

برنامج
الأغذية
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Programme
Alimentaire
Mondial

World
Food
Programme

Programa
Mundial
de Alimentos

Executive Board
First Session (Regular)

Rome, 22 January 1996

INTERIM REVISED FINANCIAL REGULATIONS

Agenda item 7

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**COMMENTS BY THE FAO FINANCE
COMMITTEE (January 1996)**

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NOTE BY THE EXECUTIVE DIRECTOR

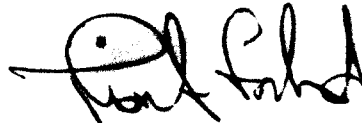
1. The report of the Eight-Third Session of the FAO Finance Committee pertaining to the Interim Revised Financial Regulations is attached.
2. The text of the letter accompanying this report of the FAO Finance Committee (document FC 83/Final) is as follows:

"17 January 1996

Dear Ms. Bertini,

I have the pleasure of attaching herewith the Report of the Eighty-Third Session of the Finance Committee on the Interim Revised Financial Regulations.

Yours sincerely,



Thomas A. Forbord
Acting Chairman
Finance Committee"



EIGHTY-THIRD SESSION OF THE FAO FINANCE COMMITTEE

Rome, 16 January 1996

1. The Committee recognized the urgent need for WFP to introduce a new resourcing mechanism and agreed in general with the proposal to introduce the new mechanism, on an informal trial basis, with effect from 1 January 1996. It noted that the introduction of the new mechanism on a trial basis should not involve any inconsistency with the General Regulations currently in force. However, in view of the far-reaching nature of the new resourcing mechanism, the matter should be reported to the next session of the FAO Council. It was in this context that the Committee considered the proposed Interim Revised Financial Regulations submitted to it for advice by the Executive Director of WFP in accordance with the provisions of article 29(e) of the WFP General Regulations.
2. The Committee was informed by the WFP Secretariat that the adoption - at least on an interim basis - of the revised Financial Regulations would be required in order to enable WFP to implement the recommendations made by the Fortieth Session of the CFA, even for a trial period.
3. The Committee also voiced its concern over the fact that the documents had been received late and that there had been little time to analyze fully the suggested amendments to a subject, such as the Financial Regulations, which is extremely complex, and to consult with other Member Nations.
4. The WFP Deputy Executive Director introduced the documents and highlighted that, following close consultations with the FAO Secretariat, especially on the legal aspects, a certain number of further proposals had been made. Importantly, it was now proposed that the revised Financial Regulations be termed Interim Revised Financial Regulations. This change was designed to make explicit that the Regulations that the Board would be invited to approve were not in any sense final. They would enable the Secretariat to implement the decisions of the CFA as quickly as possible for the trial period.
5. The Committee was informed that the changes may be categorized into those required to reflect:
 - the creation of the Executive Board of WFP;
 - WFP's general policy framework for introducing the Country Programme Approach;
 - the recommendations of the Fortieth Session of the CFA for the introduction, on a trial basis, of a new Resourcing Model for the Long-Term Financing of WFP;
 - the definition of financial terms as appearing in the CCAQ Glossary and Accounting Standards.



6. The Committee considered that it would be better for further work to proceed on the basis of the Interim Revised Financial Regulations as presented in document FC:83/2 Rev. 1. It urged the Executive Board to proceed with its review, with the aim of finalizing the Financial Regulations before the beginning of the next financial period.
7. In reviewing these Regulations, the Committee operated on the principle that terms did not need to be defined if the term was not used in the Financial Regulations or if the term was not considered essential. Definitions should not include substantive provisions, and acronyms should be avoided in the definitions, by using the full wording and writing the acronym in parentheses.

Definitions

8. The Committee reviewed in some detail the definitions section , of the draft Interim Revised Financial Regulations, and recommended the following changes:

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|-----------------------------|---|
| "Administrative Budget" | - to be dropped and replaced by a new definition of the "WFP Budget". Further consequential changes will be needed in Part VI. |
| "Allocation" | - to be dropped as the term does not appear in the main body of the Financial Regulations. |
| "Appeal Process" | - to be dropped and also removed from Financial Regulation 4.2. |
| "Appropriations" | - to be revised to read as follows: "Appropriation shall mean an amount approved by the Board for specific purposes against which allotments will be made for those purposes up to the amounts so approved." |
| "Multilateral Contribution" | - a new definition to be added. It should read as follows: " "Multilateral contribution" shall mean a contribution, for which the donor accepts reports submitted to the Board as being sufficient for its own requirements, made to a Programme Category or without regard to a Programme Category if WFP determines for which Country Programme or WFP project the contribution will be used and how it will be used or a contribution made in response to an appeal made by WFP for a specific operation." Further, the three types of contributions under the new model should be grouped together under the general heading "Contributions". " |
| "CPD" | - to be dropped since the term is not used in the text. |



- "CSO" - to be dropped since the term is not used in the text.
- Directed Multilateral Contribution" - to be reworded as follows: " "Directed Multilateral Contribution" shall mean a contribution, other than a response to an appeal made by WFP for a specific emergency operation, which a donor requests WFP to direct to a specific activity or activities initiated by WFP or to a specific Country Programme or Country Programmes."
- "Fund" - change to "WFP Fund" and define as follows: "WFP Fund" shall mean the World Food Programme Fund established in accordance with General Regulation 29(a)."
- "Fund Accounting" - to be deleted since it is not used in the main body of the Financial Regulations.
- "Funding Windows" - to be deleted since it is not used in the main body of the Financial Regulations.
- "IDA" - to be deleted and the name spelled out in full in the Financial Regulations.
- "Indirect Support Cost Account" - to be deleted as the definition is adequately clear where it appears in the text.
- "Operational Reserve" - a new definition should be added as follows: "Operational Reserve" shall mean funds maintained as an account of the General Fund to be used to ensure continuity of operations in the event of a temporary shortfall of resources."
- "PRO" - to be deleted as it is not used in the Financial Regulations.
- "Programme Category" - to be reworded as follows: " "Programme Category" shall mean one of the following four WFP programme categories: Development; Protracted Relief Operations; Emergencies; and Special Operations. The Development Programme Category includes rehabilitation and disaster preparedness activities."
- "Programme Support and Administrative Services" - the second reference to "the Programme" should be changed to "WFP".



"Project"	- to be reworded as follows: " "Project" means a separately identified undertaking within a Programme Category."
"Trust Funds"	- the following words to be deleted from the definition: "provided such activities are consistent with WFP's aims and policies".
"Replenishable fund"	- to be deleted as it is not used in the Committee's suggested revisions to the interim Financial Regulations.
"Resourcing model"	- to be deleted as it is not used in the Committee's suggested revisions to the interim Financial Regulations.
"Revolving fund"	- to be deleted as it is not used in the Committee's suggested revisions to the interim Financial Regulations.
"Strategic and Financial Plan"	- to be deleted as the definition is adequately clear where it appears in the text.
"Write-off"	- to be deleted as the definition is adequately clear where it appears in the text.

Substantive provisions

9. The Committee, in addition to numerous editorial suggestions, made the following recommendations on the main body of the Regulations.

10. The Committee recommended that Financial Regulation 4.2 be simplified and rewritten as follows:

"Annual resource consultations will be conducted in conjunction with a session of the Board to supplement the biennial pledging conference. WFP will provide information on availability of resources and unmet needs of WFP activities on a quarterly basis. In addition, individual appeals may be made by WFP or in conjunction with the United Nations Department of Humanitarian Affairs for new emergencies as necessary."

11. The Committee recommended that Financial Regulation 4.3 be rewritten as follows:

"In applying the principle of full cost recovery, WFP may use the cash component of contributions where necessary to cover Direct Operational Costs, Direct Support Costs, and Indirect Support Costs".



12. The Committee recommended that Financial Regulation 4.6 be rewritten as follows:
- "Pledges and contributions will be registered as Multilateral, Directed Multilateral, or Bilateral funding depending on donor stipulations, if any, on the use of the contributions.
13. The Committee recommended that Financial Regulation 4.7 be clarified as follows:
- " (a) Contributions to the Emergency Programme Category will consist of contributions to the IEFR and to the IRA.
- (b) Donors contributing to the IEFR should indicate the commodities and cash contributions which WFP might call upon for emergency food purposes in accordance with United Nations General Assembly resolution 3362 (S-VII). Developing countries not in a position to make contributions to the IEFR should, when possible, indicate their willingness to provide to WFP interest-free loans of cash or commodities for emergencies.
- (c) The Board will establish a target level for the IRA for each financial period. The target level should be maintained by replenishment contributions from donors and, when possible, by repayment of advances made for specific emergencies. Contributions for food and food-related costs will be distinguished clearly from contributions for non-food related costs to enable reporting to the Food Aid Committee of the International Grains Council."
14. The Committee recommended that in the final version, Part V be reordered in order to reflect the sequence of approval of Country Programmes and Projects.
15. There was substantial discussion on the adequacy of the provisions in Part VI of the Financial Regulations. The Committee considered recommending that the title of this part be changed to "The Budget" rather than limiting it to "The Programme Support and Administrative Budget". Other appropriate changes should be made in the text, since the consolidated budget that the Executive Director is presenting to the Executive Board includes more than programme support and administrative revenue and expenditures. While the Committee and the Secretariat agreed conceptually that the Financial Regulations should make provision for a consolidated budget encompassing all elements, including different programme categories as well as programme support and administrative costs, the Committee decided that this revision could be deferred until a subsequent Executive Board meeting.
16. The Committee suggested that Financial Regulation 6.2 be clarified as follows:
- "The Executive Director shall submit a Strategic and Financial Plan to the Board for such a period as the Board may determine, at its annual meeting in odd-numbered years of each financial period, for its review and approval. The Executive Director shall forward copies of this plan to the ACABQ and the Finance Committee for their



review and comments, and shall submit to the annual meeting of the Board any such comments."

17. Under Part VII, the Committee noted that without compromising the term "the Fund", as used in the General Regulations, a clearer term, "the WFP Fund" should be used to denote the totality of resources of WFP, since this fund will contain multiple individual funds, i.e., a General Fund, Programme Category Funds, etc. Furthermore, the hierarchy of these funds should be specified clearly.
18. Accordingly, Financial Regulation 7.1(a) should be rewritten as follows:

"The WFP Fund shall be subdivided into a General Fund, Programme Category Funds, Trust Funds; and such other funds as the Board has established or may establish from time to time. The Executive Director may establish accounts within the funds as shall be necessary to implement these Regulations."
19. Furthermore, Financial Regulation 7.2 should be rewritten as follows:

"All contributions will be classified as Multilateral, Directed Multilateral, or Bilateral. The Executive Director may accept Bilateral Contributions only if they are for activities consistent with WFP's Mission Statement. The Executive Director shall report all contributions to the Board."
20. Financial Regulations 7.4 and 7.5. The Committee noted that only one Operational Reserve was approved for WFP. Therefore, the Financial Regulations should refer to only one Operational Reserve.
21. Financial Regulation 8.2. The Committee noted that there could be some contradiction on the treatment of income from investments in Financial Regulations 8.2 and 8.3. Hence, it is recommended that the second sentence of Financial Regulation 8.2 be dropped and Financial Regulation 8.3 be rewritten as follows:

"Income from investments, except by bilateral trust funds, shall be credited to the fund or account which generated the income. The income earned by bilateral trust funds shall be used to replenish the IRA, with the agreement of the donor(s) concerned."
22. In point 3 of the Annex, an issue was raised as to whether there should be any limits on the External Auditor's access to privileged documents. After some discussion it was concluded that since it is not directly related to the new resourcing model, this issue should be deferred for future consideration.



