



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

Executive Board
Annual session
Rome, 23–26 June 2026

Distribution: General

Agenda item 6

Date: 29 May 2026

WFP/EB.A/2026/6-(A,B,C,D)/3

Original: English

WFP/EB.A/2026/7-(B,C,D,I)/3

Financial and budgetary matters

For information

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

Report of the FAO Finance Committee

The Executive Director is pleased to submit herewith the report of the FAO Finance Committee pertaining to WFP. The report covers the following agenda items:

- Audited annual accounts, 2025 (WFP/EB.A/2026/6-A/1)
- Report on the utilization of WFP's strategic financing mechanisms (1 January–31 December 2025) (WFP/EB.A/2026/6-B/1)
- Amendments to the Financial Regulations (WFP/EB.A/2026/6-C/1)
- Report of the Executive Director on contributions, reductions and waivers of costs under General Rule XIII.4 (f) in 2025 (WFP/EB.A/2026/6-D/1)
- Annual report of the Independent Oversight Advisory Committee (WFP/EB.A/2026/7-B/1)
- Annual report of the Inspector General (WFP/EB.A/2026/7-C/1) and Note by the Executive Director (WFP/EB.A/2026/7-C/1/Add.1)
- Management review of significant risk and control issues, 2025 (WFP/EB.A/2026/7-D/1)
- Workplan of the External Auditor (WFP/EB.A/2026/7-I/1)



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COUNCIL

Hundred and Eighty-first Session

Rome, 8-12 June 2026

Report of the 208th Session of the Finance Committee (Rome, 25-27 May 2026)

Executive summary

At its 208th Session, the Committee considered a number of financial, budgetary and oversight matters relating to the World Food Programme (WFP), prior to their consideration by the annual session of the WFP Executive Board in June 2026.

Suggested action by the Council

The Council is invited to note the views and recommendations of the Finance Committee in respect of matters considered by the annual session of the WFP Executive Board in June 2026.

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

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Introduction

1. The Committee submitted to the Council the following report of its Two Hundred and Eighth Session.
2. In addition to the Chairperson, Mr Jujjavarapu Balaji (India), the following representatives of Members were present:
 - Mr Siddhartha Chakrabarti/Ms Sophie Wilkinson (Australia)
 - Mr ZHANG Lubiao (China)
 - Mr Bienvenu Ntsouanva (Congo)
 - Ms Karina Nieves/Mr Daniel Beltré (Dominican Republic)
 - Ms Léa Kvaternik-Borderon (France)
 - Mr Morad Misnad Muhairat (Jordan)
 - Mr Lebeko Victor Sello (Lesotho)
 - Mr José Francisco Anza Solís (Mexico)
 - Ms Chiara Segrado (United Kingdom of Great Britain and Northern Ireland)
 - Ms Elizabeth Petrovski/Mr Douglas Hoelscher/Ms Rita Stephan (United States of America)
3. The Chairperson informed the Committee that:
 - Mr Siddhartha Chakrabarti and Ms Sophie Wilkinson (Australia) had been designated to replace Ms Emma Hatcher as the representatives of Australia for this session;
 - Ms LI Na and Mr YANG Jianhong (China) had been designated to replace Mr ZHANG Lubiao as the representatives of China for part of this session;
 - Ms Karina Nieves and Mr Daniel Beltré (Dominican Republic) had been designated to replace Ms Ada Francisca Hernández Rivera as the representatives of the Dominican Republic for this session;
 - Ms Léa Kvaternik-Borderon (France) had been designated to replace Mr Michel Lévêque as the representative of France for this session;
 - Mr José Francisco Anza Solís (Mexico) had been designated to replace Mr José Luis Delgado Crespo as the representative of Mexico for this session;
 - Ms Chiara Segrado (United Kingdom of Great Britain and Northern Ireland) had been designated to replace Mr Christopher Mace as the representative of the United Kingdom of Great Britain and Northern Ireland for this session; and
 - Ms Elizabeth Petrovski, Mr Douglas Hoelscher and Ms Rita Stephan (United States of America) had been designated to replace Mr Scott Turner as the representatives of the United States of America for this session.
4. A summary of the qualifications of the substitute representatives can be downloaded from the Governing and Statutory Body website at <https://www.fao.org/governing-bodies/council-committees/finance-committee/en>.

5. In addition, silent observers from the following Members attended the 208th Session of the Committee:
- Angola
 - Belgium
 - Colombia
 - European Union
 - Haiti
 - Iran (Islamic Republic of)
 - Luxembourg
 - Mali
 - Morocco
 - Myanmar
 - Oman
 - Russian Federation
 - Slovakia
 - Thailand
 - Ukraine

World Food Programme Matters

Audited annual accounts, 2025

6. The Committee reviewed the *Audited annual accounts, 2025* of the World Food Programme (WFP).
7. The Committee was informed that WFP's financial statements received an unmodified audit opinion and four new International Public Sector Accounting Standards (IPSAS) were implemented in 2025, with the main changes to the financial statements arising from IPSAS 43 on Leases.
8. WFP's revenue decreased by 33 percent to USD 6.9 billion, while expenses decreased by 4 percent to USD 8.6 billion, resulting in a deficit of USD 1.7 billion. WFP's net assets at the end of 2025 stood at USD 12.0 billion, while operational needs stood at USD 15.6 billion.
9. The Committee expressed appreciation to WFP for the clear presentation and report and welcomed the audited annual accounts and unmodified audit opinion. It noted the challenging financial environment, characterized by a significant decrease in revenues and continued high operational needs, resulting in a deficit for the period. It also noted the continued pressure on staff costs, which had increased as a proportion of total expenses despite ongoing workforce reductions.
10. The Committee expressed its appreciation for the comprehensive and high-quality report of the External Auditor. The Committee discussed recommendations related to human resources management, cooperating partner management, and internal control and oversight frameworks, and reiterated its concern over the continued increase in staff costs despite reduced activity levels, emphasizing the need for efficiency gains from ongoing restructuring. It also expressed concern over control weaknesses identified by the External Auditor, including payroll issues and lower-than-expected uptake of financial service provider evaluations. The Committee requested further information on the drivers and projected evolution of employee expenses, including on the timeline for workforce reductions to translate into cost savings and reductions in staff cost ratios, greater clarity on efficiency measures and indicators under the new operating model, and updates on actions taken to strengthen internal controls, improve compliance and implement outstanding audit

recommendations. The Committee urged WFP to reduce the ratio of Global Headquarters employees compared to total WFP employees.

11. The Committee was informed that:

- a) 59 of the 114 external audit recommendations outstanding since the WFP Executive Board's annual session in June 2025 were closed, with a 52 percent implementation rate;
- b) 3 recommendations were overtaken by events;
- c) 52 recommendations remained outstanding; and
- d) 41 new recommendations issued focused on restructuring of Global Headquarters, human resources management, finance, accounting and internal controls, cash-based transfers, cooperating partner management, downsizing of operations, and the self-insurance scheme (the Captive).

12. The Committee requested and received clarifications on:

- a) The treatment of write-offs and commodity losses, including drivers of higher losses in specific operations and their proportion relative to overall budget. The Committee was informed that commodity losses were USD 112 million in 2025, mainly driven by two exceptional operations affected by looting, representing about 1 percent of the implementation plan, and that such losses were subject to regular review and controls, including regular physical counts, enhanced stock management, daily monitoring, coordination with partners on expiring items, and use of the Global Commodity Management Facility for strategic food positioning.
- b) The pace and impact of organizational restructuring in response to deteriorating financial conditions, including differing rates of workforce reductions at Global Headquarters and country offices, overall progress towards targeted reductions and the expected timeline for completing the transition. The Committee was provided with updated information on workforce reductions that were progressing, with approximately 5 500 employees already reduced between October 2023 and April 2026 out of an indicative internal target of 6 000 employees and further reductions ongoing, alongside continued monitoring of the balance between Global Headquarters and country office staffing, including capacity gaps.
- c) Drivers of increased employee expenses, including United Nations salary adjustments and termination-related costs, as well as the projected evolution of staff costs, progress towards workforce reduction targets and the expected timing of related efficiency gains. The Committee was informed that increases were primarily driven by cost-of-living adjustments, step increases and termination-related costs, and that while staff costs increased marginally despite reductions in headcount, reductions in staff-related expenses were expected to materialize progressively from 2026. The Committee was also informed that salary-step increases were not linked to mandatory training, which was subject to separate monitoring.
- d) Measures and indicators used to assess efficiency under the new operating model, including staff cost ratios, benchmarking against other United Nations organizations, the role of shared services and centralized functions, and preliminary estimates of savings from restructuring initiatives. The Committee was informed that a results framework with key performance indicators was in place, that benchmarking against other United Nations organizations would be undertaken, and that preliminary estimates suggested potential savings of approximately USD 100 million, which would be largely offset by the costs of investment for the organizational realignment.

- e) Internal control issues identified by the External Auditor, including a duplicate payroll payment, related accountability mechanisms and corrective actions. The Committee was informed that the identified overpayment had been recovered, that such issues were detected through existing controls, and that the ongoing One Payroll initiative would further strengthen payroll processes.
 - f) The low level of compliance with financial service provider evaluation requirements, including actions to strengthen monitoring, enhance tools and guidance, and improve performance evaluation coverage and oversight. The Committee was informed that out of the 46 financial service providers for which performance evaluations were not performed, 18 percent were not yet due for evaluation, and that measures were being implemented to improve compliance, including enhanced tools, training and quarterly monitoring.
 - g) The level and validation of savings from downsizing and restructuring efforts, including requests for further analysis and transparency on realized and projected benefits as well as on staff reduction percentages and staff costs as a proportion of total expenses. The Committee was informed that 2026 would be a transition year and that further work was required to validate and quantify savings, with additional analysis to be provided to the next session of the Finance Committee. The Committee requested that the results of the assessment of Global Headquarters efficiency savings from the organizational realignment be reported to the WFP Executive Board by the end of 2026.
 - h) Specific expense items and operational costs, including capacity development of government employees, lease accounting, distribution costs and cost-effectiveness of cash-based transfers. The Committee was informed that adoption of IPSAS 43 enhanced transparency of lease liabilities and that cash-based transfers generally remained more cost-effective, depending on the operational context and market conditions. In addition, the Committee was informed that guidance would be developed on the use of financial incentives for government training participation, to be reflected in relevant manuals, aligned with United Nations practices, while recognizing their role in capacity strengthening.
 - i) The role and visibility of South-South and Triangular Cooperation within WFP's operations and its alignment with broader United Nations priorities. The Committee was informed that this remained a key strategic priority and continued to be integrated into WFP's programmes and operations.
13. **With the observations and recommendations above, the Committee:**
- a) **recommended that the WFP Executive Board approve the 2025 annual financial statements of WFP; and**
 - b) **recommended that the WFP Executive Board take note of the report of the External Auditor and urge Management to implement the External Auditor's recommendations in a timely manner.**

Report on the utilization of WFP's strategic financing mechanisms (1 January–31 December 2025)

- 14. The Committee reviewed the *Report on the utilization of WFP's strategic financing mechanisms (1 January–31 December 2025)*.
- 15. The Committee was informed that 2025 has presented various challenges for WFP, including the challenging funding climate. The decrease in WFP contributions revenue compared to 2024 impacted on the utilization of all strategic financing mechanisms.

16. The Committee was informed that WFP advanced USD 427 million, or approximately 7 percent of its contributions for 2025 (USD 6.1 billion), to operations through internal project lending (IPL). This represented 22 percent of the advances provided in 2024 and was equivalent to the 2010 levels of advances, when WFP revenue was USD 4.1 billion.
17. The Committee was also informed that 34 country strategic plans benefited from internal project lending advances and accessed the funds on average 68 days before the contributions' confirmation date.
18. The Committee was provided information regarding the Immediate Response Account (IRA) advances made during 2025, which totalled USD 297 million and which represented a 52 percent increase compared to 2024.
19. The Committee was informed that this increased reliance on IRA resources was mainly driven by the overall decline in contributions as well as country offices' limited access to the IPL advance financing mechanism. The increased use of IRA evidenced its critical nature as "funding of last resort" for emergencies.
20. The Committee was furthermore informed that almost half of WFP's total food purchases were managed through the Global Commodity Management Facility (GCMF). In total, 805 000 metric tons of food, valued at USD 500 million, were delivered to 48 countries through the GCMF in, on average, 33 days. This was equivalent to a 74-day gain compared to the conventional process, which typically required 107 days.
21. The Committee requested and received clarifications on a number of related matters, including:
 - a) That the accountability of advance financing repayment stood with the Country Director. The Committee noted the information provided on the high repayment rate, highlighting the commitment of Country Directors to repay advances.
 - b) That the IRA was utilized exclusively to support the scale-up of emergency responses, serving as a financing mechanism of last resort, and was not intended to finance regular operational activities. All requests were subject to rigorous assessment: technical teams verified eligibility – limited to life-saving and life-preserving interventions, including new caseloads and emerging emergencies – as well as confirming that no alternative resources were available to enable an immediate response. The Committee was also informed that flexible contributions were not used to replenish the IRA during 2025.
 - c) Highlighting that information on IRA revenue was captured within the annual report, and that country office repayment of funds was on average the main source of revenue, a reflection of country offices' commitment to the IRA.
 - d) Confirmation that there were no write-offs of corporate services financing advances to date and that the framework was designed to ensure full repayment through structured repayment plans and mitigation measures.
 - e) Confirmation that non-repayment against the IPL was limited to two cases in 2005 and 2011 and that the funds were recovered through the operational reserve. Since then, all advance financing had been fully repaid.
22. **With the observations and recommendations above, the Committee recommended that the WFP Executive Board take note of the report on the utilization of WFP's strategic financing mechanisms for the period 1 January to 31 Decembers 2025.**

Amendments to the Financial Regulations

23. The Committee reviewed the *Amendments to the Financial Regulations*. The Committee received a presentation on the proposed amendments to WFP Financial Regulations, including the background, consultation process and rationale for revising the framework, noting that the amendments had been previously considered and refined following extensive engagement with Members and the Finance Committee, including the recommendations of its 205th session, as well as feedback from oversight bodies.
24. The Committee welcomed the extensive consultations undertaken by Management and expressed appreciation for the openness and responsiveness shown in addressing Members' questions and concerns. The Committee recognized the importance of ensuring that WFP's financial framework remained fit for purpose in a dynamic and volatile operational environment.
25. Some Members expressed concerns on the proposals, including on:
 - a) The definition of the WFP budget, the role of the WFP Executive Board in approving the budget and the relationship between the management plan and the annual budget framework.
 - b) The potential impact of the proposed approach on the WFP Executive Board's ability to exercise meaningful oversight over prioritization, resource allocation and WFP's overall financial direction, noting that these issues went to the heart of governance, transparency and accountability, and therefore required a fully shared understanding among Board members before approval.
 - c) The proposed amendments to Financial Regulations 9.4(b), 9.4(c) and 9.7.
 - d) How oversight, transparency and accountability would be preserved under the revised approach.
26. Reflecting on the way forward, taking into account its previous advice, subsequent analysis by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), and the concerns raised by Members, the Committee acknowledged the need for further time for analysis and consultation on the proposed amendments.
27. **With the observations and recommendations above, the Committee:**
 - a) **recommended to the WFP Executive Board that further time be provided for analysis and consultation on the proposed amendments to the Financial Regulations and that presentation of the item to the WFP Executive Board be deferred to the second regular session of the Board in 2026; and**
 - b) **looked forward to continued engagement with Management and further consideration of these issues by the WFP Executive Board.**

Annual report of the Independent Oversight Advisory Committee

28. The Committee reviewed the *Annual report of the Independent Oversight Advisory Committee* for the period 1 April 2025 to 31 March 2026.
29. The Committee noted the good progress that the Independent Oversight Advisory Committee (IOAC) had observed in key oversight areas, notwithstanding the reorganization and downsizing exercise undergone by WFP. The Committee also noted that the IOAC highlighted that no material weaknesses had been identified in governance, risk management and control processes that would seriously compromise the overall achievement of WFP's objectives.

30. On matters related to the impact of the difficult financial situation faced by WFP and its reorganization process, the Committee was informed that the IOAC considered that Management had identified prioritization of activities as a key element in its work programme and that it recommended pursuit of further diversification of funding, following the model implemented in other United Nations organizations. The IOAC also invited the organization to adopt a more ambitious approach towards global shared services and country presence review, and to swiftly finalize the implementation phase of its reorganization, with a particular focus on the updated management accountability framework, delegations of authority and performance evaluations. In this regard, the Committee recommended that a review of the reorganization be carried out on country offices of different sizes, to develop lessons learned for the mainstreaming of the newly implemented two-tier structure.
31. The Committee agreed with the IOAC that oversight mechanisms with government partners should be tightened to match those implemented with other cooperating partners, that the coordination of oversight functions had been enhanced and should be pursued further, and that a comparative study of the budget levels of Inspector General functions in other organizations should be carried out. On the implementation of artificial intelligence, the Committee was informed of the IOAC's view that the organization had made good progress in AI implementation, but that it should adopt a more ambitious strategy, while fully keeping under control the risks associated with this technology. The Committee also recommended that WFP's analysis of the root causes identified as part of the audit and evaluation recommendations, and actions underway and plans to address them, be brought to the attention of the WFP Executive Board on a regular basis.
32. The Committee underscored the important role of the IOAC and appreciated the guidance provided by the IOAC in the areas under its mandate.
33. The Committee was informed by the IOAC of the need for stronger coordination among oversight functions and recognized the importance of follow-up and monitoring on progress made.
34. **With the observations and recommendations above, the Committee recommended that the WFP Executive Board take note of the *Annual report of the Independent Oversight Advisory Committee*.**

Annual report of the Inspector General and Note by the Executive Director on the annual report of the Inspector General

35. The Committee reviewed the *Annual report of the Inspector General* and the *Note by the Executive Director on the annual report of the Inspector General*.
36. The Committee welcomed the report and expressed its appreciation for the oversight work conducted by the Office of the Inspector General (OIG) in 2025. The Committee noted the Inspector General's overall conclusion that, based on the risk-based oversight activities undertaken in 2025, no material weaknesses were identified in WFP's governance, risk management and internal control processes that would seriously compromise the achievement of WFP's strategic and operational objectives.
37. The Committee expressed concern about the impact of the reorganizational changes to the overall control environment and the recurring audit findings despite the ongoing implementation of the Global Assurance Framework. The Committee was informed that Management: (a) was already taking steps to address some of these recurring issues; (b) should follow through the implementation of assurance and control frameworks across country offices as the enhancements required time to stabilize and mature; and (c) should assess an acceptable level of risk appetite given the current operational context.

38. The Committee noted with concern the additional reduction in OIG's funding for 2027. The Committee was further informed that the planned reduction was proportionate to the organization-wide cut and that the Inspector General would be revisiting its operational model and staffing structure focusing on a risk-based approach.
39. The Committee also expressed concern about the continuing increase in allegations received by OIG, including breaches of the WFP anti-fraud and anti-corruption policy, sexual exploitation and abuse, and sexual harassment. The Committee was informed that OIG was prioritizing high-risk and material allegations and investigations, would develop management briefing notes that connect the dots between cases, and was introducing a joint inspection leveraging the strengths of the investigation and internal audit teams.
40. **With the observations and recommendations above, the Committee recommended the WFP Executive Board to take note of the Annual report of the Inspector General and urge Management to address the governance, risk management and control issues highlighted in the report.**

Management review of significant risk and control issues, 2025

41. The Committee reviewed the *Management review of significant risk and control issues, 2025*.
42. The Committee was informed that the review drew primarily on the results of the 2025 Executive Director Assurance Exercise (EDA), complemented by evidence from internal and external oversight activities and the Corporate Risk Register. WFP highlighted methodological enhancements and changes to the analytical approach, which resulted in a more streamlined and evidence-based management review to support the prioritization of risk and control issues. The Committee was further informed that four significant risk and internal control matters required sustained management attention in 2026: cooperating partner management, human resources management, risk management and procurement. Analysis was also provided on five global assurance thematic areas aligned with WFP's Global Assurance Framework: targeting, identity management, monitoring, protection and accountability to affected people, and logistics.
43. The Committee noted the *Management review of significant risk and control issues, 2025*, and requested and received clarifications on key oversight and operational matters, including:
 - a) How WFP was prioritizing cooperating partner oversight in the context of staffing and budget constraints, including through a risk-informed prioritization approach that targeted higher-risk partners, activities and contexts, balancing localization commitments with operational assurance requirements, strengthening safeguards for beneficiary protection and financial integrity, and advancing the development of a government partner assurance framework.
 - b) The effects of restructuring, staffing reductions and funding pressures on assurance and oversight functions, including how WFP was prioritizing limited assurance capacity towards areas of highest risk and materiality, managing segregation of duties constraints in smaller offices with leaner structures, and actively monitoring residual risks where minimum control thresholds could not be fully achieved.
 - c) The use of EDA results in addressing identified shortcomings, control weaknesses, and non-compliance, including their integration into risk registers, annual workplans and management oversight activities, and the tracking of targeted follow-up actions with clear ownership and timelines. The Committee was provided with information on enhancements to fraud risk assessments, including strengthened guidance requiring managers to identify and assess fraud risks within their teams, alignment with enterprise risk management processes, and the use of available risk focal points to support more consistent application and mitigation planning.

- d) The adequacy of assessment, monitoring and evaluation resources and expenditures, including implications for programme quality and delivery, and actions taken to strengthen procurement processes, including vendor oversight and evaluation.
 - e) Changes in EDA indicators and the survey methodology, which established a revised assessment baseline for 2025. Efforts would be made to maintain visibility on emerging patterns and trends over time, taking into account the evolving nature of risk and control issues.
44. **With the observations and recommendations above, the Committee recommended that the WFP Executive Board take note of the *Management review of significant risk and control issues, 2025*.**

Other Matters

Working Methods of the Finance Committee

45. **The Committee recalled its invitation to Management to provide a verbal update at future sessions of the Finance Committee on the actions taken in response to guidance provided by the Finance Committee on WFP matters, and looked forward to an update at its next session.**

Date and Place of the Two Hundred and Ninth Session

46. The Committee was informed that the next session was scheduled to be held in Rome from 3 to 4 November 2026.