



Strategic Dialogue of the WFP Executive Board

Topic 1: Achieving sustainable funding in a changing environment

Background paper

I. Purpose and scope

Since 2020, the gap between WFP's operational requirements and contributions has averaged around 45 percent annually – a trend that continues in 2026, when WFP's operational requirements are USD 13 billion while forecasted contributions stand at USD 5.9 billion. This persistent gap, along with recent significant changes in the funding context, underscore the need for WFP to continue to grow and diversify its resource base beyond traditional donor contributions.

This paper has been prepared to support the 2026 strategic dialogue with the Board on achieving diversified and sustainable funding in a changing environment. Its purpose is to describe the current logic of WFP's funding model, provide examples of growing funding streams that differ from WFP's traditional funding, and highlight several areas for strategic discussion with the Member States.

Innovative financing and vertical funds are featured as examples of diversification with high potential. The annexes to this paper explain how these mechanisms operate, where WFP has used them to date, WFP's role and some of the challenges faced.

II. The current logic of WFP's funding model

For the purposes of this paper, "funding model" refers to the logic by which WFP mobilizes, allocates and uses contributions and other revenue to deliver its country strategic plans (CSPs). This logic is supported by a broader financial architecture – rules, regulations, accounting practices, governance and oversight arrangements, and planning and reporting systems – which can be adapted to support an evolution of the funding model.

WFP's funding model has been shaped by its delivery of timely, large-scale humanitarian assistance in emergencies and protracted crises. Key characteristics of the current funding model include the following:

1. WFP is 100 percent voluntarily financed.
2. Cost-recovery arrangements are in place to ensure that relevant associated costs are covered in the absence of assessed contributions, with some flexibility for host governments and other non-traditional donors.
3. Indirect support costs are set annually by the Board.
4. Country office operational budgets are distinct and separate from global headquarters.
5. Advance financing mechanisms can be tapped into for timely responses.

This funding model and the financial architecture that supports it have proven highly effective in enabling WFP to respond at scale to acute needs and sustain a global operational presence in fragile settings. It underpins the delivery infrastructure – country presence, partnerships, supply chains, delivery platforms and financial systems – that makes WFP a credible and trusted operational actor.

As donor priorities evolve and the need to grow and diversify funding becomes all the more pressing, flexibility and adaptation to access new funding streams at scale become increasingly important. Innovative financing and vertical funds provide two examples of diversification efforts that WFP has been making.

III. Areas for strategic engagement with the Board

Member States will be invited to reflect on the key questions presented below, which will form the core discussion blocks of the first part of the strategic dialogue. These questions both accommodate within them and stretch beyond the two examples provided, namely, innovative finance and vertical funds.

Discussion block 1: Investment and portfolio balance

Debt swaps, vertical funds and other high-impact financing mechanisms support all three pillars of WFP's strategic plan for 2026–2029 and can become significant sources of funding for resilience, root cause and localization activities. These types of funding typically require years of engagement with ministries of finance, international financial institutions and other non-traditional donors before negotiations result in agreements and operational activities commence. Significant upfront investment in analytics, design, safeguards and coordination is needed for strong proposals. A shortage of dedicated expertise and insufficient investment create a major barrier to diversifying at scale.

For example, for one particular vertical fund, the full proposal cycle typically takes about three years. In some cases, country offices have needed multiple management cycles to complete a single proposal; in one case, a country office began designing in 2018 and only secured approval in 2025. Proposal development is complex and requires dedicated staff with specific expertise, which many country offices lack and are therefore supported through already overstretched headquarters teams. Particularly in this time of significantly constrained funding, competing operational priorities can further slow progress.

WFP recognizes the importance of dedicated investments in human capacity, external services and in some cases also upfront commitments.¹

- a) Do Member States support such investments (at what level, in what form)?
- b) Are there particular financing mechanisms (such as those introduced in the background paper and during the panel discussion, or any others) that WFP should prioritize?
- c) What are Member States' thoughts on the relative balance that WFP should be aiming for between traditional and new funding streams?

¹ Upfront investments could include such things as premium payments to launch a catastrophe bond, legal fees for advice needed to proceed with a commercial debt swap, and co-financing for blended finance arrangements.

- d) Which types of information and analysis would the Board find helpful when exploring these questions after the strategic dialogue?

Discussion block 2: Member State advocacy and engagement

Innovative financing mechanisms and other new funding streams often require intensive engagement with new counterparts. The first contact and getting to know each other phases are critically important to avoid misunderstandings and to smooth the proposal development and joint work going forwards. Often, Member States already have strong, enduring relationships with these counterparts and could provide important “ambassadorial” support to champion the work and accompany WFP throughout the process.

For example, Member States can support the use of debt swap initiatives as a means of funding diversification, including through platforms that promote common frameworks, technical assistance and knowledge exchange, such as the Global Debt Swap Hub. Member State support can also be critical for unlocking access to guarantee and risk-sharing instruments, essential for enabling commercial debt conversions and attracting private capital. Another example is recent reforms by some vertical funds to increase allocations to fragile and conflict-affected countries, speed up project approvals and simplify application processes, all of which resulted from years of sustained advocacy by Member States and United Nations entities. Several WFP Board members also sit on the governing bodies of these funds and have actively conveyed accredited entities' challenges through those channels. WFP relies on their continued advocacy to ensure that these reforms are translated into practical improvements that enable vulnerable countries to access and use vertical funds more effectively. In another example, WFP convened senior government officials from a number of programme countries to engage directly with the vertical funds, expressing the challenges they face in accessing the funds.

- a) Are Member States willing and able to provide this type of facilitation more intensely and systematically?
- b) Are there specific funds or mechanisms that particular Member States would be willing to champion for WFP? How should this engagement be coordinated?
- c) What does the Board need from WFP to enable effective advocacy and engagement?

Discussion block 3: More flexible full cost recovery

Because WFP is fully voluntarily funded, full cost recovery (FCR) is at the core of its financial sustainability and is enshrined in its General Regulations, General Rules and Financial Regulations. The rules include some flexibility: for example, General Rule XIII.4(c) enables contributions from eligible donors to be combined with cash contributions from another donor to ensure that all associated costs are covered.

In one recent example, WFP was unable to accept an in-kind contribution of USD 1 million in nutrition products from a programme country because that government's rules did not allow them to provide associated costs and they were not eligible for twinning. The contribution had significant strategic value in terms of WFP's partnership with the government and could have opened new areas of working together.

In another example, an upper middle-income country was offering a large in-kind contribution, which a high-income country had agreed to twin, for WFP's programmes in Afghanistan. WFP was unable to accept the in-kind contribution because the donor does not fall into the economic categories that are exceptions provided by the General Rules.

There are other examples, each with their own specificities, of where more flexibility on FCR could enable country offices to access resources that would support programmes and strengthen partnerships.

- a) Do Member States support an exploration of changes to WFP's governing rules and regulations to open more flexibility in the application of FCR, for example by expanding eligibility for twinning?
- b) There is a perception by some non-traditional donors that WFP is expensive. How do we change the narrative to focus on the value WFP brings, for example, through our robust delivery assurance?
- c) Which types of information and analysis would the Board find helpful when exploring these questions after the strategic dialogue?

Innovative financing

Overview

Innovative financing mechanisms – including debt swaps, blended finance, co-financing with multilateral development banks and disaster risk financing – complement traditional donor contributions by unlocking domestic, private or institutional capital for food security-related programmatic commitments. WFP’s role varies across mechanisms but consistently focuses on convening stakeholders, structuring and implementing programmes, and ensuring accountability for results.

This annex provides an overview of priority mechanisms, examples of WFP engagement to date and associated operational considerations.

Priority mechanisms and how they work

a. Debt swaps and capital markets solutions

Bilateral debt swaps convert sovereign debt owed to an official creditor into local investments in development programmes. WFP has supported 14 bilateral swaps to date (mobilizing over USD 150 million), helping to design high-impact programmes and leading programme implementation and reporting. While the potential market is substantial, these arrangements are often complex and slow to execute, requiring bespoke legal and financial frameworks and sustained political commitment.

Commercial debt conversions (or debt buybacks) involve refinancing market-based debt with credit enhancements to generate fiscal savings that are redirected into development programmes. WFP’s engagement includes providing the highly specialized technical capacity (e.g. financial, legal) required to design, structure and support the closing of the financial transaction, in line with WFP’s established framework. Once the transaction is operational, WFP can assume a more established programmatic role, leading implementation, monitoring and reporting. These instruments offer potential for predictable, multi-year resources at scale but require sustained capacity and long timelines.

Trilateral debt swaps add a third-party sponsor to the swap process, allowing donors without direct creditor status to contribute through debt relief. These arrangements face similar complexities to bilateral deals (including protracted negotiations and bespoke legal frameworks), compounded by the need to align the interests of three parties. As noted above, WFP can play a catalytic role in such arrangements, helping to design high-impact programmes and lead programme implementation and reporting.

b. Structured solutions: blended finance and co-financing

Blended finance leverages concessional or philanthropic capital to mobilize private investment. Examples include blended finance partnerships supporting smallholder farmers and food systems development. Co-financing with multilateral development banks combines WFP grant resources with sovereign loans to reduce financing costs for governments. In both mechanisms, WFP’s role includes programme design, technical assistance and the convening of partners.

Despite their potential, blended finance and co-financing mechanisms face persistent challenges that limit their scale and impact, including the limited availability of concessional capital to de-risk investments and the lack of flexible grant resources needed to unlock co-financing opportunities. These constraints underscore the need for sustained institutional capacity, early engagement with partners and stronger coordination mechanisms to ensure that WFP can effectively leverage its comparative advantage in programme design and implementation.

c. Innovative disaster risk financing

Disaster risk financing instruments, such as catastrophe bonds, are emerging tools that provide pre-arranged funding for emergency response. These bonds function like disaster insurance: they transfer risk to investors and release funds rapidly when pre-agreed disaster thresholds are triggered. WFP's role in this space includes designing risk transfer instruments, preparing operational plans to respond when payouts have been received, coordinating with governments and donors, and implementing rapid response operations. Despite growing momentum, disaster risk financing instruments such as catastrophe bonds continue to face challenges that limit their broader application in humanitarian contexts. A primary constraint is the limited availability of premium financing, which is essential to securing coverage but is often difficult to mobilize in the absence of precedent.

d. Exploratory solutions

WFP is also exploring emerging solutions such as faith-based finance, digital asset fundraising and results-based financing. These efforts are being piloted and assessed for scalability, with attention to governance, neutrality and financial integrity.

Vertical funds

Overview

Vertical funds are specialized multi-donor financing mechanisms that provide primarily grant-based, multi-year resources for thematic priorities relevant to food security, nutrition, resilience and human capital. They are independently governed and often operate through customized structures aligned with their mandates.

This annex outlines how vertical funds operate, WFP's experience accessing them and key lessons learned from implementation.

Priority mechanisms and how they work

Vertical funds typically operate on a grant-in, grant-out basis, with independent governing bodies responsible for strategic direction and funding decisions. Many rely on institutions such as the World Bank to provide trustee and financial intermediary services. Funds often apply distinct eligibility criteria, fiduciary requirements and reporting frameworks.

WFP has engaged with a range of vertical funds across climate, agriculture, education, nutrition and health. This includes roles as Accredited Entity, Executing Entity or implementing partner supporting government-led programmes.

Examples include engagement with the Green Climate Fund, the Adaptation Fund, the Global Agriculture and Food Security Program, the Global Partnership for Education and health-focused funds, where WFP has contributed operational delivery, technical expertise and accountability. The table below provides an overview of this engagement.

Experience to date highlights several recurring considerations:

- limited compatibility between vertical fund fee structures and WFP's cost recovery approach;
- lengthy timelines from proposal preparation to approval;
- the project-based nature of vertical fund investments relative to portfolio-based CSP structures;
- the need for substantial upfront investment in proposal development and safeguards; and
- the importance of partnerships with governments, other accredited entities and implementing partners.

Vertical funds also act as catalytic vehicles, crowding in additional financing from bilateral donors, international financial institutions and other sources and expanding WFP's engagement within a broader financing landscape.

Strengthening WFP's engagement with vertical funds brings opportunities while at the same time raising issues related to investment, funding model adaptation and governance that align with the questions for Board reflection set out in the main paper. Thanks to the Board's support, a major decision adopted at the 2025 second regular session classified vertical funds as non-traditional donors under General Rule XIII.4(c) and allows WFP to receive contributions from the vertical funds

without full cost recovery, provided that any remaining operational and support costs are met through other sources, including the Emerging Donors Matching Fund.²

As existing funds continue to evolve and new vertical funds are established, fee structures, cost coverage policies and implementation requirements are likely to need to change further. WFP seeks the Board's support to explore several transformative adjustments that would strengthen the effectiveness of vertical fund access. Some suggested areas include the option for project-based budgeting where appropriate; the provision of targeted flexibility in cost recovery for vertical fund generated resources; the allocation of ringfenced resources to meet vertical fund mandated compliance requirements; and the reinvestment of a share of fees from vertical fund projects to pipeline development and quality assurance, consistent with practices in peer United Nations entities such as the Food and Agriculture Organization of the United Nations, the United Nations Development Programme and the International Fund for Agricultural Development. In addition, seed funding is essential to securing dedicated expertise and providing upfront investments in data collection, environmental and social assessments, feasibility studies, multistakeholder consultations, and coordination. Without this early investment, WFP and governments struggle to meet the detailed requirements of these financing mechanisms.

² "WFP management plan (2026–2028)" (WFP/EB.2/2025/5-A/1/Rev.2).

Table 1. Vertical funds relevant to WFP's mandate

Name of vertical fund	Funds available for allocation as of 2025 (in USD million)³	Amounts committed to WFP to date⁴
Green Climate Fund (GCF)	2,600	USD 116.8 million as Accredited Entity (since 2016) USD 36.6 million as Executing Entity
Adaptation Fund (AF)	602.8	USD 157.8 million (since 2012)
Fund for responding to Loss and Damage (FRLD)	444.2	WFP is accredited and is currently supporting governments in preparing for the fund's first call for proposals, which was launched in December 2025
Global Environment Facility (GEF) • GEF Trust Fund • LDC Fund • Special Climate Change Fund	1,780	WFP is not accredited to GEF; however, it can work with GEF agencies to fill technical gaps at the request of national governments.
Climate Investment Fund (CIF) • Clean Technology Fund • Strategic Climate Fund	Information not readily available	CIF only channels its resources to cofinance projects implemented by multilateral development banks. WFP can partner with multilateral development banks, many of which already rely on WFP as technical partners for their funded climate programmes and projects.
Global Biodiversity Framework Fund (GBFF)	145.85	WFP is not accredited to GBFF; however, it can work as executing entity to fill technical gaps at the request of national governments.
Climate Risk and Early Warning Systems Initiative (CREWS)	11.22	USD 1.6 million. WFP is not accredited to CREWS; however, it is currently receiving pass-through contributions from WMO.
Systematic Observations Financing Facility (SOFF)	Information not readily available	USD 14.0 million
Global Agriculture and Food Security (GAFSP)	207.4	USD 76.7 million (since 2016), including funds received directly from GAFSP as well as funds received as part of government-led GAFSP projects where WFP has been selected as implementing partner by the government.
Global Partnership for Education	1,135.7	USD 66.89 million (since 2016), including funds received directly from GPE as well as funds received as part of government or United Nations entity-led GPE projects where WFP has been selected as implementing partner (mainly for school meals).

³ The status of resources for vertical funds is based on the most recent reports published by the World Bank – as trustee of these funds – in September 2025, with the exception of information on the SOFF. Although additional allocations have been made since then, the World Bank had not released updated figures on the remaining balances of these funds at the time of drafting this paper.

⁴ Sources include FACTORY records (2018–2025) and vertical fund records.