



# COUNCIL

## Hundred and Seventy-fourth Session

Rome, 4-8 December 2023

### Report of the 197th Session of the Finance Committee (Rome, 30-31 October 2023)

#### Executive summary

At its 197th Session, the Committee considered the *WFP management plan (2024-2026)* and the *Housing allowance of the Executive Director*, prior to their consideration by the Second Regular Session of the WFP Executive Board in November 2023.

#### 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 2023.

*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 Ninety-seventh Session.
2. In addition to the Chairperson, Mr Mina Rizk (Egypt), the following representatives of Members were present:
  - Ms Kristina Gill (Australia)
  - Mr LI Bo (China)
  - Mr Bienvenu Ntsouanva (Congo)
  - Ms Berioska Morrison González (Dominican Republic)
  - Mr Jujjavarapu Balaji (India)
  - Mr Sultan Alotaibi (Kuwait)
  - Mr Miguel Jorge García Winder (Mexico)
  - Mr Abdellah Larhmaid (Morocco)
  - Ms Fadia Aljamal (Oman)
  - Mr Petter Nilsson (Sweden)
  - Mr Christopher Mace (United Kingdom of Great Britain and Northern Ireland)
  - Ms Elizabeth Petrovski (United States of America)
3. The Chairperson informed the Committee that:
  - Ms Kristina Gill (Australia) had been designated to replace Ms Emma Hatcher as the representative of Australia for this session;
  - Ms LI Xi (China) had been designated to replace Mr LI Bo as the representative of China for part of this session;
  - Ms Maria de los Ángeles Gómez Aguilar (Mexico) had been designated to replace Mr Miguel Jorge García Winder as the representative of Mexico for part of this session;
  - Mr Petter Nilsson (Sweden) had been designated to replace Ms Pernilla Ivarsson as the representative of Sweden for this session;
  - Ms Elizabeth Petrovski (United States of America) had been designated to replace Mr Rodney Hunter 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 website at: <http://www.fao.org/unfao/govbodies/gsbhome/finance-committee/substitute-representatives/en/>
5. The 197th Session of the Finance Committee was convened in a hybrid setting, with some representatives of Members participating in person at FAO headquarters and others participating virtually. The Finance Committee confirmed, pursuant to Rule VII of the rules of procedure of the Finance Committee, that it agreed to suspend the rules that may be incompatible with the hybrid session.
6. In addition, silent observers from the following Member Nations attended the 197th Session of the Committee:
  - Algeria
  - Belgium
  - Cabo Verde
  - Ethiopia
  - Monaco
  - Panama
  - Russian Federation
  - Spain
  - Sudan
  - Venezuela (Bolivarian Republic of)

## **Election of Vice-Chairperson**

7. Ms Pernilla Ivarsson (Sweden) was unanimously elected Vice-Chairperson until the end of the Committee's present term of office.

## **World Food Programme Matters**

### **WFP management plan (2024-2026)**

8. The Committee welcomed the WFP management plan (2024-2026), and congratulated WFP on the improvements to the format, readability, and succinctness of the document.

9. The Committee welcomed WFP's strong focus on emergency response and saving lives in the management plan in the light of funding constraints.

10. The Committee appreciated WFP's efforts to diversify the funding base, including to increase the level of flexible and multi-year funding, and emphasized their importance for WFP given funding constraints. The Committee was provided with further details and clarifications on partnerships with international financial institutions (IFIs), debt-swaps and engagement with the private sector. The Committee was provided assurances that diversifying the funding base remained a key priority for the Executive Director and WFP.

11. The Committee noted the projected operational requirements for 2024 of USD 22.7 billion to reach 157 million beneficiaries and the provisional implementation plan of USD 11 billion planned to assist 120 million beneficiaries. The Committee requested information on the relatively large number of beneficiaries planned under the provisional implementation plan with only 48 percent of the funding requirement. The Committee noted the clarifications provided that the provisional implementation plan was a forecast which considered previous years' expenditures and contributions, and reflected how in the past, given funding gaps, country offices have reduced rations and/or duration of assistance while prioritizing the most vulnerable beneficiaries.

12. The Committee inquired about the USD 500 million in revenue from service provision compared with a higher figure cited for service provision and on-demand services, and was informed that on-demand services were funded through service provision revenue while mandated services were partially funded through a combination of service provision revenue and contributions. The Committee requested a breakdown of the service provision to governments and was informed that this would be shared with the WFP Executive Board.

13. The Committee noted the decrease in the appropriation line for Governance, Independent oversight and Fundraising, and requested further details on the decrease. The Committee was informed that changes in this appropriation line reflected a reclassification of a portion of the Partnership Department's budget to Strategy and Direction to be consistent with other departmental budgets.

14. The Committee requested an explanation of the increase in the number of employees funded by the programme support and administrative (PSA) budget while the PSA budget in total was decreasing. The Committee was provided with clarifications that budget holders had reassessed the type of costs needed to carry out the activities under the PSA budget and identified reductions primarily in training and travel to offset the slight increase in staff costs.

15. The Committee noted the prioritization of the PSA budget to country offices and inquired as to whether the USD 10 million proposed increase to the country office PSA budget was a one-time cost and whether PSA was the appropriate funding source. The Committee was informed that the higher level of PSA was likely to continue in future years though the country offices receiving the additional amount may vary from year to year; and that the type of costs to be covered with the additional USD 10 million met the definition of indirect support, was aligned with the basic country office costs as defined under the bottom up strategic budgeting exercise (BUSBE), and that PSA was the appropriate funding source.

16. The Committee expressed concern that the USD 50 million from the PSA Equalization Account (PSAEA) to the Immediate Response Account (IRA) appeared low given the emerging crises and the resourcing target set at USD 400 million. The Committee was informed that the IRA's primary funding source was expected to be donor contributions, repayment of advances, and complemented through the periodic injection of the PSAEA.

17. The Committee noted the Reassurance Action Plan and inquired, in light of the funding gap and new organizational structure, as to how this plan would be prioritized and whether country offices would have the resources to implement it. WFP Management clarified that the costed workplan would be funded through various sources, including refocused PSA and Critical Corporate Initiatives (CCIs) which were included in the management plan and through country strategic plan (CSP) resources ring-fenced for monitoring and evaluation, and that the Reassurance Action Plan taskforce would be continued under the revised organizational structure. WFP Management also informed the Committee that the status of the Reassurance Action Plan would be presented quarterly to the Executive Board.

18. The Committee welcomed inclusion of the annex on CCIs and noted that a mid-year update on performance results should be provided to inform funding decisions for ongoing CCIs.

19. The Committee noted the progress and impact of the CCI "Investing in WFP People", and inquired about the exit plan for the fixed-term staff funded under the CCI. The Committee was informed that the phased exit plans for these fixed-term positions have been communicated to all participating offices and accounted for in their budget planning. These exit plans were reflected in the 50 percent reduction in 2024, and at the end of the CCI fixed-term positions would either be absorbed by other funding sources, including PSA or Country Strategic Plans, or contracts would come to their natural end.

20. The Committee referred to the annex on the evaluation workplan and commented that while the evaluation budget approached its 0.4 percent target relative to the overall budget, it did not fully reach it. The Committee was informed that, despite this, funding sources had been identified for all activities included in the plan and that WFP would in the future improve the explanation of the evaluation budget in light of its objectives and the budgetary target. The Committee underlined the importance of evaluation as a core activity of the Organization, and the need to ensure adequate financing for evaluation through the PSA. The Committee was informed that the Office of Evaluation continued to evaluate its products to ensure learning and avoid duplication of evaluation information.

21. The Committee appreciated the addendum in reference to the organizational structure and was provided a brief on the process followed for the first phase of the review of the departmental structure as reflected in the addendum, and was informed that a second phase had begun, focusing now on the design of the divisional level structure, under the new departmental structure. WFP Management reaffirmed its intention to keep the Executive Board apprised on progress and provide updates as proposed in the addendum. Given that the PSA budget was aligned with the current organizational structure, the Committee urged WFP Management to provide updates on the new organizational structure as soon as possible.

**22. With the observations and recommendations above, the Committee recommended that the WFP Executive Board approve the draft decision as outlined in the document "WFP management plan (2024-2026)".**

### **Housing allowance of the Executive Director**

23. 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.

24. The Committee appreciated and supported the preference of the Executive Director to keep the allowance ceiling at the previously set level despite the assessment by WFP Management that the housing allowance of the Executive Director be increased to EUR 170 000 per year inclusive of services and utilities.

25. The Committee inquired on the level of utilization of the housing allowance in prior years and was informed that this information would be shared with the WFP Executive Board.

26. The Committee inquired about the need for a study by an external real estate firm and noted the clarification that this provided objectivity and independence, taking into consideration all relevant housing factors beyond the consumer indices.

**27. 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 2023 for five years;**
- b) **noted that WFP Management was exploring future options, including consideration of an official residence for the Executive Director;**
- c) **supported continuation of the practice of setting the housing allowance as an upper limit while reimbursement would be made based on the actual costs and be reviewed at five-year intervals, taking into account market rates and similar allowance ceilings for the heads of other United Nations agencies in Rome; and**
- d) **recommended that the WFP Executive Board approve the draft decision as outlined in the document “Housing allowance of the Executive Director”.**

## **Other Matters**

### **Date and Place of the Hundred and Ninety-eighth Session**

28. The Committee was informed that the next session was scheduled to be held in Rome from 6 to 10 November 2023.

**Documents for information**

- Workplan of the External Auditor