



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

**Executive Board**  
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For information

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

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## Report of the FAO Finance Committee

The Executive Director is pleased to submit herewith the report of the FAO Finance Committee pertaining to WFP. The report covers the following agenda items:

- WFP Management Plan (2020–2022) (WFP/EB.2/2019/5-A/1)
- Revised Charter of the Office of the Inspector General (WFP/EB.2/2019/4-B/1)
- Update on the Integrated Road Map (WFP/EB.2/2019/4-D/1)



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## COUNCIL

### Hundred and Sixty-third Session

Rome, 2-6 December 2019

### Report of the 177th Session of the Finance Committee (30-31 October 2019)

#### Executive Summary

At its 177th Session, the Committee reviewed the WFP Management Plan (2020-2022), the Update on the Integrated Road Map and the Revised Charter of the Office of the Inspector General prior to their consideration by the Second Regular Session of the WFP Executive Board in November 2019.

#### 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 2019.

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## Introduction

1. The Committee submitted to the Council the following report of its Hundred and Seventy-seventh Session.

2. In addition to the Chairperson, Ms Imelda Smolcic Nijers (Uruguay), the following representatives of Members were present:

- Ms Kristina Gill (Australia)
- Mr Manash Mitra (Bangladesh)
- Mr Rodrigo Estrela de Carvalho (Brazil)
- Mr Haitham Abdelhady Elsayed Elshahat (Egypt)
- H.E. Zenebu Tadesse Woldetsadik (Ethiopia)
- Mr Ramón Lohmar (Germany)
- Mr Toru Hisazome (Japan)
- Mr Benito Santiago Jiménez Sauma (Mexico)
- Ms Tahirou Rahila Rabiou (Niger)
- Mr Vladimir V. Kuznetsov (Russian Federation)
- 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;
- H.E. Zenebu Tadesse Woldetsadik (Ethiopia) had been designated to replace Mr Mitiku Tesso Jebessa as the representative of Ethiopia for the remainder of the term of office;
- Mr Ramón Lohmar (Germany) had been designated to replace Mr Heiner Thofern as the representative of Germany for this session;
- Mr Sid Ahmed M. Alamain Hamid Alamain (Sudan) did not attend this session; and
- Ms Elizabeth Petrovski (United States of America) had been designated to replace Ms Emily Katkar 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. In addition, silent observers from the following Members attended the 177th Session of the Committee:

- Belgium
- Denmark
- Dominican Republic
- Netherlands
- Sweden
- Thailand
- United Kingdom

## Election of Vice-Chairperson

6. Ms Emily Katkar (United States of America) was unanimously elected Vice-Chairperson until the end of the Committee's present term of office.

## **World Food Programme Matters**

### **WFP Management Plan (2020-2022)**

7. The Committee considered the WFP Management Plan 2020-2022 which included: i) a revenue forecast of USD 7.45 billion for 2020 used as the basis for setting the Programme Support and Administrative (PSA) budget; ii) operational requirements for 2020 of USD 10.6 billion; iii) a funding gap of USD 3.1 billion (29 percent); iv) a PSA budget of USD 423.6 million, which compared with estimated Indirect Support Cost (ISC) income of USD 446 million; v) a transfer of USD 22.5 million from the PSA Equalization Account (PSAEA) to the Immediate Response Account (IRA) and critical corporate initiatives totalling USD 39.7 million, while maintaining a healthy PSAEA projected balance in 2020.

8. The Committee appreciated the consultative process that had resulted in further adjustments being made following the September informal consultation, including an increase in the amount to be transferred to the immediate response account from USD 20 million to USD 22.5 million and the reduction of the programme and partnership support initiative from USD 5.7 million to USD 2.5 million.

9. The Committee also appreciated that Section 4 of the Management Plan had been amended based on feedback at the informal consultations, starting with the details on how the PSA budget increases were prioritized, followed by different views on the overall PSA budget by pillar, function and organizational unit. The Committee noted that the format of the document created challenges, for example when reconciling the additional PSA budget figures with the tables in the Annexes. The Committee was informed that the differences were due to the reduction in the PSA budget for 2020 arising from the overall decrease in standard staff costs between 2019 and 2020 (USD 3.8 million), which was reflected in the Annex tables but not in section 4 to allow more meaningful comparison of the real increases in the programmes.

10. The Committee noted its concern at the forecasted funding gap of 29 percent for 2020 which was a result of the increased operational requirements compared with the original operational requirements for 2019, in light of the unprecedented number of protracted L2 and L3 emergencies. The Secretariat confirmed WFP's commitment to continue its efforts to: broaden its funding base including from the private sector through individual giving, thematic funds, host governments and International Financial Institutions (IFIs); improve efficiency and effectiveness for example through systems integration, digitization and cross-functional operational approaches; and to reduce needs by investing in integrated programming to not only save lives but also change lives.

11. The Committee enquired about additional funding for oversight and the allocation to pillars. It was clarified that increases to the independent oversight offices such as the Office of the Inspector General and Office of Evaluation, which comprise the third line of defense, were shown under pillar E (Governance and Independent Oversight). Additional oversight resources under the second line of defense in regional bureaux, country offices and other headquarters divisions were shown under pillar C (Policy, Guidance and Quality Assurance). It was also clarified that at the regional bureau level, the additional oversight resources were mainly targeted at those with the greatest need, for example the regional bureau for West Africa, which oversaw nineteen country offices.

12. The Committee also enquired about the tools to enforce policy compliance, recognizing that additional funding alone would not be sufficient. The Secretariat noted that aside from introducing tools such as a strengthened year-end assurance statements process and planned revisions to performance appraisal mechanisms, actions were required to address cultural aspects and providing incentives or sanctions for policy compliance.

13. In response to questions regarding the reduction of professional posts in country offices and the increase in the 'other' budget line by 30 percent, the Committee was informed that it was a conscious decision to monetise the P3 positions in country offices to provide greater flexibility to country operations and allow them to plan to hire consultants or temporary staff as required. The increase in the other costs budget line was also due to higher costs for Information and Communications Technology (ICT) services provided to country offices but centrally incurred (part of the 'technical adjustment' budget line).

14. Regarding the planned bottom-up strategic budgeting exercise, the Committee was informed that the exercise was planned to start in January 2020 after the Global Management Meeting (GMM) so that the results could be reflected in the 2021 Management Plan. It was noted that it would be desirable for the exercise to be facilitated by external experts, with the scope of optimizing the size of functional units as determining the most appropriate funding sources. The Committee was informed that the exercise would be closely linked to the ISC review where the Board would be asked to provide guidance through Informal Consultations.

15. The Committee noted the 2020 proposal to maintain a Standard ISC rate of 6.5 percent and a reduced ISC rate of 4 percent to be applied to contributions from governments to WFP programmes in their own countries, and for contributions made by developing countries or countries with economies in transition. In response to information in the document regarding a forthcoming review of the ISC rate, the Committee expressed caution about moving to variable ISC rates advising that WFP's rate structure, already competitive, should remain simple.

16. In response to questions regarding the progress of the common back office and marketplace, the Committee was informed that so far the Business Innovations Group co-led by WFP had been utilizing a 'marketplace' tool to determine the demand and supply of location-independent services from various organizations, and had developed a tool for country offices to analyse the cost benefit of using common business services.

17. The Committee enquired about the potential overlap between the 2030 fund and the proposed programme and partnerships support initiative. The Secretariat clarified that the 2030 fund was launched in 2019 to allow country offices to experiment with innovative modalities for implementing the Country Strategic Plan (CSP), and that progress on its use would be reported in the Annual Performance Report for 2019. The investment of USD 2.5 million for the programme and partnership support initiative should be viewed as a scoping exercise focusing on addressing gaps in country level project design to enable better access to a broad range of thematic funding streams and attracting new donors.

18. The Committee enquired about funding for the Private Sector Strategy. The Secretariat recalled that the Strategy was submitted to the Board for approval under a separate document, and it proposed a first phase for a duration of two years, with a one-time investment of USD 13.1 million requested in 2020 and USD 22.2 million in 2021. USD 13.1 million was the proposed PSAEA funding in 2020, while 2021 costs might be covered by alternative funding sources. The Secretariat reaffirmed its commitment to monitor results against the proposed Key Performance Indicators (KPIs).

19. **The Committee:**

- a) **appreciated the consultative process followed in preparation of the *WFP Management Plan (2020-2022)*;**
- b) **noted that forecasted operational requirements for 2020 were USD 10.6 billion and that based on anticipated funding for 2020 of USD 7.45 billion, the forecasted funding gap was USD 3.1 billion (29 percent);**
- c) **encouraged efforts to broaden the funding base in order to reduce the funding gap and to engage with donors on the benefits of flexible and predictable funding;**
- d) **agreed with the proposed level of the PSA Budget of USD 423.6 million and its allocation across the appropriation lines of “strategy and direction”, “services to operations”, and “governance, independent oversight and fundraising”;**
- e) **recommended the endorsement of the proposed transfers from the PSA Equalization Account of USD 22.5 million to the IRA reserve and USD 39.7 million for critical corporate initiatives;**
- f) **while appreciating the quality of the document presented, encouraged the Secretariat to continue to improve the format and the content of the Management Plan with the objective of enhancing its clarity, in particular with regard to presentation of PSA budget increases;**
- g) **encouraged the Secretariat to continue to monitor and enhance internal controls and oversight functions at the headquarters, regional and country levels; and**
- h) **recommended that the draft decisions as presented in the *WFP Management Plan (2020-2022)* be approved by the Executive Board.**

### **Update on the Integrated Road Map**

20. The Committee welcomed the update on the implementation of the Integrated Road Map (IRM), with all country offices operating under the IRM framework since 1 January 2019 and Executive Board approved Country Strategic Plans (CSP) or Interim Country Strategic Plans (ICSP) in effect from January 2020.

21. The Committee recalled that interim delegations of authority were in place from 1 January 2018 to 29 February 2020. It welcomed the findings of the review, which confirmed that the IRM framework with the interim delegations of authority had resulted in a significant increase in the Board's role in approving WFP programmes, enhanced oversight and visibility and gains in efficiency.

22. The Committee reviewed proposals related to a streamlined consultation process for CSPs and ICSPs; optimizing delegations of authority upon expiry of the interim delegations of authority; modifying the five-day Member State review process for crisis-response-related revisions; augmenting the CSP data portal to improve its usefulness; and normative amendments to WFP General Rules to facilitate the implementation of Multi-Country Strategic Plans (MCSPs).

23. The Committee welcomed the application of a single proportion-based threshold to each non-crisis related-revision to a CSP/ICSP that increases its current overall budget by more than 15 percent, above which Board approval would be required.

24. The Committee also welcomed the application of the same for each crisis response-related revision to initiate the five-day Member State review process. Views were expressed about the possibility of also introducing an upper threshold in addition to the proportion-based threshold for crisis response revisions to ensure additional visibility for CSPs/ICSPs of significant operational size. The Committee noted that discussions on this matter could continue during and following the next session of the Board, and was assured of the Secretariat's willingness to consider this prior to the 2020 First Regular Session.

25. The Committee appreciated the rationale for the WFP Executive Director, and where required, the FAO Director-General, employing the exemption clause to waive the Member State review process before approving crisis-response-related budget revisions in exceptional and urgent circumstances, after which such revisions were shared for comment. The Secretariat explained why it did not consider it desirable to have a formal set of criteria to predetermine when such waivers would be undertaken.

26. The Committee was updated on the development of a daily notification system that would communicate all revisions of CSPs and ICSPs to Member States. In response to related queries on the notification system as well as the CSP data portal, the Committee noted that the notification would include a list of approved revisions, regardless of value, and links to such revisions within WFP's website. Planned improvements to the CSP data portal would be implemented beginning in the last quarter of 2019.

27. The Committee noted that feedback on the proposals would be taken into account prior to the formal presentation of the "permanent" delegations of authority and normative amendments for MCSPs for approval at the First Regular Session of 2020. The Committee further noted that the approved amendments to the Appendix to the General Rules and General Rule II.2 and General Rule X.2 would take effect on 1 March 2020.

28. The Committee was provided assurances that the Secretariat would consider an additional review of the "permanent" delegations of authority and governance arrangements. As to the time period for such review, the Secretariat explained that a period of five years before such a review is undertaken seemed appropriate, to ensure a sufficient time period for evidence gathering and learning, and to take full account of the next generation of CSPs and the impacts of United Nations reform of the resident coordinator system and roll-out of the United Nations Sustainable Development Cooperation Frameworks.

29. **The Committee:**

- a) **recalled the decision of the Executive Board at its 2017 Second Regular Session approving interim delegations of authority from 1 January 2018 to 29 February 2020 and deciding that permanent delegations of authority would be presented for approval of the Executive Board at its 2020 First Regular Session following a review of the application of the interim delegations of authority;**
- b) **noted the findings and proposals in respect of permanent delegations of authority set out in document WFP/EB.2/2019/4-D/1 arising from the review carried out of interim delegations of authority;**
- c) **requested the Secretariat to continue to work on the proposals with a view to finalizing and submitting them to the Board for approval at its 2020 First Regular Session;**
- d) **noted the multi-country strategic plan policy proposal and the revisions to the WFP General Rules required to implement it set forth in document WFP/EB.2/2019/4-D/1; and**
- e) **requested the Secretariat to finalize both the policy and the General Rule revisions and to submit them to the Executive Board for approval at its 2020 First Regular Session.**

**Revised Charter of the Office of the Inspector General**

30. The Committee welcomed the Revised Charter of the Office of the Inspector General (OIG).

31. The Charter was last updated in 2015 to add the proactive integrity review services. The 2019 updates generally followed the theme of strengthening the independence of the internal audit and investigations functions.

32. The Committee was informed that the key revisions to the charter incorporated two Joint Inspection Unit recommendations. The first recommendation regarded WFP Executive Board's approval of the Charter. This approval would occur at the 2019 Second Regular Session of the Executive Board noting that an informal consultation was held with the Executive Board in April 2019 to review the changes and obtain feedback. The second recommendation established specific guidance on how to treat allegations of individual misconduct related to the Executive Director. OIG's investigations of allegations against the Executive Director could be viewed as a conflict of interest due to the direct reporting relationship of the Inspector General to the Executive Director. To avoid the appearance of such a conflict, any allegations would be forwarded to the Director General of FAO and the UN Secretary-General to address.

33. Other changes also better defined the services offered by OIG as well as communications with the Audit Committee and the Executive Board.

34. Clarifications were provided on the use of terminology within the Charter and on the term limit applied on the appointment of the Inspector General.

35. **The Committee:**

- a) **reviewed the proposed revisions to the Charter of the Office of the Inspector General (OIG) set out in document WFP/EB.2/2019/4-B;**
- b) **noted that the proposed revisions would strengthen the independence of OIG through approval of its Charter by the Executive Board and escalation of important matters to the Audit Committee and the Executive Board, as well as address recommendations of the Joint Inspection Unit; and**
- c) **recommended the Executive Board to approve the *Revised Charter of the Office of the Inspector General*.**

### **Other Matters**

#### **Working Methods of the Finance Committee**

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

37. In this regard, the Committee highlighted the challenges presented to Members of the Committee by the close scheduling of meetings of the Rome-Based Agencies and requested the Secretariat to consider measures which might alleviate this.

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

38. The Committee was informed that the 178th Session was scheduled to be held in Rome from 4 to 8 November 2019.

## **Documents for information**

- Work Plan of the External Auditor