

برنامج  
الأغذية  
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Programme  
Alimentaire  
Mondial

World  
Food  
Programme

Programa  
Mundial  
de Alimentos

**Executive Board  
First Regular Session**

**Rome, 20 - 22 January 1999**

# **FINANCIAL AND BUDGETARY MATTERS**

**Agenda item 4**

# **E**

Distribution: GENERAL  
**WFP/EB.1/99/4-B/2**  
**WFP/EB.1/99/4-C/1/2**

18 January 1999  
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## **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 different agenda items as follows:

- Item 4-B—Direct Support Cost Advance Facility
- Item 4-C—Proposed revision of WFP's General Regulations, General Rules and Financial Regulations

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January 1999



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para la  
Agricultura  
y la  
Alimentación

## COUNCIL

### Hundred-and sixteenth Session

Rome, 14 - 19 June 1999

### REPORT OF THE NINETY-FIRST SESSION OF THE FINANCE COMMITTEE, 11 JANUARY 1999

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## INTRODUCTION

1. The Committee met in Special Session at the request of the Executive Director of the World Food Programme (WFP) to consider the financial aspects of proposals to be presented to the WFP Executive Board at its First Regular Session in 1999.

The Committee submitted to the Council the following report of its Ninety-first Session.

2. **The following representatives were present:**

Chairman: Mr. Julian A. Thomas (South Africa)

Vice-Chairman: Mr Luigi M. Fontana-Giusti (Italy)  
Mr Roberto O. Villambrosa (Argentina)

Ms Neela Gangadharan (India)

Mr Horacio Maltez (Panama)

Mr Lubomir Micek (Slovak Republic)

Ms Ekhlal Fouad Eltom (Sudan)

Ms Laurie J. Tracy (United States of America)

3. The Chairman informed the Committee that Mr Moomi Te Avela Samba (Democratic Republic of the Congo) and Mr Kalarickal P. Fabian (India) were regrettably unable to attend this session.

4. Mr. Luigi M. Fontana-Giusti (Italy) was elected unanimously Vice-Chairman for 1999.

5. In attendance were representatives of the WFP Secretariat to provide explanation and clarification of the matters under consideration.

6. At the invitation of the Chairman, the WFP representatives provided the background to the matters to be considered by the Finance Committee whose advice was to be provided to the WFP Executive Board for its consideration.

## BACKGROUND

7. The WFP Executive Board established a Formal Working Group (FWG) in May 1998 to further review the workings of the WFP Resource and Long-term Financing policies and to recommend any necessary changes to improve their effectiveness.

8. The FWG had presented its Report to the Executive Board at its Third Regular Session in 1998 but the Board had deferred formal action on the Report and its recommendations until the First Regular Session in 1999 to enable a major donor to develop a position regarding the recommendations. The Board had requested the WFP Secretariat to take any preliminary steps required to implement the recommendations in anticipation of their approval.

9. The FWG's recommendations included consideration of the creation of a facility to prefund direct support costs (DSC) ahead of confirmed contributions. Prefunding of DSC is required to cover DSC transferred from the Program Support and Administration (PSA) Budget to project DSC under the more rigorous application of definitions of cost categories agreed to by the FWG.



10. The FWG had requested that details of three options for a DSC advance facility, i.e. a guarantee mechanism, a modified existing fund, and a new fund, be submitted to the Board together with the advice of the UN Advisory Committee on Administrative and Budgetary Questions and the FAO Finance Committee.

11. Other recommendations of the FWG to promote flexibility and multilateralism in the resourcing of WFP together with the re-categorization of costs necessitated changes to the current WFP Financial Regulations. These changes involved definitions and the conditions under which contributions can be made to WFP.

12. The Finance Committee noted the importance of the new Resources and Long-Term Financing model to the financial integrity of the WFP and its programmes.

### **DIRECT SUPPORT COST ADVANCE FACILITY**

13. The Finance Committee had before it for consideration and its advice document WFP/EB.1/99/4-B, *Direct Support Cost Advance Facility*. The Committee members sought clarification from the representatives of the WFP Secretariat of the operation of the proposed facility and its implications for the financing of WFP.

14. The Committee agreed that a DSC advance facility was required by the WFP. Option 1, a guarantee mechanism, was the Committee's preferred option, among those presented.

15. In agreeing with the proposal to create a DSC guarantee mechanism, the Committee noted that:

- the biennial review of the mechanism proposed in para 17(d) was necessary to ensure that it was and would continue to meet the needs of the Programme in a medium and long-term strategic perspective; and
- the mechanism would help WFP to achieve funding stability under the FWG proposed policy changes should the Executive Board approve them.

### **GENERAL REGULATIONS, GENERAL RULES AND FINANCIAL REGULATIONS**

16. The Finance Committee had before it document WFP/EB.1/99/4-C *Proposed Revisions of WFP's General Regulations, General Rules and Financial Regulations*, for its consideration and advice. The Committee sought clarification of the relationship between the proposed changes to rules and regulations and the recommendations of the Executive Board's FWG.

17. After considering the explanations provided by the WFP representatives, the Finance Committee agreed that the proposed changes to the Financial Regulations, and the related General Regulations and General Rules, were appropriate to effect the recommendations of the FWG.

18. The Finance Committee noted that the changes could strengthen WFP's ability to attract multilateral contributions and that increased multilateral contributions should enable WFP to be more efficient and effective in carrying out its mandate.