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Programa Mundial de Alimentos
برنامج الأغذية العالمي

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For information

Executive Board documents are available on WFP's website (<https://executiveboard.wfp.org>).

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:

- Audited annual accounts, 2023 (WFP/EB.A/2024/6-A/1)
- Update to the WFP management plan (2024–2026) (WFP/EB.A/2024/6-B/1)
- Annual report of the Independent Oversight Advisory Committee (WFP/EB.A/2024/6-C/1)
- Annual report of the Inspector General (WFP/EB.A/2024/6-D/1) and Note by the Executive Director (WFP/EB.A/2024/6-D/1/Add.1)
- Management review of significant risk and control issues, 2023 (WFP/EB.A/2024/6-E/1)
- Report on the utilization of WFP's strategic financing mechanisms (1 January–31 December 2023) (WFP/EB.A/2024/6-F/1)
- Report of the Executive Director on contributions, reductions and waivers of costs under General Rule XIII.4 (f) in 2023 (WFP/EB.A/2024/6-G/1)
- Workplan of the External Auditor (WFP/EB.A/2024/6-H/1)

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Advisory Committee on
Administrative and Budgetary Questions

14 June 2024

Dear Ms McCain,

Please find attached a copy of the report of the Advisory Committee on your submission of the reports in the attached annex.

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 a total of nine 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, from 24-28 June 2024. Two of the documents are submitted to the Executive Board for approval, namely the Audited annual accounts for 2023 and the Update to the WFP Management Plan. Five additional reports are submitted for consideration and two for information (see annex for a full list of reports). During its consideration of the reports, the Advisory Committee met with representatives of the WFP Secretariat and the External Auditor, who provided additional information and clarification, concluding with written responses received on 23 May 2024.

II. Documents submitted to the Executive Board for Approval

A. Audited Annual Accounts, 2023

2. The report on the audited annual accounts for 2023 contains: (a) the opinion of the External Auditor on the financial statements and the long-form report of the External Auditor in section I; and (b) the Executive Director's statement, statement on internal control, financial statements I-V and notes to the financial statements in section II.
3. The External Auditor has issued an unqualified audit opinion on WFP's Financial Statements for the financial period ended 31 December 2023. The Advisory Committee notes that the External Auditor has issued several recommendations, covering matters such as budgetary management, financial internal control framework, financial processes, cooperating partner management, delegation of authority and management of consultancy services. **The Advisory Committee trusts that the External Auditor's recommendations will be implemented in full and in a timely fashion.**

Financial performance and financial position

4. In 2023 total contribution revenue amounted to \$8,300 million, a decrease of \$5,800 million, or 40.8 percent, from a record high of \$14,100 million in 2022. Expenses amounted to \$10,864 million, a decrease of \$584 million, or 5.1 percent, from \$11,448 million in 2022. The deficit of revenue over expenses was \$1,741 million in 2023, compared to a surplus of \$2,970 million in 2022. The Advisory Committee, upon enquiry was provided with the following table showing trends in total revenues, expenses and surplus (deficit); fund balances, reserves and net assets for the period 2012-2023.

**Table 1: Trends in revenue, expenses and surplus/(deficit)
from 2012 to 2023 (rounded figures)**

Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue*	4 211	4 536	5 450	4 765	5 909	6 431	7 368	8 272	8 904	9 602	14 418	9 124
Expenses	4 396	4 515	5 215	4 816	5 368	6 219	6 640	7 613	8 054	8 882	11 448	10 864
Surplus (Deficit)	(184)	21	236	(51)	541	212	729	658	850	720	2 970	(1 741)
Fund balances	3 351	3 400	3 591	3 492	3 997	4 054	4 898	5 438	6 431	8 081	10 753	9 256
Reserves	273	273	331	278	330	380	407	432	411	509	896	659
Net Assets	3 624	3 673	3 923	3 771	4 327	4 434	5 306	5 870	6 842	8 590	11 649	9 915

* WFP changed its contribution revenue recognition policy in 2016 and restated 2015 comparative period balances. The policy was again changed in 2022 restating 2021 balances.

- The report indicates that despite the decline in contributions revenue the overall financial indicators improved or remained at a comparable high level. The reason for improved indicators were mainly due to the decreased current payables and accruals compared with increased short-term investments. The External Auditor's analysis of the key financial ratios demonstrates that WFP met all its liabilities (para 21).
- The Advisory Committee notes the consistent and healthy financial position of WFP over the years despite facing a significant decline in contributions revenue in 2023.**

Other matters

Budgetary Management

- The audit report in paras 25-36 indicates agreement between WFP Management and the External Auditor on the need to improve the reliability of its funding forecast and to set clear thresholds when ad hoc supplementary notifications to the Executive Board are required. Upon enquiry the Advisory Committee was informed that the Executive Board (EB) has governance and approval authority over the operational activities through the budgets of the individual Country Strategic Plans (CSPs) and over indirect activities through the budgets approved in the Management Plan. The Management Plan presented annually brings together the projected operational requirements provisional implementation plan the indirect costs and Trust Funds and Special Accounts for the forthcoming year. Individual Country Strategic Plans are aligned to host government and UN Country Team planning cycles and generally cover a 5-year period. Thus the EB's approval of the CSPs and their revisions occurs during each EB formal session based on the life cycle of the individual CSPs. The annual projected operational requirements as presented in the Management Plan are based on the EB approved CSPs while the provisional implementation plan is a derivation of the operational requirements taking into consideration the funding forecast. The Committee was further referred by the External Auditor to the disclosures of UNICEF UN Habitat and UNHCR.
 - The UNICEF budgets for the various programmes are approved by its Executive Board subject to the availability of funding. The original budget comprises the approved amounts for both regular resources and other resources initially allocated for the current year. The final budget represents the contributions received against the

Board-approved ceiling and planned for the calendar year. (UNICEF FS A/78/5/Add.3 para 88 pg. 82).

- UN Habitat: Approved budgets are those that permit expenses to be incurred and are approved by the Executive Board. For IPSAS reporting purposes approved budgets are the appropriations authorized for each category through General Assembly and Executive Board resolutions for the regular budget and Foundation non-earmarked segments respectively. (UN Habitat A/78/5/Add.9 para. 111 pg. 106).
 - UNHCR quotes the governing bodies' approval decisions in Statement V that add up to the approved annual budget.
8. **The Advisory Committee agrees with the External Auditor on the need for clear thresholds and additional disclosures on the forecasts and implementation plans and trusts the recommendation will be implemented in a timely manner. The Committee further underscores the importance of the Executive Board being able to have full visibility over the entirety of the resources their allocation and their performance notwithstanding the differences in planning cycle timelines. The Committee trusts that WFP will implement the recommendations of the External Auditor as expeditiously as possible and information thereon will be provided in the next financial report of WFP.**

Movements in reserves (PSAEA)

9. The audit report in paras 51 -58 highlights the differences in the opening and closing balances of the PSA Equalization Account (PSAEA) as presented to the Executive Board with an agreed recommendation to updated and reconcile this presentation going forward. Upon enquiry the Advisory Committee was informed that the divergence in the PSAEA balances between the Management Plan and the Financial Statements is due to: 1) timing difference of the documentation ie. the Management Plan presents a forecast of the future balance whereas the Financial Statements presents the actual balance in the past and 2) the Management Plan considers outstanding commitments based on budgets approved by the Executive Board whereas the Financial Statement is an accrual basis. The Committee was further informed by the External Auditor that these changes should be disclosed and explained in a transparent manner. Discrepancies between (ii) the financial statements and the budget documents are inherent due to the different concepts of accrual basis (financial statements) and commitment basis (budget). **The Advisory Committee trusts that WFP will implement the recommendations of the External Auditor as expeditiously as possible and information thereon will be provided in the next financial report of WFP.**

Critical corporate initiatives

10. On the External Auditor's recommendation to enhance the information on critical corporate initiatives (CCIs) the Advisory Committee upon enquiry was informed that CCIs are defined as one-off investments aimed towards organizational transformative change and aligned to corporate priorities. Only initiatives that fulfil these criteria are considered for CCI funding. CCI activities are indirect activities of the organization and could be funded from PSA however due to their one-off nature and generally significant cost they are often established as discrete investments; on the other hand PSA covers core indirect costs that are usually though not always recurring costs. The External Auditor informed the Advisory Committee on the lack of transparent disclosure of the financial development and utilization of the single CCI. According to the External Auditor WFP lacks clear definitions and criteria when and for what timeframe a CCI may be used as opposed to "normal" programme support activities. The concept of CCI dates back to 2015 and besides the "progress report" (WFP/EB.A/2015/6-C/1 Progress on the financial framework review including indirect support costs) there is no General Rule Financial Regulation or Financial Rule that outlines the criteria of CCI. The progress report states that the initiative must not be covered by the regular PSA

budget. **The Advisory Committee concurs with the External Auditor regarding the need for clear criteria demarcating CCIs from other types of investments and trusts that update thereon will be provided to the Executive Board.**

Delegation of authority

11. In their report the External Auditors presented important recommendations on improving the delegation of authority within WFP. Upon enquiry the Advisory Committee was informed that according to General Regulation VII the Executive Director (ED) has the authority to administer and implement WFP programmes projects and other activities with the power to delegate these authorities to other officials as necessary. Financial Rule 103.1 mandates that all officials are accountable to the ED for their actions in the course of their official duties. Generally the ED delegates authority to functions rather than individuals sometimes designating a single function such as an Assistant Executive Director (AED) and other times several functions such as directors and chiefs at headquarters regional directors and country directors. Additionally the ED may authorize these functions to sub-delegate their authority. Different departments are responsible for managing circulars directives memoranda and guidance and implementing their respective oversight procedures for delegated authorities. As part of WFP's recent organizational realignment the Executive Director issued a decision memorandum (OED 868) on 23 February 2024 which calls for a review of the existing delegations of authority (DoAs) for AEDs and the Chief Financial Officer to ensure that the DoAs are aligned with the new structure. The process of establishing a DoA repository and maintaining it with all the resources required to do so will consider the United Nations framework for delegation of authority introduced by the Secretary-General in January 2019 for guidance. Also the process will consider the need to: (i) align the delegates' accountabilities with their respective delegated authorities; and (ii) define the monitoring and reporting processes and procedures including performance indicators where applicable for the exercise of delegated authority. **The Advisory Committee underscores the importance of transparent and coherent delegation of authority framework with clearly outlined roles and areas of responsibility especially in the context of funding volatility and organizational restructuring initiatives currently underway. The Committee trusts that WFP will implement the recommendations of the External Auditor as expeditiously as possible and information thereon will be provided in the next financial report of WFP. (see para 20 below)**

Organizational restructuring of the budget function

12. With regard to the External Auditor's recommendation on the roles and responsibilities of the budget function the Advisory Committee upon enquiry was informed that the objectives of last year's internal review of WFP's organizational structure were to strengthen collaboration throughout the organization streamline activities and ensure a focus on operations and employees in the field. The CFO oversees the full financial cycle serves as the most senior financial advisor and has authority over financial policy design and implementation. The division is structured into four services with a branch for financial information management. The Advisory Committee was further informed by the External Auditor that in comparable UN entities (UNICEF UNHCR IOM) the Chief Financial Officer (Office of the Controller) is usually not detached from the departmental or divisional layers as is now the case in WFP. This structural particularity in the new WFP structure also impacts the separation of the corporate and operational budget function. **The Advisory Committee notes the opinion of the External Auditor and trusts that WFP will make every effort to achieve an effective and coherent budgetary function. The Committee looks forward to an update thereon in the next report on the WFP Management Plan. (see para 32 below)**

Cooperating Partner Management and Cash Transfers

13. The audit report in paras 170- 194 highlights the challenges faced by WFP in monitoring the activities of their cooperating partners (CP) and recommends the application of the Harmonized Approach to Cash Transfers (HACT) framework for monitoring partners. Upon enquiry the Advisory Committee was informed that WFP's management of cooperating partners (CPs who are non-governmental organizations implementing our operations) involves robust control mechanisms from end-to-end fully aligned to the enterprise risk management framework. In late 2023 WFP's High-Level Task Force (HLTF) on Reassurance requested the then Corporate Finance Division and the NGO Unit to draft a White Paper reviewing the potential benefits of the UN Harmonized Approach to Cash Transfers. The preliminary study indicated that while there are benefits for WFP there are challenges including cost implications on adopting HACT. Notwithstanding the challenges WFP stands to gain from adopting the HACT framework. It strengthens WFP's commitment to the UN reform agenda and improves operational effectiveness and efficiency. It should also help WFP address recommendations of oversight bodies towards strengthening its Cooperating Partner (CP) management. **The Advisory Committee is of the view that effective management of cooperating partners and cash transfers is essential for the risk management of WFP operations. The Committee concurs with the External Auditor and sees merit in pursuing further options for a standardised and coherent approach by the United Nations system entities for the risk management of implementing partners. The Committee trusts that WFP will implement the recommendations of the External Auditor and information thereon will be provided in the next financial report of WFP.**

B. Update to the WFP Management Plan

14. The update to the WFP management plan for 2024–2026 (EB.A/2024/6-B/1) presents an update on the contribution forecast the operational requirements and the implementation plan for 2024. It also presents the results of the reorganization exercise including an updated organigram the corresponding programme support and administrative (PSA) budget for the revised structure and a replanned PSA budget in the light of lower contributions.
15. The report indicates that the revised contributions forecast is now \$8 billion from the earlier forecast of \$10 billion. As of 25 March 2024 WFP had received USD 1.8 billion in confirmed contributions representing 23 percent of the USD 8 billion global forecast for the year. This is in line with the trends in previous years as historically the largest share of contributions to WFP is confirmed in quarters three and four. (paras 3-9)
16. The management plan for 2024–2026 anticipated operational requirements of USD 22.7 billion for the ambitious goal of assisting 157 million people worldwide. Driven by record numbers of people experiencing hunger globally WFP's requirements over recent years have been increasing in an environment of lower resources. Consequently the funding gap continues to widen from a 40 percent gap in 2021 to a projected 52 percent gap in the management plan for 2024–2026. Exacerbating the gap is the reduction in WFP's updated global contribution forecast for 2024 from USD 10 billion to USD 8 billion. The projected operational requirements for 2024 have been adjusted downwards from USD 22.7 billion to assist 157 million people to USD 18 billion to reach 139.2 million people in need. With the reduction of the contribution forecast the updated provisional implementation plan is USD 10 billion with the aim of assisting 106 million beneficiaries. (paras 10-13)

17. Upon enquiry the Advisory Committee was informed that the reduction in funding has significantly impacted WFP's ability to support the initially planned number of beneficiaries. Consequently approximately 51 million people in the original operational requirements will not benefit from WFP assistance and require support through other means and/or entities. In October 2023 the Deputy Executive Director & Chief Operating Officer requested regional directors to review the Country Strategic Plans (CSPs) in light of capacity access and operational challenges. This recalibration aimed to create a more realistic financial requirement for WFP's operations. Sixteen priority countries identified as high-risk and accounting for the majority of WFP's global needs were asked to review their budgets and submit a prioritized plan for 2024. Each country office developed a context-specific approach leading to a reduction in the total projected requirement from USD 22.7 billion to USD 18 billion decrease by USD 4.7 billion. To arrive at the provisional implementation plan of USD 10 billion against the updated projected operational requirements of USD 18 billion country offices adopted various strategies for prioritization such as focusing assistance on those facing the most severe food insecurity and malnutrition thereby reducing the overall number of beneficiaries. Other strategies include rotating distributions shortening the duration of assistance or reducing the size of rations. Such reductions will significantly impact operations in the most vulnerable countries leading to reduced coverage and support for those in need. The Committee was provided with the below tables showing the total numbers of people receiving assistance and details of the 16 largest operations and Palestine with revisions to the operational requirements completed or in progress.

Year	2019	2020	2021	2022
Estimated number of people reached with direct WFP assistance*	97M	116M	128M	160M
WFP Contribution Revenue (in USD billions)	8.0	8.4	9.4	14.1

*as reported in WFP's Annual Performance Report 2019 2020 2021 and 2022. The 2023 report will be presented to WFP's Executive Board in June 2024.

PROJECTED OPERATIONAL REQUIREMENTS (USD Millions)		
	Management plan (2024-2026)	Update to the management plan
16 Largest operations and Palestine Detail		
Revisions Completed		
Chad	505	600
Haiti	328	328
Lebanon	1 581	960
Mali	377	300
Niger	303	315
Sudan	538	731
Syrian Arab Republic	1 496	1 001
Ukraine	1 294	943
Sub-total: Completed revisions	6 421	5 178

PROJECTED OPERATIONAL REQUIREMENTS <i>(USD Millions)</i>		
	Management plan (2024-2026)	Update to the management plan
Revisions in-progress		
Afghanistan	2 218	1 552
Burkina Faso	501	401
Democratic Republic of the Congo	1 684	1 135
Ethiopia	1 320	881
Nigeria	561	441
Somalia	1 064	635
South Sudan	1 229	892
State of Palestine	98	741
Yemen	2 891	1 400
Sub-total: Planned revisions	11 566	8 078
16 Largest operations and Palestine	17 987	13 256
All Others	4 761	4 736
Grand TOTAL	22 748	17 992

18. **The Advisory Committee notes the reduced contribution forecast for 2024 compared to 2023 and the significant decline in the number of planned beneficiaries. The Committee encourages WFP to redouble efforts aimed at recovering and diversifying its donor base.**
19. Upon enquiry the Advisory Committee was informed that WFP maintains two main approaches to planning: Needs-Based Plans and Implementation Plans. Needs-Based Plans approved by the Executive Board cover the duration of the Country Strategic Plans (CSPs) and help WFP identify advocate for and plan the resources required for a targeted population considering WFP's actual capacity for implementation. Implementation Plans are annual work plans derived from the Needs-Based Plans adjusted based on funding forecasts available resources and operational constraints. The Prioritized Needs-Based Plan is not a new methodology nor a third approach but rather an adjustment in calculating operational requirements to arrive at a more realistic set of requirements considering WFP's capacity and resource outlook. Moving forward WFP aims to implement a more consistent approach to establishing operational requirements starting at the country level which will permanently replace the current Needs-Based Planning approach. The introduction of this revised approach aims to address existing gaps and inefficiencies ultimately leading to a more sustainable and effective planning process.
20. **The Advisory Committee emphasizes the importance of maintaining coordination and cohesion between different budgetary planning processes and methodologies. The Committee trusts that further information regarding details of the Prioritized Needs-Based plan including as regards needs assessment methodology and the respective roles in the delegation of authority framework will be provided to the Board at the time of consideration of the present report and in the next management plan. (see AC/2270 para 14)**

Programme support and administrative budget

21. The report indicates that in August 2023 the Executive Director launched an internal review of WFP's organizational structure as described in the Addendum to the management plan (2024–2026) presented at the second regular session of the Board in November 2023. The review explored how WFP should evolve in order to more effectively address the challenges facing operations and adapt to the new reality of rising humanitarian needs alongside declining funding. However the baseline budget of USD 811.4 million for 2024 remains unchanged from the budget presented in the management plan for 2024–2026. The realignment has no impact on the budget by funding source programme support and administration (PSA) appropriation line or pillar or management result; the changes are at the departmental level. (para 41)
22. The report further indicates that contributions of USD 8 billion will generate indirect support costs income of USD 456 million leading to a substantial PSA deficit if the full approved PSA budget is utilized. After the preliminary 2023 financial closure when contribution levels for 2023 were confirmed as having fallen significantly short of the forecast WFP embarked on a PSA replanning exercise to assess and mitigate the impact of the potential reduction in the PSA budget. The current PSA utilization plan stands at USD 483 million representing a reduction of USD 85.3 million or 15 percent from the approved level (see table 4.4 below). The report further implies that this will have a significant impact on WFP's workforce as employee costs represent 80 percent of the approved PSA budget (see table 4.6 below). The high percentage reduction in the utilization plan for employee costs reflects current vacancies the ongoing recruitment pause and the flexibility afforded by not renewing short-term staff contracts. Paragraph x) of the management plan for 2024–2026 authorizes the Executive Director to adjust the PSA component of the budget in accordance with a change in the level of the global contribution forecast for the year at a rate not to exceed two percent of the anticipated change in income. Two percent of the USD 2 billion decrease in the contribution forecast is USD 40 million. In its efforts to calibrate the PSA budget to the lower level of income while allowing flexibility as the situation evolves WFP is committed to reducing the budget by at least USD 40 million. Therefore WFP proposes to revise the PSA budget to USD 528 million. WFP will strive to implement further cost-saving measures up to another USD 45 million which could lower PSA expenditures to USD 483 million. (paras 51-66)

Appropriation line and pillar	Original	Utilization plan	Value difference	Change (%)
Strategy and direction	121.3	100.6	(20.7)	-17
A - Strategy and direction	121.3	100.6	(20.7)	-17
Services to operations	295.8	246.3	(49.4)	-17
B - Business services	193.2	163.3	(29.9)	-15
C - Policy, guidance and quality assurance	102.6	83.0	(19.6)	-19
Governance and independent oversight and fundraising	150.9	135.8	(15.2)	-10
D - Advocacy, partnerships, fundraising and United Nations coordination	105.5	92.3	(13.2)	-12
E - Governance and independent oversight	45.4	43.4	(2.0)	-4
Total	568.0	482.6	(85.3)	-15

	Original budget, 2024				Replanned budget				Change	Change (%)
	Country offices	Regional bureaux	Head-quarters	Total	Country offices	Regional bureaux	Head-quarters	Total		
International professional and higher	84	268	1 075	1 427	84	220	839	1 143	-284	-20
General service			510	510			446	446	-64	-13
Local staff (national officers and general service)	180	406	153	739	180	364	112	656	-83	-11
Fixed-term subtotal	264	674	1 738	2 676	264	584	1 397	2 245	-431	-16
Professional and higher (short-term)			22	22			37	37	15	68
General service (short-term) and temporary assistance)		51	112	163		47	80	127	-36	-22
Consultants		101	521	622		82	375	457	-164	-26
Short-term subtotal	0	152	654	807	0	129	493	622	-185	-23
Total	264	826	2 393	3 483	264	713	1 890	2 867	-616	-18

23. Upon enquiry the Advisory Committee was informed that based on bottom-up budgeting from Divisions who were given top-down instructions to reduce costs by up to 25% the PSA utilization plan is currently at USD 483 million. Positions that were encumbered in January 2024 were used as the starting point for the replanning of staffing levels. When planning staff reductions Directors were reminded of WFP's contractual obligations and commitment to ensuring duty of care to staff and were encouraged to reduce non-staff discretionary costs. The PSA utilization plan prioritizes field focused activities and activities that have the greatest impact that capitalize on past investments in efficiencies or that are related to oversight while continuing to follow the priorities set out in the approved Management Plan 2024. Currently the reductions in planned costs have been identified particularly in the areas of Duty Travel and Training meetings and workshops. Cost savings in these areas have been identified by leveraging technological tools and approaches such as remote meetings and workshops. The Committee was also provided with the table below indicating planned changes to staffing levels by grade in headquarter locations.

PSA Staffing at Headquarters locations and the changes

	USG (ED)	ASG	D-2	D-1	P-5	P-4	P-3	P-2	P-1	HQ GS	National (Local)	Total Fixed-Term	Professional and Higher (short-term)	Consultants	Temporary assistance	Total
Headquarters Original	1	4	30	59	158	293	375	142	14	510	153	1738	22	521	112	2 393
Headquarters Replanned	1	4	23	46	135	246	278	93	13	446	112	1398	37	375	80	1 890

*Central appropriations included

24. Upon enquiry the Advisory Committee was informed that in 2022 the funding model for indirect costs in Country Offices (CO) Regional Bureaux (RB) and Headquarters (HQ) was re-assessed with the result that a higher share of RB and HQ costs are funded by PSA while about half of the CO costs were deemed to be direct support costs which are funded from flexible contributions to Country Strategic Plans. Therefore there is a marked reduction in the number of staff funded by PSA in COs and an increase in the number of staff funded by PSA at RB and HQ levels. While recognizing the need to ensure continued capacity and

support to critical operations various methods have been put in place to effectively and efficiently manage staffing reductions and stabilize the workforce as outlined below:

- Throughout the stabilization process employees and managers are being supported through regular and targeted communications change management toolkits employee support programmes with webinars and other useful resources.
- In October 2023 a recruitment pause for Global Headquarters - Italy HQ RB and Global Offices was announced. The pause is intended to give the organization sufficient time to make informed staffing decisions in line with the new operating reality. The pause is applicable to external recruitment and for all contract types and remains in place until further notice.
- A global agreed separations exercise was launched in February 2024. It is based on expressions of interest by eligible staff and guided by an overarching consideration of the organization's interests.
- WFP remains fully committed to implementing its Staffing Framework and maintaining the current transition period which goes until the end of 2025.
- As offices have been reviewing their core needs against revised priorities some rotational positions due for reassignment have been cancelled.
- Other active positions not directly supporting reprioritized activities have been discontinued or plan to be discontinued.

25. **The Advisory Committee notes the efforts made by WFP to recalibrate the PSA budget and resourcing levels. The Committee is of the view that the recalibration exercise should be done with due regard to maintaining the operational and field-based focus of WFP while ensuring an adequate staff grading structure so that its lower levels are not disproportionately impacted. The Committee encourages WFP to ensure that all steps are taken to minimize the legal financial and reputational risks inherent in downsizing situations while adhering to all relevant policies rules and regulations. The Committee trusts that information thereon will be provided in the next management plan.**

Changes to WFP organizational structure

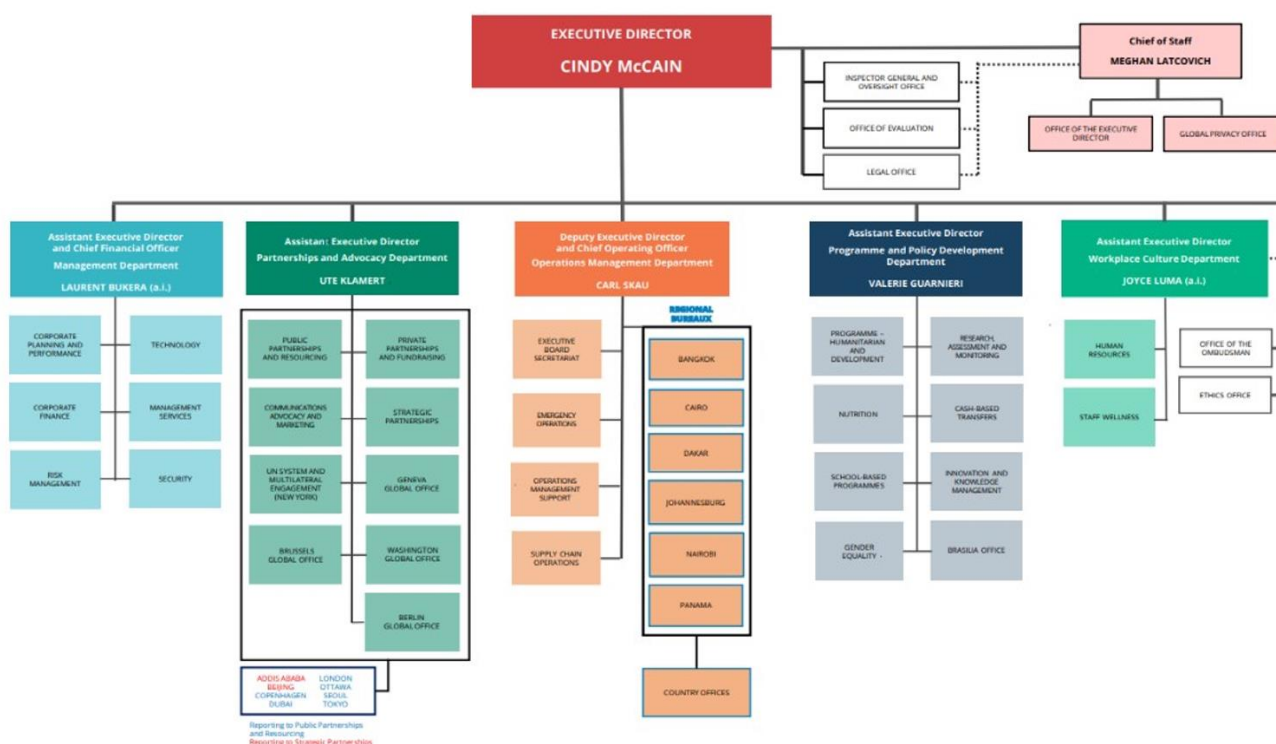
26. Upon enquiry the Advisory Committee was informed that that the purpose of the structural organization review exercise in the first place was to further strengthen the organization by having a more streamlined structure that fosters integration and collaboration and that is geared towards supporting WFP's field-level work. The purpose was not to achieve efficiencies per se. Proposed structural changes that emerged from phases one and two of the organization evolution project aimed at equipping WFP with a more streamlined HQ organizational structure that enhances collaboration and fosters efficiency and effectiveness. In the new structure the Deputy Executive Director & Chief Operating Officer (DED & COO) oversees three Assistant Executive Directors (AEDs) who serve as heads of Departments. The Workplace & Management Department brings together all functions designed to support protect and empower our global teams. The Programme Operations Department strategically supports operational delivery and every aspect of programme analysis design and implementation. The Partnerships & Innovation Department leads an ambitious approach to expanding the range and scale of WFP's strategic partnerships.
27. The Advisory Committee was further informed that the third phase was launched in Q2 2024 to review WFP's regional configuration to refine the roles and responsibilities of Headquarters and Regional Bureaux based on the three pillars of their support to field operations: strategic guidance technical support and management oversight. This exercise is assessing duplications and overlaps to identify potential improvement options for

Leadership consideration which will clarify division of labor and responsibility (including technical support and management oversight) between Regional Bureaux and Headquarters. Regarding implementation timeline a new view on roles and responsibilities for Headquarters and Regional Bureaux will be presented in Q4 2024. The implementation of this view is expected to occur in the first two quarters of 2025.

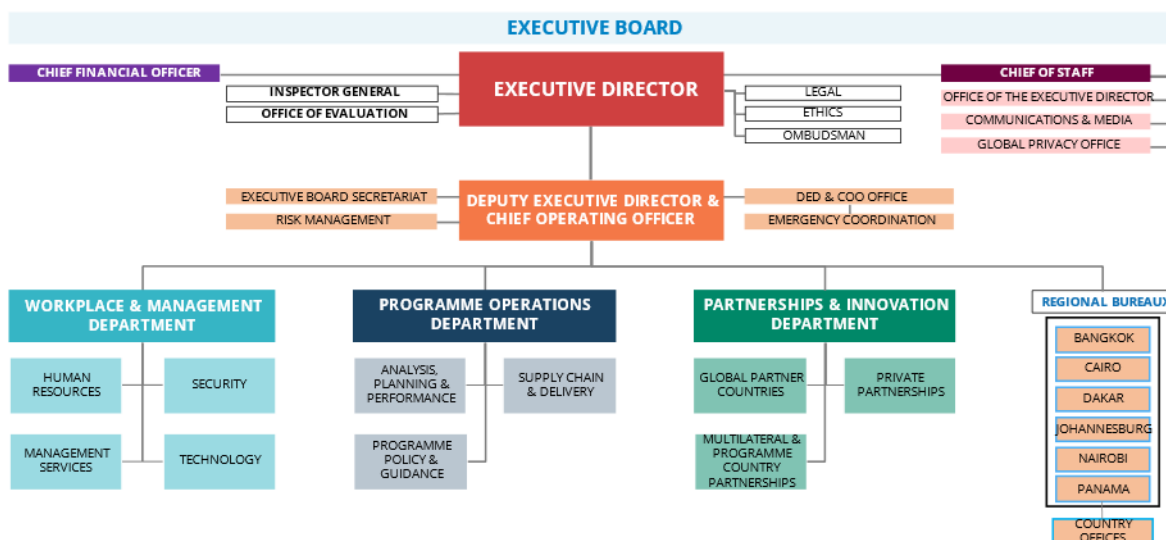
28. Upon enquiry the Advisory Committee was informed that the outcome of the external benchmark based on interviews with key stakeholders from three UN entities (UNICEF UNHCR IOM) highlighted a different configuration in number of Assistant Secretary General (ASGs) and Deputy Executive Directors (DEDs) as follows:
- UNICEF has four ASGs (four DEDs) reporting directly to Executive Director (ED) and seven Regional Offices reporting to the ED following a decision to decentralize and empower the Regional Offices and four independent offices reporting to the ED (Evaluation Legal Audit and Ethics);
 - UNHCR has three ASGs of which one DED supervises 13 divisions including external relations financial and administrative management reporting to ED; seven Regional Bureaux report to the ASG for Operations who oversees four other Operations divisions (Emergency; Security and Supply; Resilience; Climate Action and Internal Displacement);
 - IOM has two ASGs one supervising Management with 12 direct reports and one supervising Operations with eight direct reports. The Chief of Staff has functional responsibilities and supervises nine Regional Offices for day-to-day activities reporting to the Director General through the Chief of Staff
29. Some of the key similarities of the new WFP organizational structure vs the benchmarked entities are:
- Regional Bureaux are more directly linked to the top of the organization as in other organisations: to the ED (UNICEF) to the Assistant High Commissioner for Operations (UNHCR) to the Chief of Staff (IOM) who reports directly to the Director General.
 - The organization has a single department to manage all programmatic operations (vs. two departments previously: Operations Management and Programme & Policy Development) as is the case at IOM (Deputy Director General for Operations) UNHCR (Assistant High Commissioner – Operations).
 - Technology Division now sits in Workplace & Management Department the same way in UNICEF the Information and Comms. Technology Division sits in Management Department; or in UNHCR the Division of Information Systems and Telecommunications is under the Deputy High Commissioner (with other 'Management' divisions); and in IOM the Department of Information and Communication Technology is under the Deputy Director General for Management and Reform.

30. The Committee was provided with the below organizational charts showing the structure before and after the proposed changes.

WFP organigram before restructuring (Sept. 2023¹)



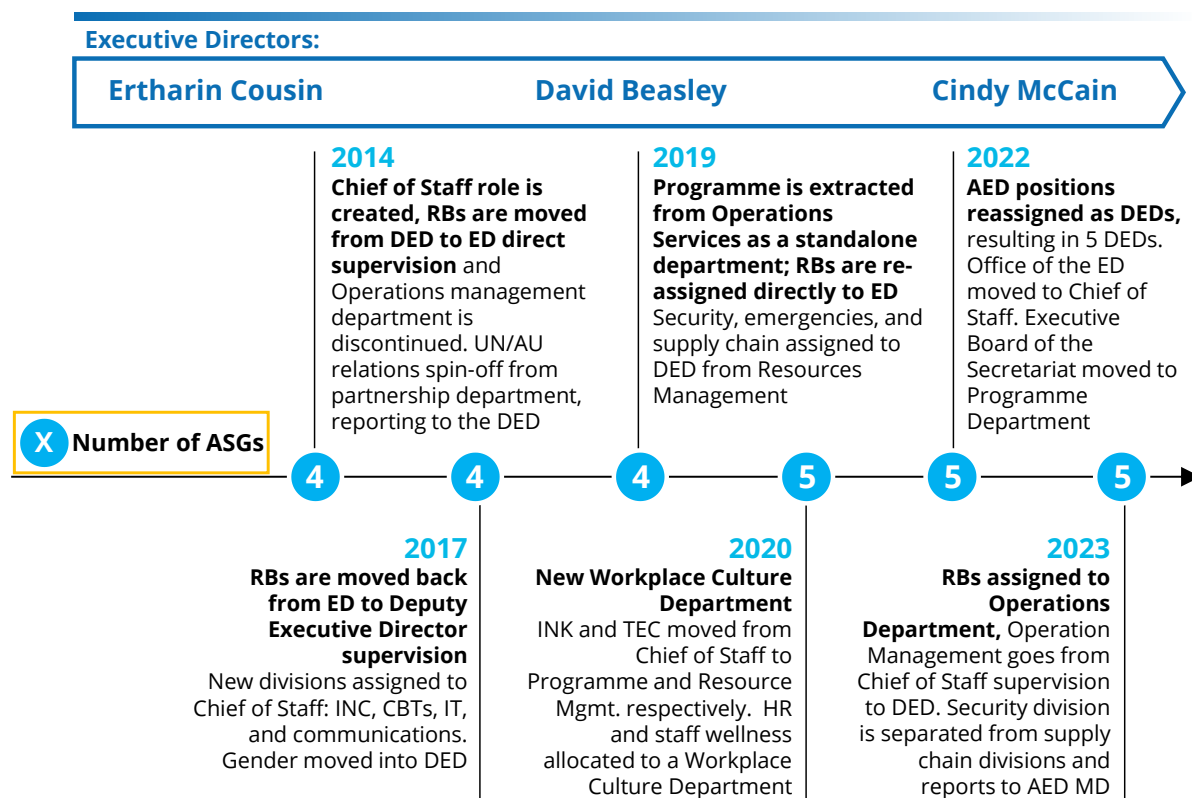
WFP organigram after restructuring (Feb. 2024²)



¹ WFP management plan (2024–2026), page 39

² docs.wfp.org/api/documents/WFP-0000156474/download/

31. Upon enquiry the Advisory Committee was provided with the below graphical summary of the structural organizational change initiatives undertaken over the past ten years.



32. **The Advisory Committee notes the ongoing evolution of the structure of WFP and trusts that it will continue to be guided by the effort to clarify reporting lines avoid duplication of functions and improve coherence while at the same time striving for efficiencies. The Committee is of the view that the restructuring process should be based on clear delegation of authority framework and followed by a period of stability to allow for evaluation of its effectiveness and impact. The Committee trusts that relevant information will be provided in the next Management Plan.**

Unearmarked portion of the General Fund

33. The Executive Board is requested to approve the use of the unearmarked portion of the General Fund instead of the programme support and administrative equalization account (PSAEA) as the funding source for the following two allocations approved pursuant to paragraphs vi) and vii) d) of the Board's decision 2023/EB.2/3:
- USD 21 million for the corporate process optimization critical corporate initiative; and
 - USD 50 million for the replenishment of the Immediate Response Account
34. Upon enquiry the Advisory Committee was informed that although the PSAEA is projected to be close to the five-month PSA expenditure target ceiling at the end of 2024 a higher balance is desired due to the volatility of the funding situation and long lead-time for reducing fixed PSA costs. Given the higher-than-expected income for the unearmarked portion of the General Fund use of the unearmarked portion of the General Fund instead of the PSAEA will augment the balance in the PSAEA.

35. The Committee was further informed that the funding for CCIs approved in the original Management Plan (2024-2026) is not expected to be reduced. The only change relating to CCIs is the change in funding source for one CCI – Corporate Process Optimization from the PSA Equalization Account to the unearmarked portion of the General Fund with no change in the CCI amount. The Committee was provided with the table below on the historical use of unearmarked portion of General Fund and a table with amounts and destinations approved by the Executive Board in the last ten years.

Unearmarked Portion of the General Fund		
Year	Drawdowns as per approved Management Plan <i>(USD million)</i>	Destination / Use
2012	10.9	Security special account and treasury management system
2013	10.4	Security funding and treasury management system
2014	10.0	Security funding
2015	0.8	Investment management costs
2016	1.0	Investment management costs
2017	1.0	Investment management costs
2018	1.0	Investment management costs
2019	1.6	Treasury branch support
2020	1.6	Treasury branch support
2021	1.6	Treasury branch support
2022	187.4	IRA replenishment Changing Lives Transformation Fund Emerging Donor Matching Fund & Treasury branch support
2023	34.8	Transfer to operational reserve of the IPL facility & Treasury branch support
2024	102.8	Human capital mgmt. CO safety net & Treasury branch support

36. **The Advisory Committee notes that 2023 was the first instance for the direct use of unearmarked portion of the General Fund to country offices and recommends to the Executive Board to consider giving guidance and establishing adequate allocation procedures and criteria on the proposed use of the unearmarked portion of the General Fund when deviating from past practices. The Committee acknowledges the critical importance of the Immediate Response Account and in the context of overall funding challenges trusts that the proposed shift of funding source for corporate process optimization will not adversely affect the levels of the General Fund.**

III. Documents submitted to the Executive Board for consideration

37. As indicated in the annex to the present report five reports are presented for consideration by and two for information of the Executive Board. The Committee addresses specific reports and selected matters of the reports in the paragraphs below:

Annual report of the Inspector General

38. The report describes the risk-based oversight work performed and reported in 2023 by Office of the Inspector General (OIGI). This includes information on the budget of the OIGI which has increased by USD 1.5 million from USD 17.9 million in 2022 to USD 19.5 million in 2023 primarily for OIGI to support the continuing increase in allegations received. The number of budgeted fixed-term positions increased from 87 at year-end 2022 to 90 at year-end 2023 with the additional posts being gradually made available throughout 2023 to handle the increasing caseload. Upon enquiry the Advisory Committee was informed that investigations are managed on a rolling basis not an annual basis. Therefore the cases handled denote the cases worked on in the given year and the cases concluded denote the cases finalized in the given year. In 2022 OIGI investigators managed an average of 20 cases each. This caseload leads to longer timelines for finalizing investigations. Every case is finalized with either an investigation report or a case closure memorandum. Therefore 195 reports were completed in 2022. OIGI conducts investigations in accordance with the Conference of International Investigators Guidelines. In addition OIGI is subject to Executive Board oversight on a quarterly basis Independent Oversight and Audit Committee oversight on a quarterly basis and conforms to ILOAT jurisdiction. **The Advisory Committee trusts that updates on the efforts of OIGI to address the backlog in the number of allegations will be provided in next reports.**

Utilization of WFP's financing mechanisms

39. The report describes WFP's use of its strategic financing facilities in 2023. This includes advance financing for programmes provided through internal project lending (IPL) and the Immediate Response Account (IRA); the anticipatory procurement of food through the Global Commodity Management Facility (GCMF); and corporate services financing. Upon enquiry the Advisory Committee was informed that in 2023 the GCMF encountered incidents related to quality packaging or expiration issues with its food amounting to a total value of USD 3.5 million. This figure represents less than 0.35 percent of the total value of Country Offices' purchases from GCMF during the year (food value of USD 1 billion). 75% of the total USD 3.5 million incidents is due to one specific case related to Lipid Nutrient Supplement (LNS) purchased from a South African supplier with leakage caused by poor packaging. Despite efforts to resolve the matter the supplier went bankrupt and the funds could not be recovered. In February 2024 the global forecast was reduced from USD 10 billion to USD 8 billion and consequently the GCMF ceiling was reduced from USD 1 billion to USD 0.8 billion. Management took steps to bring the GCMF balances into line with the lowered ceilings by reducing the replenishment of GCMF stock and accelerating sales to country offices where possible. **The Advisory Committee trusts that additional information related to GCMF will be provided to the Board at the time of its consideration of the current report.**

United Nations Fleet

40. Upon enquiry the Advisory Committee was informed that UN Fleet was set up by WFP and UNHCR to deliver services to other UN agencies in the first phase and then later to expand the service offering to WFP and UNHCR offices also. This strategy was applied to reinforce the neutrality of UN Fleet in responding to orders from clients (i.e. not showing preference to WFP or UNHCR) and to allow time to establish the service before expanding to support WFP and UNHCR demand volumes. In 2025 UN Fleet will start to serve WFP and UNHCR offices globally. Transitioning to a single service provider will deliver efficiencies and support the leveraging of scale. WFP and UNHCR provide funding to UN fleet for capital and operating expenditures. The funding for capital expenditures will be recovered from leasing fees payable by clients and repaid to WFP and UNHCR in regular annual instalments. The Advisory Committee was further informed by the External Auditor that the expected growth of the fleet operation will lead to additional funding requirements. If WFP and UNHCR joined UN Fleet with an annual need of round 1 500 yearly vehicle acquisitions this would also lead to significant additional funding requirements. UN Fleet would need more capacity to manage the growing fleet. WFP had not yet analyzed the cost-benefit of the operation. The UN Fleet forecasts indicated a break-even point in 2027 based on current participations and applied leasing models. The External Auditor noted that WFP had not yet analyzed the financial impact of the different leasing models and of its own participation. **The Advisory Committee trusts that updated information on the cost-benefit analysis and implementation of the UN Fleet initiative will be provided in future reports.**

ANNEX I

TITLE	SYMBOL
Reports presented to the Advisory Committee for approval:	
Audited annual accounts 2023	WFP/EB.A/2024/6-A/1
Update to the WFP Management Plan	WFP/EB.A/2024/6-B/1
Reports presented to the Advisory Committee for consideration:	
Annual report of the Independent Oversight Advisory Committee	WFP/EB.A/2024/6-C/1
Annual report of the Inspector General	WFP/EB.A/2024/6-D/1
Note by the Executive Director on the annual report of the Inspector General	WFP/EB.A/2024/6-D/1/Add.1
Management review of significant risk and control issues 2023	WFP/EB.A/2024/6-E/1
Report on the utilization of WFP's strategic financing mechanisms (1 January–31 December 2023)	WFP/EB.A/2024/6-F/1
Reports presented to the Advisory Committee for information:	
Report of the Executive Director on contributions reductions and waivers of costs under General Rule XIII.4 (f) in 2023	WFP/EB.A/2024/6-G/1
Workplan of the External Auditor	WFP/EB.A/2024/6-H/1