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Agenda item 6

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REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS (ACABQ)

The Executive Director is pleased to submit herewith the report of the ACABQ pertaining to WFP. The letter covers different agenda items as follows:

- Issues on Financial Policies (WFP/EB.A/2003/6-A/1);
- Comprehensive Financial Report (WFP/EB.A/2003/6-B/1); and
- Amendments to WFP Financial Regulations (WFP/EB.A/2003/6-C/1).

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Reference: AC/1511

Advisory Committee on
Administrative and Budgetary Questions

15 May 2003

Dear Mr. Morris,

The Advisory Committee on Administrative and Budgetary Questions has considered the reports entitled “Amendments to WFP Financial Regulations” (WFP/EB.A/2003/6-C/1), “Issues on Financial Policies” (WFP/EB.A/2003/6-A/1) and “Comprehensive Financial Report” (WFP/EB.A/2003/6-B/1).

The Committee notes that the proposed amendments to the financial regulations (1.1, 7.1, 9.1, 9.2, 9.3, 9.4, 9.5, 9.6 and 9.8), contained in the report (WFP/EB.A/2003/6-C/1), reflect the Board’s recommendations as to the conversion of the current Strategic and Financial Plan into a 4-year Strategic Plan, incorporating the results based objectives, and of the Biennial Programme of Work and Budget into a Biennial Management Plan, which includes the biennial budget, specifying planned outcomes and indicators of achievement. The Committee has no objection to the proposed amendments to the Financial Regulations.

The Committee notes that the report “Issues on Financial Policies” (WFP/EB.A/2003/6-A/1), constitutes the first in connection with the review of WFP’s financial policies, following the Annotated Outline and Programme of Work for the Review of Resources and Long Term Financing (R<F) endorsed by the Executive Board in February 2003. The report incorporates the Board’s change of the name of the financial policies from R<F to “Financial Policy Framework”. The Committee further notes that the comprehensive evaluation of these policies will be completed in tandem with the 2004-2007 Strategic Plan and the 2004-2005 Management Plan and furthermore, that it is proposed that the review of financial policies form a part of the strategic and management planning processes in future.

Mr. James T. Morris
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The Committee welcomes the progress made in harmonizing policies and procedures with other United Nations organizations and, particularly, the initiatives undertaken as enumerated in paragraph 13 of the report, in order to enhance the overall impact of activities of the United Nations s recovery principle by the World Food Programme has implications requiring policies that are different from the other organizations of the UN system.

As indicated in paragraph 25, one of the objectives of the Financial Policy Framework (FPF) is to secure flexibility in resource use. The Committee notes that WFP's Secretariat intends to assertively advocate for more multilateral contributions in order to improve its responsiveness. Moreover, greater emphasis will be placed in broadening the donor base into the private sector. Paragraph 41 indicates the underlying principles upon which the current governing policies are based (the guidelines issued by the Secretary-General and the treatment of private sector contributions on the same basis as those from Member States).

The issue of Government Counterpart Cash Contributions (GCCC) is treated in detail in section H and annex III of the report. The Committee welcomes the information provided therein and notes the conclusion that GCCC should be treated as far as possible in the same manner as all contributions to the Programme, including both cash and in-kind contributions.

The application of the zero-based budgeting approach to the preparation of the 2004-2005 Management Plan will include a review of fixed and variable costs and direct and indirect programme costs. The Committee will therefore revert to this issue at the time of its consideration of the reports of the Executive Director in the fall of 2003.

The Committee takes note and welcomes the submission of the comprehensive financial report (WFP/EB.A/2003/6-B/1), which consolidates financial information, providing the interim financial results for 2002, information and analysis relative to cash and investment management issues, and information on projects closed to date, including the explanation of the process followed in the disposition of closed project balances. The Committee noted the fact that the report was prepared utilizing the accrual basis accounting policy for income recognition.

Yours sincerely,

(Signed) C.S.M. Mselle

Chairman

