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# Update on Funding Model Review

Twinning and Catalytic Funding for Scaling Innovative Finance

6 May 2026

# Agenda

**01.** Twinning

**02.** Catalytic Funding for Scaling Innovative Finance

**03.** Timeline

**01.**

Twinning

# How WFP funds its budget



## Voluntarily funded

100% voluntarily funded with no assessed budget.



## Sources of revenue

- Contributions (>90% of WFP's revenue)
- Service provision
- Investment income & Foreign exchange gains



## Full Cost Recovery (FCR)

WFP Operates under a Full Cost Recovery model. This means that **each donor must cover all associated operational, direct, and indirect support costs of its contribution(s)\*.**

This applies to contributions from both the public and private sectors and is applicable to in-kind and cash contributions.

**WFP's General Regulation Article XIII governs contributions to WFP and Full Cost Recovery aspects around it – to ensure that resources are mobilized and used in accordance with WFP's objectives.**

**General Rule XIII.4 and its sub-points set the practical procedures and 'how to' implement FCR including criteria (as defined by the Executive Board)**

*\*Limited exceptions, approved by the Board.*

# General Rule XIII.4 | Identifies WFP cost categories for FCR and its exceptions/exemptions

## XIII.4.a)

Identifies **cost categories for FCR** on contributions:

- transfer & implementation costs,
- direct support costs (DSC), and
- indirect support costs (ISC)

## XIII.4.b)

FCR **Exemptions**

## XIII.4.c)

FCR **alternative means for achieving FCR**

(i.e., "twinning," monetization, and/or resort to the 'WFP Fund')

## XIII.4.d)

Exceptional **reduction or waiver** of **DSC and/or ISC**

## XIII.4.e)

**Non-standard ISC** rates

## XIII.4.f)

**Reporting to the EB** on the utilization of the above.

Focus of today's session on → twinning

# Extracts from General Rule on Twinning

## Extract from General Rule XIII.4.c

(c) **Governments of developing countries, countries with economies in transition, and other non-traditional donors as determined by the Board**, may make contributions that do not achieve full cost recovery, provided that:

- (i) the full operational and support costs are covered through contributions by another donor or donors, through the monetization of part of the contribution and/or through resort to the WFP Fund;
- (ii) such contributions are in the interests of the Programme and do not result in any disproportionate administrative or reporting burden to the Programme; and
- (iii) the Executive Director considers that accepting the contribution is in the interests of the beneficiaries of the Programme.

### General Rule XIII.4.c): alternative means of achieving FCR include:

- enables WFP to receive contributions where donor does not provide FCR, but
- the contribution still achieves FCR by other means such as by using *"twinning,"* monetization,
- and/or resort to the "WFP Fund" to cover the gap of the insufficient associated costs provided.

WFP has not monetized in-kind contributions since the late 1990's

# Current twinning eligibility

## Which types of contributions are eligible for twinning

### Government donors

**'Developing countries' and 'countries with economies in transition'** are defined with reference to the countries classified as **"least-developed", "low-income" and "lower-middle income"** countries by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (**OECD**).

### Other 'non-traditional' donors

as determined by the Board to include:

**private sector donors** – i.e. private sector funds can be received without FCR as long as FCR is achieved through contributions from other donors (without accessing the WFP Fund or monetization). Private sector donors include individuals, foundations, and business/corporations.

**vertical funds** (e.g. the Global Environment Facility and the Green Climate Fund) may be received without full cost recovery, provided that FCR is achieved through contributions from other donors and/or the WFP Fund.

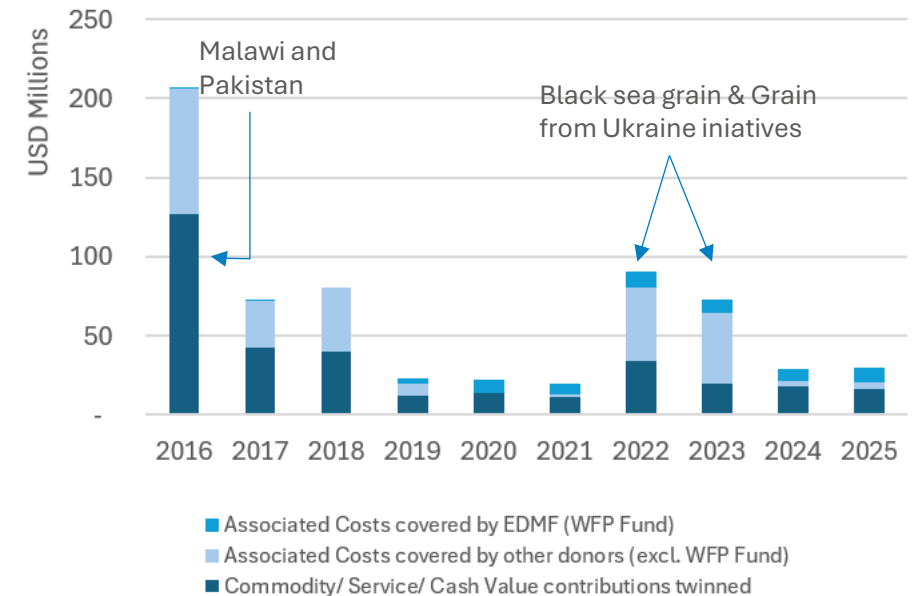
# Recent Use of Twinning

## Use of twinning over the last 5 years\* :

- on **average 0.4% of WFP's contributions\*** received annually were **through twinning**.
- **for every \$1 of twinned or matching associated costs**, WFP was able to generate on average an **additional \$1.4 from transfer value contributions\***
- **in 2025**, a total of **22 contributions totalling USD 30 million were twinned** – this included USD 16 million in 'transfer value' that were twinned (or catalyzed) with other donors and EDMF funds.

**Yet also missing opportunities due to eligibility limitations**

Overview of Twinning 2016-2025



Click here for the 2025 report:  
[Report of the Executive Director on contributions, reductions and waivers of costs under General Rule XIII.4 \(f\)](#)

\*Average figures were estimated over the 5-year period 2020-2024

# Twinning Eligibility: Proposed Expansion

**Any two (or more) donors agreeing** to combine their contributions to ensure full coverage of transfer, implementation costs and all other associated costs

On 'exceptional basis' under the Executive Director's approval authority, with criteria (or 'guardrails') approved by the Executive Board

## Proposed Language for updates to the General Rule XIII.4.(c)

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### Current Gen Rule XIII.4(c) text

Governments of developing countries, countries with economies in transition, and other non-traditional donors as determined by the Board, may make contributions that do not achieve full cost recovery, provided that.....:

### Potential revised Gen Rule XIII.4(c) text

Governments of developing countries, countries with economies in transition, and other non-traditional donors as determined by the Board, **and in exceptional situations as determined by the Executive Director under criteria to be established by the Board, any other donor\*** may make contributions that do not achieve full cost recovery, provided that.....

*\*New proposed text in bold*

# Guardrails – Proposed Criteria for EB approval

- (i) Contributions being proposed **must align with planning/activity** under the relevant CSP
- (ii) Restricted use of the “WFP Fund” or monetization for twinning will not change:** continues to be restricted to the **list of donors as previously defined by the EB** - only specific governments\* and vertical funds.
- (iii) Support from WFP to identify twinning donor** to provide associated costs will also be restricted to existing eligible list of donors as **previously defined by the EB** ('Developing countries' and 'countries with economies in transition', private sector and vertical funds).
- (iv) ‘Upper Middle’ or ‘High income’** government donors will be required to **identify twinning partners independently of WFP** for the purpose of achieving Full Cost Recovery in their contributions to WFP. WFP will bear no responsibility in identifying suitable twinning partners for these donors.

*\* A small technical adjustment also proposed: the EB has previously approved that 'developing countries' and 'countries with economies in transition' to be 'low income' or 'lower-middle' income countries, as defined by OECD. We propose to maintain that definition - though utilize the World Bank as well as OECD as the source (as World Bank updates annually, and OECD only every three years).*

**02.**

Catalytic Funding for scaling  
Innovative Finance

# A Structural Bottleneck for Scaling Innovative Finance

Problem: High-impact financing opportunities stall for lack of small, timely catalytic capital

## Why scaling Innovative Finance is critical

- WFP faces **rising humanitarian and resilience needs** while traditional grant funding is under sustained pressure
- Innovative Finance (IF) enables WFP to **leverage limited concessional resources into larger, multi-year financing**



## The bottleneck today

- **Many high-impact opportunities require modest, time-critical upfront funding** (e.g. co-financing, premiums, project preparation, transaction costs).
- WFP currently **lacks a dedicated, flexible mechanism to deploy such catalytic capital** quickly and predictably.
- As a result, **opportunities are delayed, scaled down, or lost**, despite strong partner interest and clear development returns.

# The Proposed Enabler: Catalytic Funding for Innovative Finance

WFP proposes establishing a corporate mechanism to avail timely and flexible Catalytic Funding to unlock high-impact & high-return innovative financing opportunities.

## What this Catalytic Funding enables

- **Bridges the critical “first-mile” financing gap** by funding co-financing, premiums, project preparation, transaction costs, and early risk absorption.
- **Unlocks high-leverage, multi-year financing** across key innovative finance mechanisms
- **Signals credible commitment** and “skin-in-the-game”, accelerating partner decision-making (governments, MDBs, DFIs, donors, private sector).
- Enables WFP **to unlock financing that requires upfront commitment**

## Why this is transformational for WFP

- Allows WFP to **move from ad-hoc transactions to a repeatable, governed platform for innovative finance.**
- **Converts limited catalytic funding into larger amounts in mobilized and catalyzed resources**, with strong impact returns.
- **Strengthens WFP’s positioning** with finance ministries, MDBs, DFIs, private sector and non-traditional partners

# Initial Principles for the Catalytic Funding Deployment

## Eligibility and priorities

- **Strategic alignment** with WFP strategic plan and CSP
- **Additionality** - clear catalytic need
- **Return on investment** – financial & impact
- **Readiness & partner traction**
- **Replicability and scalability potential**

## Risk management and safeguards

- **Defined risk appetite**, recognizing different risk/return profiles across instruments
- **Portfolio approach** - diversification by country, partner, instrument
- **Built-in learning and review loops** to adjust criteria and exposure over time

## Capitalization & Sustainability

- **Potential allocation of USD 50M** proposed from the unearmarked portion of WFP's General Fund via the 2027 Management Plan (subject to Executive Board approval).
- **Recovery and redeployment of funds** when feasible
- **Exploration of cost-recovery / success-based approaches** over time
- **Dedicated fundraising strategy for future donor capitalization**, once proof of concept is established

# Areas for Executive Board Feedback and Guidance

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- **Reflections on this identified gap, and proposed initial envelope of USD 50M, as a foundational investment to unlock scaled innovative finance**
- Feedback on the capitalization serving as **a platform for learning, leverage, and future resource mobilization**, rather than a one-off investment.
- We welcome reflections on **risk appetite and ambition level**
- We also welcome reflections on **donor appetite/scoping for continued support and investment**

**03.**

Timeline

# Proposed Timeline

