WFP offices in Benin, Ecuador, Egypt, Madagascar, Nicaragua, Rwanda, the Sudan and Zambia.

II. LIST OF RECOMMENDATIONS

14. The External Auditor has assigned a priority level to each recommendation:

- ***Priority 1:*** An essential point requiring the immediate attention of management;
- ***Priority 2:*** A less urgent control issue requiring management attention; and
- ***Priority 3:*** An issue brought to the attention of management, pertaining to which controls could be improved.

Area	Priority	Recommendations
Financial reporting	1	**1. The External Auditor recommends that WFP reconsider its decision to no longer present an implementation plan with resource forecasts in the Board-approved management plan, or alternatively to amend the Financial Regulations.**
	2	**2. The External Auditor recommends that WFP establish a written procedure for the regular updating of the Financial Resources Management Manual.**
WINGS II enterprise resource planning software	2	**3. The External Auditor recommends that WFP automate the synchronization of the basic data in the WINGS SAP/HCM personnel master file with the data in the WINGS/Active Directory (AD) file.**
	3	**4. The External Auditor recommends that WFP document the relationship with external users of WINGS II and put security controls in place to reduce the risks associated with their access to the system.**
Employee benefits	2	**5. The External Auditor recommends that WFP consider strengthening the audit trail by including, in the actuary's next contract, provisions for providing additional information on the data and methods used in actuarial valuation.**
	3	**6. The External Auditor recommends that WFP determine the lapse rate for the national field staff medical insurance plan based on national staff member experience.**
	3	**7. The External Auditor recommends that WFP set the after-service medical insurance plan cost-sharing rate for international staff based on historical participation rates rather than on the average of *ex-ante* estimates.**

III. OBSERVATIONS AND RECOMMENDATIONS

1. Follow-up on previous recommendations

15. The External Auditor has reviewed the status of implementation of the four recommendations issued on the 2019 financial statements based on interviews conducted in February 2021 and documentation provided by WFP. Its assessment of the status of implementation is summarized in the table below.

Table 1: Status of implementation of the External Auditor's recommendations relating to the audit of WFP's financial statements for the 2019 financial year

Subject	*Implemented*	*Being implemented*	*Not implemented*	*Total*	*Reference paragraphs in the 2019 report*
Employee benefits		4		4	paras. 34–38
1. Improve the validation of the 30 September payroll data used by the actuary and update the calculation based on the 31 December payroll data.			X		
2. Obtain greater assurance from its actuary on the level of uncertainty associated with the assumptions used for future medical costs.		X			
3. Obtain sensitivity analyses for all actuarial assumptions, starting with the assumption relating to the staff turnover rate.		X			
4. Update the EUR/USD mix used to estimate long-term employee benefits based on more recent disbursement data.	X				
Total	**1**	**2**[2]	**1**[3]	**4**	

Source: External Auditor

16. In 2018, the External Auditor recommended that WFP solicit more information from its actuary in order to more effectively assess the methodology and assumptions used for the actuarial estimates of employee benefits. During its review of the 2019 financial statements, the External Auditor noted that WFP had started to implement this recommendation, which led to the adoption of a specific discount rate for each type of benefit. The new rates were significantly lower, which contributed to a higher valuation of the liability. The External Auditor was nevertheless of the view that there was scope for further work to improve the quality of the determination of this liability and made four new recommendations.

[2] As these recommendations have been partially implemented, the External Auditor decided to close them and to set out its expectations in new recommendations, presented in the relevant section of this report.

[3] This recommendation has been dropped following a review by the Finance Division at the request of the External Auditor, which found that its impact on the financial statements was not significant.

17. In response to the recommendation that the actuary use the human resources database as at 31 December rather than 30 September, WFP submitted information on fourth quarter 2020 staffing changes to its actuary for estimation of the potential impact on the liability. WFP does not consider the impact, which is in the range of USD 1.2 million, sufficiently significant against a liability of over USD 1 billion to warrant the use of 31 December data, given that the change would significantly delay the preparation of the financial statements. In the light of these developments, and considering that the approximation used by WFP is not contrary to IPSAS 39, this recommendation is withdrawn.

18. With respect to the recommendation to obtain greater assurance on the level of uncertainty associated with the assumptions used for future medical costs, the actuary's 2020 valuation report provides additional information. WFP considers that the actuarial assumptions for future medical costs are developed on a reasonable basis and reflect the uncertainty inherent in any long-term assumption based on changes in economic factors beyond the direct control of the entity.

19. Regarding the recommendation to obtain sensitivity analyses for all actuarial assumptions rather than just some, WFP asked the actuary to perform sensitivity analyses of the remaining key assumptions, such as general inflation, cost allocation, withdrawal and retirement rates and future salary increases. According to WFP, this exercise showed that these assumptions are not as materially significant as those currently disclosed, with IPSAS 39 only requiring disclosure of significant assumptions.

20. In view of these elements, the External Auditor considers the two recommendations described above to have been partially implemented. In section 4.4 of this report, the External Auditor makes new recommendations that clarify its expectations and highlight the points that merit fuller exploration next year. These two 2019 recommendations are therefore closed.

21. Finally, the EUR/USD mix of disbursements made to pay employee benefits was based on analyses of disbursements dating back to 2009. In view of this finding the currency mix was updated for each plan and applied in the calculations of the discount rate, the general inflation rate and the growth rate for medical costs. Details are provided in the actuary's valuation report and related sections on assumptions. This recommendation is therefore considered to have been implemented.

22. In its report on the 2018 financial statements, the External Auditor recommended that WFP obtain from the United Nations Development Programme (UNDP), which manages part of WFP's salaries, assurance regarding the reliability of the payroll system used for that purpose. Like last year WFP received a letter from UNDP, dated 16 February 2021, confirming that the internal controls in place for the management of WFP's staff payroll are considered adequate. WFP further believes that UNDP will take responsibility for any errors in the process, which it considers unlikely.

23. Regarding cash-based transfers, WFP continued to implement the recommendation made in 2017 on the deployment of SCOPE.[4] The system covered 63.7 million beneficiaries at the end of 2020, compared to 47 million at the end of 2019 and 33 million at the end of 2018. The percentage of cash-based transfers covered by SCOPE was 59.8 percent in 2020, compared to 45 percent in 2019. SCOPE and comparable systems covered 71 percent of cash-based transfers in 2020, substantially unchanged from the 71 percent recorded in 2019.

[4] Digital beneficiary information and transfer management platform.

2. Overview of WFP's financial position for the year 2020

2.1. Presentation of WFP's simplified statement of financial position

Table 2: WFP's simplified statement of financial position
(USD million)

	31/12/2020	31/12/2019
Current assets		
Cash and investments	3 356	2 994
Contributions receivable	4 203	3 665
Inventories	1 013	936
Other	285	319
Total current assets	***8 857***	***7 914***
Non-current assets		
Contributions receivable	352	569
Investments	1 009	764
Property, plant and equipment and intangible assets	200	188
Total non-current assets	***1 560***	***1 521***
TOTAL ASSETS (a)	***10 417***	***9 435***
Current liabilities		
Deferred revenues	830	911
Vendor payables and other liabilities	1 253	999
Total current liabilities	**2 083**	**1 910**
Non-current liabilities		
Deferred revenues	352	571
Employee benefits	1 085	1 023
Loan	55	61
Total non-current liabilities	**1 492**	**1 655**
TOTAL LIABILITIES (b)	***3 575***	***3 565***
NET ASSETS (a)–(b)	**6 842**	**5 870**

Source: Statement I of WFP's financial statements (rounded amounts).

24. WFP's simplified statement of financial position, presented above, shows a strong financial position, with net assets of USD 6.84 billion at the end of 2020, an increase of USD 972 million over the figure as at 31 December 2019 in the previous financial statements. This rising trend in net assets has been observed for several years and is linked to significant surpluses. Thus, net assets have increased by USD 1.53 billion in the two years since the end of 2018. This financial strength is also illustrated by the asset mix at the end of 2020, which consisted of USD 4.36 billion in cash and cash equivalents and short-term and long-term investments, representing 42 percent of the USD 10.42 billion in total assets.

25. WFP's non-current liabilities include employee benefits (the largest portion of which is for after-service medical plans, which stood at USD 1.08 billion at the end of 2020. This figure represents a USD 62 million increase over the amount recognized at the end of 2019. The increase was more moderate than the previous year's increase of USD 286 million, primarily owing to the stabilization of the after-service medical plan discount rate, which had decreased

in 2019[5] (see section 4.4 below). WFP set up a long-term investment to fund long-term employee benefits, in accordance with the decision adopted by the Executive Board in December 2010. The amount already covered by this investment at the end of 2020 was USD 963 million.[6]

2.2. Presentation of WFP's simplified statement of financial performance

Table 3: WFP's simplified statement of financial performance
(USD million)

	2020	2019
Revenue		
Contributions	8 390	7 970
Other revenue	514	301
Total revenue	***8 904***	***8 271***
Expenses		
Food commodities distributed	2 410	2 346
Cash-based transfers distributed	2 124	2 134
Distribution and related services	906	864
Employee costs	1 152	1 109
Other expenses	1 462	1 160
Total expenses	***8 054***	***7 613***
Surplus for the year	***850***	***658***

Source: Statement II of WFP's financial statements (rounded amounts).

26. The year 2020 was characterized by a very high level of voluntary contributions, totalling USD 8.39 billion, USD 420 million more than in 2019 and USD 1.15 billion more than in 2018. This continues an upward trend of the past several years, as contributions were only USD 4.81 billion in 2015. This increase of 74 percent in five years is a testament to WFP's capacity to mobilize donors.

27. As part of the Global Humanitarian Response Plan, thanks to an urgent United Nations appeal for donations to help the most fragile countries cope with the destabilization caused by the COVID-19 pandemic, USD 260 million was mobilized by WFP. WFP agrees that this amount constitutes a direct impact of the pandemic on its revenues. In addition, WFP received USD 494 million during the year explicitly designated for the health emergency response; however, it is impossible to be sure that WFP would not have received this amount had there not been a pandemic. Furthermore, the impact of the COVID-19 pandemic on the financial statements cannot be objectively, accurately or systematically evaluated, as the accounting and reporting systems are not intended or designed to link costs, revenues and balances to a specific underlying cause such as the pandemic.

28. The difference between revenue and expenses resulted in a surplus of USD 850 million, more than the surpluses recognized in 2019 (USD 658 million), 2018 (USD 728 million) and 2017 (USD 212 million). WFP does not consider that this situation in any way reflects an

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[5] The rate increased from 2.1 percent to 2.2 percent in 2020; in 2019, the rate decreased from 3.2 percent to 2.1 percent, resulting in a USD 135 million increase in the liability. It should be recalled that a change in the value of benefits has an inverse relationship to the change in actuarial rates.

[6] This amount represents assets held in reserve in bonds and equities. Including USD 21 million in cash also allocated to reserves, the total assets held in reserve amount to USD 984 million.

inability to spend all the contributions it receives on its operations. Since 2018, WFP has in fact provided explanations for this in the Executive Director's statement preceding the financial statements, in accordance with an earlier recommendation. These explanations stress the time lag between the receipt of the funds and their allocation, with an increase in contributions almost automatically leading to an increase in the surplus. While almost half the surplus for 2019 was linked to the operation in Yemen, that operation showed a deficit in 2020. The largest in-country surplus in 2020 was for Somalia (USD 162 million). The USD 850 million surplus also reflects the impact on revenue of exchange rate gains of USD 234 million (USD 15 million in 2019). This is a cyclical variation attributable to the appreciation of certain currencies against the dollar during the year. Finally, while the accumulated surpluses contribute to a year-over-year increase in net assets (i.e., an increase in the fund balances and reserves), the ratio of the surplus from operating activities[7] (USD 5,256.7 million) to operational requirements[8] (USD 12,836 million) is not increasing: the surplus represents about five months of operational requirements,[9] compared to six in 2019.

29. The value of WFP's traditional activity of food distribution increased only slightly in 2020, to USD 2.40 billion, compared to USD 2.35 billion in 2019 and USD 2.13 billion in 2018 (up 2.7 percent from 2019 and 12.6 percent from 2018). Food distribution volume is growing fairly steadily, however, totalling 4.4 million tons in 2020 compared to 4.2 million in 2019 and 3.9 million in 2018. Cash-based transfers dipped slightly from the previous year, totalling USD 2.12 billion in 2020 compared to USD 2.13 billion in 2019. This change breaks with the trend of the previous years, when, owing to WFP's decision to develop this type of assistance, cash-based transfers grew from USD 882 million in 2016 to USD 1.45 billion in 2017 and USD 1.76 billion in 2018 (-1.5 percent compared to 2019 but +20.4 percent compared to 2018). The decline is attributable to the end of WFP's participation in the European Union's refugee programme in Turkey,[10] which entailed a USD 351 million decrease in cash-based transfers, although this was offset by significant increases in Bangladesh, Ethiopia, the Sudan, Mali, Colombia and Burkina Faso. Cash-based transfers still accounted for 46.7 percent of WFP transfers in 2020, up from 27.6 percent in 2015. In 2020, four operations accounted for almost half of the cash-based transfers: the Syrian refugee regional emergency response[11] (USD 583 million), Yemen (USD 251 million), Bangladesh (USD 109 million) and Somalia (USD 97 million). In all, food distributions and cash-based transfers amounted to USD 4.53 billion in 2020 (USD 4.48 billion in 2019), representing 56.2 percent of WFP's total expenses (58.8 percent in 2019).

30. Staff costs were USD 1.15 billion in 2020, compared to USD 1.11 billion in 2019 and USD 980 million in 2018. This was mainly due to the strong growth seen in staff numbers over the past several years. In 2020, WFP employed 20,125[12] people worldwide, compared to 18,589 people in 2019, for a year-over-year increase of 1,536 (+8 percent) and an increase of 5,491 since 2014. At the headquarters in Rome alone, there were 2,273 staff compared to 2,024 in 2019 and 1,503 in 2014, for an increase of 249 in the past year and 770 since 2014.

3. **Main points regarding accounting principles**

3.1. <u>**Accounting treatment of distributions through partners**</u>

31. In accordance with the definition of an asset in paragraph 7 of IPSAS 1, an asset is recognized in the statement of financial position (Statement I), when WFP has control over it and assumes the majority of the risks and benefits associated with it. In line with this principle,

[7] Note 2.15 – Programme category funds (closing balance at 31 December 2020).

[8] Statement V – Final budget (subtotal, country strategic plan costs).

[9] 5,256 /(12,836/12) = 4.9.

[10] Emergency Social Safety Net in Turkey.

[11] This involved three countries: Jordan, Lebanon and Turkey.

[12] Figure provided by the Corporate Finance Division.

commodities distributed through cooperating partners are considered to have been removed from inventory, and therefore from assets, as soon as they have been handed over to the cooperating partners, even when not yet distributed to the beneficiaries. Thus the agreements signed with cooperating partners stipulate that they, and no longer WFP, assume the physical custody and control of such commodities. Cash-based transfers distributed through a partner, however, are recognized as assets until they have been distributed to beneficiaries. In this case, the agreements with the partners provide for the opening of special bank accounts with respect to which WFP has specific rights. WFP maintains sole and full beneficial title and interest to the cash held in such accounts.

32. These accounting treatments are in line with IPSAS, including the definition of an asset. The difference in treatment between the two distribution modalities reflects the different level of control retained by WFP over each of the channels used.

4. Main points regarding internal controls

4.1. Presentation of budget information

33. Statement V of WFP's financial statements presents the amounts budgeted by WFP for the 2020 financial year. These amounts are based on a functional classification in the WFP management plan. The "original budget" represents WFP's estimated operational requirements at the beginning of the financial year. The "final budget" represents the revised operational requirements based on changes in circumstances during the year. The "implementation plan" represents the operational requirements prioritized at the beginning of the fiscal year, taking into account the forecast available resources. Finally, the "actual on comparable basis" represents the budget actually implemented as at the end of the year. It consists of amounts committed, whether for actual expenditures or for orders that have not yet generated actual expenditures.

34. Since November 2019 the Secretariat has no longer presented in its annual management plan approved at the second regular session of the Executive Board the prioritized implementation plan showing the resource forecasts for the following financial year broken down by focus area, strategic outcome and result, activity and transfer modality.[13] The only resources broken down by focus area, objectives, activities and modalities, of which the Board is asked to "take note" in the management plan, are those required to fund the forecast operational requirements. In other words, the management plan presents resource requirements rather than resource forecasts.

35. The Secretariat explained that it had decided not to include the implementation plan in the management plan because, given the time frame for preparing the management plan, the resource projections, which are finalized in July, are obsolete by the time of the November regular session. It now provides, in the fourth quarter, a detailed picture of each country office's implementation plan through a data portal accessible by Board members. This detailed presentation by country does not, however, provide a full picture of requirements prioritized in the light of forecast resources, unlike the implementation plan.

36. According to the Financial Regulations, WFP's budget comprises the programme support and administrative budget on the one hand and the estimated resources and expenditures for programmes on the other.[14] The draft budget prepared in accordance with this definition must

[13] The last such presentation was in the WFP Management Plan (2019–2021) (WFP/EB.2/2018/6-A/1/Rev.1), paras. 48–84.

[14] Financial regulation 1.1: "WFP Budget shall mean the annual budget component of the Management Plan approved each year by the Board indicating estimated resources and expenditures for programmes and activities and shall include a Programme Support and Administrative budget."

be reviewed and approved by the Board before the beginning of the financial year.[15] This approval takes place during the last regular session of the year preceding the fiscal year.[16]

37. The External Auditor considers that by not presenting a budget (in the sense of a forecast of resources) for formal approval by the Board, the Secretariat is in breach of the Financial Regulations, in particular financial regulation 9.3, which states that “the proposed Management Plan shall include the estimated resources and expenditures for each programme category”. This detracts not only from the financial information but also from the significance of the Board’s approval, as it results in the Board voting on a management plan that does not have a budget within the meaning of the Financial Regulations.

Recommendation 1. The External Auditor recommends that WFP reconsider its decision to no longer present an implementation plan with resource forecasts in the Board-approved management plan, or alternatively to amend the Financial Regulations.

4.2. **Updating of financial and management information**

38. Internal control is a process effected by the board of directors, management and other personnel of an organization, designed to provide reasonable assurance regarding operations, including the reliability of management and financial reporting. WFP has indicated its adherence to this universal definition in section 3.3 of its Financial Resources Management Manual.

39. The existence of specific and up-to-date guidelines, circulars, manuals and guides contributes to the effectiveness and quality of an organization's internal control system.

40. There are several examples of the Financial Resource Management Manual (FRMM) not being updated when it should have been:

- Section 6.7.1 sets the target balance for the programme support and administrative equalization account (PSAEA) at four months of programme support and administrative (PSA) expenditure. The latest version of the FRMM available on the WFPGo intranet, dated May 2017, says in its introductory paragraph that “the FRMM documents the current financial policies and procedures of WFP”, yet the FRMM has not been updated with respect to the PSAEA target balance. Starting with the management plan adopted in November 2015,[17] the PSAEA balance, validated annually by the Executive Board, has had to be within a range of from two to five months of PSA expenditures.

- Section 7 of the FRMM, “Operational budgeting, planning and programming”, refers to the following activity categories: emergency operations, protracted relief and recovery operations and development and special operations. Through the reform known as the “Integrated Road Map”, these activity categories were replaced between 2017 and 2019 by a new financial framework built around country strategic plans and limited emergency operations.

- Section 11, “Cash and treasury management”, contains an inadequate description of short-term and long-term investment management and references to obsolete circulars (e.g. in the “Treasury management goals” subsection).

[15] Financial regulation 9.5: “The Board […] shall approve the Management Plan, including the WFP Budget, prior to the beginning of the financial period covered by the WFP Budget.”

[16] Financial regulation 9.2: “The Executive Director shall submit the proposed Management Plan […] to the Board at its last regular session of each calendar year.”

[17] WFP Management Plan (2016–2018) (WFP/EB.2/2015/5-A/1/Rev.1).

41. In response to these comments, the Secretariat indicated that a full review of the FRMM had been undertaken to reflect the changes arising from the introduction of the Integrated Road Map, as well as the impact of circulars, guidelines and other normative guidance issued since the last version of the manual was published. The Secretariat reported that the manual was in the final stages of review by the WFP Legal Office and should be reissued in the third quarter of 2021.

42. The External Auditor notes that efforts are being made to issue the revised version of the manual as soon as possible. Given the significant updating delays illustrated by the above examples, however, the External Auditor encourages WFP to establish a written procedure to ensure that the document is updated more regularly in the future, more often than every four years, as the Financial Resources Management Manual is an important tool for financial management and internal control.

Recommendation 2. The External Auditor recommends that WFP establish a written procedure for the regular updating of the Financial Resources Management Manual.

4.3. **WINGS II enterprise resource planning software**

43. The WINGS[18] II enterprise resource planning system (SAP architecture) plays a major role in the production of the financial statements, given that WFP is a highly decentralized organization that depends heavily on its information systems and operates in a high-risk environment in terms of risk of control and risk of fraud. WFP should make a robust cybersecurity policy a priority, particularly for general information technology controls[19] and application controls,[20] as this is an effective means of limiting such risks. For this reason, the External Auditor has performed information technology reviews focused on WINGS II since the start of its mandate in 2016 and issued recommendations in the financial audit reports for 2016, 2017 and 2018 to improve the security of WINGS II.

44. In its 2019 report, the External Auditor noted evidence of the persistence of risks identified in previous audits, although they were limited in scope: 20 WINGS system users still had access rights that did not comply with best practice in terms of segregation of duties (e.g. approving orders and authorizing payments); 18 users had SAP_ALL[21] extended rights and 11 others had SAP_NEW extended rights; the validity dates for 744 users were not correctly entered in WINGS II, meaning that the corresponding rights would not be deactivated after their separation from WFP; 9 users who had left WFP still had their access rights under the handover grace periods allowed at WFP, an organization with very high staff turnover; and 9 users had multiple valid access rights.

45. The WFP Technology Division had acknowledged that there would always be some level of risk due of the nature of WFP's operations and had indicated that WFP accepted such risks and had put the necessary procedures in place to limit them. In view of these elements, the External Auditor considered that the recommendation was being implemented but should be closed, as it would be difficult for WFP to go much further, apart from validating and disseminating the new procedures.

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[18] WFP Information Network and Global System.

[19] General information technology controls relate to securing the access rights associated with the WINGS II enterprise resource planning software. They cover in particular the management of SAP_NEW, SAP_ALL and SAP* privileged profiles, the monitoring of user profiles and in particular the deactivation of rights when users leave WFP.

[20] Application controls relate to managing the segregation of duties in the processes that feed into the relevant accounts (such as the purchasing process, where there should be segregation of duties between ordering, receiving and payment). WFP uses the SAP CRM module to manage the segregation of duties in WINGS II.

[21] Standard SAP_ALL access allows all transactions to be performed in WINGS. Standard SAP_NEW access provides all the authorizations required in the updated versions of WINGS.

46. The External Auditor has nevertheless continued to perform tests to verify the extent to which the control processes for the WINGS II enterprise resource planning system are appropriate and effective, primarily those that could have a direct or indirect impact on the reliability of the financial statements. It recognizes the Technology Division's ongoing commitment to strengthening the security of the WINGS systems. The division has made significant progress in eliminating users with multiple valid accounts, reducing the number of at-risk profiles and active users with expired accounts and extending validity dates to all WINGS users. Nevertheless, testing during the final phase of the financial audit for the 2020 financial year revealed potential for improvements.

- The security policy and operational procedures, including the role and user administration procedure, which are of utmost importance for any security framework, have been in draft form since 2018. In accordance with global standards[22] and best practices for information technology governance and security, the security policy should be defined, approved by senior management, published and communicated to employees and relevant external parties. It must be reviewed at regular intervals or when material changes occur to ensure that it remains appropriate, adequate and effective. The Technology Division has indicated that these documents will be updated and finalized by the end of the second quarter of 2021 and will be ready for approval and signature by early July 2021. Given this timeline, the External Auditor, while noting that the time taken to finalize this policy and these procedures seems excessive, has not issued a recommendation, but it encourages WFP to adopt this policy as soon as possible. These documents should be reviewed periodically to ensure their continued alignment with the strategy and needs of the organization.

- The audit revealed significant discrepancies between the basic data maintained by the Human Resources Division in the WINGS SAP/HCM personnel master file and the WINGS/Active Directory (AD) file. Approximately 460 internal user profiles had expired outdated in the SAP/HCM database but were still defined as valid in the WINGS/AD file. Conversely, 297 internal user profiles had expired in WINGS/AD but were still valid in the HCM file. This synchronization problem could compromise the security of the WINGS database and systems. It is one of the main sources of the inconsistencies found during the audits, including with respect to the continued validity of user profiles of WFP staff after they separate from the organization and the existence of WINGS user profiles that were not in the Human Resources Division data lookup table. The Technology Division has confirmed this finding and acknowledged that the appropriate corrective measure would be the automatic integration of the SAP/HCM master data into the WINGS/Active Directory but has indicated that the final decision lies with the data custodian, namely the Human Resources Division.

- At the time of the audit, there were 1,054 external users of WINGS,[23] individuals who are not WFP staff but who can nevertheless access certain WINGS applications and data using a user ID and password. None of these external users is monitored by the emergency access management submodule of the SAP CRM access control module. As they are not bound by either the obligations of the WFP staff rules and regulations or internal security requirements, they are not subject to standard or customized agreements that define how they may use WINGS systems, applications and data, what security requirements they must observe or their liability in case of a security failure. These external users are managed in much the same way as internal WFP users in terms of access, role assignment and revocation, monitoring, etc. WFP does not utilize specific prevention or correction control activities to address the risks

[22] See ISO/IEC 27001 clause 5.2 and its annex, *"Information security management"*.

[23] These include 789 Dialog users, who have interactive access to WINGS allowing them to interact directly with resources, and 229 Service users, who would normally only be given very restricted permissions, plus three other user types (System, Communication and Reference).

associated with external access to WINGS. Third party management best practices and standards[24] call for relationships between the information technology asset owner and external users to be formalized and documented through service agreements for external users. Such agreements should establish, among other things, information security requirements and responsibilities to reduce third-party risk to a tolerable level. The examples of long-term agreements provided by the Technology Division for information technology services do not address the specific security requirements or conditions of WINGS systems and data. They were signed well before the development of the 2018 WINGS security framework, which limits their usefulness and relevance for addressing third-party security risks for the WINGS II system.

47. Based on these findings, the External Auditor makes the following recommendations.

Recommendation 3. The External Auditor recommends that WFP automate the synchronization of the basic data in the WINGS SAP/HCM personnel master file with the data in the WINGS/Active Directory (AD) file.

Recommendation 4. The External Auditor recommends that WFP document the relationship with external users of WINGS II and put security controls in place to reduce the risks associated with their access to the system.

48. In response to recommendation 4, the Secretariat has indicated that 70 to 75 percent of the 1,000 or so external users mentioned above are not as a practical matter able to perform any actions or transactions. In the Secretariat's view, the risks associated with inappropriate conduct from these users are therefore extremely low.

4.4. Actuarial calculations for long-term employee benefits

49. Long-term employee benefits, recognized as a liability in statement I, amounted to USD 1,085 million at the end of 2020, compared to USD 1,023 million at the end of 2019 and USD 737 million at the end of 2018. Most of this amount (USD 1,077 million) arises from actuarial valuations by the actuarial firm under contract with WFP, as shown in the table below.

[24] These standards are: 1) ISO/IEC 27001:2013, Information technology – Security techniques – Information security management systems - Requirements; 2) ISO/IEC 27002:2013: Information technology – Security techniques – Code of practice for information security controls; and 3) ISO/IEC 27701:2019: Security techniques – Extension to ISO/IEC 27001 and ISO/IEC 27002 for privacy information management – Requirements and guidelines.

Table 4: Status of long-term employee benefits[25]
(in USD million)

	Actuarial valuation	WFP valuation	2020	2019	Variation
After-service medical plans	934		**934**	**891**	+5%
Other non-current employee benefits[26]	92		**92**	**81**	+13%
Separation payments scheme	29		**29**	**25**	+16%
Compensation plan reserve fund[27]	23	2	**25**	**22**	+13%
Home leave travel		6	**6**	**4**	+60%
Total	**1 077**	**8**	**1 085**	**1 023**	**+6%**

Source: External Auditor based on financial statements (rounded amounts).

50. WFP and its actuary have also done considerable work to improve the traceability of documentation, making it possible to assess the robustness of the methodology, data and assumptions used to estimate these long-term employee benefits. Despite the progress made, the External Auditor considers that WFP could still improve the estimation of long-term employee benefits by prioritizing the following actions:

- The actuarial valuation for 2020 is once again based on the payroll data as at 30 September. As noted in paragraph 17 of this report, this practice is not contrary to IPSAS 39, and WFP does not consider the net impact of this approximation on the financial statements to be significant, as it would not exceed USD 1.2 million. Accordingly, the recommendation has been closed. The use of nine months of census data is not, however, consistent with the provisions of the agreement for the provision of actuarial services,[28] which require that the valuation be based on complete census data for active and retired staff and that, in addition, the actuary perform a full annual actuarial valuation.

- The actuary performs the valuation using commercial software that could not be accessed for licensing reasons. As an alternative, the External Auditor requested samples of the work records of one active and one retired staff member eligible for after-service medical coverage and the national staff medical insurance scheme to make it possible to assess whether the valuation process complies with the projected unit credit method prescribed by paragraph 69 of IPSAS 39.[29] Access to this information was denied on the grounds that the actuary would be required to spend significant additional time on the project, for which WFP would have to be billed. There

[25] These benefits apply to international professional staff, general service staff and national professional officers.

[26] These benefits include death grants and repatriation grants paid on separation.

[27] The purpose of this plan is to compensate staff and their families in the event of work-related death, injury or illness.

[28] Agreement No. HQ16NF167 dated 10 October 2016.

[29] "An entity shall use the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost."

is therefore scope for improvement to enable the External Auditor to provide reasonable assurance on the actuarial valuation methods used to estimate employee benefits.

- The currency mixes for the payment of benefits are not used directly in the actuarial valuation model but they affect significant actuarial assumptions, such as discount rates, general inflation rates and actual rates of increase of medical costs. The External Auditor reconciled the currency mixes for other separation-related benefits and the staff compensation plan with the detailed payments but was unable to do the same for the currency mixes for after-service medical coverage and the national staff medical insurance scheme because it was not provided with the detailed claims transactions sorted by local currency for the period considered, January–September 2020. WFP explained that access to this detailed information was not possible due to the confidential nature of staff medical costs. The External Auditor is of the view that, on the contrary, there are no clauses or provisions in the contract expressly prohibiting access to individual paid claims.

- WFP assumed that the retirement and withdrawal rates determined based on a study conducted from 2013 to 2018 are still valid for international staff. For national staff, WFP applied specific retirement and withdrawal rates based on experience from October 2015 to September 2020. Doing the same for international staff would improve the quality of the forecasts and thus the accuracy of the valuation of the defined benefit obligation. That said, the methods used to calculate the retirement and withdrawal rates postulated in the studies are not documented, and the External Auditor was therefore unable to reconstruct the audit trail to understand and assess how these estimated rates were calculated, smoothed and projected.

- Unlike the after-service medical coverage (or the Basic Medical Insurance Plan, BMIP), established for international staff and their dependents, WFP did not study lapse experience for beneficiaries of the national staff medical insurance scheme (or Medical Insurance Coverage Scheme, MICS), simply applying the ASMC lapse rate of 0.2 percent per year. This assumption is questionable because national and international staff members behave very differently when it comes to their choice of medical plan coverage at retirement. In its response to this finding, the actuary explained that the impact would not be material. The External Auditor considers that the lapse rate for the NSMIC/MICS should be based on a study of the experience of national staff members in that regard.

- WFP reduced the estimated international staff share of after-service medical care plan costs from 29 percent (applied for the 2019 valuation) to 26 percent, resulting in an increase of USD 25.4 million in the defined benefit obligation. WFP used the 26 percent assumption on the basis of the average valuations for 2018 to 2020 instead of the 24 percent rate calculated by the actuarial valuation model for 2020. This approach is questionable for two main reasons. First, it involves estimating participants' share of after-service medical care costs based on the average of *ex-ante* estimates rather than on *ex-post* actual observed participation rates, with no idea of the accuracy of these estimates. This practice increases uncertainty and forecast and projection errors. Second, WFP has deviated from the estimate produced by the valuation model used in the overall benefit valuation process. According to the actuary's calculations, using the WFP estimate based on the average valuations for 2018 to 2020 instead of the participants' share of the ASMC/BMIP costs (claims and administrative expenses) determined by the valuation model and recommended by the actuary causes the defined benefit obligation to be understated by USD 17 million. A long-term cost-sharing strategy for the medical plans should be determined, and international staff's share of the ASMC costs should be set based not on the average of the estimates but rather on the observed participation rates, as recommended by the actuary.

<u>Recommendation 5</u>. The External Auditor recommends that WFP consider strengthening the audit trail by including, in the actuary's next contract, provisions for providing additional information on the data and methods used in actuarial valuation.

<u>Recommendation 6</u>. The External Auditor recommends that WFP determine the lapse rate for the national field staff medical insurance plan based on national staff member experience.

<u>Recommendation 7</u>. The External Auditor recommends that WFP set the after-service medical insurance plan cost-sharing rate for international staff based on historical participation rates rather than on the average of *ex-ante* estimates.

5. WFP communication concerning fraud, amounts written off and ex gratia payments

5.1. <u>Cases of fraud and presumptive fraud</u>

51. The External Auditor's role is not to investigate fraud or provide assurance on the matter. Nevertheless, in accordance with ISA 240, it is the responsibility of the External Auditor to identify risks of material misstatements in the financial statements that may result from fraud, and it considers its own assessment of fraud risk in defining its audit strategy and its work. In addition, in accordance with financial regulation 6, the External Auditor is responsible for bringing instances of fraud and presumptive fraud, as well as waste and misuse of WFP's funds or other assets, to the attention of the Board in its report on the financial transactions for the financial year.

52. As repeatedly highlighted in previous reports, WFP is particularly exposed to a risk of fraud due to its activity, the regions in which it operates, the nature of its assets, the highly decentralized nature of its organization and the large number of partners with which it interacts. Fraud is detected regularly. In 2020, WFP reported that it was aware of 19 cases of substantiated fraud, 12 of which resulted in financial loss (valued at USD 133,490, of which USD 100,907 was recovered) and 7 cases of presumptive fraud under investigation (valued at USD 5.7 million). In 2019, WFP reported 10 cases of substantiated fraud (valued at USD 7.6 million, of which WFP was unable to recover USD 456,025) and 12 cases of presumptive fraud under investigation (valued at USD 2.3 million). As in prior years, the External Auditor obtained confirmation of these elements by the Inspector General of WFP.

53. The increase in the value of fraud under investigation in 2020 is due to one case worth USD 5.6 million. After conducting a biometric identification de-duplication exercise in SCOPE, the Somalia country office identified potentially fraudulent duplications that resulted in improper payments to beneficiaries. The total of USD 5.6 million represents amounts disbursed by various cooperating partners. The investigation of whether fraud was involved was ongoing at the time of the audit.

5.2. <u>Write-offs and ex gratia payments</u>

54. All ex gratia payments and write-offs relating to contributions, inventories of food and other items and other assets must be formally approved by the Executive Director, as per financial regulations 12.3 and 12.4. Thus, a note signed by the Executive Director approving ex gratia payments and write-offs recognized in 2020 was submitted to the External Auditor on 31 March 2021 and presented in note 9 to the financial statements.

55. At the time of the closing of the accounts, the write-offs of food commodities (USD 22.8 million in 2020, USD 24.6 million in 2019, USD 14.4 million in 2018 and USD 20.5 million in 2017) had not undergone a systematic detailed analysis, nor had they led to the formulation of an action plan to limit future risk, even though financial regulation 12.4 provides that "the Executive Director may, after full investigation, authorize the writing-off of losses of cash, commodities and other assets...". As the External Auditor has already indicated in its reports on the financial statements for 2016, 2017, 2018 and 2019, write-offs should only be recognized once authorized by the Executive Director, on the basis of the annual report on global post-delivery food losses, after full investigation, in accordance with the provisions of financial regulation 12.4. The highest losses in 2020 were recorded in Yemen (USD 5.4 million), South Sudan (USD 2.8 million), the Syrian Arab Republic (USD 2.5 million), the Democratic Republic of the Congo (USD 1.5 million) and Ethiopia (USD 1.2 million).

IV. ACKNOWLEDGEMENTS

56. The audit team would like to express its sincere gratitude to the Corporate Finance Division for its support during the audit, and in particular to the Chief, General Accounts Branch, who was the primary focal point for this audit. It would also like to thank the other WFP divisions, particularly the Technology Division, for their contributions to the audit of the financial statements.

End of audit observations.

ANNEX: AUDIT ADJUSTMENTS TO THE FINANCIAL STATEMENTS

1. The work of the External Auditor did not reveal any audit adjustments, whether due to error or a difference in judgment.

Section II

Executive Director's statement

Introduction

1. In accordance with article XIV.6 (b) of the general regulations and financial regulation 13.1, I have the honour to submit for the approval of the Executive Board (the Board) the financial statements of the World Food Programme (WFP), prepared in accordance with the IPSAS, for the year ended 31 December 2020. The External Auditor has given his opinion and report on the 2020 financial statements, both of which are also submitted to the Board as required by financial regulation 14.8 and the annex to the financial regulations.

Operational context

Operating environment

2. The World Food Programme was established in 1961 by the United Nations General Assembly and Food and Agriculture Organization of the United Nations (FAO) Conference as the United Nations system's food aid organization. WFP is governed by a 36-member Executive Board which provides intergovernmental support, direction and supervision of WFP's activities. WFP provides assistance in 85 countries where its work is overseen through the six regional bureaux. WFP has more than 20,000 employees worldwide of whom over 87 percent are based in the countries where the agency provides assistance.

3. The organization's corporate strategy is mapped out in its strategic plan which is renewed every four years. The strategic plan is guided by the Sustainable Development Goals (SDGs) set forth in the 2030 Agenda for Sustainable Development, in particular SDG 2 on ending hunger and SDG 17 on revitalizing global partnerships for implementation of the SDGs. WFP's Strategic Plan (2017–2021) therefore aligns the organization's work to the 2030 Agenda's global call to action, which prioritizes efforts to end poverty, hunger and inequality, encompassing humanitarian as well as development efforts.

4. Responding to emergencies and saving lives and livelihoods – either through direct assistance, or by strengthening country capacities – remains at the heart of WFP's operations, especially as humanitarian needs become increasingly complex and protracted. At the same time, WFP continues to support countries by building resilience for food security and nutrition, and to change the lives of individuals and communities across the world by improving agricultural techniques, strengthening local livelihoods, promoting adaptation to climate change, ensuring children have the nutrients they need and managing school feeding programmes that help girls and boys stay at school and build bright futures.

5. For its efforts to combat hunger, for its contribution to bettering conditions for peace in conflict-affected areas and for acting as a driving force in efforts to prevent the use of hunger as a weapon of war and conflict, WFP was awarded the Nobel Peace Prize in 2020.

2020 developments and impact of COVID-19 on operations

6. The coronavirus disease 2019 (COVID-19) pandemic has developed rapidly in 2020 with a significant number of cases spreading across the globe.[1] All regional areas where WFP has presence have been affected by the pandemic in various forms. The surge of the COVID-19 pandemic urged governments over the world to deploy measures aimed at rarefying social contacts to contain the spread of the pandemic. Such social distancing measures have depressed employment in an uneven manner across the network of sectors and hindered economic activity.

7. At a time when food security and food systems are already under strain, the COVID-19 emergency has exacerbated existing vulnerabilities, affecting the capacity and behaviour of local, national and international actors. The estimated number of acutely food-insecure people doubled at the end of 2020 (to 270 million from 135 million at the end of 2019), and it is estimated that the number of chronically undernourished people will increase by up to 132 million people from the current estimate of 690 million. As a result of worsening global food security, WFP operational requirements increased in 2020 from originally planned USD 10.6 billion to USD 13.6 billion.

8. To meet escalating operational requirements, WFP in close collaboration with its partners, increased efforts to mobilize resources, reaching its highest ever recorded revenue in 2020 of USD 8.9 billion, an increase of 8 percent from the revenue in 2019. Supported by growing donor funding levels, and in partnership with national governments, United Nations agencies, and over 1,000 non-governmental organization (NGO) partners, WFP reached 115.5 million of direct beneficiaries, also a historic maximum, by delivering USD 2.4 billion and USD 2.1 billion of food assistance and cash-based transfers, respectively. While emergency response remained a focus in 2020 – with the Level 3 and Level 2 emergencies accounting for 64 percent of the total final programme of work – WFP's response in nutrition, smallholder farmer support, collaboration with national governments, and role in providing common services, among others were significant.

9. In response to the severe impacts to global supply chains and commercial transport markets caused by the COVID-19, WFP leveraged its extensive supply chain capacity and logistics expertise to establish flexible common services structure, driven by partner requirements, that enabled to ensure the continuity of existing humanitarian operations and the global health response.

10. Since its launch on 1 May 2020, WFP's global air passenger services has reached a total of 68 locations across Africa, Asia, the Middle East, Latin America and the Commonwealth of Independent States, ensuring that nearly 28,000 essential health and humanitarian personnel from 424 organizations could continue their critical work on the frontlines of the pandemic response. In 2020, WFP co-lead the United Nations Medevac Cell together with the United Nations Department of Operational Support. Since its roll-out on 22 May 2020, the Cell has completed a total of 147 medical evacuations, of which 93 carried out by WFP.

11. Further, WFP has been supporting global efforts to fight COVID-19 by providing delivery of the health and humanitarian response. A total of 145,500 m^3 of critical cargo (surgical masks, safety googles, gloves, face shields, and other) has been dispatched on behalf of 72 organizations (NGOs, governments, United Nations organizations) to 173 countries, covering more than 85 percent of the world destinations. Over 125,000 m^3 of cargo has been transported via WFP's free-to-user cargo services funding under the Global Humanitarian Response Plan and administered by WFP through a dedicated COVID-19 response trust fund. Following improvements in the commercial market, and the progressive shift in focus

[1] Source: World Health Organization, Global Situation report.

to therapeutics, WFP has been slowly phasing down its free-to-user services in close coordination with partners. Final requests were received by the end of 2020, the dispatches for which are expected to be completed by end of March 2021.

12. WFP designed and built the common services to be flexible in nature, with services driven by partner requirements to match the demand of health and humanitarian supplies in each country. The global health response has shifted towards therapeutics and vaccines, a logistic operation at an unprecedented scale in terms of quantities and geographical reach. Considering this, and the uncertainty stemming from the different waves of the pandemic, WFP needs to maintain its strategic capacity to respond. Leveraging its existing hubs and those established for the first phase of the response, WFP is focusing currently on growth of its temperature sensitive capacity via strategically positioning pharmaceutical grade refrigerated containers that can also be deployed in case of need. WFP is planning to invest into staff capacity strengthening to ensure staff can handle sensitive cargo to address future health needs as they may emerge.

Financial analysis

Summary

13. WFP's primary source of revenue is voluntary contributions from donors. WFP recognizes contribution revenue when confirmed in writing and where the contributions are not stipulated for a future financial year. Contributions stipulated by donors for use in future periods are recorded as deferred revenue.

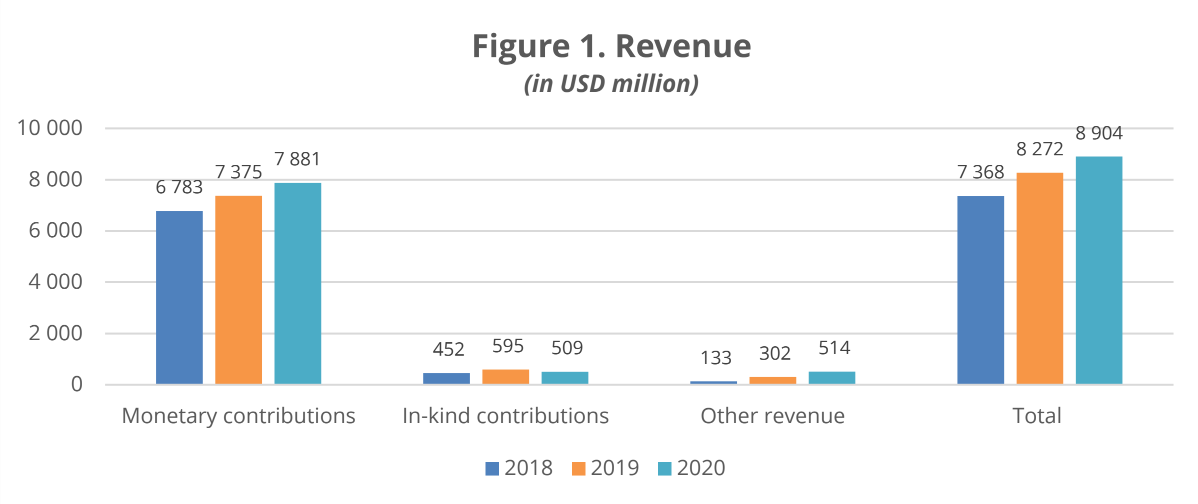
14. WFP's primary expenses are for food commodities distributed and cash-based transfers. Expenses are recognized when food commodities are delivered, or cash-based transfers are distributed. There is an inherent time lag between the recognition of revenue and the recognition of expenses. Expenses in any one year may be higher or lower than the revenue in that year as WFP utilizes or replenishes its fund balances.

15. Based on the nature of WFP's operations most of its assets are current assets expected to be realized within 12 months after the reporting date. Current assets are expected to be significantly higher than current liabilities due to time lag between revenue and expenses recognition as discussed above.

16. Total fund balances and reserves comprise fund balances accumulated due to excess of revenue over expenses (including gains and losses recognized directly in net assets) in prior financial periods, and reserves established by the Board for funding specific activities under specific circumstances.

Financial performance

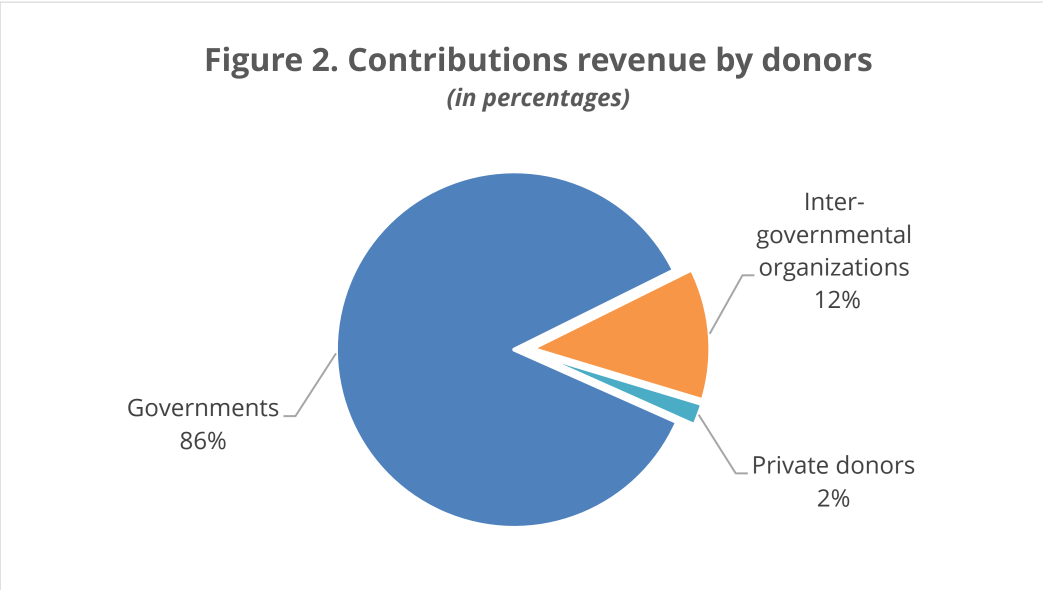
Revenue



17. In a challenging operating environment in 2020, WFP recognized a record revenue of USD 8,903.7 million, an increase of USD 632.1 million or 8 percent from the revenue of USD 8,271.6 million in 2019.

18. USD 8,389.6 million or 94 percent of total revenue was from donor monetary and in-kind contributions, an increase of USD 419.6 million or 5 percent compared to USD 7,970.0 million in 2019.

19. This increase in contribution revenue in 2020 stems from the global response plan to COVID-19 launched by WFP as well as from the Global Humanitarian Response Plan to support common services launched by OCHA. In 2020, increased monetary contributions were received from most of the largest donors, governments, and intergovernmental organizations, including, the United States of America, Germany, the United Nations Central Emergency Response Fund and other United Nations funds, Canada, Japan, and Sweden. Other major donors were the European Commission and the United Kingdom of Great Britain and Northern Ireland. International financial institutions funding increased their share to 3 percent, while private donors increased their share to 2 percent of total contributions in 2020.



20. USD 6,959.3 million or 83 percent of 2020 contributions revenue of USD 8,389.6 million was for WFP's programme category funds. Multilateral contributions, amounting to USD 423.9 million in 2020, are initially recorded under the General Fund and Special Account segment, until they are allocated to specific programmes. Trust funds segment contribution revenue increased significantly from USD 77.6 million in 2019 to USD 388.2 million in 2020 due to revenue for the COVID-19 global humanitarian response plan. Thirty-one percent of contribution revenue under the programme category funds was generated in the Regional Bureau for the Middle East and Northern Africa due to the extensive needs of major emergency operations in Yemen and the Syrian Regional Refugee Response. The contribution revenue under the programme category funds was distributed across six regional bureaux as follows:

Figure 3. Contribution revenue distribution by regional bureau
(*in percentages*)

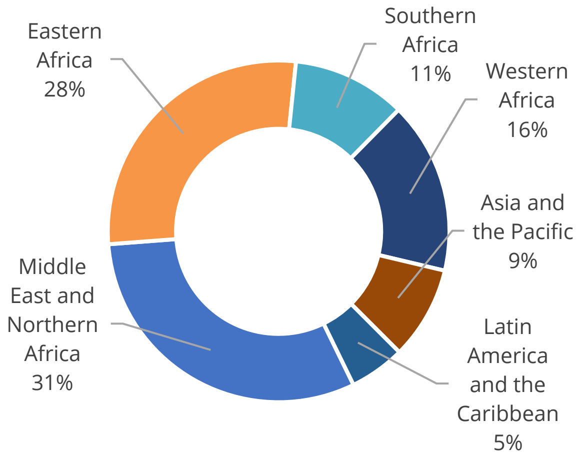
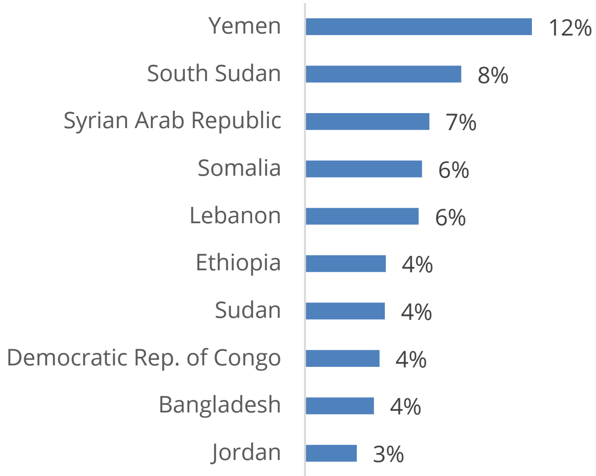


Figure 4. Top 10 countries by revenue distribution



21. Other revenue was USD 514.1 million in 2020, an increase of USD 212.5 million compared to USD 301.6 million in 2019. The increase mainly stems from realized and unrealized currency exchange gains. The other revenue comprised:

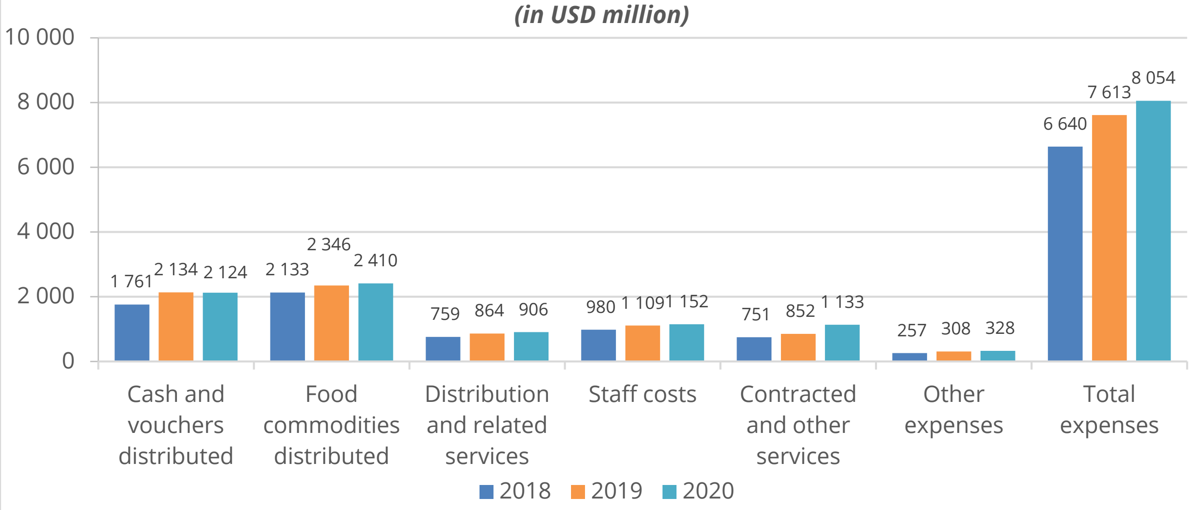
a) currency exchange differences – USD 234.9 million gain;

b) return on investments – USD 103.3 million gain; and

c) other revenue generated from provision of goods and services – USD 175.9 million.

Expenses

Figure 5. Expenses
(in USD million)



22. In 2020, WFP expenses were USD 8,053.7 million, an increase of USD 440.3 million or 6 percent from USD 7,613.4 million in 2019.

23. Cash-based transfers distributed of USD 2,123.7 million (including USD 254.9 million of commodity voucher transfers), decreased by USD 10.3 million or half a percent compared to USD 2,134.0 million (including 235.4 million of commodity voucher transfers) in 2019. The discontinuance of WFP's cash transfer role in Emergency Social Safety Net operations in Turkey in April 2020 resulted in USD 350.9 decrease of cash-based transfers distributed relative to 2019. This decrease was compensated by strong increase in several other operations such as in Bangladesh, Ethiopia, the Sudan, Mali, Colombia, and Burkina Faso. The Syrian Regional Refugee Response emergency (namely, in Turkey, Lebanon and Jordan) had 27 percent share of total cash-based transfers distributed in 2020 (2019: 44 percent) while second largest operations are in Yemen with 12 percent share in total (2019:12 percent).

24. Food commodities distributed in 2020 were 4.4 million mt, an increase of 0.2 million mt over 2019, with the corresponding value of USD 2,410.1 million representing a 3 percent increase over 2019. The strong growth in some operations (such as in Zimbabwe, Burkina Faso Ethiopia, and the Syrian Arab Republic) was offset by decline of distribution in others (such as in Yemen, Uganda, and Mozambique). Seventy-six percent of the food commodities distributed in tonnage and 77 percent in value are attributable to WFP's emergency and other large operations in Yemen, the Syrian Arab Republic, Ethiopia, South Sudan, Zimbabwe, the Sudan, Somalia, the Democratic Republic of the Congo, Afghanistan and Burkina Faso.

25. The growth in contracted and other services and other expenses lines is mainly due to activities and service provided in 2020 resulting from the COVID-19 pandemic, including the costs of air operations and the cost of personal protective equipment items.

26. Distribution and related services increased in 2020 by USD 42.1 million or 5 percent to USD 906.2 million from USD 864.1 million in 2019. The increase is mainly related to the increased food commodity distributions, with most significant cost increases attributable to operations in Zimbabwe and the Sudan, USD 28.2 million and USD 21.1 million, respectively.

27. Staff costs increased in 2020 by 4 percent to USD 1,152.1 million. The increase in staff costs is mainly due to an increase in the number of employees across all contract categories amounting to 1,536, or 8 percent, over 2019.

28. The other expenses category of USD 328.2 million increased by 7 percent from USD 308.1 million in 2019 and is composed of:

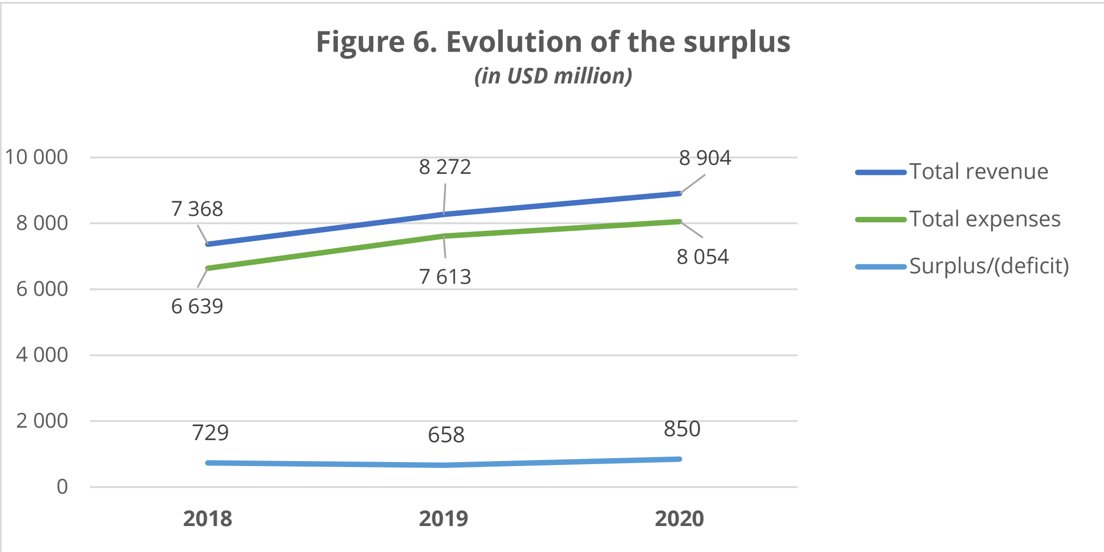
   a) Supplies, consumables and other running costs – USD 237.3 million;

   b) Depreciation and amortization costs – USD 49.4 million;

   c) Other expenses – USD 40.0 million; and

   d) Finance costs – USD 1.5 million.

Surplus



29. In 2020, the surplus of revenue over expenses was USD 850.0 million, compared to a surplus of USD 658.2 million in 2019. The surplus is realized as a result of a continuous revenue growth as revenue is recognized in full when the contribution agreement is signed while expenses are recognized over the average period of one and a half years of duration of the grant.

30. The surplus in the period is comprised of surpluses in some operations where revenue recognized exceeded expenses incurred during the same period, reflecting an inherent time lag between revenue and expenses recognition. The surpluses are partially offset by the deficits in other operations, that continued to utilize fund balances, accumulated due to the excesses of revenue over expenses in previous financial periods.

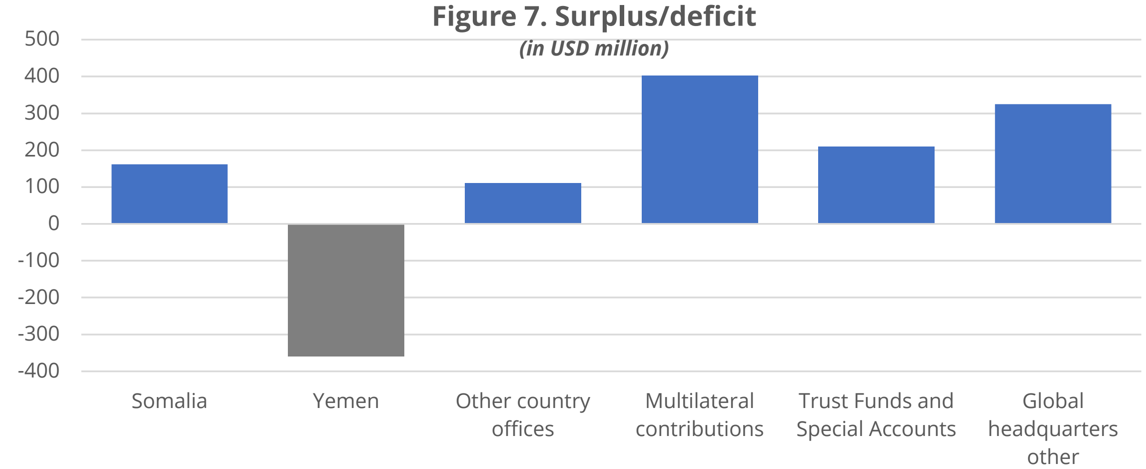
31. The time lag between revenue and expenses recognition remains the main factor for surpluses/deficits in a reporting period. Out of the contribution revenue of USD 8,389.6 million in 2020, almost 86 percent pertained to grants that have duration beyond 2020.

32. The chart below illustrates composition of net surplus/deficit. While in 2019, over 50 percent of the total surplus of USD 658.2 million was attributed to the L3 emergency operation in Yemen, in 2020 this operation realized the highest deficit as it continued utilizing fund balances from previous periods. In Yemen, there was significant decrease of revenue of 43 percent in 2020 with comparatively lower decrease in expenses of 11 percent. On the other hand, the largest surplus is realized in Somalia where revenue growth in 2020 was 55 percent due to increased support from main donor and host government contribution, while corresponding increase in expenses is expected to follow in 2021.

33. The surplus that is realized at global headquarters level falls in three broad categories: multilateral contributions, trust funds and special accounts and other surplus. Multilateral contributions, net of realized foreign exchange differences, of USD 402.0 million are recognized initially as revenue in the General Fund and subsequently, allocated to the country offices' CSPs and other segments of WFP funds, through the fund balances transfers directly in Statement III Changes in Net Assets. In 2020, USD 365 million was allocated to CSPs, trust funds and special accounts and the Immediate Response Account (IRA). Almost half of the surplus realized under trust funds and special accounts can be associated with funding received for COVID-19 response, specifically for common services provision under the dedicated trust fund. Other surplus realized at headquarters level is due to investment income and currency exchange gains assigned to the General Fund as well as excess of PSA income over expenses at headquarters level.

Figure 7. Surplus/deficit

(in USD million)



Financial position

TABLE 1. SUMMARY OF FINANCIAL POSITION AT 31 DECEMBER 2020
(in USD million)

	2020	**2019**
Cash and short-term investments	3 356.4	2 993.3
Contributions receivable	4 555.2	4 234.7
Inventories	1 012.9	936.4
Other receivables	284.6	319.0
Long-term investments	1 008.5	763.9
Property, plant and equipment and intangible assets	200.1	187.6
Total assets	**10 417.7**	**9 434.9**
Deferred revenues	1 181.2	1 482.3
Employee benefits	1 135.9	1 065.6
Loan	61.0	66.6
Other liabilities	1 197.2	950.4
Total liabilities	**3 575.3**	**3 564.9**
Net assets	**6 842.4**	**5 870.0**
Fund balances	6 431.2	5 437.8
Reserves	411.2	432.2
Total fund balances and reserves	**6 842.4**	**5 870.0**

Total assets

34. Total assets increased in 2020 by USD 982.8 million or 10 percent from USD 9,434.9 million at the end of 2019 to USD 10,417.7 million at the end of 2020. The increase is mainly due to the growth in contributions receivable, cash and investments driven by the growth in operations.

35. Total cash, cash equivalents, and short-term investments of USD 3,356.4 million increased by USD 363.1 million or 12 percent from USD 2,993.3 million in 2019. The increase is due to higher portion of liquidity portfolio held in the cash equivalents category to meet operational needs. WFP's cash, cash equivalents and short-term investments included in the programme category funds segment of USD 2,111.6 million cover three and a half months of operational activity (three months in 2019). Long-term investments increased by USD 244.6 million, primarily due to the increase in the market value of bonds and equities, as well as additions to invested assets with an aim to cover long-term employee benefits.

36. Total contributions receivable of USD 4,555.2 million increased by USD 320.5 million or 8 percent from USD 4,234.7 million in 2019. The increase is in the current portion of the contributions receivable and is in line with the growth in contribution revenue.

37. The inventory comprises a food commodity inventory of USD 973.8 million and non-food items inventory of USD 39.1 million. The value of WFP's food commodity inventory at the end of 2020 increased by USD 54.2 million or 6 percent from the 2019 value of USD 919.6 million despite the decrease in inventory held of 0.3 million mt or 17 percent

from the 2019 inventory (1.5 million mt in 2020 compared to 1.8 million mt in 2019). This is the result of increase in prices of several key commodities held (such as Super Cereal, sorghum, and rice) as well as a change in composition of inventory held by commodity in favour of higher value as opposed to lower value commodities. 60 percent of inventories by quantity were held by ten operations: Yemen, the Syrian Arab Republic, South Sudan, the Sudan, Ethiopia, Democratic Republic of Congo, Somalia, Chad, the Niger, and Zimbabwe. Using the historical average of commodities distributed, the 1.8 million mt of food commodities in inventory represents four and a half months of operational activity.

Total liabilities

38. Total liabilities increased by USD 10.4 million from USD 3,564.9 million in 2019 to USD 3,575.3 million in 2020, primarily as a result of increase in other liabilities of USD 246.8 million and employee benefits of USD 70.3 million offset by the decrease in deferred revenue of USD 301.1 million.

39. Deferred revenue reflects contributions revenue stipulated for future years. Deferred revenue in 2020 decreased by USD 301.1 million or 20 percent from USD 1,482.3 million at the end of 2019 to USD 1,181.2 million at the end of 2020. Of the total deferred revenue of USD 1,181.2 million, USD 829.6 million is stipulated for use in 2021, and the remaining balance of USD 351.6 million is stipulated for use from 2022 and beyond.

40. The increase in employee benefit liabilities was USD 70.3 million or 7 percent. This increase is composed of USD 8.6 million increase in short-term benefits and USD 61.7 million increase in long-term benefits of which USD 49.3 million was due to the decrease of discount rates driven by a drop in the market yields.

41. The increase in other liabilities was USD 246.8 million or 21 percent. This increase is primarily due to an increase of liabilities for service provision of USD 143.6 million and an increase in payables towards other United Nations system organizations of USD 33.9 million. Liabilities for service provision result from activities in which WFP provides goods and services in exchange for payment. For these activities payments are normally received from requesting parties, predominantly governments and other United Nations system organizations, in advance, while revenue is recognized, and advance payment released upon provision of service or delivery of goods.

Net assets

42. Net assets represent the difference between WFP’s total assets and total liabilities. At 31 December 2020, WFP’s net assets totalled USD 6,842.4 million, confirming a healthy overall financial position. Of these net assets (fund balances and reserves), USD 5,256.7 million relate to the programmes, representing approximately five months of operational activity (six months in 2019). Operational fund balances relate to donor support primarily directed to specific programmes in different stages of implementation, with expenses and related reduction in fund balance only recognized when food commodities are delivered, and cash-based transfers are distributed. The remaining balance of USD 1,174.5 million pertains to the General Fund, Trust Fund and Special Accounts while USD 411.2 million pertains to reserves.

43. At 31 December 2020, reserves balances decreased by USD 21.0 million or 5 percent compared to the balance held at 31 December 2019. The decrease was due to a USD 17.9 million decrease in the programme support and administrative equalization account and USD 3.1 million decrease in the Immediate Response Account (IRA).

Budgetary analysis

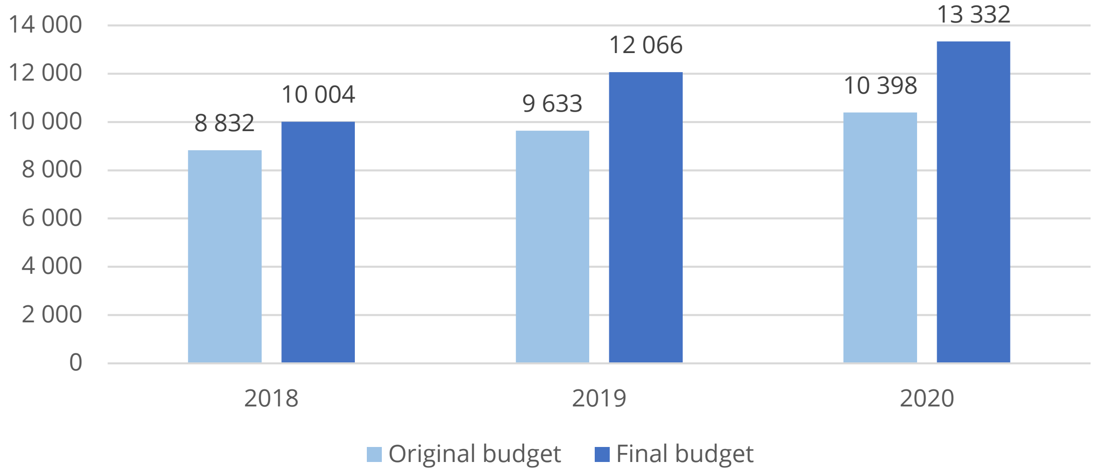
Budget preparation and approval

44. The strategic and programmatic context for budget preparation is set out in the WFP Strategic Plan (2017–2021) and is embedded in planning processes that are designed to build on WFP's priority emergency assistance in ways that result in not only saving lives but also changing lives. WFP's country offices are operating based on country strategic plan (CSP) framework composed of CSPs, ICSPs and limited emergency operations. CSPs include country portfolio budgets and serve as vehicle for resource mobilization and fund management. They are aligned with the WFP Strategic Plan (2017–2021) and the Corporate Results Framework (2017–2021).

45. CSPs are approved by the Board and may be revised to respond to contextual and operational changes. If a strategic review based on which the CSP is developed is not completed, ICSPs lasting up to three years are approved by the Board. Revisions funded entirely by the host country may be approved by the Executive Director. Further authorities are delegated from the Board to the Executive Director such as approval of limited emergency operations up to a USD 50 million limit, increase of CSPs or ICSPs not exceeding 15 percent of current overall budget and revisions related to service provision activities as further detailed in annex III of document WFP/EB.1/2020/4-A/1/Rev.2.

Basis of the budget

Figure 8. Budget evolution
(in USD millions)



46. The budget figures for CSP and programme support and administrative (PSA) budget disclosed in Financial Statement V – Statement of Comparison of Budget and Actual Amounts are derived from the programme of work in the WFP Management Plan (2020-2022) and are broadly needs based. Resources are made available for the CSP costs when contributions are confirmed by donors for approved CSPs and through WFP's advance financing facility. Budgetary authority to incur PSA costs is received through the approval of the management plan.

Overview of the budgetary requirements in 2020

47. The WFP Management Plan (2020–2022), which was approved by the Board in October 2019, presented the 2020 programme of work amounting to USD 10,397.6 million as "original budget". The original budget in 2020 had an 8 percent increase compared to the original

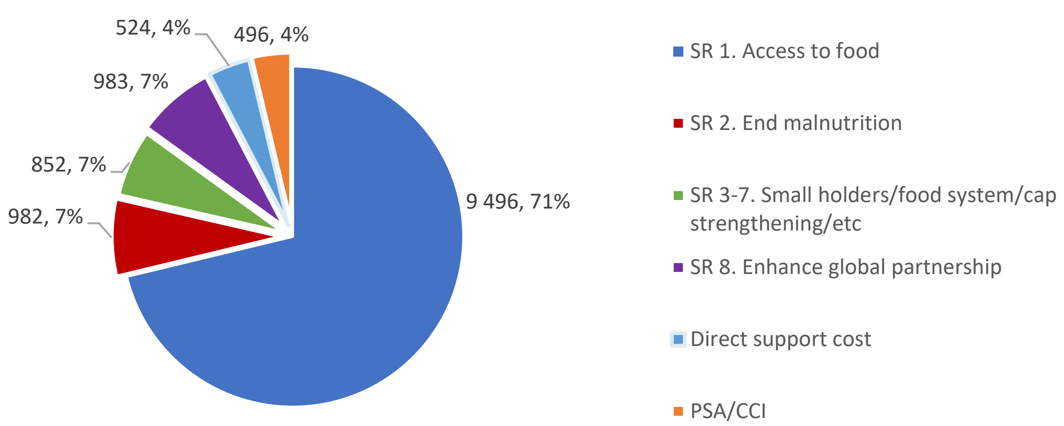
budget in 2019, mainly due to the increased operational requirements in WFP's largest emergency operation in Yemen.

48. By the end of 2020 the programme of work was updated to include the unforeseen needs. The final 2020 programme of work was 28 percent higher at USD 13,332.0 million, an increase of USD 2,934.4 million. This is disclosed in Financial Statement V as "final budget".

49. Nearly 44 percent or USD 1,299.7 million of the USD 2,934.4 million total increase is attributable to the operations detailed below:

- USD 397.9 million increase in the Syrian Arab Republic (L3 emergency) to expand operations in response to the major crisis resulting in unprecedented economic pressures driving hunger;
- USD 354.1 million increase in Somalia for the relief and livelihood requirements in response to the effects of floods, desert locusts and the COVID-19 pandemic;
- USD 222.5 million increase in Ethiopia (monitored event) due to high humanitarian needs resulting from chronic hunger, food insecurity, vulnerability to climate shocks, conflict, and large refugee caseloads;
- USD 168.7 million increase in Zimbabwe (L2 emergency) in response to the deterioration of food security caused by the worsening economic crisis and natural hazards;
- USD 156.5 million in Colombia (L2 emergency) to further improve the context-based assistance of the emergency response to the migrant's flow crisis and victims of armed conflict and extreme weather events.

Figure 9. Final Budget for period ended 31 December 2020
(in USD million)



50. Countries affected by protracted conflict required urgent and targeted unconditional food assistance and nutrition programmes, adapted to the magnitude of the conflict and to fluctuations in needs. From the programmatic perspective, WFP activities in support of SDG 2, Strategic Result 1 (Access to food) and Strategic Result 2 (End malnutrition) represented 79 percent or USD 10,477.4 million of the total final budget of USD 13,332 million (29 percent increase for the unforeseen needs compared to the 2020 original budget).

51. Further, 7 percent or USD 982.7 million of the total final budget was allocated in support of SDG 17, Strategic Result 8 (Enhance global partnership).

52. Ten WFP operations in 2020, including five emergencies and two monitored events, accounted for 61 percent of the total CSP final budget.

Figure 10. Final budget by size - CSP ***(in percentage)***

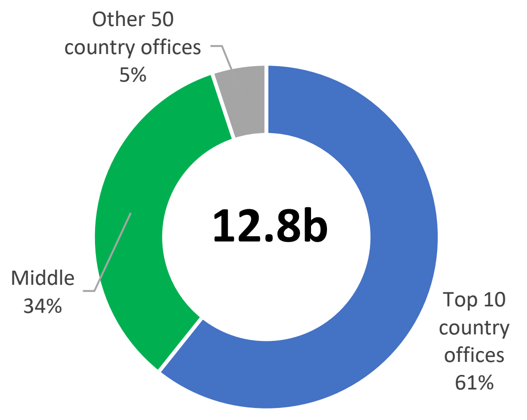
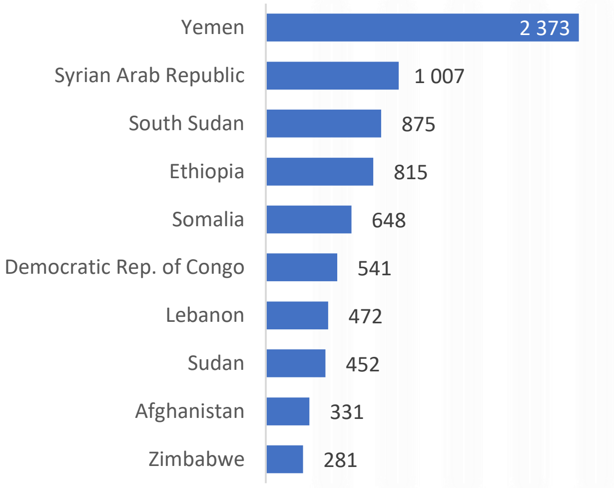


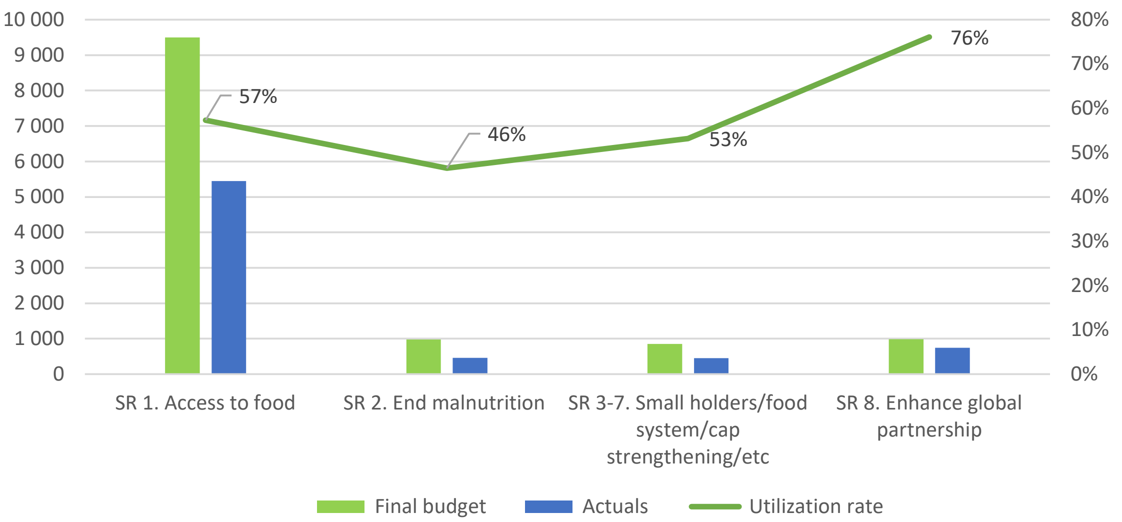
Figure 11. Top 10 countries by final budget ***(in USD million)***



Utilization of the budget

CSP final budget utilization

Figure 12. Final Budget utilization by strategic results - CSP ***(in USD million)***



53. Resources are made available for CSPs when contributions are confirmed by donors for the approved CSP, or funds are provided through advance financing mechanisms. Therefore, budgetary utilization within the year is constrained by the amount, timing, and predictability of contributions, as well as the inherent operational constraints.

54. In 2020, the CSP final budget was USD 12,836.3 million (disclosed in Financial Statement V as "subtotal CSP costs" under the final budget) and overall utilization of the CSP final budget was at 58 percent, reflected across the various strategic results as outlined below:

a) Strategic Result 1 (Everyone has access to food) had a utilization rate of 57 percent. Nearly 97 percent of USD 5,443.6 million actual costs under Strategic Result 1 related to unconditional resource transfers, school meals, assets creation and livelihood support activities. Unconditional resource transfer in Yemen alone amounted to USD 801.2 million.

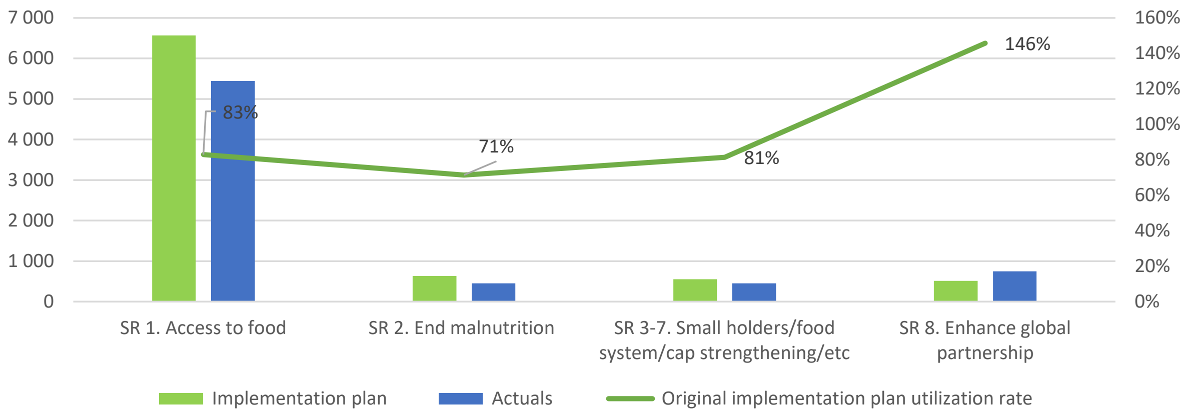
b) Strategic Result 2 (No one suffers from malnutrition) had a relatively low utilization rate of 46 percent, resulting from both resource and implementation constraints. Malnutrition prevention and nutrition treatment activities represented 92 percent of total actual costs of USD 456.1 million under Strategic Result 2.

c) Strategic Result 8 (Sharing of knowledge, expertise, and technology, strengthen global partnership support to country efforts to achieve the SDGs) had an overall utilization rate of 76 percent. Service provision and platform services are the primary activity category contributing to Strategic Result 8. WFP was most active in Turkey, Ethiopia, Guatemala, South Sudan and the Sudan to provide emergency coordination and various services including procurement services, supply chain services and common services.

d) The remaining five strategic results (Strategic Results 3–7), contributing to the sustainable food systems and to countries' capacities to implement SDGs, amounted to 6 percent of the CSP final budget and had an overall utilization rate of 53 percent. Among the remaining five strategic results, Strategic Result 4 (Food systems are sustainable) and Strategic Result 5 (Countries have strengthened capacities to implement the SDGs) accounted for 73 percent of overall actual costs of USD 452.9 million. Asset creation and livelihood support was the main contributing activity towards these strategic results, with an overall utilization rate of 64 percent.

CSP Implementation plan utilization

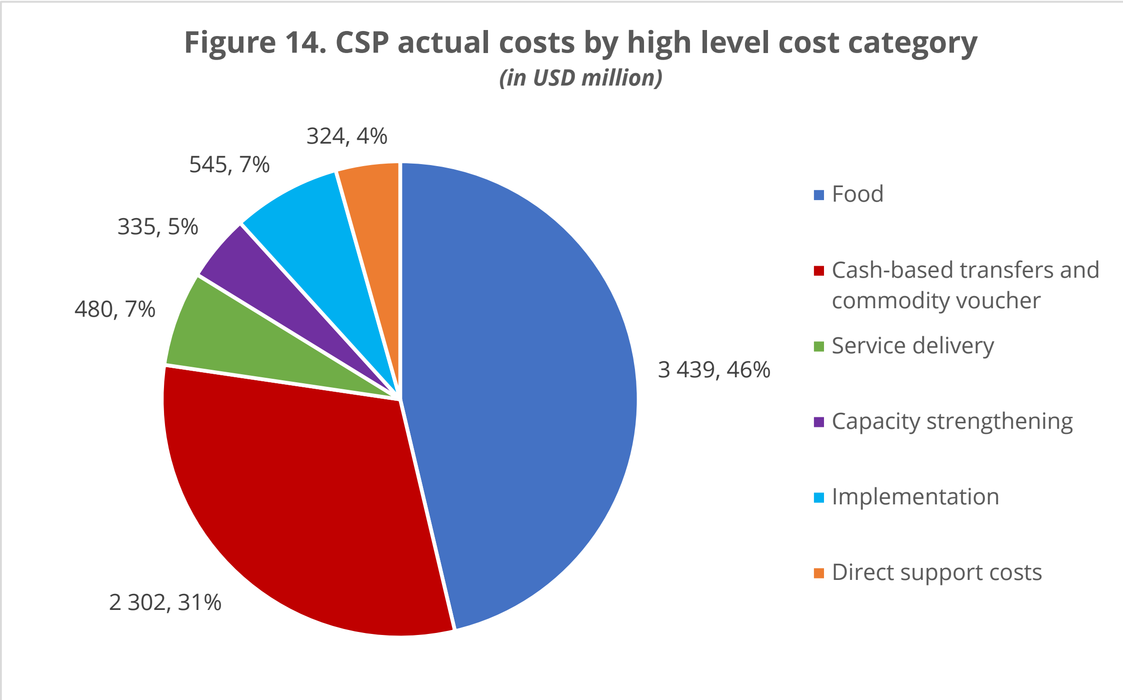
Figure 13. Implementation plan utilization by strategic results - CSP
(in USD million)



55. The CSP implementation plan presented in Statement V of USD 8,711.0 million represents operational needs prioritized to consider forecasted available resources and operational challenges as at 1 January 2020. WFP achieved an overall utilization rate of 86 percent against the implementation plan. Strategic Result 8 (Enhance global partnership) has a particularly high utilization rate due to the high level of resources received including for

activities not planned at the beginning of the year but requested by host governments during the year at times related to COVID-19 pandemic. Utilization rates for other strategic results are in line with the overall final budget utilization as explained above.

CSP actual costs analysis by transfer modalities



56. The country portfolio budget structure includes four high-level cost categories: transfer costs; implementation costs; direct support costs; and ISCs. The transfer costs correspond to the monetary value of the transferred food, cash, capacity strengthening and service delivery, as well as the related delivery costs and accounted for 89 percent of total CSP operational and direct support costs in 2020.

57. Out of total USD 6,555.7 million transfer costs, USD 3,438.7 million was for food transfers. Yemen, the Syrian Arab Republic, South Sudan, Ethiopia, and the Sudan were the countries with the biggest food delivery, representing 52 percent of the total food transfer cost.

58. Cash-based transfers increased consistently over the past ten years and reached USD 2,302.4 million in 2020. The Syrian Regional Refugee Response and Yemen operations represent the largest share of cash-based transfers, with 38 percent of total cash-based transfer cost.

59. Capacity strengthening accounted for USD 334.8 million or 5 percent of total CSP costs, referring to the transfer of materials, equipment, knowledge and other resources to individual beneficiaries, communities, or other counterparties in support of WFP's strategic objectives. Service delivery transfer costs increased to USD 479.8 million in 2020, with an increased demand from the humanitarian community for common services and platforms.

60. Implementation costs and direct support costs accounted for 7 percent and 4 percent, respectively, of the CSP actual costs.

Indirect costs

61. Budgetary authority to incur PSA costs is received through the approval of the management plan. The final PSA budget in 2020 consisted of USD 423.6 million for regular PSA expenditure and USD 72.1 million for critical corporate initiatives. Of the final approved regular PSA budget, USD 421.9 million or 99.6 percent was utilized. Of the final approved critical corporate initiatives budget, USD 41.1 million or 57 percent was utilized in 2020.

Enhancing transparency and accountability

62. WFP prepares financial statements in accordance with IPSAS to ensure timely, relevant, and useful financial reporting, thereby improving transparency and accountability in the management of resources.

63. To ensure continued compliance with IPSAS, WFP assesses the impact and applies new IPSAS standards and changes accounting policies when changes in IPSAS require. WFP continues to work closely with other United Nations system organizations, through the High-Level Committee on Management task force on IPSAS. This task force provides a platform for discussion of IPSAS issues, with a view to achieving consistency in the application of IPSAS developments and enhancing comparability of financial reporting.

64. The Oversight and Policy Committee meets regularly to discuss policy and strategic issues, including a review of selected IPSAS-based financial highlights, which cover key areas of WFP's financial performance and financial position.

65. WFP's enterprise risk management framework is designed to manage and communicate WFP's risk exposure and provide reasonable assurance regarding the achievement of WFP's objectives. The Enterprise Risk Management function prepares the annual Statement on Internal Control on behalf of the Executive Director. The Assistant Executive Director, Resource Management Department and Chief Financial Officer: a) oversees and provides direction to the Enterprise Risk Management function; b) serves as steward for the internal control framework and monitors its implementation through regular reporting on risk matters at senior governance and oversight committees as well as annual assurance statements from global management; and c) ensures that a clear action plan exists for addressing major risks and internal control issues.

66. WFP has adopted clear policies related to the public disclosure of the results of independent evaluations, audits and inspections. Evaluation reports and the accompanying management responses dating back to 2000 can be found on WFP's public website. Reports of the External Auditor and management responses are available on the Executive Board's public website. Internal audit and inspection reports are posted on WFP's public website in accordance with the Policy for Disclosure of Oversight Reports. In addition, annual updates to the Executive Board on Joint Inspection Unit recommendations are available on the Executive Board's public website.

67. To increase operational transparency within the Integrated Road Map framework, WFP created the CSP data portal in mid-2018 to provide budgetary, financial and performance information over the life spans of the CSPs or ICSPs, and to ensure that the Executive Board retains required visibility and oversight. Since its launch, management has completed a redesign to enhance functionality and implemented actions to improve the usefulness and scope of data and information provided. In 2020, further enhancements included a new distribution tab showing planned and actual information on food and cash-based transfers, a user guidance manual, updated implementation plan figures, and improved export functionality. Management also added data from limited emergency operations and will include data from any future CSPs or ICSPs that are funded entirely by a host country that

has not requested Board approval. WFP will continue to explore solutions to improve accessibility and widen usage.

68. WFP is a leading member of the International Aid Transparency Initiative (IATI), a voluntary multi-stakeholder initiative to increase transparency of development cooperation. In line with commitment to IATI transparency commitment, WFP openly publishes monthly in the IATI registry detailed information about WFP programmatic activities, including incoming funds, expenditures, and results (outputs). WFP has been at the top of the IATI summary statistics since 2015 assessing all IATI publishers (currently more than 1,100) by scoring three dimensions – timeliness, forward-looking and comprehensiveness. Since 2019 WFP reports to the United Nations System Chief Executives Board for Coordination in full compliance to United Nations Data Cube financial reporting standards. The United Nations Data Cube is a critical pillar of the Secretary-General's Data Strategy 2020 to increase transparency and promote a data-driven approach within the United Nations system. WFP is one of the early adopters disclosing since 2019 expenditures by SDG targets and geographical location, while the agreed road map makes these dimensions mandatory only in 2022.

Treasury risk management

69. WFP’s activities expose it to a variety of financial risks including the effects of changes in debt and equity market prices, foreign currency exchange rates, interest rates, and defaults by debtors in meeting its obligations. WFP’s financial risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance of WFP.

70. Financial risk management is carried out by a central treasury function using guidelines set out by the Executive Director who is advised by the WFP Investment Committee. Policies cover foreign exchange, interest rate and credit risk, the use of derivative financial instruments, and investing of excess liquidity.

71. During 2020, the World Bank Treasury, acting as advisor to the Investment Committee, performed a review of the liquidity portfolio investment policy and guidelines, similar to the review performed in 2019. This review was requested by the Investment Committee considering the significant volatility witnessed in financial markets during quarter one of 2020 related to the COVID-19 pandemic outbreak. The review concluded that investment portfolios were structured effectively, and no significant changes were recommended.

72. WFP investments performed well in 2020 as interest rates fell and credit spreads compressed over the course of the year with allocations to corporates, agency mortgage backed securities and asset-backed securities producing positive returns. Government bond markets were initially shaken as volatility soared and major central banks cut interest rates, however, they stabilized from end of March 2020 and onward as governments and central banks intervened with packages to provide ample liquidity, offsetting some of the most adverse economic effects. Similarly, global equities had a turbulent year with sharp falls witnessed in February and March of 2020, followed by an unprecedented recovery for the remainder of the year and reaching record highs in December.

73. Looking ahead to 2021, major global central banks have signalled that interest rates are expected to remain at current levels while additional information on the strength of economic recovery and effects on inflation are closely monitored. Investment returns in short-term investments are to remain subdued.

74. WFP is committed to mitigating cash-related risks and increasing accountability to people, donors, and governments. WFP has recently released a cash-based transfers assurance framework with the aim of ensuring the right beneficiaries receive the right entitlements, and the risks of potential fraud, human error or other divergence of cash-based transfer benefits are mitigated to the extent possible while promoting beneficiary protection and effective programmes in the same time.

75. Controls are implemented across the full cash-based transfers programme cycle from beneficiaries targeting and registration, through verifications of beneficiaries registers and improved beneficiary complaint and feedback mechanisms, to due diligence assessments of financial services providers selected by WFP, established secure payment processes, distribution reconciliations and finally, post-implementation monitoring and evaluation to ensure programmatic objectives are achieved as designed.

76. WFP's employee benefit liabilities were USD 1,135.9 million at 31 December 2020. WFP sets aside assets for the long-term employee benefit liabilities in the form of cash and long-term investments (bonds and equities). In accordance with the current funding plan approved by the Board in 2010, an incremental annual funding of USD 7.5 million is included in the standard staff cost over a 15-year period starting in 2011, with a view towards achieving a full funded status of the long-term employee benefit liabilities in 2025. WFP determines the funding level based on the long-term employee benefit liabilities. As at 31 December 2020, the level of assets set aside (USD 984.0 million) for the funding of the long-term employee benefit liabilities (USD 1,085.2 million) represents a 91 percent funding level. This is an increase from the 75 percent funding level in 2019 and is primarily due to an increase in the market value of the assets set aside. Based on the actuarial valuation results of this year, it is projected that the fully funded status will be achieved during 2023 (compared to 2028 in 2019 valuation).

Sustainability

77. WFP's financial statements are prepared on a going-concern basis.

78. In making this determination, WFP has considered the impact on the operational activities of WFP due to the COVID-19 pandemic as described in detail under the operational context section of this statement. While there is still uncertainty of how the COVID-19 pandemic will be impacting future periods, WFP concluded that in the environment of the worsening global food insecurity, WFP's mandate of the leading humanitarian organization saving lives and changing lives, delivering food assistance in emergencies and working with communities to improve nutrition and build resilience is as relevant as ever.

79. My statement on sustainability is supported by:

    i) the operational requirements I put forward in the WFP Management Plan (2021–2023) of USD 12.3 billion, approved by the Executive Board during its 2020 second regular session, and which were updated to USD 13.6 billion as at mid-January 2021 to reflect projected requirements from the expected adverse health and socioeconomic consequences of the pandemic;

    ii) the WFP Strategic Plan (2017–2021) approved by the Executive Board in 2016;

    iii) the total assets held at the end of 2020 of USD 10.4 billion, an increase of 10 percent compared to 2019, which are three times higher than WFP's liabilities;

    iv) the net assets (fund balances and reserves) held at the end of 2020 of USD 6.8 billion, an increase of 15 percent compared to 2019;

v) the revenue received in 2020 of USD 8.9 billion, an increase of 8 percent compared to 2019; and

vi) the projected contributions levels for the year 2021 of USD 7.8 billion, reflecting an increase compared to the USD 7.4 billion indicated in the approved WFP Management Plan (2021–2023).

80. The trend of donor support in sustaining WFP's mandate since its inception in 1963 remained strong and on growth. WFP has further considered the consequences of any potential significant reduction in contributions and whether this would lead to a consequential reduction in the scale of operations and number of people assisted. Having considered WFP's projected activities and the corresponding risks, I am confident that WFP has adequate resources to continue to operate in the medium term.

Administrative matters

81. WFP's principal place of business as well as the names and addresses of its General Counsel, actuaries, principal bankers, and External Auditor are shown in Annex I to this document.

Responsibility

82. As required under financial regulation 13.1, I am pleased to submit the following financial statements, which have been prepared under IPSAS. I certify that to the best of my knowledge and information, all transactions during the period have been properly entered in the accounting records and that these transactions together with the following financial statements and notes, details of which form part of this document, fairly present the financial position of WFP at 31 December 2020.

Statement I Statement of Financial Position at 31 December 2020

Statement II Statement of Financial Performance for the year ended 31 December 2020

Statement III Statement of Changes in Net Assets for the year ended 31 December 2020

Statement IV Statement of Cash Flow for the year ended 31 December 2020

Statement V Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2020

Notes to the Financial Statements

David M. Beasley

Executive Director Rome, 31 March 2021

Executive Director’s statement on internal control

Scope and purpose of internal control

1. The WFP Executive Director is accountable to the Executive Board for the administration of WFP and for the implementation of WFP programmes, projects and other activities. Financial Regulation 12.1 requires the Executive Director to establish internal controls, including internal audit and investigation, to ensure the effective and efficient use of WFP’s resources and the safeguarding of its assets.

2. WFP defines internal control as a process, effected by WFP’s Executive Board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. The Statement on Internal Control provides assurance from the Executive Director on the effectiveness of WFP’s system of internal control.

WFP’s operating environment

3. The humanitarian imperative obliges WFP to respond when needed. This principle exposes WFP to operating environments and situations with a high level of inherent risk, including in terms of the security of its employees and beneficiaries, and, in some cases, the ability to maintain the highest standards of internal control.

Internal control and enterprise risk management frameworks

4. WFP’s internal control framework is aligned with guidance issued by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). In accordance with COSO, WFP’s system on internal control includes five components: control environment, risk assessment, control activities, information and communication and monitoring activities.

5. WFP’s enterprise risk management framework is aligned with COSO guidance on enterprise risk management, which integrates risk, strategy and performance. WFP’s 2018 enterprise risk management policy aims to establish a pragmatic, systematic and disciplined approach to identifying and managing risks throughout WFP that is clearly linked to the achievement of its strategic objectives.

6. WFP’s oversight framework outlines the organization’s vision for oversight and provides a snapshot of the evolving architecture and activities in place to operationalize the vision, which includes governance, Executive Board accountability and oversight frameworks, and associated reporting arrangements.

Review of the effectiveness of internal control

7. Managers within WFP who are responsible for implementing and overseeing internal controls in their areas of responsibility inform an annual review of the effectiveness of WFP’s internal controls that considers: feedback from global management as part of the annual Executive Director’s Assurance Exercise; the Annual Report of the Inspector General; and other evidence as available and appropriate.

Significant risk and internal control matters

8. While no new significant issues arose in 2020, four issues from the 2019 Statement on Internal Control were carried over for prioritization and further attention in 2021.

9. Due to a growing body of evidence indicating improvement was needed, WFP has increasingly prioritized and addressed issues related to **workplace culture and conduct** to promote an ethical, safe and respectful environment for all staff. In 2020, management

appointed an Assistant Executive Director and established a new Workplace Culture Department to continue the implementation of the Comprehensive Action Plan designed around six core areas: reaffirming values, leadership role, employee engagement, policy and system revisions, disciplinary processes, and communication. In 2021, WFP streamlined its disciplinary process and will finalize a new policy on harassment, sexual harassment and abuse of authority, as well as two new frameworks on diversity and inclusion and leadership.

10. On **talent management and workforce planning**, WFP continues its efforts to align organizational structures and staffing profiles to current and future needs in the context of a persistent high level of emergencies. Challenges raised by management include aligning with the evolving priorities of new country strategic plans, a reliance on short-term contracts, the often lengthy and complex recruitment and reassignment processes, and the organization's ability to attract, retain and grow talent. Focused efforts have been made to invest in strategic leadership on people and workplace matters, draft a staffing framework to guide the use of contracts, and build strong links with workplace culture, culminating in the development of a new WFP people policy that will be presented to the Executive Board for approval at its 2021 annual session.

11. WFP strives to keep pace with innovations in technology through continued digitalization of **beneficiary management and information technology (IT) solutions.**[1] Decentralized decision making around digital technologies and their implementation has been associated with complexities from a data governance, system integration and data protection perspective. This has been the case especially for cross-functional processes, such as end-to-end beneficiary management and third-party monitoring and access to WFP systems. In 2020, WFP issued several new corporate directives to strengthen governance, provide overarching principles and prerequisites for the development of IT solutions, and set forth roles and responsibilities at various levels. The Assistant Executive Director of Programme and Policy Development has been designated the functional lead for beneficiary management services, while a data protection officer was onboarded to serve as the main authority for personal data protection matters and lead the design of a new data protection policy.

12. **Non-governmental organization (NGO) management** requires further strengthening, although some improvement has been made in 2020. While offices are widely aware of the need for due diligence, the capacity and maturity to mitigate risks lags behind. Country offices highlight a limited pool of strong NGOs to draw from, sometimes reverting to direct implementation for interventions in the absence of suitable partners. Progress has been made in strengthening capacity through updated corporate guidance, the launch of e-learning and training resources, a new field-level agreement template, training for partners at country level and strengthened use of the United Nations Partner Portal.

13. **Three issues from 2019 are deemed to have reached an adequate level of maturity** and therefore no longer present a significant risk to the achievement of WFP's objectives: these are monitoring and review systems, capacity to scale up to respond to emergencies, and food safety and quality. Further information on these issues and management action to address them is presented in the 2020 management review of significant risk and control issues.

[1] Due to the interrelatedness of two issues from the 2019 Statement on Internal Control ('beneficiary management' and 'IT system implementation, integration and cybersecurity'), they have been merged into one issue: 'beneficiary management and information technology (IT) solutions' in the 2020 Statement.

Statement

14. All internal controls have inherent limitations – including the possibility of circumvention – and therefore WFP can provide only reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. Further, because of changing conditions, the effectiveness of internal controls may vary over time.

15. Based on the above, I consider, to the best of my knowledge and information, that WFP operated a satisfactory system of internal control for the year ended 31 December 2020 in line with COSO’s 2013 Internal Control – Integrated Framework.

16. WFP is committed to addressing the internal control and risk management issues identified above as part of the continuous improvement of its system of internal control.

David M. Beasley

Executive Director Rome, 20 May 2021

WORLD FOOD PROGRAMME
STATEMENT I
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020
(USD million)

	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents	2.1	1 950.5	1 471.9
Short-term investments	2.2	1 405.9	1 521.4
Contributions receivable	2.3	4 203.6	3 665.4
Inventories	2.4	1 012.9	936.4
Other receivables	2.5	284.6	319.0
		8 857.5	**7 914.1**
Non-current assets			
Contributions receivable	2.3	351.6	569.3
Long-term investments	2.6	1 008.5	763.9
Property, plant and equipment	2.7	188.1	180.4
Intangible assets	2.8	12.0	7.2
		1 560.2	**1 520.8**
Total assets		**10 417.7**	**9 434.9**
Liabilities			
Current liabilities			
Payables and accruals	2.9	1 175.2	936.2
Deferred revenue	2.10	829.6	911.3
Provisions	2.11	22.0	14.2
Employee benefits	2.12	50.7	42.1
Loan	2.13	5.7	5.7
		2 083.2	**1 909.5**
Non-current liabilities			
Deferred revenue	2.10	351.6	571.0
Employee benefits	2.12	1 085.2	1 023.5
Loan	2.13	55.3	60.9
		1 492.1	**1 655.4**
Total liabilities		**3 575.3**	**3 564.9**
Net assets		**6 842.4**	**5 870.0**
Fund balances and reserves			
Fund balances	2.15	6 431.2	5 437.8
Reserves	2.15	411.2	432.2
Total fund balances and reserves		**6 842.4**	**5 870.0**

The accompanying notes form an integral part of these financial statements.

David M. Beasley
Executive Director
Rome, 31 March 2021

Manoj Juneja
Chief Financial Officer and
Assistant Executive Director
Resource Management Department

WORLD FOOD PROGRAMME

STATEMENT II

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2020

(USD million)

	Note	2020	2019
Revenue			
Monetary contributions	3.1	7 881.1	7 375.3
In-kind contributions	3.2	508.5	594.7
Currency exchange differences	3.3	234.9	15.0
Return on investments	3.4	103.3	78.6
Other revenue	3.5	175.9	208.0
Total revenue		**8 903.7**	**8 271.6**
Expenses			
Cash-based transfers distributed	4.1	2 123.7	2 134.0
Food commodities distributed	4.2	2 410.1	2 346.0
Distribution and related services	4.3	906.2	864.1
Wages, salaries, employee benefits and other staff costs	4.4	1 152.1	1 109.4
Supplies, consumables and other running costs	4.5	237.3	212.6
Contracted and other services	4.6	1 133.4	851.8
Finance costs	4.7	1.5	1.7
Depreciation and amortization	4.8	49.4	45.3
Other expenses	4.9	40.0	48.5
Total expenses		**8 053.7**	**7 613.4**
Surplus for the year		**850.0**	**658.2**

The accompanying notes form an integral part of these financial statements.

WORLD FOOD PROGRAMME

STATEMENT III

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 DECEMBER 2020

(USD million)

	Note	Accumulated surplus/fund balances	Surplus (deficit)	Reserves	Total net assets
Total net assets at 31 December 2019		**4 779.6**	**658.2**	**432.2**	**5 870.0**
Allocation of the surplus for 2019		658.2	(658.2)	-	-
Movements in fund balances and reserves in 2020					
Transfer from/to reserves	2.15	21.0	-	(21.0)	-
Net unrealized gains on long-term investments	2.6/2.15	88.2	-	-	88.2
Actuarial gains on employee benefit liabilities	2.12	34.2	-	-	34.2
Surplus for the year		-	850.0	-	850.0
Total movements during the year		**143.4**	**850.0**	**(21.0)**	**972.4**
Total net assets at 31 December 2020		**5 581.2**	**850.0**	**411.2**	**6 842.4**

	Note	Accumulated surplus/fund balances	Surplus (deficit)	Reserves	Total net assets
Total net assets at 31 December 2018		**4 169.8**	**728.6**	**407.3**	**5 305.7**
Allocation of the surplus for 2018		728.6	(728.6)	-	-
Movements in fund balances and reserves in 2019					
Transfer from/to reserves	2.15	(24.9)	-	24.9	-
Net unrealized gains on long-term investments	2.6/2.15	85.4	-	-	85.4
Actuarial (losses) on employee benefit liabilities	2.12	(179.3)	-	-	(179.3)
Surplus for the year		-	658.2	-	658.2
Total movements during the year		**(118.8)**	**658.2**	**24.9**	**564.3**
Total net assets at 31 December 2019		**4 779.6**	**658.2**	**432.2**	**5 870.0**

The accompanying notes form an integral part of these financial statements.

WORLD FOOD PROGRAMME
STATEMENT IV
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2020
(USD million)

	Note	2020	2019
Cash flows from operating activities:			
Surplus for the year		850.0	658.2
Adjustments to reconcile surplus to net cash flows from operating activities			
Depreciation and amortization	2.7/2.8	49.4	45.3
Unrealized (gain) on short-term investments	2.2	(3.4)	(7.9)
Unrealized (gain) on long-term investments	2.6	(12.2)	(5.0)
(Increase) in amortized value of long-term investments	2.2/2.6	(3.0)	(3.2)
(Decrease) in amortized value of long-term loan	2.13	(0.3)	(0.4)
Interest expense on long-term loan	2.13	1.8	2.1
(Increase) in inventories	2.4	(76.5)	(82.6)
(Increase) in contributions receivable	2.3	(320.5)	(712.9)
Decrease (increase) in other receivables	2.5	32.3	(102.3)
(Increase) in property, plant and equipment (donated in-kind)	2.7	(0.2)	(8.6)
Increase in payables and accruals	2.9	239.0	208.4
Increase (decrease) in deferred revenue	2.10	(301.1)	203.1
Increase in provisions	2.11	7.8	2.4
Increase in employee benefits net of actuarial gain/loss on post-employment benefits	2.12	104.5	108.1
Net cash flows from operating activities		**567.6**	**304.7**
Cash flows from investing activities:			
Decrease in short-term investments	2.2	125.9	163.0
Decrease in accrued interest receivable	2.5	2.1	1.3
(Increase) in long-term investments	2.6	(148.2)	(48.2)
(Increase) in property, plant and equipment	2.7	(55.1)	(53.4)
(Increase) in intangible assets	2.8	(6.6)	(4.2)
Net cash flows from investing activities		**(81.9)**	**58.5**
Cash flows from financing activities:			
Interest paid on loan	2.13	(1.8)	(2.1)
Repayment of annual principal on loan	2.13	(5.3)	(5.3)
Net cash flows from financing activities		**(7.1)**	**(7.4)**
Net increase (decrease) in cash and cash equivalents		**478.6**	**355.8**
Cash and cash equivalents at beginning of the year	2.1	**1 471.9**	**1 116.1**
Cash and cash equivalents at end of the year	2.1	**1 950.5**	**1 471.9**

The accompanying notes form an integral part of these financial statements.

WORLD FOOD PROGRAMME

STATEMENT V

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS[1]

FOR THE YEAR ENDED 31 DECEMBER 2020

(USD million)

	Note	Budget amount		Actual on	Difference: final	Implementation
	6	Original budget	Final budget[2]	comparable basis[3]	budget and actual	plan
CSP costs						
Strategic Result 1- Everyone has access to food		7 214.1	9 495.5	5 443.6	4 051.9	6 565.3
Strategic Result 2 - No one suffers from malnutrition		887.5	981.9	456.1	525.8	638.7
Strategic Result 3 - Smallholders have improved food security and nutrition through improved productivity and incomes		203.8	213.8	121.1	92.7	159.5
Strategic Result 4 - Food systems are sustainable		388.7	377.0	208.6	168.4	286.1
Strategic Result 5 - Developing countries have strengthened capacity to implement the SDGs		160.1	257.1	122.4	134.7	107.5
Strategic Result 6 - Policies to support sustainable development are coherent		3.4	3.6	0.5	3.1	2.5
Strategic Result 7 - Developing countries access a range of financial resources for development investment		0.2	0.6	0.3	0.3	0.4
Strategic Result 8 - Sharing of knowledge, expertise and technology, strengthen global partnership support to country efforts to achieve the SDGs		597.4	982.7	748.0	234.7	513.2
Adjusted direct support costs		465.4	524.1	324.1	200.0	437.8
Subtotal CSP costs		**9 920.6**	**12 836.3**	**7 424.7**	**5 411.6**	**8 711.0**
Regular PSA costs		423.6	423.6	421.9	1.7	423.6
Critical corporate initiatives		53.4	72.1	41.1	31.0	53.4
Subtotal indirect costs		**477.0**	**495.7**	**463.0**	**32.7**	**477.0**
Total		**10 397.6**	**13 332.0**	**7 887.7**	**5 444.3**	**9 188.0**

The accompanying notes form an integral part of these financial statements

[1] Prepared on a commitment basis. Commitments represent possible future liabilities based on a current contractual agreement and include outstanding purchase orders and contracts where goods and services have not yet been received.

[2] The final budget represents approved operational needs as of 31 December of the reporting year. Instead, Implementation plan represents operational needs prioritized considering funding forecasts of available resources and operational challenges as at 1 January 2020.

[3] Comparable basis means the actual amounts presented on the same accounting basis, same classification basis, for the same funds and the same period as the approved budget.

Notes to the financial statements at 31 December 2020

Note 1: Accounting policies

Reporting entity

1. WFP was established in 1961 by the United Nations General Assembly and the Conference of the FAO as the United Nations system's food aid organization. The purposes of WFP are: a) to use food aid to support economic and social development; b) to meet refugee and other emergency and protracted relief food needs; and c) to promote world food security in accordance with the recommendations of the United Nations and FAO.
2. WFP is governed by a 36-member Executive Board which provides intergovernmental support, direction and supervision of WFP's activities. The organization is headed by an Executive Director, who is appointed jointly by the United Nations Secretary-General and the Director-General of FAO.
3. WFP has its headquarters in Rome, Italy. During 2020, WFP provided assistance in 85 countries, where its work is overseen through the six regional bureaux.
4. The financial statements include the operations of WFP, while jointly controlled entities are disclosed in note 12.

Basis of preparation

5. The financial statements of WFP have been prepared on the accrual basis of accounting in accordance with the IPSAS using the historic cost convention, modified by the inclusion of investments at fair value. Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard has been applied.
6. The cash flow statement (Statement IV) is prepared using the indirect method.
7. The functional and reporting currency of WFP is the United States dollar. Transactions in currencies other than the United States dollar are translated into United States dollars at the prevailing United Nations operational rates of exchange at the time of transaction. Assets and liabilities in currencies other than United States dollars are translated into United States dollars at the prevailing United Nations operational rates of exchange year-end closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance.

Use of estimates and judgements

8. The preparation of the financial statements in conformity with IPSAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on past experience and various other factors that are believed to be reasonable under the circumstances, and information available at the date of preparation of the financial statements, the results of which form the basis of judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected.
9. Significant estimates and assumptions that may result in material adjustments in future periods include: actuarial measurement of employee benefits; impairment of assets; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; provisions and contingent liabilities.

10. In 2020, management reviewed estimates and underlying assumptions in order to take into consideration the COVID-19 pandemic, which increased uncertainty about the future. Management assessed the impact of the pandemic and made no significant changes to key estimates and assumptions as a result. To the extent that estimates are based on past experience, there were no observable impacts of the COVID-19 pandemic on the experience affecting the main estimates disclosed in the preceding paragraph, except for the decrease of medical claims costs in 2020 which is considered pandemic-related. When making actuarial assumptions on the future medical cost increases (note 2.12.5.1) this decrease was considered temporary and expected to impact subsequent two years only, therefore having limited impact on the valuation result.

11. Moreover, 85 percent of WFP's assets are current assets expected to be realized within 12 months after the reporting date and as such subject to a lower level of uncertainty about the future. Long-term investments representing 65 percent of non-current assets are largely measured at fair value (note 2.6) based on recently observed market prices and are not subject to management's estimates.

Cash and cash equivalents

12. Cash and cash equivalents comprise cash on hand, cash at banks, money market and short-term deposits, including those managed by investment managers.

13. Investment revenue is recognized as it accrues, taking into account the effective yield.

Financial instruments

14. Financial instruments are recognized when WFP becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and WFP has transferred substantially all the risks and rewards of ownership.

15. Financial assets that are held for trading are measured at fair value and any gains or losses arising from changes in the fair value are accounted for through surplus or deficit and included within the Statement of Financial Performance in the period in which they arise. The short-term investments are classified within this category since they are held to support WFP operations and therefore may be divested of in the short-term which may generate trading gains or losses. Derivatives are also classified as held for trading.

16. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans and receivables comprise contributions receivable in cash, other receivables and cash and cash equivalents. Loans and receivables are stated at amortized cost.

17. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that WFP has the intention and ability to hold to maturity. Held-to-maturity investments comprise the United States Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS) held within the long-term investment portfolio and are stated at amortized cost.

18. Available-for-sale financial assets are non-derivative financial assets that are not designated within any other category. Available-for-sale assets comprise the long-term investments other than the United States Treasury STRIPS. They are carried at fair value, with value changes recognized in the Statement of Changes in Net Assets. Gains and losses are reclassified from net assets to surplus or deficit when the assets are derecognized.

19. All non-derivative financial liabilities are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest method.

Inventories

20. Food commodities and non-food items on hand at the end of the financial period are recorded as inventories and are valued at cost or current replacement cost, whichever is lower. Under the legal framework in which WFP operates, legal title of food commodities normally passes to the recipient country government at their point of first entry into a recipient country where they become distributable. Although legal title may have passed for those food commodities held in WFP warehouses in recipient countries, WFP records these commodities as inventories because WFP retains physical custody and control.

21. The cost of food commodities includes purchase cost or fair value[1] if donated in-kind and all other costs incurred in bringing the food commodities into WFP's custody at their point of first entry into a recipient country where they become distributable. In addition, any significant costs of conversion such as milling, or bagging are included. Cost is determined on the weighted average basis.

Contributions receivable

22. Contributions receivable are recognized when confirmed in writing by donors.

23. Contributions receivable are presented net of allowance for impairment and allowance for estimated reduction in contribution revenue.

24. In-kind contributions of services that directly support approved operations and activities, which have budgetary impact, and can be reliably measured, are recognized and valued at fair value. These contributions include use of premises, utilities, transport and personnel.

25. Donated property, plant and equipment and intangible assets are valued at fair market value and recognized as property, plant and equipment or intangible asset and contribution revenue.

Property, plant and equipment

26. Property, plant and equipment are measured initially at cost. Subsequently, property, plant and equipment are carried at cost less accumulated amortization and any impairment losses. Borrowing costs, if any, are not capitalized. Donated property, plant and equipment are valued at fair market value and recognized as property, plant and equipment and contribution revenue. Depreciation is provided for property, plant and equipment over their estimated useful life using the straight-line method, except for land which is not subject to depreciation. The estimated useful life for property, plant and equipment classes is as follows:

[1] Indicators of the fair value for food commodities donated in-kind include world market prices, the Food Assistance Convention price and the donor's invoice price.

Class	Estimated useful life (years)
Buildings	
Permanent	40
Temporary	5
Computer equipment	3
Other equipment	3
Office fixtures and fittings	5
Motor vehicles	
Light	5
Heavy and armoured	8
Workshop equipment	3

27. Leasehold improvements are recognized as assets and valued at cost and depreciated over the lesser of remaining useful life of the improvements or the lease term.

28. Impairment reviews are undertaken for all assets at least annually.

Intangible assets

29. Intangible assets are measured initially at cost. Subsequently, intangible assets are carried at historical cost less accumulated amortization and any impairment losses. Donated intangible assets are valued at fair market value and recognized as intangible assets and contribution revenue.

30. Amortization is provided over the estimated useful life using the straight-line method. The estimated useful life for intangible asset classes is as follows:

Class	Estimated useful life (years)
Internally generated software	6
Externally acquired software	3
Licences and rights, copyrights and other intangible assets	3

Employee benefits

31. WFP recognizes the following categories of employee benefits:

- short-term employee benefits due to be settled within 12 months after the end of the accounting period in which an employee renders the related service;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

Termination benefits are recognized as an expense only when WFP is demonstrably committed, without realistic possibility of withdrawal, to either terminating the employment of a staff member before the normal retirement date or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

United Nations Joint Staff Pension Fund

32. WFP is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF or the Fund), which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded,

multi-employer defined benefit plan. As specified by Article 3 (b) of the regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

33. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. WFP and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify WFP's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence WFP has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS standard 39, "Employee Benefits" (IPSAS 39). WFP's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

Provisions and contingent liabilities

34. Provisions are made for future liabilities and charges where WFP has a present legal or constructive obligation as a result of past events, and it is probable that WFP will be required to settle the obligation.

35. Other material commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of WFP.

Contributions revenue

36. WFP recognizes contributions revenue when confirmed in writing and where the contribution has been stipulated for the current financial reporting year. For contributions stipulated for future years, WFP recognizes an asset (cash or receivable) and a liability (deferred revenue) when the agreement is confirmed in writing. Deferred revenue is reduced, and revenue is recognized only when the contribution year, as stipulated by the donor, starts.

Other revenue

37. Other revenue is revenue from exchange transactions. An exchange transaction is one where WFP receives resources, assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Revenue from the provision of services is recognized in the financial period in which the service is rendered according to the estimated stage of completion of that service. Revenue from the transfer of goods is recognized when the risk and rewards of ownership of the goods are passed to the requesting party. When providing goods or cash transfer services, payment for the cost of the transfer service is recognized as other revenue, while the value of goods or cash transferred is recognized as a liability towards the requesting party until the liability is extinguished.

Food commodities and cash-based transfers distributed

38. Food commodities are expensed when distributed directly by WFP or once they are handed over to cooperating partners or service providers for distribution.

39. Cash-based transfers are expensed when distributed directly by WFP or once they are distributed by the cooperating partners or service providers.

Fund accounting and segment reporting

40. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial statements are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all WFP funds. Fund balances represent the accumulated residual of revenue and expenses.

41. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. WFP classifies all projects, operations and fund activities into three segments: i) programme category funds; ii) General Fund and Special Accounts; and iii) trust funds. WFP reports on the transactions of each segment during the financial period, and the balances held at the end of the period.

42. The programme category funds is an accounting entity established by the Board for the purposes of accounting for contribution revenue and expenses for all programme categories established to carry out the purposes of WFP. Programme categories include CSPs, interim country strategic plans (ICSPs), limited emergency operations and transitional ICSPs. CSPs are prepared following sustainable development analysis and include WFP's entire portfolio of humanitarian and development activities in a country.

43. The General Fund is the accounting entity established for recording, under separate accounts, indirect support cost (ISC) recoveries, miscellaneous income, operational reserve and contributions received that are not designated to a specific programme category, project or a bilateral project. Special Accounts are established by the Executive Director under financial regulation 5.1 for special contributions or monies earmarked for specific activities, the balances of which may be brought forward to the succeeding financial period.

44. Trust funds are also identifiable subdivisions of the WFP Fund. These are established by the Executive Director under financial regulation 5.1 to account for contributions, the purpose, scope and reporting procedures of which have been agreed upon with the donor under specific trust fund agreements.

45. Reserves are maintained within the General Fund for the purpose of operational support. An operational reserve is maintained within the General Fund as required under financial regulation 10.5 to ensure continuity of operations in the event of temporary shortfalls of resources. In addition to the operational reserve, other reserves have been established by the Board.

46. WFP may enter into third-party agreements (TPAs) to undertake activities which, while consistent with the objectives of WFP, are outside WFP's normal activities. TPAs are not reported as WFP revenue and expenses. At the year-end, the net balance owing to or from third parties is reported as a payable or receivable in the Statement of Financial Position under the General Fund. Service fees charged on TPAs are included within other revenue.

Budget comparison

47. WFP's budget is prepared on a commitment basis and the financial statements on an accrual basis. In the Statement of Financial Performance, expenses are classified on the basis of the nature of expenses, whereas in the Statement of Comparison of Budget and Actual Amounts, expenditures are classified by strategic results into WFP cost categories. The strategic results elaborated in WFP Strategic Plan (2017–2021) focus WFP's responses on what countries need. WFP's eight strategic results are mapped to the SDG 2 and SDG 17 targets that are relevant to WFP's capacities and mandate, aligning WFP's support to national and global efforts on the SDGs.

48. Budget planning for CSPs follows the structure of the country portfolio budgets. The Board approves budgets for the direct costs of operations either directly or through its delegated authority. It also approves the annual management plan, including the appropriations for PSA costs, and critical corporate initiatives. Budgets may be subsequently amended by the Board or through the exercise of delegated authority.

49. Statement V: Comparison of Budget and Actual Amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and financial statements differ, note 6 provides reconciliation of the actual amounts presented in Statement V and the actual amounts presented in Statement IV: Cash Flow.

50. The original and final budget in Statement V represents WFP's operational requirements developed based on needs assessment. In addition, the implementation plan is presented. The implementation plan represents a prioritized plan of work based on estimated available resources considering that WFP is a voluntarily funded organization and its operations and financial management therefore depend on the level of funding actually received. The implementation plan includes the prioritized programme of work for the direct cost portion and the budgeted regular PSA costs and critical corporate initiatives for the indirect cost portion.

Note 2.1: Cash and cash equivalents

	2020	**2019**
	USD million	
Cash and cash equivalents		
Bank and cash at headquarters	222.0	317.9
Bank and cash at regional bureaux and country offices	255.7	108.9
Money market and deposit accounts at headquarters	599.5	587.4
Cash and cash equivalents held by investment managers	873.3	457.7
Total cash and cash equivalents	**1 950.5**	**1 471.9**

51. Cash required for immediate disbursement is maintained in cash and bank accounts. Balances in the money market and deposit accounts are available at short notice.

Note 2.2: Short-term investments

	2020	**2019**
	USD million	
Short-term investments		
Short-term investments	1 399.0	1 514.4
Current portion of long-term investments (note 2.6)	6.9	7.0
Total short-term investments	**1 405.9**	**1 521.4**

52. Short-term investments are divided into two portfolio tranches with distinct investment horizons and specific investment guidelines and restrictions. The risk profile of short-term investments did not materially change in 2020 and remained at very low levels in the context of a market environment of low absolute yields.

53. Short-term investments were valued at USD 1,399.0 million at 31 December 2020 (USD 1,514.4 million at 31 December 2019). Of this amount, USD 622.3 million pertains to bonds issued or guaranteed by governments or government agencies (USD 740.8 million at 31 December 2019); USD 504.5 million pertains to corporate bonds (USD 405.6 million at 31 December 2019) and USD 272.2 million pertains to asset-backed securities (USD 368.0 million at 31 December 2019). These investments are stated at fair value based on valuation provided by the independent custodian bank responsible for the administration and safekeeping of the securities.

54. At 31 December 2020, derivatives usage in short-term investments was limited to bond futures and derivatives exposure was considered not to be material. The notional amount of the derivatives financial instruments held in the investment portfolio is USD 2.7 million (USD 3.7 million at 31 December 2019).

55. The movements in short-term investment accounts during the year are as follows:

	2019	**Net additions/ (deductions)**	**Interest received/ amortized**	**Net realized gains/ (losses)**	**Net unrealized gains/(losses)**	**2020**
			USD million			
Short-term investments	1 514.4	(154.5)	31.3	4.4	3.4	1 399.0
Current portion of long-term investments	7.0	(0.5)	0.4	-	-	6.9
Total short-term investments	**1 521.4**	**(155.0)**	**31.7**	**4.4**	**3.4**	**1 405.9**

56. During 2020, total short-term investments decreased by USD 115.5 million. This decrease includes net unrealized gain of USD 3.4 million presented in the reconciliation of surplus to operating cash flows in the Statement of Cash Flow and amortized interest on the current portion of the long-term investment of USD 0.4 million, also presented in the reconciliation as part of the increase in amortized value of the long-term investment of USD 3.0 million. The remaining balance, net of reclassification from long-term to short-term of USD 6.6 million, amounting to USD 125.9 million is presented in the Statement of Cash Flow under investing activities.

Note 2.3: Contributions receivable

	2020	2019
	USD million	
Composition:		
Current	4 203.6	3 665.4
Non-current	351.6	569.3
Total net contributions receivable	**4 555.2**	**4 234.7**
Monetary contributions receivable	4 435.4	4 051.3
In-kind contributions receivable	238.5	302.3
Total contributions receivable before allowance	**4 673.9**	**4 353.6**
Allowance for reduction in contribution revenue	(110.6)	(109.3)
Allowance for impairment	(8.1)	(9.6)
Total net contributions receivable	**4 555.2**	**4 234.7**

57. Current contributions receivable are for confirmed contributions that are due within 12 months while non-current contributions receivable are those that are due after 12 months from 31 December 2020.

58. Contributions receivable relate to donor contributions for programme categories, trust funds or to the General Fund and Special Accounts. Donor contributions may include restrictions that require WFP to use the contribution for a specific objective, activity or country within a specified timeframe.

59. The following table illustrates the composition of contributions receivable by ageing:

	2020		2019	
	USD million	*%*	*USD million*	*%*
Ageing				
2020	4 060.3	88	-	-
2019	432.9	9	3 849.1	88
2018	72.5	2	399.3	9
2017 and earlier	36.2	1	136.6	3
Subtotal	**4 601.9**	**100**	**4 385.0**	**100**
Revaluation adjustments (non-USD contributions receivable)	72.0	-	(31.4)	-
Total contributions receivable before allowance	**4 673.9**	**100**	**4 353.6**	**100**

60. Contributions receivable are presented net of allowance for impairment and allowance for estimated reductions in contribution revenue.

61. Allowance for reductions in contribution revenue is an amount estimated for any reductions of contributions receivable and corresponding revenue when the funding is no longer needed by the programme or activity to which the contributions were related. The allowance is based on historical experience.

62. The change in the allowance for reductions in contribution revenue during 2020 is as follows:

	2019	Utilization	Increase/ (decrease)	2020
	USD million			
Total allowance for reduction in contribution revenue	**109.3**	**(15.6)**	**16.9**	**110.6**

63. During 2020, the reductions in contributions receivable amounted to USD 15.6 million. These reductions are recorded as a utilization of the allowance for reductions in contribution revenue and reported in the Statement of Financial Position. At 31 December 2020, the estimated final allowance required is USD 110.6 million. Accordingly, an increase of USD 16.9 million was recorded as an adjustment to contribution revenue for the period and is reported in the Statement of Financial Performance.

64. The allowance for impairment is recorded based on a review of open contributions receivable to determine any line items that may not be collectible based on objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivable ("loss event") and that loss event(s) has an impact on the estimated future cash flows of the contributions receivable or group of receivables. Note that this is for contributions receivable where expenses have already been incurred but donors are not expected to provide funding. Actual write-offs require a transfer from the General Fund and approval by the Executive Director for amounts higher than USD 10,000.

65. The change in the allowance for impairment during 2020 is as follows:

	2019	Utilization	Increase/ (decrease)	2020
	USD million			
Total allowance for impairment	**9.6**	**(1.2)**	**(0.3)**	**8.1**

66. During 2020, write-offs of USD 1.2 million were recorded as a utilization of the allowance for impairment and reported in the Statement of Financial Position. At 31 December 2020, the estimated final allowance for impairment required is USD 8.1 million. Accordingly, a decrease of USD 0.3 million was recorded as an adjustment for the period and is reported in the Statement of Financial Performance.

Note 2.4: Inventories

67. The following tables show the movements of food and non-food items during the year. The first table shows the total value of inventories – food and non-food – as presented in the Statement of Financial Position. The second table shows a reconciliation of food inventories, which reflects the opening balance and the additions during the year reduced by the value of food distributed and impairment allowance made during the year.

	2020	2019
	USD million	
Food on hand	697.5	634.7
Food in transit	280.1	288.4
Subtotal food	**977.6**	**923.1**
Less: allowance for impairment – food	(3.8)	(3.5)
Total food	**973.8**	**919.6**
Non-food items	39.4	17.5
Less: allowance for impairment – non-food	(0.3)	(0.7)
Total non-food items	**39.1**	**16.8**
Total inventories	**1 012.9**	**936.4**

Food reconciliation	**2020**	**2019**
	USD million	
Opening inventory	919.6	838.1
Add back: impairment allowance	3.5	3.9
Food purchased	1 585.7	1 582.5
In-kind commodities received	482.4	478.7
Transport and related costs	373.2	347.9
Total inventory available for distribution	**3 364.4**	**3 251.1**
Less: food distributed	(2 386.8)	(2 328.0)
Less: allowance for impairment	(3.8)	(3.5)
Total food	**973.8**	**919.6**

68. For 2020, food and non-food items distributed totalled USD 2,410.1 million (USD 2,346.0 million in 2019), as reported in the Statement of Financial Performance. Of this amount, USD 2,386.8 million relates to food commodities and USD 23.3 million relates to non-food items (USD 2,328.0 million and USD 18.0 million, respectively, in 2019).

69. For food, costs incurred up to the first point of entry in the recipient country are included in inventories. These costs include costs of procurement, ocean transport, port costs and, for food destined for landlocked countries, the overland transport cost across transit countries.

70. Food quantities, derived from WFP's food tracking systems, are validated by physical stock counts and valued on a weighted average basis.

71. Inventories include non-food items held at WFP warehouses in Dubai and at various strategic storage depots managed by the United Nations Humanitarian Response Depot network.

72. Non-food items include fuel stock, isolation and treatment units related to the COVID–19 emergency, prefabricated buildings/warehouses, storage tents, generators, straddle carriers and spare parts.

73. Food commodity stocks at 31 December 2020 were 1.5 million mt, valued at USD 977.6 million (1.8 million mt valued at USD 923.1 million at 31 December 2019).

74. Inventories are valued net of any impairments or obsolescence. An allowance for impairment has been made for possible loss or damage to inventories under WFP's custody. The allowance is based on past experience and has been set at 0.39 percent of total food and 1.26 percent for non-food items (in 2019, the allowance for food was 0.38 percent and the allowance for non-food items was 4.03 percent). As at 31 December 2020, the estimated final allowance for impairment required is USD 4.1 million. Accordingly, a decrease in the allowance for impairment of USD 0.1 million is reported in the Statement of Financial Performance.

75. The change in the allowances for impairment during 2020 is as follows:

	2019	**Utilization**	**Increase/ (decrease)**	**2020**
		USD million		
Allowance for impairment – food	3.5	-	0.3	3.8
Allowance for impairment – non-food	0.7	-	(0.4)	0.3
Total allowance	**4.2**	**-**	**(0.1)**	**4.1**

Note 2.5: Other receivables

	2020	**2019**
	USD million	
Advances to vendors	63.2	89.0
Advances to staff	32.8	28.6
TPA receivables	-	1.3
Customer receivables	73.6	45.1
Miscellaneous receivables	146.6	187.2
Total other receivables before allowance	**316.2**	**351.2**
Allowance for impairment	**(31.6)**	**(32.2)**
Total net other receivables	**284.6**	**319.0**

76. Advances to vendors are for payments in advance of goods and service delivery.

77. Advances to staff are cash advances for education grants, rental subsidies, travel and other staff entitlements. These advances are non-interest bearing in accordance with staff rules and regulations.

78. A TPA is a legally binding contract between WFP and another party in which WFP acts as an agent to provide goods or services at an agreed price. Transactions relating to TPA are treated as receivables and payables in the Statement of Financial Position. TPA receivables and payables are offset against each other to reflect the net position with the third parties. In 2020, the net result is a liability disclosed in note 2.9.

79. Customer receivables include amounts due from customers for goods and services provided by WFP. Miscellaneous receivables include advances to service providers for cash-based transfers, accrued interest receivable and value-added tax receivables where outright tax exemptions have not been obtained from governments.

80. Other receivables are reviewed to determine whether any allowance for impairment is required. As at 31 December 2020, the estimated allowance required is USD 31.6 million, of which USD 28.9 million is for value-added tax receivable and USD 2.7 million is for other receivables (USD 29.5 million for value-added tax receivable and USD 2.7 million for other receivables in 2019).

81. The change in the allowance for impairment during 2020 is as follows:

	2019	**Utilization**	**Increase/ (decrease)**	**Revaluation adjustment**	**2020**
			USD million		
Total allowance for impairment	**32.2**	**-**	**2.2**	**(2.8)**	**31.6**

82. The revaluation adjustment reflects the revaluation of the allowance denominated in non-USD currency.

83. The increase in the allowance for impairment of USD 2.2 million was recorded as an expense for the period and is reported in the Statement of Financial Performance.

Note 2.6: Long-term investments

	2020	**2019**
	USD million	
United States Treasury STRIPS	52.8	56.9
Current portion (note 2.2)	(6.9)	(7.0)
Long-term portion, United States Treasury STRIPS	**45.9**	**49.9**
Bonds	373.2	321.0
Equities	589.4	393.0
Total bonds and equities	**962.6**	**714.0**
Total long-term investments	**1 008.5**	**763.9**

84. Long-term investments consist of investments in STRIPS and investments in bonds and equities.

85. The United States Treasury STRIPS were acquired in September 2001 and are held to maturity. The maturities of the securities are phased over 30 years to fund payment of interest and principal obligations on a long-term commodity loan from a donor government agency (note 2.13), denominated in the same currency as the STRIPS over the same period. The STRIPS bear no nominal interest and were purchased at a discount to their face value; the discount was directly related to prevailing interest rates at the time of purchase of 5.50 percent and to the maturities of the respective STRIPS. The current portion of the STRIPS is equal to the amount required to settle current obligations on the long-term loan.

86. Changes in market value of the investment in STRIPS are not recognized. At 31 December 2020, the market value of this investment was USD 66.6 million (USD 68.7 million at 31 December 2019).

87. The investments in bonds and equities have been designated as being held for funding of WFP's post-employment benefits liabilities and are not expected to be used in support of WFP's current operations. Although these investments are designated for this purpose, and are not available for funding current operations, the investments are not subject to separate legal restrictions and do not qualify as "plan assets" as defined in IPSAS 39, Employee Benefits.

88. Investments in equities are made through two Environmental, Social and Corporate Governance (ESG) funds which track the composition and performance of the Morgan Stanley Capital International (MSCI) All Country World Index, a recognized index of stocks to all world markets. This investment structure provides exposure to global equities markets on a passive basis with risks and returns that mirror the MSCI All Country World Index.

89. The increase in the value of the long-term bond and equity investments of USD 248.6 million resulted from the investment of cash into bonds and equities of amounts charged to funds and projects in relation to the employee benefit liabilities and the increase in market value of invested assets. The cash transfer of USD 106.0 million is invested in line with the WFP asset allocation policy with the objective of achieving a target of 60 percent in global equities and 40 percent in global bonds for funds set aside to meet employee benefit liabilities. These investments are stated at fair value based on valuation provided by the independent custodian bank responsible for the administration and safekeeping of the securities.

90. The movement of long-term investments accounts during 2020 is as follows:

	2019	**Additions/ (deductions)**	**Interest received/ amortized**	**Net realized gains/ (losses)**	**Net unrealized gains/ (losses)**	**2020**
			USD million			
Bonds and equities	**714.0**	106.0	12.5	29.7	100.4	**962.6**
Investment in STRIPS	**49.9**	(6.6)	2.6	-	-	**45.9**
Total long-term investment	**763.9**	**99.4**	**15.1**	**29.7**	**100.4**	**1 008.5**

91. During 2020, long-term investments increased by USD 244.6 million. Long-term bonds and equities are treated as available-for-sale financial assets except the part of investment in foreign exchange forwards (notional amount of USD 45.6 million) which are treated as held for trading financial assets. Accordingly, under IPSAS, the net unrealized gain of USD 88.2 million related to those financial assets treated as available-for-sale are transferred to net assets and presented in the Statement of Changes in Net Assets. The net unrealized gains of USD 0.3 million related to derivative financial instruments and the net unrealized gains of USD 11.9 million related to foreign exchange differences on monetary items are presented in the Statement of Financial Performance. The amortized interest on the investment in STRIPS of USD 2.6 million is presented in the reconciliation of surplus to operating cash flows in the Statement of Cash Flow as part of the increase in amortized value of the long-term investment of USD 3.0 million. The remaining balance, net of a reclassification from long-term to short-term of USD 6.6 million, amounting to USD 148.2 million is presented in the Statement of Cash Flow under investing activities.

Note 2.7: Property, plant and equipment

	Cost				Accumulated depreciation				Net carrying amount
	At 31 Dec 2019	Additions	Disposal/ transfers	At 31 Dec 2020	At 31 Dec 2019	Depreciation expense	Disposal/ transfers	At 31 Dec 2020	At 31 Dec 2020
					USD million				
Buildings									
Permanent	42.3	0.6	3.0	45.9	(5.4)	(1.6)	-	(7.0)	38.9
Temporary	110.2	19.3	(1.8)	127.7	(81.8)	(12.0)	(3.0)	(96.8)	30.9
Computer equipment	14.6	2.5	(0.3)	16.8	(12.1)	(1.6)	-	(13.7)	3.1
Other equipment	65.7	10.1	(1.2)	74.6	(52.5)	(8.4)	-	(60.9)	13.7
Office fixtures and fittings	0.8	-	-	0.8	(0.4)	(0.1)	-	(0.5)	0.3
Motor vehicles									
Light	89.9	11.2	(5.4)	95.7	(59.6)	(11.3)	4.2	(66.7)	29.0
Heavy and armoured	114.6	7.3	(0.1)	121.8	(76.6)	(7.7)	0.7	(83.6)	38.2
Leasehold improvements	35.4	7.7	(1.3)	41.8	(20.4)	(4.9)	0.5	(24.8)	17.0
Fixed assets under construction	15.6	4.4	(3.0)	17.0	-	-	-	-	17.0
Total	**489.1**	**63.1**	**(10.1)**	**542.1**	**(308.8)**	**(47.6)**	**2.4**	**(354.0)**	**188.1**

	Cost				Accumulated depreciation				Net carrying amount
	At 31 Dec 2018	Additions	Disposal/ transfers	At 31 Dec 2019	At 31 Dec 2018	Depreciation expense	Disposal/ transfers	At 31 Dec 2019	At 31 Dec 2019
	USD million								
Buildings									
Permanent	43.1	0.6	(1.4)	42.3	(4.1)	(1.5)	0.2	(5.4)	36.9
Temporary	109.8	13.2	(12.8)	110.2	(78.4)	(12.5)	9.1	(81.8)	28.4
Computer equipment	13.5	2.0	(0.9)	14.6	(11.7)	(1.2)	0.8	(12.1)	2.5
Other equipment	59.1	9.0	(2.4)	65.7	(48.4)	(7.3)	3.2	(52.5)	13.2
Office fixtures and fittings	2.0	0.1	(1.3)	0.8	(0.4)	(0.1)	0.1	(0.4)	0.4
Motor vehicles									
Light	84.5	15.7	(10.3)	89.9	(57.6)	(12.0)	10.0	(59.6)	30.3
Heavy and armoured	101.9	13.0	(0.3)	114.6	(70.9)	(6.0)	0.3	(76.6)	38.0
Leasehold improvements	22.5	13.3	(0.4)	35.4	(18.1)	(3.2)	0.9	(20.4)	15.1
Fixed assets under construction	15.4	0.7	(0.5)	15.6	-	-	-	-	15.6
Total	**451.8**	**67.6**	**(30.3)**	**489.1**	**(289.6)**	**(43.8)**	**24.6**	**(308.8)**	**180.4**

92. In 2020, major additions to property, plant and equipment were for buildings, motor vehicles and other equipment. Net acquisitions (after disposals) for the period ended 31 December 2020 totalled USD 53.0 million (USD 37.3 million at 31 December 2019) of which USD 0.2 million relate to donated in-kind property, plant and equipment (USD 8.6 million at 31 December 2019). Net carrying amount of property, plant and equipment is reported in the Statement of Financial Position and the depreciation expense for the year of USD 47.6 million is reported in the Statement of Financial Performance (USD 43.8 million in 2019).

93. Other equipment category includes office equipment, security and safety equipment, telecommunication equipment and workshop equipment.

94. Property, plant and equipment are capitalized if their cost is greater or equal to the threshold limit set at USD 5,000. They are depreciated over the asset's estimated useful life using the straight-line method. The threshold level is reviewed periodically.

95. Assets are reviewed annually to determine if there is any impairment in their value. The review that was undertaken in 2020 did not result in any of the property, plant and equipment being impaired in value.

Note 2.8: Intangible assets

	Cost				Accumulated depreciation				Net carrying amount
	At 31 Dec 2019	**Additions**	**Disposal/ transfers**	**At 31 Dec 2020**	**At 31 Dec 2019**	**Amortization expense**	**Disposal/ transfers**	**At 31 Dec 2020**	**At 31 Dec 2020**
	USD million								
Internally generated software	60.3	2.7	-	63.0	(54.6)	(1.7)	-	(56.3)	6.7
Externally acquired software	2.7	0.2	-	2.9	(2.7)	(0.1)	-	(2.8)	0.1
Licences and rights	0.7	-	-	0.7	(0.7)	-	-	(0.7)	-
Intangible assets under construction	1.5	3.7	-	5.2	-	-	-	-	5.2
Total intangible assets	**65.2**	**6.6**	**-**	**71.8**	**(58.0)**	**(1.8)**	**-**	**(59.8)**	**12.0**

	Cost				Accumulated depreciation				Net carrying amount
	At 31 Dec 2018	**Additions**	**Disposal/ transfers**	**At 31 Dec 2019**	**At 31 Dec 2018**	**Amortization expense**	**Disposal/ transfers**	**At 31 Dec 2019**	**At 31 Dec 2019**
	USD million								
Internally generated software	57.4	2.9	-	60.3	(53.1)	(1.5)	-	(54.6)	5.7
Externally acquired software	2.8	-	(0.1)	2.7	(2.8)	-	(0.1)	(2.7)	-
Licences and rights	0.7	-	-	0.7	(0.7)	-	-	(0.7)	-
Intangible assets under construction	0.2	1.3	-	1.5	-	-	-	-	1.5
Total intangible assets	**61.1**	**4.2**	**(0.1)**	**65.2**	**(56.6)**	**(1.5)**	**(0.1)**	**(58.0)**	**7.2**

96. Intangible assets are capitalized if their cost exceeds the threshold of USD 5,000 except for internally generated software, where the threshold is USD 100,000. The capitalized value of internally generated software excludes those costs related to research and maintenance costs.

97. Net carrying amount of intangible assets is reported in the Statement of Financial Position while the amortization expense for the year of USD 1.8 million is reported in the Statement of Financial Performance.

Note 2.9: Payables and accruals

	2020	2019
	USD million	
Vendor payables	128.2	113.8
Donor payables	21.4	15.9
Liabilities for service provision	213.6	70.0
Miscellaneous	129.2	77.5
Subtotal payables	**492.4**	**277.2**
Accruals	682.8	659.0
Total payables and accruals	**1 175.2**	**936.2**

98. Payables to vendors relate to amounts due for goods and services for which invoices have been received.

99. Payables to donors represent balance of unspent contributions for closed activities, country portfolio budgets or grants pending refund or reprogramming.

100. Liabilities for service provision represent liabilities to customers that will be extinguished through provision of goods and services in future financial periods.

101. Miscellaneous payables include amounts due to staff and other United Nations agencies for services received and the fair value of foreign exchange forward contracts. Included in miscellaneous payables is USD 16.8 million of TPA liabilities described in note 2.5.

102. Accruals are liabilities for goods and services that have been received or provided to WFP during the year and which have not been invoiced by suppliers.

Note 2.10: Deferred revenue

	2020	2019
	USD million	
Composition		
Current	829.6	911.3
Non-current	351.6	571.0
Total deferred revenue	**1 181.2**	**1 482.3**

103. Deferred revenue represents contributions where revenue recognition has been deferred to future financial periods since the year stipulated by the donor starts after the current financial period.

104. The current portion denotes revenue deferred for contributions related to the next 12 months. The non-current portion denotes revenue deferred for contributions related to the period beyond 12 months after the financial year-end.

105. In line with the accounting policy for contribution revenue as described in note 1, deferred revenue is reduced, and contribution revenue is recognized in the Statement of Financial Performance when the contribution year, as stipulated by the donor, starts.

106. The following table illustrates the composition of deferred revenue by contribution year, as stipulated by the donor:

	2020	2019
	USD million	
Contribution year		
2025	1.5	-
2024	14.8	8.4
2023	80.5	34.6
2022	254.8	72.6
2021	829.6	455.4
2020	-	911.3
Total deferred revenue	**1 181.2**	**1 482.3**

Note 2.11: Provisions

	2020	2019
	USD million	
Provision for refunds to donors	19.0	11.1
Other provision	3.0	3.1
Total provisions	**22.0**	**14.2**

107. The provision for refunds to donors estimates the level of refunds that are expected to be given back to donors for unspent cash contributions to the programme. The provision is based on historical experience.

108. The change in the provision for refunds to donors during 2020 is as follows:

	2019	Utilization	Increase/(decrease)	2020
	USD million			
Provision for refunds to donors	11.1	(3.5)	11.4	19.0

109. During 2020, refunds made to donors totalled USD 3.5 million. These refunds are recorded as a utilization of the provision for refunds to donors and reported in the Statement of Financial Position. At 31 December 2020, the estimated final provision required is USD 19.0 million. Accordingly, an increase of USD 11.4 million was recorded as an

adjustment to monetary contribution revenue for the period and is reported in the Statement of Financial Performance.

110. Other provision is recognized for legal claims where it is probable that there will be an outflow of resources to settle the claims and the amounts can be reliably estimated.

111. The change in the provision for legal claims during 2020 is as follows:

	2019	Utilization	Increase/(decrease)	2020
		USD million		
Provision for legal claims	3.1	-	(0.1)	3.0

Note 2.12: Employee benefits

	2020	2019
	USD million	
Composition		
Current	50.7	42.1
Non-current	1 085.2	1 023.5
Total employee benefits liabilities	**1 135.9**	**1 065.6**

	2020			2019
	Actuarial valuation	WFP valuation	Total	
		USD million		
Short-term employee benefits	5.3	45.4	50.7	42.1
Post-employment benefits	985.4	1.6	987.0	937.4
Other long-term employee benefits	91.8	6.4	98.2	86.1
Total employee benefits liabilities	**1 082.5**	**53.4**	**1 135.9**	**1 065.6**

2.12.1 Short-term employee benefits

112. Short-term employee benefits consist of annual leave, education grants and incurred but not paid amounts relating to all benefit plans. The benefits amount incurred but not paid was estimated by professional actuaries and accrued as short-term employee benefit liabilities.

2.12.2 Post-employment benefits

113. Post-employment benefits are defined benefit plans consisting of after-service medical plans (ASMPs), the Separation Payment Scheme (SPS) and the Compensation Plan Reserve Fund.

114. Post-employee benefits are established for two groups of staff: a) staff members who are in the professional category and general service in headquarters; and b) WFP's national professional officers and general service staff members in the country offices and regional bureaux. Both groups of staff are covered by the FAO staff rules and the United Nations staff rules.

115. The ASMPs allow eligible retirees and their eligible family members to participate in the Basic Medical Insurance Plan (BMIP) or the Medical Insurance Coverage Scheme (MICS) depending on which staff group they belong to. BMIP is provided to staff members in the professional category and the general service category in headquarters. MICS is provided to national professional officers and general service staff members in country offices and regional bureaux. ASMP defined benefit obligation represents the present value of the share of the organization's medical insurance costs for retirees and active staff post-employment benefits accrued to-date.

116. The SPS is a plan to fund severance pay for WFP general service staff at the duty stations in Italy upon separation from service.

117. The Compensation Plan Reserve Fund is a plan that provides compensation to all staff members, employees and dependents in case of death, injury or illness attributable to the performance of official duties and, in certain circumstances, to supplement the disability and survivors' pensions paid by the Fund.

2.12.3 Other long-term employee benefits

118. Other long-term employee benefits consist of home leave travel and other separation-related benefits which comprise accrued leave, death grants, repatriation grants and repatriation travel and removal expenses and are payable when staff are no longer in service.

2.12.4 Valuation of employee benefit liabilities

119. Employee benefit liabilities are measured by professional actuaries or calculated by WFP. At 31 December 2020, total employee benefit liabilities amounted to USD 1,135.9 million, of which USD 1,082.5 million were calculated by the actuaries and USD 53.4 million were calculated by WFP (USD 1,021.1 million and USD 44.5 million, respectively, at 31 December 2019).

120. Of the total employee benefit liabilities of USD 1,135.9 million, the amount of USD 827.5 million has been charged against relevant funds and projects (USD 716.7 million at 31 December 2019). The balance of liabilities in the amount of USD 308.4 million has been allocated against the General Fund (USD 348.9 million at 31 December 2019).

121. During the 2010 annual session, the Board approved a funding plan to provide for the unfunded employee benefit liabilities currently allocated to the General Fund. The funding plan includes an incremental annual funding of USD 7.5 million in the standard staff cost over a 15-year period starting in 2011 with a view to achieving fully funded status at the end of the 15-year period.

2.12.5 Actuarial valuations of post-employment and other separation-related benefits

122. Liabilities arising from post-employment benefits (ASMPs, SPS and the Compensation Plan Reserve Fund) and other separation-related benefits are determined by professional actuaries on the basis of actuarial assumptions.

123. Post-employment benefits and other separation-related benefits liabilities which are calculated by actuaries totalled USD 1,077.2 million at 31 December 2020 (USD 1,016.7 million in 2019), of which USD 739.4 million pertains to staff members who are in the professional category and general service in headquarters (USD 690.0 million in 2019) and USD 337.8 million pertains to the benefits for national professional officers and general service staff members in country offices and regional bureaux (USD 326.7 million in 2019).

124. The annual expense for post-employment benefits liabilities as determined by the actuaries does not include amortization of actuarial gains/(losses). The full amount of actuarial gains/(losses) for post-employment benefits is recognized in the Statement of Changes in Net Assets. The actuarial gains/(losses) for other separation-related benefits continue to be recognized as an expense in the Statement of Financial Performance for the year in which they arise.

2.12.5.1 Actuarial assumptions and methods

125. Each year, WFP reviews and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for WFP's after-service benefit plans (post-employment benefits and other separation-related benefits). For the 2020 valuation, the assumptions and methods used are described in the following table which also indicates the assumptions and methods used for the 2019 valuation.

126. The assumptions and methods adopted for the 2020 actuarial valuation resulted in an increase in the post-employment and other separation-related benefits net liabilities in the total amount of USD 60.5 million (an increase of USD 286.8 million in 2019).

127. The principal actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 39. In addition, each actuarial assumption is required to be disclosed in absolute terms.

128. The following assumptions and methods have been used to determine the value of post-employment and other separation-related employee benefits liabilities for WFP at 31 December 2020.

Discount rate	Established based on yield curve approach, using yields on high-grade corporate bonds and the expected cash flows of each of the WFP's plans. Separate discount rates are used for each of the plans as follows: **International professional and headquarters general service**: BMIP – 2.2 percent; other separation-related benefits (OSRB) – 1.9 percent; SPS – 0.3 percent and Staff Compensation Plan (SCP) 2.8 percent (BMIP – 2.1 percent; OSRB – 3.0 percent; SPS – 0.7 percent and SCP 3.5 percent in 2019 valuation). **National professional officers and general service in country offices/regional bureaux:** MICS – 3.0 percent; OSRB – 2.1 percent; SCP – 3.0 percent (MICS – 3.7 percent; OSRB – 3.1 percent; SCP – 3.6 percent in 2019 valuation).
Medical cost increases (ASMP only)	BMIP – 4.05 percent for 2021, decreasing steadily to 3.45 percent for 2033 and beyond (4.1 percent for 2020, decreasing steadily to 3.7 percent for 2028 and beyond in 2019 valuation). MICS – 8.6 percent for 2021, decreasing steadily to 3.70 percent in 2043 and beyond (8.6 percent for 2020, decreasing by 0.2 percent per year to 4.0 percent in 2043 and beyond in 2019 valuation).
Annual salary scale	General inflation (varies per plan) plus 0.5 percent for productivity increases plus merit component (3.0 percent plus merit component in 2019 valuation).
Annual cost of living increases/general inflation	Separate general inflation rates are used for each of the plans as follows: **International professional and headquarters general service**: BMIP – 1.8 percent; OSRB – 1.9 percent; SPS – 1.1 percent and SCP – 1.9 percent (BMIP – 1.9 percent; OSRB – 2.2 percent; SPS – 1.8 percent and SCP - 2.2 percent in 2019 valuation). **National professional officers and general service in country offices/regional bureaux:** MICS – 2.0 percent; OSRB – 2.0 percent; SCP – 2.0 percent (MICS – 2.2 percent; OSRB – 2.2 percent; SCP – 2.2 percent in 2019 valuation).
Future exchange rates	United Nations operation rates of exchange at 31 December 2020.
Mortality rates	Mortality rates are based on 2017 UNJSPF tables with annuitant rates weighted by headcount, rather than by annuity size (mortality rates were based on 2017 UNJSPF tables which weigh annuitant rates by annuity size in the 2019 valuation).
Disability rates	Disability rates match the ones used in 31 December 2020 valuation of the UNJSPF.
Withdrawal rates	**International professional and headquarters general service**: Based on a study of WFP's withdrawal rates from 2013 to 2018 (same in 2019 valuation). **National professional officers and general service in country offices/regional bureaux:** Based on a study of withdrawal rates for this category of staff from 2015 to 2020 (based on a study of WFP's withdrawal rates from 2013 to 2018 in 2019 valuation).
Retirement rates	**International professional and headquarters general service**: Based on a study of WFP's withdrawal rates from 2013 to 2018 (same in 2019 valuation). **National professional officers and general service in country offices/regional bureaux:** Based on a study of withdrawal rates for this category of staff from 2015 to 2020 (based on a study of WFP's withdrawal rates from 2013 to 2018 in 2019 valuation).
Actuarial method	ASMPs, SPS and SCP: Projected unit credit with an attribution period from the entry on duty date to the date of full eligibility for benefits. Other separation-related payments schemes: For accrued leave, projected unit credit with an attribution period from the entry on duty date to separation. For repatriation travel and removal, projected unit credit with an attribution period from the entry on duty date to separation. For repatriation grant and death grant, projected unit credit with an attribution based on the actual benefit formula.

129. The following tables provide additional information and analysis in relation to employee benefits liabilities, as calculated by the actuaries.

2.12.5.2 Reconciliation of defined benefit obligation

	After-service medical plans	Other separation-related benefits	Separation payment scheme	Compensation Plan Reserve Fund	Total
			USD million		
Defined benefit obligation at 31 December 2019	**890.6**	**80.8**	**25.2**	**20.1**	**1 016.7**
Service cost for 2020	62.9	9.3	2.4	2.3	76.9
Interest cost for 2020	23.7	2.3	0.2	0.7	26.9
Actual gross benefit payments for 2020	(7.2)	(8.2)	(2.7)	(0.8)	(18.9)
Participant contributions	2.2	-	-	-	2.2
Exchange rate movements	30.5	0.2	2.3	-	33.0
Other actuarial (gains) losses	(69.2)	7.4	1.2	1.0	(59.6)
Defined benefit obligation at 31 December 2020	**933.5**	**91.8**	**28.6**	**23.3**	**1 077.2**

2.12.5.3 Annual expense for calendar year 2020

	After-service medical plans	Other separation-related benefits	Separation payments scheme	Compensation Plan Reserve Fund	Total
			USD million		
Service cost	62.9	9.3	2.4	2.3	76.9
Interest cost	23.7	2.3	0.2	0.7	26.9
Actuarial loss	-	7.6	-	-	7.6
Subtotal expense	**86.6**	**19.2**	**2.6**	**3.0**	**111.4**

2.12.5.4 Reconciliation of present value of defined benefit obligation

	After-service medical plans	Other separation-related benefits	Separation payments scheme	Compensation Plan Reserve Fund	Total
			USD million		
Defined benefit obligation					
Inactive	672.7	91.8	28.6	5.3	798.4
Active	260.8	-	-	18.0	278.8
Total	**933.5**	**91.8**	**28.6**	**23.3**	**1 077.2**
(Gain)/loss on defined benefit obligation	(38.7)	7.6	3.5	1.0	(26.6)

2.12.6 Employee benefits liability – sensitivity analysis

130. The principle assumption in the valuation of all employee benefit plans is the discount rate. Sensitivity analysis for the discount rate for the employee benefits liabilities is presented in the following table.

	After-service medical plans	Other separation-related benefits	Separation payments scheme	Staff Compensation Plan	Total
Defined benefit obligation			***USD million***		
Current discount rate assumption minus 1%	1 214.6	100.1	31.3	28.4	1 374.4
Current discount rate assumption	933.5	91.8	28.6	23.3	1 077.2
Current discount rate assumption plus 1%	731.3	84.7	26.3	19.5	861.8

2.12.6.1 After-service medical plans – sensitivity analysis

131. Three of the principal assumptions in the valuation of the ASMPs are: i) the rate at which medical costs are expected to increase in the future; ii) the exchange rate between the United States dollar and the euro; and iii) the discount rate used to determine the present value of benefits that will be paid from the plan in the future.

132. Sensitivity analysis for the actuarial estimates for BMIP is presented in the following table.

		Long-term medical inflation per year		
Exchange rate	**Discount rate**	**2.45%**	**3.45%**	**4.45%**
			USD million	
1.127 USD per EUR	3.2%	365.3	453.0	569.6
1.227 USD per EUR	3.2%	388.2	481.4	605.5
1.327 USD per EUR	3.2%	411.2	509.9	641.3
1.127 USD per EUR	2.2%	456.0	574.8	735.1
1.227 USD per EUR	2.2%	484.7	611.0	781.4
1.327 USD per EUR	2.2%	513.4	647.1	827.6
1.127 USD per EUR	1.2%	580.1	743.9	968.2
1.227 USD per EUR	1.2%	616.6	790.7	1 029.1
1.327 USD per EUR	1.2%	653.1	837.5	1 089.9

133. Sensitivity analysis for the actuarial estimates for MICS is presented in the following table.

	Long-term medical inflation per year		
Discount rate	**2.7%**	**3.7%**	**4.7%**
		USD million	
4.0%	196.9	249.8	320.5
3.0%	250.4	322.5	420.1
2.0%	324.1	423.9	561.1

134. The results assume that claims costs and premium rates would increase by the same percentage as the medical inflation, but that all other assumptions would be unaffected.

2.12.7 Expected costs during 2021

135. The expected contribution of WFP in 2021 to the defined benefits plans is USD 22.5 million which is determined based on expected benefit payments for that year.

	After-service medical plans	**Other separation-related benefits**	**Separation payments scheme**	**Staff Compensation Plan**	**Total**
			USD million		
Expected organization contributions during 2021	6.9	11.9	2.9	0.8	22.5

2.12.8 United Nations Joint Staff Pension Fund

136. The Fund's regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

137. WFP's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 percent for participants and 15.8 percent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

138. The latest actuarial valuation for the Fund was completed as of 31 December 2019 and a roll forward of the participation data as of 31 December 2019 to 31 December 2020 will be used by the Fund for its 2020 financial statements.

139. The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2 percent (139.2

percent in the 2017 valuation). The funded ratio was 107.1 percent (102.7 percent in the 2017 valuation) when the current system of pension adjustments was taken into account.

140. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2019, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

141. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2017, 2018 and 2019) amounted to USD 7,546.9 million, of which 4 percent was contributed by WFP.

142. During 2020, WFP's contributions paid to the Fund amounted to USD 133.4 million (USD 119.5 million in 2019). Expected contributions due in 2021 are USD 141.0 million.

143. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

144. The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments and these can be viewed by visiting the Fund at www.unjspf.org.

2.12.9 Social security arrangements for employees under service contracts

145. WFP employees under service contracts are entitled to social security based on local conditions and norms. WFP, however, has not undertaken any global arrangement for social security under service contracts. Social security arrangements can either be obtained from the national security system, private local schemes or as cash compensation for own scheme. The provision of proper social security in line with local labour legislation and practice is a key requirement of the service contract. Service contract holders are not WFP staff members and are not covered by the FAO and United Nations Staff Rules and Regulations.

Note 2.13: Loan

	2020	**2019**
	USD million	
Current portion of loan	5.7	5.7
Non-current portion of loan	55.3	60.9
Total loan	**61.0**	**66.6**

146. In December 2000, an agreement was reached between a major donor and WFP regarding a scheme to facilitate the provision of food assistance to two country projects. Under the scheme, a USD 106.0 million long-term loan was obtained from a government agency of the donor country and used to purchase food commodities.

147. The loan is payable over 30 years and interest on the loan is at the rate of 2 percent per year for the first ten years and 3 percent per year on the declining balance each year thereafter. The current portion of the long-term loan includes an annual principal of USD 5.3 million and an amortization cost of USD 0.4 million using the effective interest method. Investments in United States Treasury STRIPS (note 2.6) acquired in 2001 are held to maturity up to 2031 for the payment of interest and principal of the commodity loan of USD 106.0 million.

148. The loan is reflected at amortized cost using the effective interest rate of 2.44 percent. At 31 December 2020, the total amortized cost was USD 61.0 million (USD 66.6 million at 31 December 2019) with an amount due within one year of USD 5.7 million and a long-term portion of USD 55.3 million (USD 5.7 million and USD 60.9 million, respectively, in 2019).

149. Interest expense during 2020 totalled USD 1.5 million (USD 1.7 million at 31 December 2019) as reflected in the Statement of Financial Performance, of which USD 1.8 million represents the annual interest paid in May 2020 and USD (0.3) million represents the amortized cost resulting from the recognition of the long-term loan at its net present value.

150. In the Statement of Cash Flow, interest paid during the year in the amount of USD 1.8 million is presented under financing activities, while amortized interest of USD (0.3) million is presented under reconciliation to net cash flows from operating activities.

Note 2.14: Financial instruments

2.14.1 Nature of financial instruments

151. Details of the significant accounting policies and methods adopted, including the criteria for recognition and de-recognition, the basis of measurement and the basis on which gains and losses are recognized in respect of each class of financial asset and financial liability are set out in note 1.

152. The financial assets of WFP are categorized as follows:

	2020	2019
	USD million	
Financial assets at fair value through surplus or deficit	1 402.2	1 515.6
Held-to-maturity investments	52.8	56.9
Loans and receivables	6 553.9	5 729.3
Available-for-sale financial assets	961.4	713.0
Subtotal	**8 970.3**	**8 014.8**
Non-financial assets	1 447.4	1 420.1
Total	**10 417.7**	**9 434.9**

153. Financial assets at fair value through surplus or deficit are categorized as held for trading.

154. All material financial liabilities are stated at amortized cost.

155. The following table presents the WFP assets that are measured at fair value at 31 December 2020 and 2019, respectively.

	2020			2019		
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
	USD million			***USD million***		
Financial assets at fair value through surplus or deficit	-	1 402.2	1 402.2	-	1 515.6	1 515.6
Available-for-sale financial assets	586.3	375.1	961.4	389.1	323.9	713.0
Total	**586.3**	**1 777.3**	**2 363.6**	**389.1**	**1 839.5**	**2 228.6**

156. The different levels of fair value have been defined as follows: quoted prices (unadjusted) in active markets for identical assets (level 1); inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and inputs for the asset that are not based on observable market data (that is, unobservable inputs) (level 3).

157. WFP investment guidelines are conservative in nature with the primary objective being capital preservation and liquidity. Both the held for trading and the available-for-sale financial assets are rated high quality as per international credit ratings (note 2.14.2 – Credit risk). Investment managers are bound by WFP investment guidelines that require them to select highly liquid securities for the investment portfolios. Fair value levels largely depend on whether an active market exists for a security. Active markets provide direct data inputs and may, on average, provide better liquidity, lowering trading costs via tighter bid and ask prices. A different fair value level does not necessarily imply a different or higher level of risk for a security, all things being equal. The fair value hierarchy reflects the nature of the inputs used in determining fair values, but not the level of risk inherent in a security as the probability of a partial or full default on cash flows from issuers or counterparts is independent from the fair value level category.

158. During 2020, there was no transfer between fair value levels for financial assets.

2.14.2 Credit risk

159. WFP's credit risk associated with investments is spread widely and WFP's risk management policies limit the amount of credit exposure to any one counterparty and include minimum credit quality guidelines. The short-term investments have credit quality at year-end of AA and the long-term investments have credit quality at year-end of A+.

160. Credit risk and liquidity risk associated with cash and cash equivalents are minimized substantially by ensuring that these financial assets are placed in highly liquid and diversified money market funds with AAA credit ratings and/or with major financial institutions that have been accorded strong investment grade ratings by a primary rating agency and/or with other creditworthy counterparties.

161. Contributions receivable comprise primarily amounts due from sovereign nations. There is a credit risk concentration where 59 percent is a receivable from one government's agencies (2019: 56 percent). Details of contributions receivable, including allowances for reductions in contribution revenue and doubtful accounts are provided in note 2.3.

2.14.3 Interest rate risk

162. WFP is exposed to interest rate risk through short-term investments and long-term bonds. At 31 December 2020, the effective interest rates of these two investment portfolios were 0.32 percent and 0.86 percent, respectively (1.89 percent and 1.47 percent, respectively, in 2019). A measurement of interest rate sensitivity indicates that the effective duration is 0.79 years for the short-term investments and 11.38 years for the long-term bonds (0.80 years and 11.04 years, respectively, in December 2019). Fixed income derivatives are used by external investment managers to manage interest rate risk under strict investment guidelines.

2.14.4 Foreign currency risk

163. At 31 December 2020, 89 percent of cash, cash equivalent and investments are denominated in the US dollar base currency and 11 percent are denominated in euros and other currencies (92 percent and 8 percent, respectively, as at 31 December 2019). Non-US dollar holdings have the primary objective of supporting operating activities. In addition, 67 percent of contributions receivable are denominated in the US dollar base currency, 22 percent are denominated in euros, 3 percent in Canadian dollars, 3 percent in Swedish kronor, and 5 percent in other currencies (62 percent in the United States dollar base currency, 20 percent in euros, 6 percent in Canadian dollars, 6 percent in pounds sterling and 6 percent in other currencies at 31 December 2019).

164. Foreign exchange forward contracts are used to hedge the euro versus US dollar exchange exposure on PSA staff costs incurred at headquarters in line with the hedging policy approved by the Board at its 2008 annual session. During the year ended 31 December 2020, 12 contracts were settled at a realized gain of USD 0.7 million (12 contracts were settled during the year ended 31 December 2019 at a realized loss of USD 4.8 million). In addition, a new hedging strategy was implemented for 2021, in which WFP entered into 12 foreign exchange forward contracts to purchase a total of EUR 65.1 million over 12 months at a fixed exchange rate. At 31 December 2020, the 12 contracts have a notional value of USD 78.0 million and an unrealized gain of USD 2.0 million using the forward rate at 31 December 2020. Both the realized gain and unrealized gain are included in currency exchange differences presented in the Statement of Financial Performance.

2.14.5 Market risk

165. WFP is subject to market risk in both the short-term and long-term investments. The market value of its fixed income, equity, financial derivatives and foreign exchange forwards may change on a daily basis. All the sensitivity analyses provided below have been prepared on the basis that all variables are held constant, other than that specifically mentioned.

166. Interest rate sensitivity – For short-term investments, if interest rates were to rise (fall) by 1 percent, the impact to the Statement of Financial Performance is a USD 18.0 million unrealized loss (gain). For long-term bond portfolio, if interest rates were to rise (fall) by 1 percent, the impact to the Statement of Changes in Net Assets is a USD 42.7 million unrealized loss (gain).

167. Futures price sensitivity – For short-term investments, if futures prices were to rise (fall) by 1 percent, the impact to the Statement of Financial Performance is a USD 0.03 million unrealized gain (loss). For long-term bond portfolio, if futures prices were to rise (fall) by 1 percent, the impact to the Statement of Changes in Net Assets is a USD 0.2 million unrealized loss (gain).

168. Equity price sensitivity – The equity investments track the MSCI All Country World Index, a recognized index of stocks of all world markets. If equity prices were to rise (fall) by 1 percent proportionally across the two ESG equity funds, the impact to the Statement of Changes in Net Assets is a USD 5.9 million unrealized gain (loss).

169. Foreign exchange forwards sensitivity - For the remaining 12 PSA hedge forward contracts, if USD/EUR rate were to rise (fall) by 1 percent, the impact to the Statement of Financial Performance is a USD 0.8 million unrealized gain (loss), with all other variables held constant. For long-term investments, if foreign currency prices were to appreciate (depreciate) versus the USD by 1 percent across the forward currency positions currently held, the impact to the Statement of Financial Performance is a USD 0.5 million unrealized loss (gain).

Note 2.15: Fund balances and reserves

170. Fund balances represent the unexpended portion of contributions that are intended to be utilized in future operational requirements of the Programme. These are WFP's residual interest in WFP's assets after deducting all its liabilities. The following table presents WFP's fund balances.

	2020				
	Programme category funds	Trust funds	General Fund and Special Accounts		Total
	(fund balance)	(fund balance)	(fund balance)	Reserves	
Opening balance at 1 January 2020	**4 947.1**	**150.3**	**340.4**	**432.2**	**5 870.0**
Surplus (deficit) for the year	**(45.0)**	**105.8**	**789.2**	**-**	**850.0**
Movements in fund balances and reserves in 2020					
Advances to projects	170.8	0.8	10.0	(181.6)	**-**
Repayments by projects	(76.2)	-	-	76.2	**-**
Other transfer from/to reserves	-	-	(84.4)	84.4	**-**
Transfer between funds	260.0	29.4	(289.4)	-	**-**
Actuarial gains on employee benefit liabilities	-	-	34.2	-	**34.2**
Net unrealized gains on long-term investments	-	-	88.2	-	**88.2**
Total movements during the year	**354.6**	**30.2**	**(241.4)**	**(21.0)**	**122.4**
Closing balance at 31 December 2020	**5 256.7**	**286.3**	**888.2**	**411.2**	**6 842.4**

	2019				
	Programme category funds	Trust funds	General Fund and Special Accounts		Total
	(fund balance)	(fund balance)	(fund balance)	Reserves	
Opening balance at 1 January 2019	**4 396.2**	**161.4**	**340.8**	**407.3**	**5 305.7**
Surplus (deficit) for the year	**171.4**	**(16.4)**	**503.2**	**-**	**658.2**
Movements in fund balances and reserves in 2019					
Advances to projects	172.0	1.3	-	(173.3)	**-**

	2019				
	Programme category funds	Trust funds	General Fund and Special Accounts		Total
	(fund balance)	(fund balance)	(fund balance)	Reserves	
Repayments by projects	(150.0)	-	-	150.0	**-**
Other transfer from/to reserves	-	-	(48.2)	48.2	**-**
Transfer between funds	357.5	4.0	(361.5)	-	**-**
Actuarial losses on employee benefit liabilities	-	-	(179.3)	-	**(179.3)**
Net unrealized gains on long-term investments	-	-	85.4	-	**85.4**
Total movements during the year	**379.5**	**5.3**	**(503.6)**	**24.9**	**(93.9)**
Closing balance at 31 December 2019	**4 947.1**	**150.3**	**340.4**	**432.2**	**5 870.0**

171. Advances from the IRA reserve to projects, repayments of such advances and other movements in the IRA reserve are explained in 2.15.3.

172. Other transfer from/to reserves include allocations approved by the Board, replenishments of reserves and surplus of ISC revenue over PSA expenses and are explained in 2.15.3 and 2.15.4.

173. There are cash contributions provided by donors, which, at the time of confirmation, have not been designated to a specific programme category funds. These contributions are initially designated as multilateral and unallocated funds and are reported under the General Fund. They are allocated to specific programme categories through transfers between funds.

174. Reserves are established by the Board as facilities for funding and/or financing specific activities under specific circumstances. During 2020, WFP had four active reserves: i) operational reserve; ii) Global Commodity Management Facility reserve; iii) IRA; and the iv) PSA equalization account (PSAEA). The following table presents WFP's reserves.

	2020				
	Operational reserve	Global Commodity Management Facility	IRA	PSAEA	Total
Note	**2.15.1**	**2.15.2**	**2.15.3**	**2.15.4**	
Opening balance at 1 January 2020	**95.2**	**6.0**	**81.5**	**249.5**	**432.2**
Advances to projects	-	-	(181.6)	-	**(181.6)**
Repayments by projects	-	-	76.2	-	**76.2**
Approved Board allocations	-	-	52.5	(100.2)	**(47.7)**
Replenishments	-	-	49.8	-	**49.8**
Surplus of ISC revenue over PSA expense	-	-	-	82.3	**82.3**
Total movements during the year	**-**	**-**	**(3.1)**	**(17.9)**	**(21.0)**
Closing balance at 31 December 2020	**95.2**	**6.0**	**78.4**	**231.6**	**411.2**

175. Movements in the reserves are charged directly against the reserve accounts.

2.15.1 Operational reserve

176. Financial Regulation 10.5 calls for the maintenance of an operational reserve to ensure the continuity of operations in the event of a temporary shortfall of resources. In addition, the operational reserve is used to manage the risk associated with the Internal Project Lending Facility (previously referred to as the Working Capital Financing Facility).

177. The balance of the operational reserve at 31 December 2020 is USD 95.2 million.

2.15.2 Global Commodity Management Facility reserve

178. The Global Commodity Management Facility reserve account was established in 2014 to provide for losses sustained by the Global Commodity Management Facility that fall outside insurance coverage (decision 2014/EB.A/8).

179. The balance of the Global Commodity Management Facility reserve at 31 December 2020 is USD 6.0 million.

2.15.3 Immediate Response Account

180. The IRA was established as a flexible resource facility to enable WFP to respond quickly to emergency needs for food and for non-food-related purchase and delivery costs.

181. In 2020, the IRA received USD 49.8 million in replenishments.

182. Advances made to projects totalled USD 181.6 million and repayments by projects amounted to USD 76.2 million.

183. In 2020, the IRA received USD 52.5 million in approved Board allocations transferred from the PSAEA. The target IRA level is USD 200.0 million as established by the Executive Board decision 2014/EB.2/4.

184. Outstanding advances to projects made by the IRA at 31 December 2020 totalled USD 229.7 million (USD 113.4 million in 2019).

2.15.4 Programme support and administrative budget equalization account

185. The PSAEA is a reserve set up to record the difference between ISC revenue and PSA expenses for the financial period.

186. Based on the Executive Board decisions, USD 39.7 million was allocated from the PSA equalization account for critical corporate initiatives (decision 2019/EB.2/9), USD 52.5 million was transferred to IRA (USD 22.5 million – decision 2019/EB.2/9 and USD 30 million – decision 2020/EB.A/3), and USD 8.0 million was transferred to the Wellness Special Account (decision 2020/EB.A/16).

187. The excess of ISC revenue over PSA expenses totalling USD 82.3 million was transferred to the PSAEA in 2020 (USD 79.6 million surplus in 2019).

188. The PSAEA balance at 31 December 2020 is USD 231.6 million.

Note 3: Revenue

		2020	2019
		USD million	
3.1	**Monetary contributions**		
	Contributions for direct costs	7 414.6	6 952.0
	ISC contributions	502.5	479.3
	Subtotal	**7 917.1**	**7 431.3**
	Less:		
	Refunds, reprogrammes and reductions in contribution revenue	(36.0)	(56.0)
	Total monetary contributions	**7 881.1**	**7 375.3**
3.2	**In-kind contributions**		
	Commodities in-kind contributions	432.3	565.5
	Services and non-food items in-kind contributions	76.0	34.6
	Subtotal	**508.3**	**600.1**
	Add (deduct):		
	Increase (decrease) in contribution revenue	0.2	(5.4)
	Total in-kind contributions	**508.5**	**594.7**
3.3	**Currency exchange differences**	**234.9**	**15.0**
3.4	**Return on investments**		
	Net realized gains (losses) on investments	34.4	0.5
	Net unrealized gains (losses) on investments	15.2	12.4
	Interest earned	53.7	65.7
	Total return on investments	**103.3**	**78.6**
3.5	**Other revenue**		
	Revenue generated from provision of goods and services	161.3	183.0
	Miscellaneous revenue	14.6	25.0
	Total other revenue	**175.9**	**208.0**
	Total revenue	**8 903.7**	**8 271.6**

189. Contribution revenue is adjusted by changes in the levels of the allowance for reduction in contribution revenue (note 2.3) and in the level of the provision for refunds to donors (note 2.11). Actual refunds and reduction in contribution revenue are made against specific contributions.

190. In-kind contributions represent confirmed contributions of food commodities, services or non-food items during the year.

191. During 2020, other revenue amounted to USD 175.9 million of which USD 161.3 million was generated from the provision of goods and services (USD 183.0 million at 31 December 2019) and USD 14.6 million from miscellaneous revenue (USD 25.0 million at 31 December 2019). Revenue generated from the provision of goods and services included mainly air operations, provisions of goods and services by the United Nations Humanitarian Response Depot, logistics and supply chain services and other services. Miscellaneous revenue included proceeds from sale of damaged commodities and other assets.

Note 4: Expenses

		2020	2019
		USD million	
4.1	**Cash-based transfers distributed**		
	Cash and voucher transfers	1 868.8	1 898.6
	Commodity voucher transfers	254.9	235.4
	Total cash-based transfers distributed	**2 123.7**	**2 134.0**
4.2	**Food commodities distributed**	**2 410.1**	**2 346.0**
4.3	**Distribution and related services**	**906.2**	**864.1**
4.4	**Wages, salaries, employee benefits and other staff costs**		
	International and national staff	807.2	802.7
	Consultants	180.4	163.1
	United Nations volunteers	3.5	2.7
	Temporary staff	148.4	110.0
	Other personnel costs	12.6	30.9
	Total wages, salaries, employee benefits and other staff costs	**1 152.1**	**1 109.4**
4.5	**Supplies, consumables and other running costs**		
	Telecommunications and IT	17.6	15.9
	Equipment	144.1	112.1
	Office supplies and consumables	45.8	43.5
	Utilities	7.8	10.9
	Vehicle maintenance and running costs	22.0	30.2
	Total supplies, consumables and other running costs	**237.3**	**212.6**
4.6	**Contracted and other services**		
	Air operations	405.8	260.6
	Other contracted services	572.3	460.7
	Telecommunications/IT related services	61.5	46.0
	Security and other services	37.2	32.1
	Leases	56.6	52.4
	Total contracted and other services	**1 133.4**	**851.8**
4.7	**Finance costs**	**1.5**	**1.7**
4.8	**Depreciation and amortization**	**49.4**	**45.3**

		2020	2019
		USD million	
4.9	**Other expenses**		
	Maintenance services	3.9	11.1
	Insurance	11.5	7.8
	Bank charges/investment manager and custodian fees	4.9	3.6
	Impairment and write-offs	1.9	4.2
	Other	17.8	21.8
	Total other expenses	**40.0**	**48.5**
	Total expenses	**8 053.7**	**7 613.4**

192. Food commodities distributed include cost of commodities as well as transport and related costs between the country in which WFP takes possession and the recipient country. Included in the cost of commodities distributed are pre- and post-delivery losses of USD 22.8 million (USD 24.6 million in 2019) (note 9).

193. Given WFP's accounting policy to expense when food is handed over to the cooperating partners, at 31 December 2020, USD 76.4 million (98,026 mt) of food held by cooperating partners was yet to be distributed to beneficiaries (61.2 million (82,341 mt) at 31 December 2019).

194. Cash-based transfers distributed represent assistance distributed in bank notes, electronic transfers, through debit cards or value vouchers.

195. Distribution and related services represent cost of moving commodities in-country up to and including final distribution.

196. Wages, salaries, employee benefits and other staff costs are for WFP staff, consultants and service contract holders and include employee and consultant travel, training and staff workshops, and incentives.

197. Contracted and other services include costs of air operations, telecommunications, security, operating lease payments and other contracted services such as costs arising from field level agreements, commercial consultancy, United Nations common services and contributions to United Nations bodies.

198. Supplies, consumables and other running costs used are cost of goods and services used for both direct project implementation and administration and support.

Note 5: Statement of Cash Flow

199. Cash flows from operating activities are not adjusted for donations of commodities-in-kind or services-in-kind as these donations have no impact on cash movements. Cash flows from investing activities are shown net of items where the turnover is rapid, the amounts are large, and the maturities are short.

Note 6: Statement of Comparison of Budget and Actual Amounts

200. WFP's budget and financial statements are prepared using different bases. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow are prepared on a full accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance, whereas the Statement of Comparison of Budget and Actual Amounts is prepared on a commitment accounting basis.

201. As required under IPSAS standard 24, "Presentation of Budget Information in Financial Statements", the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

202. Budget amounts have been presented on a functional classification basis in accordance with the WFP Management Plan (2020–2022), which presents a breakdown of the budget by year.

203. Statement V includes a column – implementation plan – which represents a prioritized plan of work based on estimated forecast contributions considering that WFP is a voluntarily funded organization and its operations and financial management therefore depend on the level of funding actually received.

204. Explanations of material differences between the original budget and final budget, final budget and the actual amounts, and implementation plan and the actual amounts are presented under the budget analysis section of the Executive Director's statement.

205. Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. For WFP, the budget is prepared on the commitment basis and the financial statements are prepared on the accrual basis. Open commitments including open purchase orders and net cash flows from operating, investing and financing activities are presented as basis differences.

206. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for WFP for purposes of comparison of budget and actual amounts.

207. Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. Under entity differences, trust funds form part of WFP activities and are reported in the financial statements but, as they are considered extra-budgetary resources, are excluded from the budget.

208. Presentation differences are due to differences in the format and classification schemes adopted for presentation of Statement of Cash Flow and Statement of Comparison of Budget and Actual Amounts. Revenue and non-fund relevant expenses that do not form part of the Statement of Comparison of Budget and Actual Amounts are reflected as presentation differences.

209. A reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Cash Flow (Statement IV) for the year ended 31 December 2020 is presented below:

	Operating	Investing	Financing	Total
	USD million			
Actual amount on comparable basis (Statement V)	**(7 887.7)**	**-**	**-**	**(7 887.7)**
Basis differences	(241.5)	(81.9)	(7.1)	(330.5)
Presentation differences	8 993.5	-	-	8 993.5
Entity differences	(296.7)	-	-	(296.7)
Actual amount in the Statement of Cash Flow (Statement IV)	**567.6**	**(81.9)**	**(7.1)**	**478.6**

Note 7: Segment reporting

Note 7.1: Statement of Financial Position by segment

	2020					2019
	Programme category funds	General Fund and Special Accounts	Trust funds	Inter-segment transactions	Total	
	USD million					
Assets						
Current assets						
Cash, cash equivalents and short-term investments	2 111.6	837.1	407.7	-	**3 356.4**	**2 993.3**
Contributions receivable	3 774.3	309.9	119.4	-	**4 203.6**	**3 665.4**
Inventories	783.2	228.7	1.0	-	**1 012.9**	**936.4**
Other receivables	302.8	532.9	8.7	(559.8)	**284.6**	**319.0**
	6 971.9	**1 908.6**	**536.8**	**(559.8)**	**8 857.5**	**7 914.1**
Non-current assets						
Contributions receivable	266.8	63.2	21.6	-	**351.6**	**569.3**
Long-term investments	-	1 008.5	-	-	**1 008.5**	**763.9**
Property, plant and equipment	125.9	60.7	1.5	-	**188.1**	**180.4**
Intangible assets	0.4	11.6	-	-	**12.0**	**7.2**
	393.1	**1 144.0**	**23.1**	**-**	**1 560.2**	**1 520.8**
Total assets	**7 365.0**	**3 052.6**	**559.9**	**(559.8)**	**10 417.7**	**9 434.9**
Liabilities						
Current liabilities						
Payables and accruals	1 282.7	241.8	210.5	(559.8)	**1 175.2**	**936.2**
Deferred revenue	549.7	248.2	31.7	-	**829.6**	**911.3**
Provisions	9.1	3.1	9.8	-	**22.0**	**14.2**
Employee benefits	-	50.7	-	-	**50.7**	**42.1**
Loan	-	5.7	-	-	**5.7**	**5.7**
	1 841.5	**549.5**	**252.0**	**(559.8)**	**2 083.2**	**1 909.5**

	2020					2019
	Programme category funds	General Fund and Special Accounts	Trust funds	Inter-segment transactions	Total	
	USD million					
Non-current liabilities						
Deferred revenue	266.8	63.2	21.6	-	**351.6**	**571.0**
Employee benefits	-	1 085.2	-	-	**1 085.2**	**1 023.5**
Loan	-	55.3	-	-	**55.3**	**60.9**
	266.8	**1 203.7**	**21.6**	**-**	**1 492.1**	**1 655.4**
Total liabilities	**2 108.3**	**1 753.2**	**273.6**	**(559.8)**	**3 575.3**	**3 564.9**
Net assets	**5 256.7**	**1 299.4**	**286.3**	**-**	**6 842.4**	**5 870.0**
Fund balances and reserves						
Fund balances	5 256.7	888.2	286.3	-	**6 431.2**	**5 437.8**
Reserves	-	411.2	-	-	**411.2**	**432.2**
Total fund balances and reserves, 31 December 2020	**5 256.7**	**1 299.4**	**286.3**	**-**	**6 842.4**	**5 870.0**
Total fund balances and reserves, 31 December 2019	**4 947.1**	**772.6**	**150.3**	**-**	**5 870.0**	

Note 7.2: Statement of Financial Performance by segment

	2020					2019
	Programme category funds	General Fund and Special Accounts	Trust funds	Inter-segment transactions	Total	
	USD million					
Revenue						
Monetary contributions	6 498.0	1 005.4	377.7	-	**7 881.1**	**7 375.3**
In-kind contributions	461.3	36.7	10.5	-	**508.5**	**594.7**
Currency exchange differences	96.0	138.4	0.5	-	**234.9**	**15.0**
Return on investments	0.2	102.9	0.2	-	**103.3**	**78.6**
Other revenue	200.2	1 133.7	13.6	(1 171.6)	**175.9**	**208.0**
Total revenue	**7 255.7**	**2 417.1**	**402.5**	**(1 171.6)**	**8 903.7**	**8 271.6**
Expenses						
Cash-based transfers distributed	2 123.7	-	-	-	**2 123.7**	**2 134.0**
Food commodities distributed	2 476.3	849.5	0.1	(915.8)	**2 410.1**	**2 346.0**
Distribution and related services	897.6	17.9	0.8	(10.1)	**906.2**	**864.1**

	2020					2019
	Programme category funds	**General Fund and Special Accounts**	**Trust funds**	**Inter-segment transactions**	**Total**	
	USD million					
Wages, salaries, employee benefits and other staff costs	669.8	428.0	70.4	(16.1)	**1 152.1**	**1 109.4**
Supplies, consumables and other running costs	194.2	55.6	20.7	(33.2)	**237.3**	**212.6**
Contracted and other services	850.7	220.0	196.8	(134.1)	**1 133.4**	**851.8**
Finance costs	-	1.5	-	-	**1.5**	**1.7**
Depreciation and amortization	30.6	18.4	0.4	-	**49.4**	**45.3**
Other expenses	57.8	37.0	7.5	(62.3)	**40.0**	**48.5**
Total expenses	**7 300.7**	**1 627.9**	**296.7**	**(1 171.6)**	**8 053.7**	**7 613.4**
Surplus (deficit) for the year, 2020	**(45.0)**	**789.2**	**105.8**	**-**	**850.0**	**658.2**
Surplus (deficit) for the year, 2019	**171.4**	**503.2**	**(16.4)**	**-**	**658.2**	

210. Cash and cash equivalents and short-term investments are presented as separate line items on the face of the Statement of Financial Position and presented together under segment reporting. The below table reconciles the amounts reported in the Statement of Financial Position and segment reporting.

	2020	2019
	USD million	
Cash and cash equivalents	1 950.5	1 471.9
Short-term investments	1 405.9	1 521.4
Total cash and cash equivalents and short-term investments	**3 356.4**	**2 993.3**

211. Some internal activities lead to accounting transactions that created inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the above tables to accurately present these financial statements.

212. Fund balances under programme category funds and trust funds represent the unexpended portion of contributions that are intended to be utilized for future operational requirements of the Programme.

Note 8: Commitments and contingencies

Note 8.1: Commitments

8.1.1 Property leases

	2020	2019
	USD million	
Obligations for property leases:		
Within 1 year	52.2	40.0
Later than 1 year and not later than 5 years	49.3	48.5
Beyond 5 years	14.4	6.0
Total property leases obligations	**115.9**	**94.5**

213. At 31 December 2020, property lease obligations for the WFP headquarters building in Rome represent 15 percent of the total obligations under the within 1-year category and 21 percent under the later than 1 year and not later than 5 years category (21 percent and 34 percent, respectively, at 31 December 2019). The lease can be renewed at WFP's option. Costs incurred in leasing the headquarters building are reimbursed by the host government. The commitments are disclosed for all operating lease agreements. The agreements include cancellation clauses allowing WFP to terminate for any reason with sixty days' notice period.

8.1.2 Other commitments

214. At 31 December 2020, WFP had commitments for the acquisition of food commodities, transportation, services, non-food items, and capital commitments contracted but not delivered as follows:

	2020	2019
	USD million	
Food commodities	275.8	359.4
Transportation – Food commodities	99.6	128.2
Services	375.4	255.6
Non-food items	79.1	51.5
Capital commitments	19.4	14.2
Total open commitments	**849.3**	**808.9**

215. These commitments will be recognized as expenses in future financial periods and will be settled from the unexpended portion of contributions after receipt of the related goods or services.

Note 8.2: Contingent liabilities and contingent assets

216. There are no material contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to WFP.

217. In 2005, two WFP employees in the WFP regional bureau in South Africa were found to have committed fraud resulting in a loss of approximately USD 6.0 million. A criminal trial began in 2008, and the South African authorities restrained the employees' known assets, reportedly valued at ZAR 40 million (approximately USD 2.7 million at 31 December 2020).

218. WFP also initiated arbitration against the two employees for recovery of the misappropriated funds, to establish WFP's claim against the restrained assets irrespective of the outcome of the criminal proceedings. In January 2010, the arbitral tribunal issued a default award in favour of WFP on all claims, for approximately USD 5.6 million, plus interest and costs. Following the required waiver by the United Nations and FAO of WFP's immunity, WFP applied to the High Court of South Africa to make the arbitral award an order of court for the purpose of enforcement in South Africa, which was granted in October 2011 and is now final.

219. In December 2012, the two employees were found guilty and subsequently sentenced to 25 years of imprisonment. In 2016, the defendants' convictions were finalized.

220. Enforcement of the court decision against the restrained assets experienced delays after the criminal proceedings concluded. WFP is working with counsel to actively explore all options to ensure advancement of the proceedings to obtain a confiscation order for the defendants' assets.

221. In March 2019, an incident of food poisoning occurred in Uganda following the consumption of WFP-supplied Super Cereal, affecting WFP's beneficiaries and causing the deaths of five people. The incident triggered the immediate recall of the product and an investigation in liaison with the Ministry of Health of Uganda, WHO and the Centers for Disease Control and Prevention. Extensive research made it possible to identify the cause of the poisoning and confirm its presence in the various levels of stock worldwide. In November 2020, the Ministry of Health of Uganda signed the final investigation report issued by the Experts Panel on the intoxication incident. In January 2021, WFP filed claims submissions to Gafta Arbitral Tribunal and to the supplier, following the commencement by WFP of consolidated arbitration proceedings for the 13 individual contracts in February 2020. WFP is seeking recovery through the arbitration and expects this process to be protracted and contentious as the supplier had not accepted any responsibility for the harm caused. While WFP's arbitration claim has merit, the stance of the supplier will make the recovery difficult.

Note 9: Losses, *ex-gratia* payments and write-offs

222. WFP financial regulation 12.3 provides that "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". In addition, financial regulation 12.4 provides that "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."

223. The following table details the *ex-gratia* payments and losses of cash, food commodities and other assets.

	2020	2019
	USD million	
Ex-gratia payments	0.1	0.5
Contributions receivable	1.2	0.3
Food commodity losses	22.8	24.6
Non-food item losses	-	0.3
Other assets and cash losses	0.1	0.2
	mt	
Commodity losses (quantity)	40 300	45 098

224. The *ex-gratia* payments mainly pertain to critical issues affecting WFP personnel. In 2020, *ex-gratia* payments were made to WFP staff members to cover for medical expenses which surpassed medical coverage limits, as well as in relation to the Ethiopian airline crash in March 2019. Contributions receivable write-offs relate to the write-off of receivables from donors. The other assets and cash losses related mainly to write-offs of other receivables from customers and staff members.

225. The food commodity losses include all losses that occur from the first receipt of commodity in WFP's custody until distribution to the beneficiaries, either directly or through the cooperating partners. These losses are insured by the WFP cargo self-insurance scheme up to the point at which commodities are distributed to beneficiaries or handed over to cooperating partners in case of distribution through cooperating partners. During 2020, USD 6.9 million was recovered from the third parties responsible for the food commodity losses (USD 15.1 million in 2019). The non-food item losses are minor and are related mainly to warehouse losses.

226. Fraud substantiated by the Office of Inspections and Investigations in 2020 comprised entitlement, vendor and partner fraud involving WFP staff and third parties valued at USD 133,490, of which USD 100,907 was recovered, and presumptive fraud, related to ongoing investigations where amounts can be reasonably estimated, valued at USD 5,729,607 (in 2019 fraud was valued at USD 7,604,146 and presumptive fraud at USD 2,290,139).

Note 10: Related party and other senior management disclosure

Note 10.1: Key management personnel

	Number of individuals	Number of positions	Compensation and post adjustment	Entitlements and benefits	Pension and health plans	Total remuneration	Outstanding advances against entitlements
				USD million			
Key management personnel, 2020	7	7	1.3	0.6	0.4	2.3	0.1
Key management personnel, 2019	6	6	1.0	0.6	0.3	1.9	0.2

227. Key management personnel are the Executive Director, Deputy Executive Director, Assistant Executive Directors and Chief of Staff as they have the authority and responsibility for planning, directing and controlling the activities of WFP.

Note 10.2: Other senior management

	Number of individuals	Number of positions	Compensation and post adjustment	Entitlements and benefits	Pension and health plans	Total remuneration	Outstanding advances against entitlements
				USD million			
Other senior management, 2020	38	31	5.0	2.0	1.4	8.4	0.9
Other senior management, 2019	40	32	4.8	2.1	1.4	8.3	0.8

228. In addition to key management personnel whose remuneration, advances and loans are required to be disclosed under IPSAS standard 20, "Related Party Disclosures", similar disclosure is also made for other senior management of WFP for the sake of completeness and transparency. Other senior management include regional directors and headquarters divisional directors.

229. The tables above detail the number of positions and the number of staff who held these positions over the course of the year. The Executive Board consists of 36 Member States without personal appointment.

230. The aggregate remuneration paid to key management personnel and other senior management includes: net salaries; post adjustment; entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs; post-employment benefits; other long-term employee benefits and employer pension and current health insurance contributions.

231. Key management personnel and other senior management qualify for post-employment benefits and other long-term employee benefits at the same level as other employees. The actuarial assumptions applied to measure such employee benefits are disclosed in note 2.12. Key management personnel and other senior management are ordinary members of the UNJSPF.

232. During 2020, no compensation was provided to close members of the family of key management personnel while compensation provided to close members of the family of other senior management amounted to USD 0.7 million (USD 0.1 million and 0.6 million, respectively, in 2019).

233. Advances are those made against entitlements in accordance with staff rules and regulations and are widely available to all WFP staff.

Note 11: Events after reporting date

234. WFP's reporting date is 31 December 2020. On the date of certifying of these financial statements by the Executive Director, there have been no material events, favourable or unfavourable, incurred between the balance sheet date and the date when the financial statements have been authorized for issue that would have impacted these statements.

Note 12: Interest in other entities

International Computing Centre

235. The International Computing Centre (ICC) was established in January 1971 pursuant to Resolution 2741 (XXV) of the United Nations General Assembly. ICC provides IT and communications services to partners and users in the United Nations system. As a partner bound by the mandate of the ICC, WFP would be proportionately responsible for any third-party claim or liability arising from or related to service activities of the ICC as specified in the ICC mandate. At 31 December 2020, there are no known claims that impact WFP. Ownership of assets is with ICC until dissolution. Upon dissolution, the division of all assets and liabilities among partner organizations shall be agreed by the management committee in accordance with a formula defined at that time.

African Risk Capacity

236. WFP and the African Risk Capacity (ARC) signed an administrative service agreement in June 2015 expiring on 31 August 2024. ARC is a specialized agency of the African Union that shares the goal of promoting food security with WFP.

237. While ARC is a separate legal entity, its financial and operating policies with reference to this agreement are subject to WFP rules. Funds received under this agreement are held under an ARC trust fund by WFP. WFP provides technical, administrative, personnel, and project management services to ARC. The Director-General of the ARC is employed by WFP and is accountable to both the WFP Executive Director and ARC. The agreement is considered a joint operation where, based on the terms of the agreement, the financial transactions of ARC are consolidated within WFP financial statements. As at 31 December 2020, the accumulated surplus held under an ARC trust fund totalled USD 20.4 million.

ANNEX

	Name	Address
WFP	World Food Programme	Via Cesare Giulio Viola 68/70 Parco de’ Medici 00148 Rome, Italy
General Counsel and Director, Legal Office	Bartolomeo Migone	Via Cesare Giulio Viola 68/70 Parco de’ Medici 00148 Rome, Italy
Actuaries	AON Consulting, Inc.	200 East Randolph Chicago, IL 60601 United States of America
Principal Bankers	Citibank N.A.	Via Mercanti, 12 20121 Milan, Italy
	Standard Chartered Plc	1 Basinghall Avenue London, EC2V 5DD United Kingdom
External Auditor	First President of the Cour des Comptes (France)	13 rue Cambon 75001 Paris, France

Acronyms

AD	Active Directory
ARC	African Risk Capacity
ASMP	after-service medical plan
BMIP	Basic Medical Insurance Plan
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSP	country strategic plan
ESG	Environmental, Social and Corporate Governance
FAO	Food and Agriculture Organization of the United Nations
FRMM	Financial Resource Management Manual
IATI	International Aid Transparency Initiative
ICC	International Computing Centre
ICSP	interim country strategic plan
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IRA	Immediate Response Account
ISA	International Standards on Auditing
ISC	indirect support cost
IT	Information Technology
MICS	Medical Insurance Coverage Scheme
MSCI	Morgan Stanley Capital International
NGO	non-governmental organization
OSRB	other separation-related benefits
PSA	programme support and administrative (budget)
PSAEA	Programme support and administrative Equalization Account
SCOPE	digital beneficiary information and transfer management platform
SCP	Staff Compensation Plan
SDG	Sustainable Development Goal
SPS	Separation Payment Scheme
STRIPS	United States Treasury Separate Trading of Registered Interest and Principal of Securities
TPA	third-party agreements
UNDP	United Nations Development Programme
UNJSPF	United Nations Joint Staff Pension Fund