



联合国
粮食及
农业组织

Food and Agriculture
Organization of the
United Nations

Organisation des Nations
Unies pour l'alimentation
et l'agriculture

Продовольственная и
сельскохозяйственная организация
Объединенных Наций

Organización de las
Naciones Unidas para la
Alimentación y la Agricultura

منظمة
الأغذية والزراعة
للأمم المتحدة

COUNCIL

Hundred and Fifty-eighth Session

Rome, 4-8 December 2017

Report of the 168th Session of the Finance Committee (2-3 November 2017)

Executive Summary

At its 168th Session, the Committee reviewed a number of financial, budgetary and oversight matters relating to the World Food Programme (WFP), prior to their consideration by the Second Regular Session of the WFP Executive Board in November 2017.

Suggested action by Council

The Council is invited to note the views and recommendations of the Finance Committee in respect of matters considered by the Second Regular Session of the WFP Executive Board in November 2017.

Queries on this document may be addressed to:

David McSherry
Secretary, Finance Committee
Tel: +3906 5705 3719

*This document can be accessed using the Quick Response Code on this page;
an FAO initiative to minimize its environmental impact and promote greener communications.
Other documents can be consulted at www.fao.org*



mv158

Table of Contents

	Pages
Introduction	3
Election of Vice-Chairperson.....	3
World Food Programme Matters.....	4
WFP Management Plan (2018-2020)	4
Update on the Integrated Road Map	5
Revised Terms of Reference of the Audit Committee	7
Housing Allowance of the Executive Director	7
Other Matters.....	8
Working Methods of the Finance Committee.....	8
Date and Place of the Hundred and Sixty-ninth Session.....	8
Documents for information	9

Introduction

1. The Committee submitted to the Council the following report of its Hundred and Sixty-eighth Session.
2. In addition to the Chairperson, Mr Lupiño Lazaro Jr., the following representatives of Members were present:
 - Mr Carlos Alberto Amaral (Angola)
 - Ms Kristina Gill (Australia)
 - Mr Md. Mafizur Rahman (Bangladesh)
 - Ms Gianina Müller Pozzebon (Brazil)
 - Mr Xie Jianmin (China)
 - Mr Khaled M.S.H. Eltaweel (Egypt)
 - Mr Mateo Nsogo Nguere Micue (Equatorial Guinea)
 - Ms Hannah Laubenthal (Germany)
 - Mr Benito Santiago Jiménez Sauma (Mexico)
 - Mr Vladimir V. Kuznetsov (Russian Federation)
 - Mr Sid Ahmed M. Alamain Hamid Alamain (Sudan)
 - Ms Elizabeth Petrovski (United States of America)
3. The Chairperson informed the Committee that:
 - Ms Kristina Gill (Australia) had been designated to replace Ms Cathrine Stephenson for this session;
 - Ms Gianina Müller Pozzebon (Brazil) had been designated to replace Mr Antonio Otávio Sá Ricarte for this session;
 - Ms Hannah Laubenthal (Germany) had been designated to replace Mr Heiner Thofern for this session; and
 - Ms Elizabeth Petrovski (USA) had been designated to replace Mr Thomas M. Duffy for this session.
4. A summary of the qualifications of the substitute representatives can be downloaded from the Governing and Statutory Body Web site at: <http://www.fao.org/unfao/govbodies/gsbhome/finance-committee/substitute-representatives/en/>
5. In addition, silent observers from the following Members attended the 168th Session of the Committee:
 - Dominican Republic
 - European Union
 - Finland
 - France
 - Netherlands
 - Spain
 - United Kingdom

Election of Vice-Chairperson

6. Mr Thomas M. Duffy (USA) was unanimously elected Vice-Chairperson until the end of the Committee's present term of office.

World Food Programme Matters

WFP Management Plan (2018-2020)

7. The Committee considered the *WFP Management Plan (2018-2020)* which included: i) a revenue forecast of USD 5.7 billion for 2018 used as the basis for setting the Programme Support and Administrative (PSA) budget; ii) operational requirements for 2018 of USD 9.0 billion; iii) a PSA budget of USD 335.4 million; iv) proposed transfers from the PSA Equalization Account of USD 9 million to the Immediate Response Account (IRA) and USD 8 million to the Staff Wellness Special Account; and v) critical corporate initiatives totalling USD 35.6 million.
8. The Committee noted the updated income forecast for 2017 of USD 6.7 billion, observing that the proportion of income received from the largest donors was increasing. It urged the Secretariat to continue its efforts to diversify the donor base in order to reduce the risk of a sudden decline in the level of income received by WFP in subsequent financial periods.
9. The Committee reviewed the proposal to update the PSA budget appropriation lines which require Executive Board approval in accordance with Financial Regulation 9.3. It welcomed the increased level of budgetary detail and alignment with planned results that would follow from the appropriation lines and results pillars while also recognising the importance of maintaining comparative figures of staff and non-staff figures for prior years. It looked forward to future annual performance reports where results obtained would be reported against planned results in the Management Plan.
10. The Committee noted the proposal for a PSA budget for 2018 of USD 335.4 million, maintaining the same level as the 2017 budget. It noted that the Secretariat had also made further proposals to cover non-recurring costs in the form of critical corporate initiatives through the PSA Equalization Account.
11. The Committee reviewed the proposed uses of the PSA Equalisation Account, including the transfer of USD 8 million to the Staff Wellness Fund to augment the initial transfer of USD 10 million made in 2015. It noted the diverse nature of the critical corporate initiatives being presented for approval, including those addressing private sector fundraising. The Committee was informed that the Secretariat would present an updated Private Sector Strategy to the Executive Board in 2018.
12. While recognising the merits of the Critical Corporate Initiatives articulated in the Management Plan and the principle that critical corporate initiatives covered one-time costs while the PSA budget covered recurring costs, the Committee noted the importance of consistent application of this principle to avoid situations when PSAEA funds might be used to fill the gaps in the PSA budget. The Committee was informed that the revised appropriation lines and results pillars for the PSA budget would provide valuable insights on the composition of the PSA budget and encouraged the Secretariat to present more details on the nature of PSA costs including the technical adjustment for centralised services for country offices in 2018.
13. The Committee considered the proposal to reduce the Indirect Support Cost (ISC) rate charged in 2018 from 7 percent to 6.5 percent, including for private sector contributions, noting that the ISC released by this change would be available for transfer to beneficiaries. The Committee was informed that the ISC rate proposal had been considered with a longer term perspective, in the light of current and anticipated levels of funding of WFP, and with due consideration having been given to possible downward fluctuations in income. The Committee was informed that the projected level of the PSA Equalisation Account, including additional ISC income arising from significant contributions still to be received before the year end, provided a comfortable safety net to absorb a temporary downward shift in future income beyond 2018.

14. The Committee noted the indicative proposals for use of the PSA Equalisation Account for programmes or safety nets. The Committee was informed of the Secretariat's aim to recognise opportunities provided by the healthy PSAEA balance for investment purposes, and that these preliminary proposals, along with others which may emerge, would be informally discussed with the Executive Board during the course of 2018 prior to any proposals being formally submitted to the Executive Board for approval.

15. **The Committee:**

- a) **noted that forecasted operational requirements for 2018 were USD 9.0 billion and that the prioritized implementation plan of USD 5.9 billion had been aligned with the projected resources for 2018;**
- b) **cautioned against the effects of the funding gap of 34 percent on activities related to resilience building and root causes;**
- c) **agreed with the proposed level of the Programme Support and Administrative Budget of USD 335.4 million and its allocation across the newly established appropriation lines of "strategy and direction", "services to operations", and "governance, independent oversight and fundraising";**
- d) **endorsed the proposed transfers from the PSA Equalization Account of USD 9 million to the Immediate Response Account reserve (IRA), USD 8 million to the Staff Wellness special account and USD 35.6 million for critical corporate initiatives;**
- e) **supported a single corporate ISC recovery rate of 6.5 percent for 2018;**
- f) **recalled the principle of funding WFP's expenditures through the PSA budget and the PSA Equalization Account through resources available from ISC income, and looked forward to further discussion on the application of this principle during 2018. This would be aided by a more detailed understanding of the components of the PSA budget;**
- g) **agreed with the proposal to maintain the ceiling for corporate services advances at USD 82 million for 2018;**
- h) **agreed with the proposal to extend the scope of the self-insurance retention scheme from the moment WFP takes possession of goods up to the moment it hands them over to a government, cooperating partner or beneficiary and to provide coverage for losses that are non-insurable under an external insurance cover;**
- i) **agreed with the proposal that the Executive Director be given the authority to adjust the PSA component of the budget in accordance with the level of forecast income for the year, at a rate not to exceed 2 percent of the anticipated change in income; and**
- j) **recommended that the draft decisions as presented in the *WFP Management Plan (2018-2020)* be approved by the Executive Board.**

Update on the Integrated Road Map

16. The Committee welcomed the update on the implementation of the Integrated Road Map (IRM) which provided a holistic platform for WFP to meet the demands of the Agenda 2030, operate within the humanitarian-development nexus in countries, and ensure WFP's responses are appropriate and sustainable.

17. The Committee was informed about the key benefits of the IRM framework compared to that of the project-based framework including: coherent, results-oriented country portfolios; the Executive Board's enhanced oversight and approval role; increased transparency; and more effective partnership with host countries and collaboration with partners.

18. The Committee noted that WFP anticipated that a majority of country offices would transition to the Country Strategic Plan (CSP) framework by 1 January 2018 and that 16 country offices would continue under the project-based system on an exceptional basis in 2018, aiming to transition into the CSP framework by 1 January 2019.

19. The Committee was informed that lessons learned had been systematically gathered and had greatly benefited the design of the CSP framework, country portfolio budget structure, the Corporate Results Framework and the relevant templates, processes and guidance.
20. The Committee considered the interim governance arrangements that would be required to implement the CSP framework in 2018: interim delegations of authority that would be effective from 1 January 2018 to 29 February 2020, including those for joint approval with FAO, derogations from the WFP General Rules and Financial Regulations in 2018, and additional principles to guide the interim application of full cost recovery in 2018.
21. The Committee welcomed the extended period for interim delegations of authority which would enable the Secretariat to gain more experience and conduct a review of the appropriateness of the budgetary threshold levels and sufficiency of the process for increasing Executive Board oversight of budget revisions, including those related to crisis response to ensure that the Executive Board's fundamental approval and oversight role was maintained.
22. The Committee noted that permanent delegations of authority would be presented for approval at the Executive Board's First Regular Executive Board session in 2020 and, if approved, would take effect from 1 March 2020.
23. The Committee noted that the Executive Board and other Governing Bodies would consider a final package of amendments to the WFP General Rules and Financial Regulations with respect to full cost recovery, terminology and definitions at the Second Regular Executive Board session in 2018. The Committee understood that, if approved, the amendments would take effect on 1 January 2019.
24. The Committee reviewed the Secretariat's proposal to employ the approval by correspondence mechanism, in accordance with Rule IX.8 of the Rules of Procedure of the Executive Board, to enable three country offices to implement certain ongoing activities that were included in their proposed CSPs from 1 January 2018, prior to formal approval. The Committee was informed that programmatic and budgetary controls would be put in place to ensure consistency with currently approved projects.
25. The Committee was provided assurance in relation to crisis response that the holistic framework of the CSP was strengthening WFP's core mandate, enabling an effective and efficient response.
26. The Committee was informed that the online portal would be launched, as planned, by Q2/2018 and the budget planning tool would be rolled out by end 2017 with full roll out expected by end of Q2/2018. Informal consultations would be held prior to the launch to consider feedback from Member States.
27. **The Committee:**
- a) **supported the proposed interim governance arrangements which would apply to country offices implementing the country strategic plan framework covering: (i) interim delegations of authority, effective from 1 January 2018 to 29 February 2020; (ii) additional principles to guide the interim application of full cost recovery for 2018; and (iii) an extension of derogations to the WFP General Rules and Financial Regulations until 31 December 2018;**
 - b) **noted that permanent delegations of authority, drawing on experience from the interim period from 1 January 2018 to 29 February 2020, as well as a review to ensure that the Executive Board's fundamental approval and oversight role was maintained, would be presented for approval at the Executive Board's 2020 first regular session and, if approved, would take effect from 1 March 2020;**
 - c) **noted that amendments to the General Rules and Financial Regulations with respect to full cost recovery, terminology and definitions, benefiting from lessons learned in**

- 2017 and 2018, would be presented for approval at the Executive Board's second regular session of 2018 and, if approved, would take effect on 1 January 2019;
- d) **supported the proposed transitional governance arrangements that would allow the use of approval by correspondence to enable certain country offices to implement ongoing activities that were included in their proposed country strategic plans, noting that these activities would be limited to those being implemented under currently approved projects, and the approval by correspondence would cover the period from 1 January 2018 until the country strategic plans were presented to the Executive Board for approval at its 2018 first regular session. Further noted that, the same approach would be followed for country strategic plans or interim country strategic plans to be considered at the Executive Board's 2019 first regular session; and**
- e) **recommended that the draft decisions as presented in the *Update on the Integrated Roadmap* be approved by the Executive Board.**

Revised Terms of Reference of the Audit Committee

28. The Committee reviewed the *Revised Terms of Reference of the Audit Committee* recalling its discussions at its 167th Session, supported by the Executive Board, when it agreed to review additional proposed updates to the Terms of Reference of the Audit Committee.

29. Following a presentation by the Secretariat on the background to the proposed revisions to the terms of reference, the Committee requested additional revisions to the document in order to: make explicit mention of the activities relating to the ethics function and the Ethics Officer thereby codifying the existing practice of ethics-related matters reported to the Audit Committee; make explicit reference to the five electoral lists of the Executive Board when constituting the selection panel; and emphasise the preservation of the independence of the External Auditor. The Committee also requested that the background discussion paper on best practices in the United Nations System on this matter which had been presented to the Executive Board Bureau in July 2017 be circulated to the Members of the Finance Committee.

30. The Committee was informed that Audit Committee members would perform an annual self-assessment of their activities and submit an annual report to the Executive Board.

31. **The Committee:**

- a) **reviewed and supported the proposed revisions to the Terms of Reference on: the cooling off period for Audit Committee Members prior to their appointment and following their tenure on the Committee as well as for ex World Food Programme staff and Executive Board delegates; the reformulation of the selection panel; the process for recommendation of candidates to the Executive Board; and the indemnification of members for actions performed in the course of exercising their responsibilities as members of the Audit Committee; and**
- b) **recommended that the Terms of Reference be further revised to include the following: (i) reference the ethics function in para 2a; (ii) reference the Ethics Officer in para 5; (iii) specify that the five representatives referenced in para 19 are representatives from the regional/electoral lists; and iv) replace the reference to the External Auditor in para 29 with a separate sentence noting that the External Auditor may attend the sessions of the Audit Committee.**

Housing Allowance of the Executive Director

32. The Committee considered the methodologies and indices used to review the housing allowance and noted that the WFP Executive Director housing allowance was below the level set for the heads of other United Nations agencies in Rome.

33. The Committee discussed the methodologies used in 2012 compared with 2017. The Committee was informed that analysis on up-market rental properties would be shared with the WFP Executive Board Bureau.

34. **The Committee**

- a) **reviewed and supported the proposal that the Executive Director's housing allowance be maintained at EUR 160,000 per year, inclusive of services and utilities, with effect from 1 April 2017 until further notice;**
- b) **supported continuation of the practice that the housing allowance be a reimbursement for the actual cost of a property, be reviewed at five-year intervals by the Executive Board Bureau and the Executive Board, taking into account market rates and the allowances paid to the heads of other United Nations agencies in Rome;**
- c) **recommended that the timing of the review of the housing allowance be aligned to the timing of the appointment of the Executive Director and that a review be performed on the use of appropriate indices including relevant sub-indices of the Harmonized Index of Consumer Prices (HICP); and**
- d) **recommended that more information be provided on the underlying survey of the up-market rental properties in Rome.**

Other Matters

Working Methods of the Finance Committee

35. The Committee noted the importance of continually reviewing its methods of work in order to achieve its overarching goals and objectives.

36. **In this regard, the Committee:**

- a) **encouraged the Secretariat to continue to explore ideas which would contribute to the improved efficiency of the Committee, including on the timing and duration of meetings and leveraging developments in information technology which would support the review of documentation by members; and**
- b) **recalled the importance of ensuring that all documents be received by Members, in all official languages and with uniformity of quality, at least two weeks prior to each session and preferably as early as possible, to allow due consideration and preparation by Members, and urged the Secretariat to take measures to address this issue.**

Date and Place of the Hundred and Sixty-ninth Session

37. The Committee was informed that the 169th Session was scheduled to be held in Rome from 6 to 10 November 2017.

Documents for information

- Work Plan of the External Auditor