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FINANCE COMMITTEE

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**Report on the Utilization of WFP's Advance Financing Mechanisms
(1 January – 31 December 2014)**

Queries on the substantive content of this document may be addressed to:

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EXECUTIVE SUMMARY

- On-time delivery of food to beneficiaries is crucial for WFP's operations. The primary mechanisms for providing advance spending authority to operations in support of this goal are the Immediate Response Account (IRA) and the Working Capital Financing Facility (WCFF).

IRA

- The IRA is a multi-year multilateral funding facility that enables WFP to provide immediate assistance in emergencies, including logistics and non-food costs. The current target level is USD 200 million.
- The IRA proved its value in 2014 by enabling WFP to respond immediately to situations that demand rapid injections of resources. Allocations from the IRA in 2014 amounted to USD 182 million which was allocated to start and support 47 relief operations – 15 protracted relief and recovery operations (PRROs), three special operations (SOs) and 29 emergency operations (EMOPs); of which 15 were immediate-response EMOPs approved under the delegated authority of Country Directors, Regional Directors and the Director of Emergencies.

WCFF

- In 2014, the Executive Board approved an increase in the internal project lending (IPL) ceiling from USD 207 million to USD 570 million. Additionally, the Board approved the separation of the Global Commodity Management Facility (GCMF) and corporate services advances from the WCFF. This included the approval of an increase in the GCMF to USD 350 million, and the establishment of a USD 70 million ceiling for corporate services advances.
- These improvements enabled the Executive Director to ensure that projects continued to receive advance funding pending confirmation of forecast contributions, and within established risk-management parameters.
- In 2014, advances totalling USD 1,092 million were made using IPL. Of these advances, 73.5 percent was advanced to EMOPs, 17.5 percent to PRROs, 2.4 percent to development projects and country programmes, and 6.6 percent to SOs.
- Under the WCFF, the GCMF was established in June 2008 to reduce food delivery lead times. Since its inception, the approval level of the GCMF has increased from USD 60 million to USD 350 million. The objective of the GCMF is to improve WFP's efficiency and effectiveness by anticipating needs, allowing for purchases during favourable market conditions, and reducing response times in emergencies.
- WFP's forward-purchase mechanisms enabled it to buy 726,000 mt of food in 2014, valued at USD 390 million. In the same time period, 40 country offices in five planning zones bought USD 814,000 mt of food from the GCMF inventory. Lead times were reduced to an average of 27 days, which is a 73 percent improvement over conventional procurement processes.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to take note of WFP's "Report on the Utilization of WFP's Advance Financing Mechanisms (1 January–31 December 2014)".

Draft Advice

- **The FAO Finance Committee advises the Executive Board, in accordance with Article XIV of the General Regulations of WFP, to take note of the "Report on the Utilization of WFP's Advance Financing Mechanisms (1 January–31 December 2014)".**