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COUNCIL

Hundred and Sixty-fifth Session

30 November – 4 December 2020

Report of the 182nd Session of the Finance Committee 29-30 October 2020

Executive Summary

At its 182nd Session, the Committee reviewed the *WFP Management Plan (2021-2023)*, and the *Process for the selection and appointment of the WFP External Auditor for the term from 1 July 2022 to 30 June 2028* prior to their consideration by the Second Regular Session of the WFP Executive Board in November 2020.

Suggested action by the 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 2020.

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

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Introduction

1. The Committee submitted to the Council the following report of its Hundred and Eighty-second Session.
2. In addition to the Chairperson, Ms Imelda Smolčić Nijers (Uruguay), the following representatives of Members were present:
 - Ms Kristina Gill (Australia)
 - Mr Rodrigo Estrela de Carvalho (Brazil)
 - Mr Haitham Abdelhady Elsayed Elshahat (Egypt)
 - Mr Addisu Melkamu Kebede (Ethiopia)
 - Mr Ramón Lohmar (Germany)
 - Mr Masayuki Oda (Japan)
 - Mr Benito Santiago Jiménez Sauma (Mexico)
 - Ms Tahirou Rahila Rabiou (Niger)
 - 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 Lynda Hayden as the representative of Australia for this session;
 - Mr Manash Mitra (Bangladesh) had informed that he was unable to attend this session;
 - Mr Addisu Melkamu Kebede (Ethiopia) had been designated to replace H.E. (Ms) Zenebu Tadesse Woldetsadik as the representative of Ethiopia for this session;
 - Mr Ramón Lohmar (Germany) had been designated to replace Mr Heiner Thofern as the representative of Germany for this session;
 - Mr Masayuki Oda (Japan) had been designated to replace Mr Toru Hisazome as the representative of Japan for this session; and
 - Ms Elizabeth Petrovski (United States of America) had been designated to replace Ms Jennifer Harhigh as the representative of the United States of America 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. The 182nd Session of the Finance Committee was convened virtually on an exceptional basis due to the COVID-19 pandemic. The Finance Committee confirmed, pursuant to Rule VII of the rules of procedure of the Finance Committee, that it agreed to suspend Rule II(4) of the rules of procedure of the Committee which requires that sessions shall be held at the seat of the Organization.
6. In addition, silent observers from the following Members attended the 182nd Session of the Committee:
 - Austria
 - Costa Rica
 - Dominican Republic
 - France
 - India
 - Kuwait
 - Luxembourg
 - Panama
 - Paraguay
 - Portugal
 - United Kingdom

World Food Programme Matters

WFP Management Plan (2021-2023)

7. The Committee considered the *WFP Management Plan (2021-2023)* which included a forecast of USD 7.40 billion for 2021 compared with operational requirements for 2021 of USD 12.3 billion, resulting in a funding gap of USD 4.9 billion (40 percent).
8. The Committee raised concern over the forecasted funding gap of 40 percent in 2021 and was informed that WFP had faced such funding gap in the past, particularly in the Management Plan for 2016 which had projected a 44 percent funding gap. The Committee noted that the full impact of the COVID-19 pandemic was still unfolding, creating the likelihood of further increases in projected needs and beneficiary requirements coupled with uncertainty in the 2021 funding outlook.
9. The Committee emphasized the need for WFP to continue efforts to broaden and diversify its funding base. The Secretariat confirmed WFP's commitment to strengthening efforts in this area, particularly through continued private sector engagement, and expanding its work on innovative financing mechanisms, such as debt swaps and co-financing. The Secretariat agreed with the Committee that more engagement with the Board on WFP's efforts in innovative financing was needed.
10. The Committee noted that the crisis response focus area continued to account for the greatest percentage of overall requirements (77 percent) compared to resilience building and root causes focus areas (23 percent of overall requirements). The Secretariat informed the Committee that it would provide studies on WFP's impact in resilience and development to further support section 2 of the management plan related to WFP's work in the humanitarian development peace nexus. The Secretariat clarified that CSP budgets for resilience and root causes were based on reasonable funding expectations.
11. The Committee noted that the funding forecast of USD 7.40 billion for 2021 resulted in an estimated Indirect Support Cost (ISC) income of USD 445 million. It noted that the proposed corporate ISC recovery rate of 6.5 percent, and ISC recovery rate of 4 percent for host government contributions to programmes in their own countries, and contributions from developing countries or with economies in transition, remained the same as in 2020.
12. The Committee noted that the Programme Support and Administrative (PSA) budget of USD 443.5 million was below the estimated Indirect Support Cost (ISC) income for 2021. It also noted the proposed transfer of USD 32.2 million from the PSA Equalization Account (PSAEA) for the multi-year Private Sector Strategy (USD 22.2 million), and the termination indemnity fund (USD 10 million). These proposals maintained a satisfactory PSAEA projected balance in 2021, especially in light of management's updated estimate of 2020 contribution income of USD 8.2 billion compared with USD 7.7 billion estimated in the *WFP Management Plan (2021-2023)*.
13. The Committee commended the success to date of WFP's Private Sector Partnerships and Fundraising Strategy. The Secretariat noted the increased brand awareness and fundraising opportunities afforded by the awarding of the Nobel Prize, and emphasized that the impact would likely be felt over the longer term.
14. The Committee requested further detail on the proposed use of the USD 10 million for the Termination Indemnity Fund. The Secretariat recalled that similar funding was requested in 2012, and was used for granting 141 agreed separations; however, the focus of the current request was ongoing organizational realignment exercises in field offices which were being conducted to resolve skills mismatches and ensure the organization was best equipped to meet unfolding and future demands. It was informed that this fund would likely be utilized over two years as many organizational alignment exercises in country offices remained to be implemented.
15. The Committee queried the proposed PSA staff increases in the Inspector General and Oversight Office (OIG) and was informed that the PSA staffing of OIG would increase to 63 positions in the 2021 budget, compared with 55 positions reflected in the current Management Plan.

16. The Committee requested clarification on whether any contingency plans had been put in place in preparing the 2021 budget. It was informed that a prioritization exercise was carried out in early 2020 but that it was not reliable due to substantial changes in funding forecasts and relatively short funding cycles. The prioritization exercise did nevertheless result in ensuring greater focus on field activities as headquarters-based initiatives were deprioritized, and travel and training budgets were repurposed. The same was also reflected in the 2021 budget with foreseen PSA savings of USD 7.5 million, with travel and training budget reductions of 70 percent and 30 percent respectively.

17. The Committee requested clarification on progress in the Bottom-up Strategic Budgeting Exercise (BUSBE) and was informed that the BUSBE team was presently examining the foundations of PSA budgeting models for WFP, such as the definition of core and non-core functions and the practice of chargeback mechanisms. The Committee noted that the Executive Board would be briefed on progress during an informal consultation in December 2020.

18. In response to questions on the use of the Cost per Ration methodology, the Committee was informed that a review was under way, and that the approved methodology would be reflected in the 2020 Annual Performance Report. The Committee was also informed that a review of Management Key Performance Indicators would be reflected in the new Corporate Results Framework.

19. With regards to the suitability of a Trust Fund as an instrument for a global response, the Secretariat confirmed that financial reporting to donors was not impacted, but the mechanism did not, for example, facilitate the provision of internal advance financing.

20. **The Committee:**

- a) **expressed its concern over the forecasted funding gap of USD 4.9 billion (40 percent) based on forecasted operational requirements for 2021 of USD 12.3 billion and anticipated funding of USD 7.4 billion;**
- b) **noted that projected operational requirements would be updated to take into account evolving needs as a result of the COVID-19 pandemic;**
- c) **encouraged efforts to broaden and diversify the funding base in order to reduce the gap between operational requirements and the implementation plan;**
- d) **encouraged WFP management to strengthen its efforts in joined up programming with other UN Organizations;**
- e) **agreed with the proposed level of the PSA Budget of USD 443.5 million and its allocation across the appropriation lines of “strategy and direction”, “services to operations”, and “governance, independent oversight and fundraising”;**
- f) **recommended the endorsement of the proposed transfers from the PSA Equalization Account of USD 32.2 million to support the Private Sector Strategy (USD 22.2 million) and Termination Indemnity Fund (USD 10 million); and**
- g) **recommended that the draft decisions as presented in the *WFP Management Plan (2021-2023)* be approved by the Executive Board.**

Process for the selection and appointment of the WFP External Auditor for the term from 1 July 2022 to 30 June 2028

21. The Committee discussed the *Process for the Selection and Appointment of the WFP External Auditor for the Term from 1 July 2022 to 30 June 2028*, which set out the timeframe of the process, the mandate and composition of the Evaluation Panel and arrangements for its continuity, the selection procedure and the criteria for evaluation, with relative rating weights.

22. The Committee requested clarification on how for each criterion, the evaluation panel may define sub-criteria in the rating system and add weights to them. The Committee was informed that sub-criteria were outlined in the Annex to the paper and that it was up to the panel to determine the weights at this level. The Committee enquired if the evaluation panel could adjust the scores after having interviewed the short-listed candidates and was informed that the panel may adjust the scores of the interviewed candidates, as appropriate, and on the basis of consensus.

23. **The Committee:**

a) **considered the *Process for the Selection and Appointment of the WFP External Auditor for the Term from 1 July 2022 to 30 June 2028*; and**

b) **recommended that the Executive Board approve the *Process for the Selection and Appointment of the WFP External Auditor for the term 1 July 2022 to 30 June 2028*.**

Other Matters

Date and Place of the Hundred and Eighty-third Session

24. The Committee was informed that the next session was scheduled to be held as a virtual meeting from 9 to 13 November 2020.

Documents for information

- Work Plan of the External Auditor