



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
الغذية والزراعة
للأمم المتحدة

FINANCE COMMITTEE

Hundred and Ninetieth Session

18 February 2022

**Utilization of the Programme Support
and Administrative Equalization Account reserve**

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

Mr Manoj Juneja
Chief Financial Officer and Assistant Executive Director
Resource Management Department
World Food Programme
Email: manoj.juneja@wfp.org

EXECUTIVE SUMMARY

- The Programme Support and Administrative Equalization Account (PSAEA), established in 2002, records the difference between WFP's indirect support cost income and programme support and administrative expenses for the financial period. The PSAEA may be used for strengthening WFP's reserves and any use of the balance in the PSAEA requires the approval of the Executive Board.
- The Immediate Response Account (IRA), established in 1991, is an advance financing mechanism that enables WFP to provide immediate assistance in life-threatening situations in the absence of forecasted contributions.
- To mitigate the risk of WFP not being able to accommodate concurrent requests for IRA funds at a time when WFP faces record demands for critical food assistance, it is proposed that USD 30 million be transferred from the PSAEA to the IRA.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to review the document "Utilization of the Programme Support and Administrative Equalization Account reserve" and to endorse it for approval by the Executive Board.

Draft Advice

- **In accordance with Article XIV of the General Regulations of WFP, the FAO Finance Committee advises the WFP Executive Board to approve the draft decision as outlined in the document "Utilization of the Programme Support and Administrative Equalization Account reserve".**



World Food Programme
Programme Alimentaire Mondial
Programa Mundial de Alimentos
برنامج الأغذية العالمي

Executive Board

First regular session

Rome, 28 February–2 March 2022

Distribution: General

Agenda item 5

Date: 17 January 2022

WFP/EB.1/2022/5-A/1

Original: English

Resource, financial and budgetary matters

For approval

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

Utilization of the Programme Support and Administrative Equalization Account reserve

Draft decision*

Having considered the document entitled Utilization of the Programme Support and Administrative Equalization Account reserve (WFP/EB.1/2022/5-A/1), the Board approves the allocation from the Programme Support and Administrative Equalization Account of USD 30.0 million to the Immediate Response Account.

Introduction

1. The Programme Support and Administrative Equalization Account (PSAEA), established in 2002, records the difference between WFP's indirect support cost (ISC) income and the programme support and administrative (PSA) expenses for the financial period. The PSAEA may be used for the following purposes:¹
 - a) to cover any difference between ISC income and approved PSA expenditures;
 - b) as a reserve to underwrite the risk of decreases in ISC income or underfunding of the PSA budget;
 - c) for critical corporate initiatives or thematic support funds; and
 - d) for strengthening WFP's reserves.
2. Any use of the balance in the PSAEA requires the approval of the Executive Board.

* This is a draft decision. For the final decision adopted by the Board, please refer to the decisions and recommendations document issued at the end of the session.

¹ WFP/EB.A/2015/6-C/1/Corr.1.

Focal points:

Mr M. Juneja
Chief Financial Officer and
Assistant Executive Director
Resource Management Department
tel.: 06 6513-2885

Ms W. Bigham
Deputy Director
Corporate Planning and Performance Division
tel.: 06 6513-3716

3. In 2006, the Executive Board decided that the PSAEA balance should be linked to the annual PSA appropriation approved by the Board. In 2015, the target PSAEA balance was set at the equivalent of five months of PSA expenditures, and a “floor” of two months of approved PSA expenditures was adopted to cover the period needed to adjust to a long-term reduction in ISC income and implement associated PSA cost reductions.

PSAEA projections for 2022

4. The management plan for 2022–2024 projected a PSAEA balance of USD 229.4 million at 31 December 2022. This is equivalent to 5.6 months of PSA expenditure. Thus, the projected PSAEA balance already provides an additional cushion beyond the target level of five months should the projected revenue of USD 8.4 billion for 2022 fall short.
5. However, this projection was based on contribution revenue of USD 8.6 billion for 2021 and an ensuing ISC income level of USD 511 million in 2021. At the time of writing in mid-January 2022, financial transactions for 2021 were still being recorded as part of the annual closure of accounts. The preliminary financial results indicate that actual contribution revenue in 2021 will be at least 9 percent higher than the 2021 estimate in the management plan. The unexpectedly high level of contributions in the last few months of 2021 came in response to unprecedented need sparked by growing food insecurity caused by various crises.
6. This unexpected increase in contribution revenue will result in a corresponding increase in the ISC income generated in 2021. The additional ISC income will amount to tens of millions of dollars, and will certainly exceed USD 30 million. The PSAEA will absorb the ensuing surplus of ISC income. This will contribute to an even higher projected balance on the PSAEA for 2022 and an even higher actual PSAEA balance compared with the target level of 5 months of PSA expenditure.

The Immediate Response Account

7. Established in 1991, the Immediate Response Account (IRA) is an advance financing mechanism that enables WFP to provide immediate assistance in life-threatening situations in the absence of forecasted contributions.²
8. Some significant drawdowns on the PSAEA have taken place over the years for critical replenishments of the IRA, supplementing donor contributions. PSAEA funds were transferred to the IRA to mitigate the risk of insufficient resources for concurrent allocations to emergencies in 2015 (USD 50 million), 2017 (USD 15 million), 2018 (USD 44 million) and 2020 (USD 52.5 million).
9. The IRA has proven to be critical in allowing WFP to respond to emerging humanitarian requirements. The level of IRA allocations in 2021 was the highest in the past six years, with a total of USD 220 million allocated to 49 country strategic plans. The largest IRA allocations went to country strategic plans for Afghanistan (USD 38 million), Yemen (USD 28 million), Mozambique (USD 26 million) and Nigeria (USD 19 million); the average monthly allocation was USD 18.33 million, a 17 percent increase over the 2020 average. As at 11 January 2022, the IRA had disbursed USD 5.62 million in response to the continuing humanitarian crisis in Myanmar to provide assistance to people displaced by conflict.

² WFP/EB.3/2004/12-A.

10. Despite generous levels of donor contributions directed to the IRA in 2021, the IRA started 2022 at a critically low balance of USD 35 million, less than half the opening balance of 2021. This is a result of unprecedented hunger and emergencies of increasing frequency and magnitude in 2021. Record demand for IRA allocations is foreseen to continue throughout 2022.
11. While WFP continues to prioritize efforts to increase contributions to the IRA, urgent replenishment of the account from WFP's reserves is crucial to funding life-saving activities in response to concurrent emergencies.

Request for a transfer from the PSAEA to the IRA

12. In accordance with one of the purposes foreseen for the PSAEA, the IRA has already received USD 161.5 million of transfers from the PSAEA since 2015. To mitigate the risk of WFP not being able to accommodate concurrent requests for IRA funds at a time when WFP faces record demands for critical food assistance, it is proposed that USD 30 million be transferred from the PSAEA to the IRA. This conservative transfer to the IRA would allow WFP to utilize, for life-saving assistance, the unexpected increase in the ISC income generated in 2021 arising from the contribution revenue over and above that projected in the management plan approved by the Board in November 2021.