



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

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Resource, 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 item:

- Increase of strategic financing authority ceilings (WFP/EB.1/2022/5-B/1)



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COUNCIL

Hundred and Sixty-ninth Session

13-17 June 2022

Report of the 189th Session of the Finance Committee (17 December 2021)

Executive Summary

At its 189th Session, the Committee reviewed the document *Increase of Strategic Financing Authority Ceilings* prior to its consideration by the WFP Executive Board.

Suggested action by the Council

The Council is invited to note the views and recommendations of the Finance Committee in respect of the document *Increase of Strategic Financing Authority Ceilings* prior to its consideration by the WFP Executive Board.

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 Hundred and Eighty-ninth Session.
2. In addition to the Chairperson, Ms Imelda Smolčić Nijers (Uruguay), the following representatives of Members were present:
 - Ms Tracy Reid (Australia)
 - Mr Mina Rizk (Egypt)
 - Mr Kaba Urgessa Dinssa (Ethiopia)
 - Mr Kuraya Yoshihiro (Japan)
 - Mr José Luis Delgado Crespo (Mexico)
 - Ms Tahirou Rahila Rabiou (Niger)
 - Mr Tomás Alberto Duncan Jurado (Panama)
 - Mr Vladimir V. Kuznetsov (Russian Federation)
 - Mr Mohammed Ahmed M. Alghamdi (Saudi Arabia)
 - Mr Petter Nilsson (Sweden)
 - Mr Thanawat Tiensin (Thailand)
 - Ms Elizabeth Petrovski (United States of America)
3. The Chairperson informed the Committee that:
 - Ms Tracy Reid (Australia) had been designated to replace Ms Lynda Hayden as the representative of Australia for this session;
 - Mr Mina Rizk (Egypt) had been designated to replace Mr Haitham Abdelhady Elshahat as the representative of Egypt for the remainder of the term of office;
 - Mr José Luis Delgado Crespo (Mexico) had been designated to replace Mr Miguel Jorge García Winder as the representative of Mexico for this session;
 - Mr Petter Nilsson (Sweden) had been designated to replace Ms Pernilla Ivarsson as the representative of Sweden for this session;
 - Ms Elizabeth Petrovski (United States of America) had been designated to replace Ms Jennifer Harhigh as the representative 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 Web site at: <http://www.fao.org/unfao/govbodies/gsbhome/finance-committee/substitute-representatives/en/>
5. The 189th Session of the Finance Committee was convened virtually on an exceptional basis. The Finance Committee confirmed, pursuant to Rule VII of the rules of procedure of the Finance Committee, that it agreed to suspend Rule II(4) of the rules of procedure of the Committee which requires that sessions shall be held at the seat of the Organization.
6. In addition, silent observers from the following Members attended the 189th Session of the Committee:
 - Belgium
 - Brazil
 - China
 - Colombia
 - Congo
 - Dominican Republic
 - Germany
 - Malaysia
 - Mauritania
 - Morocco
 - Philippines
 - Senegal

World Food Programme Matters

Increase of Strategic Financing Authority Ceilings

7. The Committee reviewed the document Increase of Strategic Financing Authority Ceilings, noting that it had agreed to consider this document by correspondence.
8. The Committee recalled its previous support for WFP's use of advance financing mechanisms as an important means to increase flexibility, responsiveness, and efficiency of WFP's operations.
9. The Committee acknowledged that the unprecedented acute food insecurity situation worldwide, including in Afghanistan, Ethiopia and Yemen required an urgent increase in the Internal Project Lending (IPL) facility and the Global Commodity Management Facility (GCMF) ceilings so that WFP could respond to the increased demand for these facilities.
10. The Committee noted the additional information provided by WFP Management on the analysis performed by the Boston Consulting Group in 2014 and 2021 and on how the financial risks associated with advance financing mechanisms were managed. The Committee noted that IPL and GCMF are managed independently and include a safety net of USD 95.2 million and USD 6 million respectively. For IPL, a systematic approach is in place including a robust contribution forecasting process and strong trend analysis that is regularly captured in a corporate platform. The Committee was also informed that tightened review processes were in place to consider advances that are larger than 80 percent of forecast contributions and for any advances from donors with whom WFP did not have a long-established relationship. For GCMF, risk management was assured through the replenishment of food based on robust demand and resource planning with purchases of commodity types that are common across several countries and insurance to cover a wide variety of losses.
11. The Committee noted the importance of smallholder farmer procurement activities in the context of the GCMF and local/regional procurement to meet the target set by the Organization.
12. **The Committee:**
 - a) **reviewed the document *Increase of Strategic Financing Authority Ceilings*;**
 - b) **recommended that the Executive Board approve the proposed increases to the: Internal Project Lending facility from USD 570 million to USD 760 million, while retaining as a safety net an operational reserve at its current level of USD 95.2 million; and the Global Commodity Management Facility from USD 660 million to USD 800 million, while retaining a Global Commodity Management Facility reserve of USD 6 million;**
 - c) **noted that WFP Management presents to the Executive Board an annual report on the utilization of its advance financing mechanisms and recommended including a review on whether the ceilings should be maintained at the higher levels and on the amount allocated to procurement from smallholder farmers as well as on managing financial risks in this regard;**
 - d) **further recommended that the Executive Board request immediate reporting on changes to risk profiles, any additional use of the reserves in cases of default of forecast contributions for the IPL or significant commodity losses under the GCMF; and**

- e) **encouraged** further efforts to engage with donors on the benefits of flexible and predictable funding that also permits the use of WFP's strategic financing mechanisms like IPL and GCMF and allows WFP to fully utilize the efficiency potential of these mechanisms.

Other Matters

Date and Place of the Hundred and Ninetieth Session

13. The Committee was informed that the next session was scheduled to be held from 16 to 20 May 2022. The arrangements for the session would be established in accordance with the evolving COVID-19 restrictions.