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Programa Mundial de Alimentos
برنامج الأغذية العالمي

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Resource, financial and budgetary matters
For information

Report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ)

The Executive Director is pleased to submit herewith the report of the Advisory Committee on Administrative and Budgetary Questions pertaining to WFP. The report covers the following agenda item:

- WFP management plan (2025–2027) (WFP/EB.2/2024/5-A/1)
- Report of the External Auditor on findings from field audits (WFP/EB.2/2024/5-B/1)
- WFP management response to the recommendations in the report of the External Auditor on findings from field audits (WFP/EB.2/2024/5-B/1/Add.1)

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Advisory Committee on
Administrative and Budgetary Questions

30 October 2024

Dear Ms McCain,

Please find attached a copy of the report of the Advisory Committee on your submission of the reports:

WFP Management Plan (2025–2027) (EB.2/2024/5-A/1); Report of the External Auditor on findings from field audits (EB.2/2024/5-B/1) and WFP management response to the recommendations in report of the External Auditor on findings from field audits (EB.2/2024/5-B/1/Add.1).

I should be grateful if you could arrange for the Advisory Committee's report to be placed before the Executive Board at its forthcoming session, as a complete and separate document. I would appreciate it if a copy of the document could be provided to the Advisory Committee at the earliest possible opportunity.

Yours sincerely,

Abdallah Bachar Bong
Chairman

Ms Cindy H. McCain
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I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered three reports of the World Food Programme (WFP) Secretariat, which are being submitted to the WFP Executive Board annual session to take place in Rome, Italy, commencing on 18 November 2024. The WFP Management Plan (2025–2027) (EB.2/2024/5-A/1) is submitted to the Executive Board for approval; the Report of the External Auditor on findings from field audits (EB.2/2024/5-B/1) and the WFP management response to the recommendations in report of the External Auditor on findings from field audits (EB.2/2024/5-B/1/Add.1) are submitted for consideration. During the Advisory Committee's consideration of the reports, the Committee met with representatives of the WFP Secretariat and External Auditor, who provided additional information and clarification, concluding with written responses dated 9 October 2024.

II. WFP Management Plan (2025–2027)

Planned programme of work

2. The WFP management plan for 2025–2027 (EB.2/2024/5-A/1) presents a summary of WFP's planned programme of work for 2025–2027 and the budgetary support required to implement that programme in 2025. The report seeks approval from the Executive Board to authorize the Executive Director to adjust the level of the appropriation to changes in the global contribution forecast, approval for the annual Programme Support and Administrative (PSA) budget, drawdowns from the PSA equalization account and unearmarked portion of the General Fund, as well as setting the standard indirect support cost (ISC) rate, the Immediate Response Account resourcing target level, and to allocate funding for critical corporate initiatives (CCI).

3. The report indicates that almost 582 million people are projected to be chronically undernourished in 2030, leaving the world far from the goal of achieving zero hunger by the end of the decade. Current estimates indicate that up to 309 million people are projected to be acutely food insecure during 2024 in 71 countries where WFP operates. A further 45.5 million people are estimated to be at emergency or worse levels of acute food insecurity in 2024 (EB.2/2024/5-A/1, paras 10 to 13).

4. While in 2022, WFP received a record level of resources at USD 14.1 billion, the contributions for 2023 amounted to USD 8.3 billion, reflecting the pre pandemic level of donor resources. WFP is expecting USD 8.9 billion in confirmed contributions for 2024, which represents 49 percent of the projected operational requirements of USD 18.2 billion for 2024. Reflecting the current outlook for the global economy, WFP expects their level of funding to remain at pre-COVID-19 levels for the next three years, with a forecast of USD 8 billion per year from 2025 to 2027. (ibid., paras 28 to 32).

Fundraising

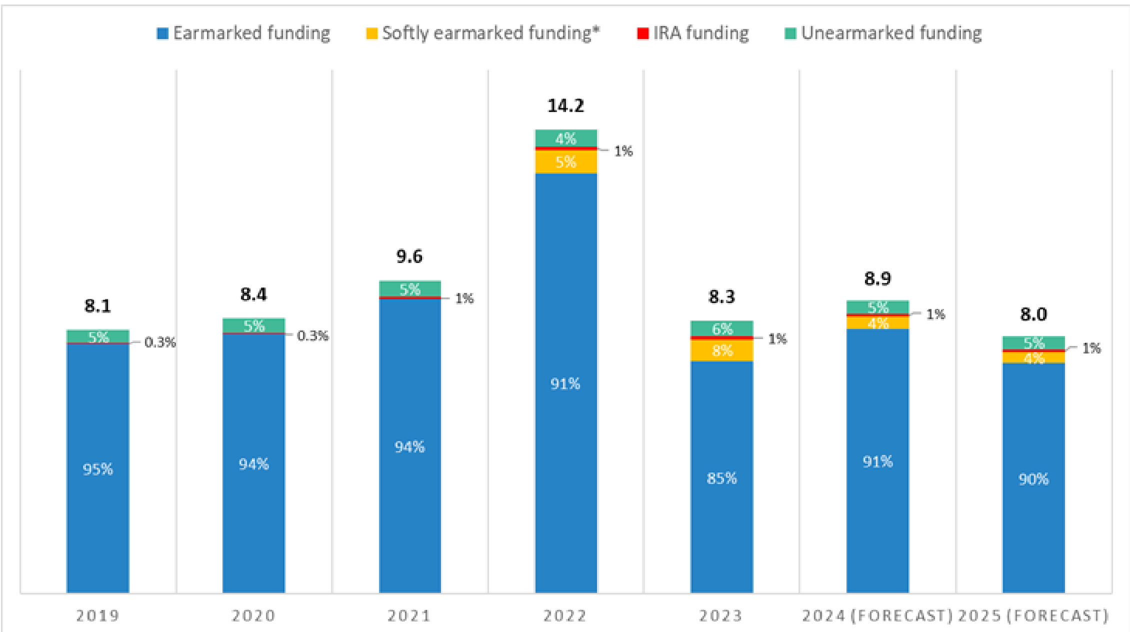
5. The report provides information on the growing diversification of the WFP funding base (ibid., paras 35 to 55) and strategies for improving funding flexibility and predictability (ibid., paras 56 to 61). Upon enquiry, the Advisory Committee was informed that beyond traditional donors, WFP actively explores new modalities for thematic partnerships. Coordinating corporate efforts across thematic areas, WFP engages with IFIs, private sector entities and foundations. Investment in individual giving is a key strategic priority in WFP's efforts to diversify its donor base and increase flexible funding. As WFP moves into a more ambitious phase, fundraising from individuals has the potential to raise USD 1.3 billion over the next six years. To achieve this, a total investment of USD 100 million will be needed over that period. The first tranche, a USD 20 million request for 2025, is expected to generate USD 138 million in income that year alone, with more than USD 1 billion forecasted for 2026–2030, contingent on continued investments. In 2024, WFP established the Multilateral

and Programme Country Partnerships Division to diversify partnership approaches with our Programme countries. This includes facilitating contributions from Programme Countries to programmes in their own countries and supporting initiatives in other Programme Countries, whether through financial support or capacity, knowledge, and technical exchange. This also includes IFI financing to support governments implement nationally owned resilience and development programmes that accelerate the achievement of SDG 2, with the objective of reducing hunger and malnutrition.

6. It is indicated in the report that WFP leverages initiatives such as the Emerging Donor Matching Fund (EDMF) and the Changing Lives Transformation Fund (CLTF), to incentivize low-income and lower-middle-income countries to contribute domestic resources to WFP county strategic plans (ibid., para 45). Upon enquiry, the Advisory Committee was informed that the EDMF may be used for any programmatic area, while the Changing Lives Initiative promotes resilience, long-term development and self-sufficiency. EDMF allocations help cover some of the costs of specific government contributions and incentivize government’s food assistance to refugees in countries like Malawi and Zimbabwe. Thanks to the CLTF, country offices like Chad and Kenya, aim to support government strategies to transform the lives of large refugee populations by giving refugees and nearby host communities the tools for earning their own living. With governments directing medium- and longer-term programming, WFP will support investments that increase individual and systematic capacities to withstand shocks.

7. **The Advisory Committee notes the reduced contribution forecast for 2025, as well as the revised income estimate of USD 8.9 billion for 2024. The Advisory Committee encourages WFP to continue efforts to recover and diversify its donor base. The Committee further encourages WFP to exchange information and experiences in that regard with other humanitarian actors.**

8. It is indicated in the report that in 2023, flexible funding increased from 9 percent in 2022 to 14 percent. In 2024, flexible funding is projected at USD 877 million, of which USD 419 million is in fully unearmarked funds, USD 71 million in direct contributions to the Immediate Response Account (IRA), and USD 387 million in softly earmarked contributions. WFP expects this trend to continue in 2025 (ibid., para 58). Upon enquiry the Advisory Committee was provided with the chart below presenting the softly earmarked contributions from unearmarked contribution.



9. The report further indicates that WFP is seeking to secure flexible and predictable multi-year funding, which would enable better planning and maintaining operational continuity, while remaining agile in dynamic situations (ibid., para 56). In 2023, 11 percent of WFP's total revenue was in multi-year funding (ibid., para 59). Upon enquiry, the Advisory Committee was informed that multi-year funding is critical to WFP's ability to operate efficiently, adapt to changing needs, and invest in longer-term solutions that reduce hunger and build resilience. Multi-year funding provides cost efficiency as it enables early procurement and pre-positioning of food, therefore reducing logistical and administrative costs. This operational flexibility allows the WFP to make bulk purchases at the optimal time, resulting in significant savings. In addition, multi-year funding allows for quick adjustments in response to sudden crises without the need to renegotiate agreements each year, enabling faster and more efficient responses. Multi- year funding helps WFP bridge the gap between humanitarian assistance and long-term development and allows the organisation to focus on building resilience. This will make WFP's work more effective in achieving sustainable results and reducing the need for sustained humanitarian assistance in the future. Multi-year funding strengthens partnerships with local governments, NGOs and other humanitarian actors by providing a reliable stream of resources that can be used to build local capacity

10. **The Advisory Committee trusts that WFP will seek to expand the mobilization of flexible and multi-year funding, including through a range of diverse fundraising initiatives, to further increase the total amount and percentage of unearmarked contributions and will report thereon in the next WFP Management Plan.**

Immediate Response Account resourcing target

11. The report indicates that WFP management is requesting approval from the Executive Board to maintain the Immediate Response Account (IRA) resourcing target level at USD 400 million for 2025 (ibid., paras 62-68). Under Financial Regulation 4.3, the Executive Board establishes an IRA target level for a financial period. The IRA is WFP's reserve for the immediate allocation of flexible, replenishable, revolving multilateral funding. WFP operational requirements rose from USD 13.7 billion in 2020 to USD 21.4 billion in 2022, prompting the Board to approve the doubling of the IRA fundraising target to USD 400 million in 2022.

Operational requirements

12. WFP's operational requirements for 2025 are estimated at USD 16.9 billion to assist 123 million people through 86 operations in over 120 countries and territories (ibid., para 69). Consistent with 2024, approximately 80 percent of the operational requirements outlined in the management plan for 2025–2027 are concentrated in 20 country operations (ibid., para 73). The report further indicates that at USD 8.8 billion, the provisional implementation plan for 2025 is approximately 52 percent of operational requirements and reflects a decrease of 12 percent compared with 2024.provisional plan (ibid., para 76). **The Advisory Committee trusts that updated information regarding the contributions and the beneficiaries reached through WFP operations in 2024 will be provided to the Executive Board at the time of consideration of the present report.**

Revised planning approach

13. The report indicates that in response to the decline in contributions, WFP management has put in place a revised approach to formulating its budgetary and programmatic plans at the country level (ibid., box 3.1). Guidelines for this approach were communicated to country offices in the third quarter of 2024. Country offices developing new Country Strategic Plans (CSP) will adopt the revised planning approach, while other country offices with significant, unjustified deviations from the new guidelines will be requested to adjust their plans through a budget revision.

14. Upon enquiry, the Advisory Committee was informed that of the projected operational requirements from 22.8 billion in 2023 to 18.2 billion in 2024 is the result of a reduction in the budgets for CSPs in sixteen of WFP's largest operations. The reduction of the projected operational requirements to 16.9 billion in 2025 is the result of the further adoption of the revised budgetary methodology by other Country Offices. For CSP revisions, budgets have been or are being revised through the standard budget revision process with approvals by the relevant Delegations of Authority. The budget revision process does not require approval by the Executive Board (EB), unless there are substantial increases in the value of the budget. New CSPs that begin in 2025 will be approved by the EB through the relevant EB sessions. Country office budget revisions can employ a combination of strategies, considering the country-specific context, targeting the populations most vulnerable to food insecurity and malnutrition. The introduction of the "calibration guidelines" provides a structured approach for Country Offices to develop strategic plans and budgets more effectively.

15. The Advisory Committee was further informed that the number of beneficiaries is determined through comprehensive needs assessments conducted by WFP Country Offices (COs). These assessments consider various data sources, including government statistics, partner inputs, WFP's own vulnerability analyses, and contextual factors such as food security status, nutrition indicators, and population displacement trends. While the fundamental elements of the needs assessments remain unchanged, WFP is currently adopting a more focused approach through the new "calibration guidelines." These guidelines support COs in setting realistic beneficiary targets that align with available funding and operational capacities. This means that although the core methodology remains the same, beneficiary numbers are now being set more conservatively to match the operational reality and funding prospects within each country context.

16. **The Advisory Committee notes the refined planning approach and trusts that more detailed information on the aspects of the calibration guidelines related to the budgetary methodology will be presented to it and to the Executive Board in the context of the next report. The Committee trusts that the efforts will continue to enhance the precision of the budgetary process, including refinement of the needs assessment methodologies and increasing coherence of planning processes between country offices, regional bureaux and the strategic planning at the headquarters level.**

Direct support costs

17. It is indicated in the report that direct support costs (DSC) are managed at the country level and directly support multiple activities related to the transfer of assistance and the implementation of programmes. The DSC rate is calculated for each country strategic plan (CSP) as a percentage of direct operational costs, which include transfer and implementation costs, and is driven by the size of the operation, the modalities used, the operational setting and the local economic environment. The DSC rate ranges widely among countries, from as low as 1 percent in those with large operations to a high of more than 30 percent for very small operations. Upon enquiry the Advisory Committee was informed that as per the definition in WFP's General Rules, "direct support cost shall mean a cost which cost shall mean a cost which corresponds to country-level expenditures that are directly linked to the execution of the programme as a whole but cannot be attributed to a specific activity within it." In practice, DSC can include but is not limited to: country office management costs (such as heads of units); office rental and maintenance costs; vehicle leasing and running costs, security costs, country portfolio evaluations and assessments that are not directly linked to a specific activity. The DSC rate (percentage) for an individual CSP is then determined by dividing the total DSC budget value by the sum of the total transfer and implementation budget values. The variance in the DSC rate between different Country Offices (COs) reflects their diverse operating environments. **The Advisory Committee is of the view that the efforts should be made to keep the actual Country Strategic Plan operational**

expenses under constant review for efficiencies, while the direct support cost rates should closely reflect the actual expenditures. The Committee notes wide variations in direct support costs in country operations and is of the view that more detailed information on the variances should be provided in future reports.

Programme support and business operations

18. The report provides an overview of the operations budget (ibid, paras: 112 to 118), components and funding sources (ibid., para 119), management priorities (para 120 to 122) and efficiencies (ibid., paras 123 to 124.The report presents the 2025 programme support and business operations budget at the level of USD 857.1 million, which represents a decline of 4 per cent compared with 2024 (ibid, table 4.1).

TABLE 4.1: COMPREHENSIVE BUDGET *(USD million)*

	Programme support and business operations							Programme operations	Total
	Baseline				Other services	Direct activities	Total	CSP**	
	PSA	CCIs	TF, SA and other	Total					
2025	480.0	47.4	167.8	**695.2**	27.3	134.6	**857.1**	8 146.4	**9 003.5**
2024*	482.6	104.5	142.5	**729.6**	34.2	131.8	**895.6**	9 314.3	**10 209.9**
Change	**(2.6)**	**(57.1)**	**25.3**	**(34.4)**	**(6.9)**	**2.8**	**(38.5)**	**(1 167.9)**	**(1 206.4)**
% change	**(1)**	**(55)**	**18**	**(5)**	**(20)**	**2**	**(4)**	**(13)**	**(12)**

* 2024 PSA is based on the PSA utilization plan presented in the Update to the WFP management plan (2024–2026). Trust funds and special accounts have also been updated (see annex V).

** The CSP budget is based on the provisional implementation plan excluding direct activities and ISC.

Abbreviations: CCIs = critical corporate initiatives; TF = trust funds; SA = special accounts.

19. Upon enquiry the Advisory Committee was informed that while the focus of the Management Plan is the approval of the Programme Support and Administrative (PSA) budget, it also includes and summarizes the other elements of the budget. Particularly, table 4.1 "Comprehensive Budget", outlines various components including the programme operations or CSP budget, which is reflected through the Provisional Implementation Plan. The budgets of individual CSPs are subject to individual approval by the Executive Board or under delegated authority throughout the year and details of the planned positions are not compiled into one database. As an indication of overall staffing, below are the planned FTEs for 2025 in the Programme Support and Business Operations budget (global HQ and PSA funded CO positions) and the actual headcount for positions funded by CSPs as of September 2024 which can be a proxy for the 2025 CSP planning

	Fixed-term					Short-term				
	Directors and Above	Int'l Professional	HQ GS	National	Total Fixed-Term	Professional and higher (Short Term)	Consultant	Temporary Assistance	Total Short-Term	Total
2025 Programme Support and Business Operations	156	1,333	556	895	**2,940**	56	1,243	270	1,569	**4,509**
2024 Actual (Sep) - Country Strategic Plans	35	1,091	3	8,244	**9,373**	26	887	7,188	8,101	**17,474**

20. **The Advisory Committee reiterates its prior recommendation in relation to the audited annual accounts for 2023, on the importance of the Executive Board being able to have full visibility over the entirety of the resources, including their allocation and performance notwithstanding the differences in planning cycle timelines. (see also WFP/EB.A/2024/6-(A,B,C,D,E,F,G,H)/2, para 8). The Committee is of the view that totality of the post and non-post resources requested at the Programme Support and Operations Level and at the level of Country Strategic Plans should be presented holistically including explanation of variances between approved resources and actual expenditures. The Committee also trusts that WFP will implement the relevant recommendations of the External Auditor as soon as possible.**

Programme support and administrative budget

21. A programme support and administration (PSA) budget of USD 480 million, reflecting a decrease of USD 2.6 million or one per cent from 2024, is proposed for the approval of the Executive Board. The report indicates that the Executive Board is requested to authorize the Executive Director to increase the PSA appropriation up to two per cent of the anticipated increase in the global contributions forecast, in the instance of an increase in that forecast by at least USD 300 million. For less favorable contributions scenarios, the Executive Director seeks authorization from the Executive Board to reduce the PSA appropriation by up to 10 per cent through implementing cost saving measures, as feasible. The funding for the PSA budget is derived from amounts recovered from contributions to cover indirect support costs (ISC). WFP management proposes that the rate be maintained at 6.5 per cent in 2025, with specific exceptions for a reduced 4 percent rate under conditions that have previously been approved by the Executive Board. It is indicated in the report that based on the proposed rates, the projected ISC income is USD 463 million (ibid., para 127). In response to the shortfall, WFP management is seeking approval from the Executive Board to use the programme support and administrative equalization account (PSAEA) to fund the difference between the ISC income and the PSA budget in 2025.

22. Upon enquiry, the Advisory Committee was informed that since 2023, with signs of a decline in contributions and operational level in 2022, WFP began recalibrating its PSA budget towards a lower level of income: The 2024 PSA budget was originally approved at USD 568 million and was revised downward to USD 528 million. Since the revised approved PSA exceeds the projected ISC income, WFP is implementing an aggressive PSA utilization plan that aims to contain costs at USD 483 million while the higher approved level provides flexibility to ensure that critical activities are maintained at the level required to support operations. The proposed PSA budget for 2025 at USD 480 million continues the downwards calibration of PSA and reflects challenges of reducing costs in an inflationary period, with long lead times to meet contractual obligations, and high expectations to maintain oversight, duty of care and governance standards. Any PSA expenditure above the level of the ISC income will be absorbed by the PSA Equalization Account, which has a healthy balance. The Committee was provided with the table below reflecting the evolution of the baseline budget latest planning vs actual expenditures figures. For 2022, 2023 and 2024 the planning figure are those reported in the latest relevant management plan documents.

Location	Baseline - USD million					
	2022		2023		2024	2025
	Plan	Actual	Plan	Actual	Plan	Plan
HQ	467.0	464.5	569.3	539.6	553.8	528.1
RBx	122.8	122.1	137.8	128.1	115.6	106.8
COs	43.0	42.8	48.4	49.6	60.2	60.3
Total	**632.8**	**629.4**	**755.5**	**717.3**	**729.6**	**695.2**

2024 plan figure is based on 2024 PSA Utilization Plan

PSA budget by department

23. The report indicates that the 2025 PSA budget fully embraces the headquarters reorganization that came into effect on 15 February 2024. The 2025 PSA budget proposes the same level funding for country offices as in 2024. For the regional bureaux, the proposed PSA allocations will decrease by three percent. Overall, the headquarters department budgets will decrease by one percent, allowing a gradual downwards calibration of support activities while oversight and governance activities are maintained, and covering essential infrastructure and administration costs (ibid., paras 144- 170, see Table 4.3 below). Upon enquiry, the Advisory Committee was informed that overall increase in the Executive Director and Chief of Staff departmental budget is driven by an allocation to the Chief Financial Officer Division for the scale-up of the global payments solution. The scale-up will bring organization-wide savings, primarily through reduced costs for payment processing in country offices. The Deputy Executive Director and Chief Operating Officer Department PSA budget increase is mainly related to the fact that 2024 was a year of transition for the new organizational structure, thus the department's 2024 budget did not cover all functions for the full 12 months. During 2025, coordination functions will be brought to an executive level, which will require an increased PSA budget for linking various functions and teams and ensuring coordination across the organization for more streamlined emergency responses within WFP, including through the coordination of surge capacity, and improved collaboration among United Nations entities. **The Advisory Committee trusts that further clarification on the increased budgetary allocation for HQ departments will be provided to the Executive Board in time for its consideration.**

TABLE 4.3: PROGRAMME SUPPORT AND ADMINISTRATIVE BUDGET BY DEPARTMENT				
Department	**2025 PSA budget *(USD million)***	**2024 utilization plan *(USD million)***	**Value difference *(USD million)***	**% change**
Country offices	60.3	60.2	0.1	0
Regional bureaux	95.2	97.8	(2.6)	(3)
Executive Director and Chief of Staff	86.0	82.4	3.6	4
Deputy Executive Director and Chief Operating Officer	20.1	17.9	2.2	12
Partnerships and Innovation	40.6	41.4	(0.8)	(2)
Programme Operations	63.8	71.3	(7.5)	(11)
Workplace and Management	77.0	75.9	1.1	1
Central appropriations	37.0	35.7	1.3	4
Total	**480.0**	**482.6**	**(2.6)**	**(1)**

24. The Advisory Committee was further informed that strategic workforce planning is guided by WFP's Staffing Framework and considers all funding sources, not only PSA. The Staffing Framework, approved in is growing, particularly for positions funded by PSA. Although a higher proportion of staff on fixed-term contracts leads to longer lead-time and higher obligations if staffing reductions are required, this is an accepted cost of providing employees with contractual entitlements appropriate to 2021, emphasizes the importance of using the appropriate contract for the type and duration of assignment; as a consequence, the proportion of employees on fixed-term contracts the work performed. Strategic workforce planning is grounded on planning at the division and office level. The Committee was provided with the table below that provides the 2025 planned FTEs for PSA post count and Programme Support and Business Operations (Baseline funding sources as well as Direct and Other Services) and the actual headcount funded by Country Strategic Plans (CSPs) as of 30th September 2024 (planning at the level of detail shown in the table is not available for CSPs in total.

Post Count																
2025	ED	ASG	D-2	D-1	P-5	P-4	P-3	P-2	P-1	HQ GS	National	Total Fixed-term	Professional and higher (Short Term)	Consultant	Temporary Assistance	Total
PSA (Plan)	1	4	50	89	205	328	345	91	6	424	665	**2,209**	26	405	102	**2,741**
Programme Support and Business Operations (Plan)	1	5	53	97	253	438	512	122	8	556	895	**2,940**	56	1,243	270	**4,509**
CSP (Actual as of 30th September)	0	0	1	34	141	408	459	83	0	3	8,244	**9,373**	26	887	7,188	**17,474**

25. **The Advisory Committee considers that the bottom-up workforce planning at the division and office level should be complemented and guided by the longer-term strategic planning at the level of the headquarters with a view to develop scalable workforce solutions in order to increase operational flexibility and minimize administrative overheads. The Committee recommends an assessment of the distribution of support resources across the different levels (HQ vs regional bureau vs country offices) and trusts that updated information thereon will be included in the next WFP report.**

Indirect support cost rate

26. The report indicates that the indirect support cost (ISC) rate is calculated to ensure that the cost of the activities defined in the PSA budget can be fully funded from projected contribution revenue. Assuming a global contribution forecast of USD 8 billion for 2025 and an ISC standard rate of 6.5 percent, with exceptions of 4 percent for specific cases as approved by the Board, the ISC income in 2025 will be USD 463 million. The calculated ISC rate of 6.33 percent would cover the costs of the proposed PSA budget and CCIs and maintain the PSAEA balance (ibid., para 176 to 179, and table 4.6). Upon enquiry, the Advisory Committee was informed that detailed methodology for setting the ISC rate can be found in Section 8 of the 2006 Review of Indirect Support Costs Rate document (https://executiveboard.wfp.org/document_download/WFP-0000029372). WFP uses this methodology to calculate the ISC derived rate, which is then used to inform whether the ISC rate should be revised. The derived rate is based on assumptions about contributions and expenditures in the coming year, thus it is a projection that has inherent variability. Changes to the ISC rate are rare as a change has far reaching impact on documents, systems, future contracts, negotiations, advocacy materials, etc. The last ISC rate change was in 2018 and prior to that in 2003. Since the rate change to 6.5 percent, the derived rates have been ranging from 6.2 to 6.8 percent. **The Advisory Committee notes the inherent variability**

of income projections and the impact it has on indirect support cost rate calculation methodology. The Committee considers, however, that routine analysis of longer-term historical data on actual income and expenditure could enhance its precision. The Committee is of the view that ICS methodology should be kept under review and relevant information provided to the Executive Board.

Reserves and fund balances

27. The report indicates that the programme support and administrative equalization account (PSAEA) and the unearmarked portion of the General Fund are projected to have balances of USD 289.1 million and USD 414 million, respectively, on 1 January 2025. These projected beginning-of-year balances are above the respective PSAEA target ceiling and the prudent balance of the unearmarked portion of the General Fund. The Executive Board is requested to approve the use of PSAEA to fund the shortfall in ISC income of USD 17 million (ibid., table 4.7) and allocate USD 152 million of the unearmarked portion of the General Fund to fund investments in WFP's future, to strengthen WFP's reserves and to meet contractual obligations to employees as WFP calibrates its budget downwards (ibid., para 187 and table 4.8).

TABLE 4.7: PROJECTION OF THE PROGRAMME SUPPORT AND ADMINISTRATIVE EQUALIZATION ACCOUNT *(USD million)*

PSAEA projected budgetary balance at 1 January 2025	**289.1**
ISC projected revenue (based on global contribution forecast income of USD 8.0 billion)	463.0
Proposed PSA budget	(480.0)
Proposed PSAEA drawdown for ISC shortfall	17.0
PSAEA projected budgetary balance at 31 December 2025	**272.1**
PSAEA target (equivalent to 5 months of 2024 PSA expenditures)	**200.0**
PSAEA floor (equivalent to 2 months of 2024 PSA expenditures)	**80.0**

TABLE 4.8: PROJECTION OF THE UNEARMARKED PORTION OF THE GENERAL FUND *(USD million)*

Projected balance at 1 January 2025		**414.0**
Projected earnings		155.0
Previously approved – Treasury management	*(2.4)*	
Proposed uses	**(152.4)**	
- Immediate Response Account replenishment	*(75.0)*	
- Staff obligations	*(20.0)*	
- Health self-insurance fund	*(7.0)*	
- Individual fundraising model	*(20.0)*	
- Critical corporate initiatives	*(30.4)*	
Projected balance at 31 December 2025		**414.2**
Prudent balance		**150.0**

28. Upon enquiry, the Advisory Committee was informed that the PSAEA was created to absorb differences between the Indirect Support Cost income and the PSA. The existing framework on usages of the PSAEA balances is outlined in the 2002 Report on the analysis of the ISC rate (https://executiveboard.wfp.org/document_download/WFP-0000030234). The PSAEA has a target level of five months of PSA expenditure and a “floor” equivalent to two months of PSA expenditure. Aside from being used to underwrite risk of decrease in ISC revenue, the PSAEA may be used for Critical Corporate Initiatives, thematic support and to strengthen reserves, such as the Immediate Response Account. All specific allocations must be approved by the Executive Board. For the Unearmarked portion of the General Fund, the main source of income is investment income derived from WFP’s cash balances held in investment portfolios and bank and money market accounts and foreign exchange income on treasury transactions. Through the years, the organization has used the General Fund for strategic investments aimed at strengthening WFP’s capacities, resourcing and financing mechanisms in support of strategic priorities. The prudent balance for the unearmarked portion of the general Fund for 2025 has been set at USD 150 million, like in previous years. This prudent balance is set at an amount which management considers to be a reasonable level to support the financial risk of write-offs and other unexpected financial outlays or for future allocations to unfunded priorities and replenishments of reserves.

Planned workforce reductions

29. The report indicates that WFP management is requesting the Executive Board to approve an allocation of USD 20 million from the unearmarked portion of the General Fund to fund additional exceptional costs related to management of the reductions of international professional and headquarters general service staff (ibid., paras 192 to 196). Upon enquiry the Advisory Committee was informed that in 2025, for local staff in the regional bureaux and global offices, the costs of reductions will be met from accruals. For international staff, regardless of their location, and general service staff in headquarters and global offices, the costs of further reductions can be met partly from accruals and standard position costs, but the potential costs are likely to exceed the availability of accruals and the level that can reasonably be absorbed by standard position costs. The Agreed Separation exercise was launched to support workforce reduction in view of the ongoing organizational restructuring. Based on age and years of pensionable UN service as of 31 July 2024, employees were able to receive Termination Indemnities. All applications were subject to thorough review by HR in consultation with relevant Directors, endorsement by the Leadership Group and final approval by the Executive Director. In total, 185 staff members accepted the separation offer extended to them for a total cost of approximately USD 11.5 million in 2024. **The Advisory Committee trusts that detailed information on the implementation of the planned workforce reductions and related financial implications will be provided to the Executive Board. (see also para 25 above)**

Replenishment of the Immediate Response Account (IRA)

30. The report indicates that WFP management is requesting the Executive Board to approve the replenishment of the Immediate Response Account in the amount of USD 75 million from the unearmarked portion of the General Fund. The transfer will improve the availability of funds in the first quarter of 2025 while WFP continues to engage with donors to replenish the IRA (ibid., paras 189 to 191).

Individual Fundraising model

31. It is indicated in the report that WFP management is requesting the Executive Board to allocate USD 20 million in the individual fundraising model from the unearmarked portion of the General Fund (ibid., paras 198-201). Investment in fundraising from individuals constitutes a key strategic imperative for WFP's efforts to significantly diversify its donor base and increase its level of flexible funding. By the end of 2024, individual giving will have generated more than USD 460 million in cumulative income, from a critical corporate initiative investment of USD 52 million and a loan of USD 24 million, demonstrating success at scale in the initial phase. According to the report, the USD 20 million requested in 2025 is the first tranche of a multi-year investment that will generate a total income of USD 138 million in the first year, with more than USD 1 billion being generated in the years 2026–2030 with continued investments. Upon enquiry the Advisory Committee was informed that the investment of USD 52 million in individual giving was made through critical corporate initiative Private sector strategy, implemented over the course of three years from 2020 through 2022. The USD 20 million proposal from the general fund will focus on highly targeted digital advertising and technology costs. The plan is to scale up individual fundraising within the existing strategy framework until 2025 when a new strategy will come into place. The Committee was further informed that many donors continue to give repeatedly after their first contribution. By reinvesting a portion of each contribution, the individual fundraising program becomes self-sustaining. The operating budget, which constitutes about 10% of the investment, covers technology costs such as payment providers, platforms, and advertisement agencies. Meanwhile, the revenue-generating budget, comprising around 90%, is allocated to highly targeted media advertising expenditures (e.g., Meta, TikTok, Google). **The Advisory Committee notes the efforts of WFP to develop the individual fundraising model and acknowledges its importance. The Committee is of the view, however, that more details should be presented to the Executive Board with regard to the budgetary assumptions including post requirements under the operating budget and the breakdown by object of expenditure for both the operating and the revenue-generating budgets as well as precise spending plan for each year of the duration of the initiative. The Committee is also of the view that the assumptions for the return on investment should be clearly benchmarked against advertising industry standards with regard to similar social impact and resource mobilization campaigns. The Committee trusts that enhanced business case and further details will be provided to the Executive Board for at the time of its consideration of the proposal. The Committee further encourages WFP to leverage lessons learned from other UN entities with similar strategies.**

Critical Corporate Initiatives

32. The Executive Board is requested to approve the transfer of USD 30.4 million from the unearmarked portion of the General Fund in support of six critical corporate initiatives (CCI). The corresponding amounts for approval are: i) Digital integration and modernization (USD 11.0 million): This is new CCI aimed at modernizing and integrating WFP's information technology and digital infrastructure; ii) Duty of care and inclusion (USD 5.1 million): This is new CCI with goal to ensure that WFP remains agile and effective in high-risk environments while upholding standards for well-being, workplace inclusion, and safety and security; iii) Positioning WFP to unlock diverse funding (USD 5.1 million): This is a new CCI with the goal to diversify funding while protecting and expanding WFP's current partnerships; iv) International Public Sector Accounting Standards implementation (USD 5.1 million): This is a new CCI to support the adoption of new accounting standards; v) Monitoring, identity management and traceability (USD 3.0 million): This is an existing CCI with the goal to strengthen monitoring and improve beneficiary identity management; vi) United Nations Sustainable Development Group (UNSDG) efficiency road map (USD 1.1 million): This CCI addresses the theme of effective partnerships and the achievement of efficiencies.

(ibid, paras 202 to 233, Annex III- Concept Notes). For on-going CCIs, Annex III, Table A.III.1(a) (see below) presents the unaudited cumulative expenditures since their inception up to 30 June 2024. The table also includes projected expenditures for the second half of 2024, as well as for 2025 and beyond. **The Advisory Committee reiterates its prior recommendation in relation to the audited annual accounts for 2023, on the clear criteria demarcating CCIs from other types of investments (see also WFP/EB.A/2024/6-(A,B,C,D,E,F,G,H)/2, para 10). The Committee trusts that the recommendation of the External Auditor will be implemented as soon as possible.**

TABLE A.III.1 (a): CRITICAL CORPORATE INITIATIVES BUDGET OVERVIEW (*USD million*)						
CCI title	Duration	Projected expenditures				
		Up to 30 June 2024*	July–December 2024	2025	2026 and beyond	Total
Monitoring, identity management and traceability	2024–2025	8.10	8.10	10.50	-	26.70
IPSAS implementation	2025–2026	-	-	2.80	2.30	5.10
Fit for future in a changed funding landscape	2024–2025	5.20	1.20	1.50	-	7.90
Positioning WFP to unlock diverse funding	2025–2027	-	-	2.10	3.00	5.10
Investing in WFP people	2022–2025	60.80	9.70	8.80	-	79.30
Duty of care and inclusion	2025–2026	-	-	3.20	1.90	5.10
Digital integration and modernization	2025–2026	-	-	7.80	3.20	11.00
Corporate process optimization	2024–2025	8.40	4.00	8.60	-	21.00
UNSDG efficiency road map	2023–2025	5.60	5.70	2.10	-	13.40
Total		**88.10**	**28.70**	**47.40**	**10.40**	**174.60**
Total of previously approved funding						**144.20**
Proposed new funding						**30.40**

* Unaudited cumulative expenditures since the start of each CCI, including open commitments.

33. Upon enquiry, the Advisory Committee was informed that the carry-over amount indicated in the concept notes for ongoing CCIs includes both the previously approved budget for 2025 and the remaining unspent balance from 2024. Out of the total USD 28.5 million listed under carry-over for five ongoing CCIs, 52% corresponds to the unspent balance from 2024 of four of them, while the remaining 48% represents the budget previously approved for 2025. An estimated USD 8.8 million will be carried forward into 2025 under CCI Investing in WFP People to fund a one-year no-cost extension for the completion of activities that have been delayed or have slightly shifted in focus in line with the ongoing global organizational change and budget adjustments. A small carry-over of USD 0.5 million from 2024 under CCI Fit-for-Future in a Changed Funding Landscape is mainly linked to delays encountered with the competitive tenders in the procurement of specialized consulting services under one of the key CCI deliverables, which focuses on digitizing and harmonizing partner management. While significant progress is being made in 2024 under CCI Monitoring, ID Management, and Traceability, several deliverables will be completed in 2025. The extension of the CCI UNSDG Efficiency Roadmap through 2025 will enable WFP to finalize ongoing activities, achieve program goals, and efficiently leverage resources. A new deliverable with an additional

USD 1.1 million funding is aimed at consolidating WFP's internal service delivery through the establishment of a shared services model and centralized services delivery, including a financing model, which will provide opportunities for WFP to consolidate, systematize, and streamline processes across operations. The Advisory Committee was provided with the table below indicating the main expenditure lines for new and existing CCIs.

CCI Name	**2025 budget by main lines of expenditure (USD million)**						
	Staff	**Consultancy**	**Duty travel**	**Training**	**Communications, IT services and equipment**	**Other**	**Grand Total**
Monitoring, ID management and traceability	2.3	2.3	0.4	0.3	1.6	3.6	**10.5**
IPSAS Implementation (New)	1.5	0.3	-	0.1	0.4	0.5	**2.8**
Fit for Future in changed funding landscape	0.1	0.5	0.2	-	0.5	0.2	**1.5**
Positioning WFP to unlock diverse funding (New)	0.3	0.7	0.2	0.3	0.4	0.2	**2.1**
Investing in WFP People	4.2	1.4	0.6	1.0	0.7	0.9	**8.8**
Duty of Care and Inclusion (New)	0.8	0.9	0.1	0.3	0.5	0.6	**3.2**
Digital integration and modernization (New)	-	1.4	-	-	6.4	-	**7.8**
Corporate process optimization	0.6	0.4	0.1	0.3	6.2	1.0	**8.6**
UNSDG Efficiency Roadmap	0.4	0.4	-	-	0.4	0.9	**2.1**
Grand Total	**10.2**	**8.3**	**1.6**	**2.3**	**17.1**	**7.9**	**47.4**

34. **The Advisory Committee, while noting the reduction in the requested resources for CCIs as compared to the previous Management Plan, also notes the ongoing trend of under expenditures in CCIs. The Committee further takes note of the information provided in Annex III and trusts that detailed performance information will be provided in future reports, including explanations of underutilization of resources.**

Insurance schemes

35. Information on WFP's self-insurance coverage and expanded health self-insurance is provided in paragraphs 234 to 262. The Executive Board is requested to approve the expand the scope of the operational self-insurance fund (the "captive") to include financial risks, property risks, and emerging and hard-to-insure risks that are difficult to insure under commercial insurance coverage, as well as the plan to self-insure all health insurance schemes as of 1 January 2026. The Board is further requested to approve the transfer of USD 7.0 million from the unearmarked portion of the General Fund to support expanding the health self-insurance scheme.

36. Upon enquiry the Advisory Committee was informed that the current practice of "captive insurance" is a tool for WFP to mitigate those risks that are assessed and accepted as necessary to fulfil its humanitarian objectives. Many commercial insurers currently consider such areas where WFP works as outside their risk appetite. In such a challenging landscape, self-retention schemes such as the Captive offer the only viable option for adequate insurance coverage. The Captive's robust risk management framework, which includes Risk Assessment, Risk Appetite evaluation, and Own Solvency Assessment, is a critical element in ensuring the maintenance of capital adequacy. This framework is regularly reviewed and updated and undergoes a thorough review after any significant event that could impact the Captive's capital base, providing a strong foundation for risk management. WFP's increased use of cash transfers and overall financial outlay will increase the financial risks. At the same time, commercial insurance deductibles are projected to increase, driven mainly by industry dynamics and improvements in WFP underwriting data. This will result in larger losses being retained in the balance sheet and eventually written off. Covering these risks through the Captive will result in cost savings, drive the development of risk management and allow for customisation of coverage to address risks unique to the organisation.

37. The Advisory Committee was also informed that the self-insurance funding model is projected to generate savings over time and enable WFP to strategically reinvest these savings into a range of expanded benefits such as lower co-pay, lower contribution rates, or higher coverage ceilings. The actual monetary value of savings will vary depending on the future trend of medical expenses and global inflation; however, they can be estimated to be equal to the risk retention fee that would have been levied in the commercial insurance alternative. In a commercial health insurance scheme, the total cost to WFP is the sum of the total projected medical expenses incurred by participants plus the commercial insurer's profit margin top-up (i.e. risk retention fee). On the other hand, in a self-insured scheme, the total cost to WFP is equal only to the total actual medical expenses incurred. Currently, the risk retention fee charged by WFP's commercial insurer is 4% of all projected medical expenses, therefore it is anticipated that the self-insurance model to be 4% cheaper than the commercial alternative in the long run. The Committee was provided with the results of the insurance broker's study of the health insurance scheme which indicated that even in the most catastrophic scenario which is estimated to occur only once every 1,000 years, the additional cost that WFP would incur in a self-insured set-up as compared to a commercial insured set-up is only USD 3 million. **The Advisory Committee notes the changes to the insurance schemes and recommends that the Executive Board be provided with regular updates on the use of the insurance schemes and the financial impact of the increased risk retention on WFP.**

Other Matters

Geographic representation

38. The Advisory Committee was informed that information on the composition of international professional staff and higher categories at 31 December 2023 was presented at the Executive Board June 2024 Annual Session (https://executiveboard.wfp.org/document_download/WFP-0000157538). This report indicates 49.9 percent of the international staff were from developing countries, however 46.2 percent of the staff identified themselves from North America, Western Europe, Japan, Australia and New Zealand. **The Advisory Committee notes the continued imbalance in geographic representation amongst international staff and trusts that updated information on the efforts to improve geographic representation will be reflected in the next Management Plan.**

Anti-racism action plan

39. The Advisory Committee was informed that WFP's Anti-Racism Action Plan will no longer be a stand-alone initiative but will now be integrated into WFP's comprehensive Diversity, Equity, and Inclusion (DEI) strategy, which is currently in the early stages of development. This realigned approach will address all dimensions of diversity—race, ethnicity, anti-racism, gender, disability, Indigenous peoples, and the LGBTIQ+ community - through an intersectional lens. **The Advisory Committee looks forward to receiving updated information on the development and roll-out of the DEI strategy in future reports.**

ICT security challenges

40. Upon enquiry, the Advisory Committee was informed that the rapid growth in WFP's field activities and data collection efforts, alongside the adoption of new technologies, and the fast-changing geopolitical situation have expanded the security perimeter and increased the complexity of their ICT security challenges. From July to September 2024, the WFP Technology Division identified 65,000 incidents, of which 4,823 were confirmed threats. WFP received 1 million malicious emails, of which 13,000 reached employees. Exactly 166 WFP colleagues clicked malicious links, provided credentials, or had their accounts compromised. While the WFP Technology Division has made considerable efforts to address ICT risks, including the kick-off of the Roadmap towards Zero Trust Architecture, the deployment of advanced and uninterrupted monitoring capabilities, the launch of many vulnerability assessments, the strengthening of the governance framework through more robust controls around the implementation of IT solutions, WFP's current approach is predominantly reactive. **The Advisory Committee underscores the importance of maintaining the highest standards of ICT security and trusts that WFP will increase its efforts to address challenges including by raising the awareness of staff in that regard. The Committee trusts that relevant updates will be provided in future reports.**

Global Assurance Framework

41. Upon enquiry, the Advisory Committee was informed that that the Global Assurance Framework was enacted in June 2024 with the introduction of new global assurance standards. These standards outline four key operational requirements, including the minimum assurance measures that need to be tailored and implemented by country operations by the end of next year. The framework covers five thematic areas: targeting and HQ management, commodity management, monitoring and community feedback mechanism, cooperating partners and ID management. The purpose of the Global Assurance Framework is to clarify the standards that all WFP operations must achieve to ensure intended people are assisted. In terms of resources, the current implementation cost is USD 115 million for all 31 high-risk countries to implement the necessary measures. The Advisory Committee was further informed by the External Auditor that the Framework included functional standards from needs assessment to post-distribution and they will continue to review if the regulatory framework is adequate for enhancing monitoring and accountability in the area of partner management **The Advisory Committee trusts that updated information on the implementation and effectiveness of the global assurance framework will be provided in future reports.**

II. Report of the External Auditor on findings from field audits

42. The report (EB.2/2024/5-B/1) submitted to the Executive Board for consideration, indicates that in 2023, the External Auditor conducted nine audit visits to six country offices and three regional bureaux and issued 106 new recommendations. The recommendations mainly concerned the areas of management, cooperating partner and asset management, and human resources. Upon enquiry the Advisory Committee was informed by the External Auditor which found that country offices lacked appropriate monitoring documentation and had not based their spot checks on a risk-oriented approach. The six country offices visited had about 300 active agreements in place with more than 170 partners. The country offices conducted 18 spot checks (6 percent of the agreements) in total, covering 10 percent of cooperating partners. According to the External Auditor the lack of reporting on issues with partners, of requesting supporting documents from partners, and the belated submission of partners' financial reports represent a risk of not detecting inappropriate use of funds in a timely manner.

43. Upon enquiry, the Advisory Committee was informed by the External Auditor that their findings on asset management in the summary field report are related to the management of property plant and equipment. The External Auditor found that country offices had not followed a standardized approach for classifying these assets and that the respective registers had shown a high number of non-operative items. The External Auditor also noted cases of "missing" items, where country offices were unable to reconcile their assets entirely. For example, country offices had transferred items to cooperating partners or staff members. As they did not track the new holder, those items were categorized as missing. The findings underline a necessity for improving the disposal process and the tracking and reconciliation of office equipment

44. The Advisory Committee was informed by the External Auditor that the WFP Executive Director's Circular on the WFP Staffing Framework stipulates that a role required on a medium to long term basis (normally one year or more), critical for the programme, with signatory, releasing or decision-making authority, and/or that handles sensitive information shall be performed by a staff member to strengthen ownership and accountability of actions and decisions. Entrusting critical functions, such as head of programme or head of administration, to consultants is therefore not in line with the WFP regulatory framework. If those functions are needed on a longer-term basis, hiring units need to establish appropriate positions. The External Auditor holds that constant reappointments of the same personnel contradicts the purpose of short-term experts.

45. Lastly, the Advisory Committee was informed by the External Auditor that whenever regional bureaux provide substantial backfilling of vacant positions in the country offices in the region, and/or segregation between staff members providing the support and overseeing the country offices is not possible the regional bureau's oversight role might be impaired. The External Auditor holds that headquarters should be made aware of such cases. In the context of the current restructuring of regional bureaux this could indeed result in a support role of headquarters in such situations.

46. **The Advisory Committee notes with appreciation the work of the External Auditor in highlighting the issues faced by WFP field operations. The Committee underscores its view that field-oriented organizations such as WFP should ensure that front-line staff receive the highest level of support while being fully accountable according to their delegated authority. The Committee trusts that the Executive Director will ensure the timely implementation of the recommendations of the External Auditor.**

III. WFP management response to the recommendations in report of the External Auditor on findings from field audits

47. The report (EB.2/2024/5-B/1/Add.1) submitted to the Executive Board for consideration, describes WFP management's response to the findings of the External Auditor in their field visit. Upon enquiry, the Advisory Committee was informed that WFP continues to improve its asset management processes, including the enhancement of corporate asset management tools. In 2022, the Global Equipment Management System was enhanced to simplify data input, reduce manual workload, and enhance operational efficiency through the Enhanced Good Receipt Transaction process. The Committee was informed that WFP's updated due diligence framework, now under development, will be incorporated into WFP's new private sector strategy, which is scheduled for release in 2025. Additionally, WFP commissioned the mid-term evaluation of the WFP Private Sector Partnerships and Fundraising Strategy (2020-2025) in 2024. All recommendations from the evaluation are being considered to ensure a more robust and streamlined approach to engaging with external partners. The Committee was further informed that the WFP Staffing Framework is intended to ensure that the most appropriate contract modalities are applied based on the functions/roles that need to be performed, including where it pertains to supervisory responsibilities. The Staffing Framework is currently in a transition phase until 31 December 2025, after which it should be fully implemented. **The Advisory Committee trusts that efforts to address the External Auditor recommendations will be provided in future reports.**