



منظمة الأغذية  
والزراعة  
للأمم المتحدة

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  
Agricultura  
y la  
Alimentación

## COUNCIL

### Hundred and Thirty-ninth Session

Rome, 17 - 21 May 2010

Report of the 130<sup>th</sup> Session of the Finance Committee  
Rome, 2 – 3 November 2009

### Table of Contents

	Paragraphs
INTRODUCTION	1 - 7
WORLD FOOD PROGRAMME MATTERS	8 - 33
WFP Biennial Management Plan (2010-2011) (WFP/EB.2/2009/5-A/1)	8 - 18
Preliminary Findings of the Financial Framework Review (WFP/EB.2/2009/5-B/1)	19 - 22
Appointment of Members to the Audit Committee (WFP/EB.2/2009/5-C/1 AND WFP/EB.2/2009/5-C/1 ADD.)	23 - 24
WFP Investment Policy and Guidelines (WFP/EB.2/2009/5-F/1)	25 - 28
Update on the WINGS II Project (WFP/EB.2/2009/5-G/1)	29 - 33

This document is printed in limited numbers to minimize the environmental impact of FAO's processes and contribute to climate neutrality. Delegates and observers are kindly requested to bring their copies to meetings and to avoid asking for additional copies.  
Most FAO meeting documents are available on the Internet at [www.fao.org](http://www.fao.org)

FAO MATTERS	34
Appointment of the Inspector-General	34
OTHER MATTERS	35 - 41
Date and Place of the Hundred and Thirty-first Session	35
Any Other Matters	36 - 41
A) Briefing on African Permanent Representatives’ Field Visit to Ethiopia, 2009	36 - 40
B) Working Methods of the Finance Committee	41

## REPORT OF THE HUNDRED AND THIRTIETH SESSION OF THE FINANCE COMMITTEE

2 – 3 November 2009

### INTRODUCTION

1. The Committee submitted to the Council the following report of its Hundred and Thirtieth Session.
2. The following representatives were present:  
Chairperson: Mr Yasser A. R. Sorour (Egypt)  
Vice-Chairperson: Mr Michael Glover (USA)  
Members: Mr MOUNGUI MÉDI (Cameroon)  
H.E Li Zhengdong (China)  
Mr Søren Skafte (Denmark)  
Mr Jean-Jacques Soula (France)  
Mr Eckhard W. Hein (Germany)  
H.E. Jorge E. Chen Charpentier (Mexico)  
Mr Roberto Sabiiti (Uganda)
3. The Committee noted that Panama and Pakistan were not represented at the 130<sup>th</sup> Session. The Committee also noted that this was the third consecutive session at which Pakistan was absent. Furthermore, the Committee was informed that His Excellency Jorge E. Chen Charpentier (Mexico) would be replaced for part of the 130<sup>th</sup> Session by Ms Claudia Cecile de Mauleon Medina. A summary of the qualifications of Ms de Mauleon Medina is listed in the addendum to this report (CL 139/2-Add.1).
4. The Committee agreed to a proposal to amend the Agenda of the session by addition of a sub-item entitled *Briefing on African Permanent Representatives' Field Visit to Ethiopia, 2009* under Item 11 *Any Other Matters*.
5. The Committee decided, under Rule II.3 of the Rules of Procedure of the Finance Committee to open, without prejudice to Rule II.3, the deliberations of its 130<sup>th</sup> Session to silent observers from all Member Nations.
6. The Committee welcomed in general the accuracy and quality of documents presented by World Food Programme (WFP) to the Finance Committee, and the Committee also expressed its appreciation in the efforts made in the preparation of the documents.
7. The Committee also noted that the late presentation of the proposal for the Biennial Management Plan would require that the Executive Board approve an exemption from Financial Regulation 9.2.

### WORLD FOOD PROGRAMME MATTERS

#### WFP Biennial Management Plan (2010-2011) (WFP/EB.2/2009/5-A/1)

8. The Committee noted WFP's total 2010-2011 budget requirements of USD 9.42 billion which included operational requirements of USD 8.37 billion (the Committee noted that the projected operational requirements of USD 8.37 billion, excluding

any provision for unforeseen emergencies, implied an increase of 54% compared to the original Management Plan for 2008-09); a Programme Support and Administrative (PSA) budget proposal of USD 476 million based on an assessment of likely income of USD 7.5 billion; one-off expenditures of USD 69 million, as well as extra budgetary resources of USD 506 million. The Committee noted that the expected 83 million beneficiaries implied a reduction of 8% compared to 2008-09.

9. The Committee noted that the PSA budget of USD 476 million was determined by expected funding levels and, for that reason, the PSA proposal implied an increase of 15.2% compared to the original Management Plan for 2008-09.

10. The Committee noted that development projects were expected to increase in value terms although the rate of increase was anticipated to be less than the rate of increase when compared to other programme categories such as Emergency Operations (EMOPs).

11. Regarding the question of whether the 84% funding assumption may be too ambitious given the current global economic environment, the Committee noted that the funding assumption of USD 3.75 billion per year (USD 7.5 billion for the biennium) was similar to the funding expectation for the current year (2009), and represented a significant decline from 2008 when contribution income exceeded USD 5 billion. It also implied a decline compared to the traditionally assumed level of 90%.

12. While acknowledging that the number of beneficiaries was estimated to decrease from 90 million in the original 2008-2009 Management Plan to 83 million in 2010-2011, the Committee noted that the count of beneficiaries as defined by WFP was not affected by the duration of food assistance programmes. The Committee further noted the increase of 11% in the proposed tonnage compared to the original Management Plan 2008-09. The Committee questioned the relevance of the number of beneficiaries as an indicator of impact of WFP activities.

13. The Committee noted that WFP would operate in 73 countries and maintain offices in five countries where it had a presence but was not operational. Although the Committee questioned the role of WFP's five offices where it did not have operations, it was informed that their presence was to monitor food security within the country. The Committee recommended that country presence in all cases should be based on an appropriate study and evaluation at country level, and that a reliable exit strategy should be in place at the outset. The Committee noted that the current WFP country presence was based on requests from host Governments; food assistance requirements substantiated by needs' assessments; programme operations; and funding outlook. The Committee referred to Table III.4 in the document and noted that for smaller country offices with a lower level of operations, the financial support from PSA was higher than for bigger offices with larger operations - which would receive more funding from Direct Support Costs (DSC).

14. The Committee welcomed the decision to include unforeseen requirements in an annex rather than part of the budget proposal.

15. The Committee inquired about WFP's hedging strategy. The Secretariat responded that the hedging arrangement had proven to be useful in removing an element of uncertainty from the planning process, and explained the hedging process initiated after approval from the WFP Executive Board at its 2008 Annual Session.

16. The Committee expressed its concern about the clarity of some tables in the document. The Committee received the Secretariat's assurance that an attempt would be made to improve the layout of the tables and the text. The Secretariat explained that the document needed to meet the needs of various readers and that this sometimes resulted in compromises. For example, Indirect Support Costs (ISC) were included for reference in the operational section (Section II) for clearer interaction with donors, while from a budgetary perspective

authority for the use of ISC was based on the PSA section (Section III). The content of the plan was also driven by United Nations Development Group (UNDG) harmonization requirements, and by the Financial Regulations.

17. The Committee inquired about the methodology of the ISC rate calculation and why it resulted in almost exactly 7%. The Secretariat stated that the ISC rate was calculated in accordance with the approved methodology<sup>1</sup> and on that background recommended<sup>2</sup> that the ISC rate should be established at 7% for 2010-2011, and this was supported by the Committee.

18. The Committee noted the Secretariat reassurance that the private sector advance of USD 4.5 million could be absorbed by the General Fund.

### **Preliminary Findings of the Financial Framework Review (WFP/EB.2/2009/5-B/1)**

19. The *Preliminary Findings of the Financial Framework Review* was issued for information purposes pending further consultations.

20. The Committee expressed its concerns about the quality of the translation of the document into some languages.

21. The document was well received by the Committee members and there was broad agreement on the timetable set out in the document.

22. The Secretariat commented with regard to International Public Sector Accounting Standards (IPSAS) compliance that so far in 2009 WFP had embedded, as far as possible, the accounting processes applied in 2008; and that WFP was in the process of performing account closures for the first 9 months of 2009, and the result of this would give a strong indication of the status of IPSAS compliance for the current year.

### **Appointment of Members to the Audit Committee (WFP/EB.2/2009/5-C/1 AND WFP/EB.2/2009/5-C/1 ADD.)**

23. The Finance Committee considered *Appointment of Members of the Audit Committee* and endorsed the candidate recommended by the Executive Director to the Executive Board for approval of appointment.

24. The Committee noted the high quality of the candidate and expressed its approval of the process that was employed to identify her. The Committee further noted that the two geographical areas targeted during the selection process were Africa and Eastern Europe. It recommended that in future recommendations the Secretariat seek the views of the Chairperson of the Audit Committee.

### **WFP Investment Policy and Guidelines (WFP/EB.2/2009/5-F/1)**

25. The Secretariat introduced the report on *WFP Investment Policy and Guidelines* which was presented at the request of the Finance Committee and the Executive Board during the discussion on the Audited Annual Accounts at the Board's Annual Session. The IPSAS financial statements provided additional insight in the composition of WFP investments and

---

<sup>1</sup> Ref. WFP/EB.2/2009/5-A/1, para. 262

<sup>2</sup> Ref. WFP/EB.2/2009/5-A/1, para. 264

related income, and highlighted the impact of the global financial crisis at year end 2008 via recognition of unrealized losses.

26. The Secretariat conveyed that the impact of the financial crisis was limited and temporary, and informed the Committee that investment performance was strong during the first eight months of 2009 with year-to-date investment return of USD 27 million, as many of the unrealized losses recognized in 2008 were reversed. Risk reduction of the investment portfolios continued through the implementation of more conservative investment guidelines and reduction of legacy securities.

27. Further to issues raised by members of the Committee, the Secretariat provided the following clarifications:

- WFP co-operated with the other Rome-based Agencies in investment management via cross-participation in the Investment Committees and joint procurement processes for financial services. A new UN Common Treasury Working Group was established this year to enhance knowledge sharing and determine areas for joint services.
- Performance benchmarks and return targets were part of the contracts with the investment managers and the Investment Policy sets clear guidance for performance review which is carried out by the Investment Committee on a quarterly basis. The Secretariat was encouraged to proceed with the inclusion of external members with relevant professional experience in the Investment Committee to ensure availability of expertise.
- The Employee Benefit Funds were invested separately to meet the liabilities of the Employee Benefit Schemes and the return on such investments were used for this purpose only. The Secretariat was completing an asset-liabilities study for the Employee Benefit Funds to determine the most appropriate investment management for these funds and to determine funding policy options.
- The geographical reach of WFP investments was only limited by the investment guidelines, in particular regarding credit risk, as the risk tolerance levels included in the Investment Policy and Guidelines are very conservative.

28. On the basis of information provided the Committee welcomed the report.

### **Update on the WINGS II Project (WFP/EB.2/2009/5-G/1)**

29. The Committee congratulated WFP for the successful “go-live” of the project and commended the development of the on-line self-tutoring system.

30. The Committee noted that the methodology/framework for assessing the benefits of the WINGS II would be presented at the 2010 First Regular Session of the Executive Board. The Committee welcomed the Secretariat’s commitment to provide the costed timetable of the Programme of Work for the improvements deferred from the scope of the 2009 edition, and the expected presentation of overview, at the 2010 Annual Session of the Executive Board.

31. WFP highlighted that it was chairing a special interest group (SAPSIG) which consisted of UN/multilateral organizations whose Enterprise Resource Planning systems were based on the SAP platform. The Committee inquired about how the implementation of WINGS II and WFP’s experiences could benefit other UN organizations and lead to UN system-wide cost savings.

32. The Committee sought clarification on why the 2010 Edition was not included in the Management Plan submission. The Secretariat explained that it was fully convinced about the merits of the annual editions and was already exploring the best ways to prioritize the open backlog of requirements, based on: the competing business justifications; the Programme’s

ability to absorb changes; and the most appropriate funding mechanism between PSA and DSC. This would be included in the presentation to the Executive Board at the 2010 annual session.

33. The Committee inquired if the cost of items deferred from the scope of the 2009 edition were included in the total implementation budget of USD 56.5 million. The Secretariat clarified that funding for the items deferred from the scope of the 2009 Edition were not included in the implementation budget. However, USD 1.5 million had been set aside to ensure that pilot of the SAP Logistics Execution system, as a possible replacement of Commodity Movement Processing and Analysis System (COMPAS), was implemented.

## **FAO MATTERS**

### **Appointment of the Inspector-General**

34. The Committee took note of the information contained in document FC 130/9, commended the process followed, and supported the appointment of Mr John Anthony Fitzsimon to the post of Inspector-General.

## **OTHER MATTERS**

### **Date and Place of the Hundred and Thirty-first Session**

35. The Committee was informed that the 131<sup>st</sup> Session was tentatively scheduled to be held in Rome from 12 to 16 April 2010. The final dates of the session would be agreed in consultation with the Chairperson.

### **Any Other Matters**

#### **A) Briefing on African Permanent Representatives' Field Visit to Ethiopia, 2009**

36. The Committee Member from Uganda briefed other Committee members on his mission to the Federal Democratic Republic of Ethiopia held between 16 and 25 October 2009.

37. The mission was comprised of members from 10 African countries invited by the Government of Ethiopia in collaboration with the WFP country office.

38. The objective of the mission was to visit Government projects in the northern and southern parts of the country. The mission focused on issues such as food security, environmental stress, and degradation through soil erosion. Furthermore, the mission visited some of the projects which the WFP supported through the Food for Work Programme such as the building of water retention dams and water basins. The benefits resulting from these projects included the raising of the water table to allow for the building of shallow wells, the control of soil erosion and the countering of degradation of fragile land.

39. Certain projects were being implemented by WFP in collaboration with other UN organizations, and the local Government under a Government Strategic Framework.

40. The Committee recommended that members conduct more field missions to gain a better understanding of the projects that they approve at the Committee level.

**B) Working Methods of the Finance Committee**

41. Following initial consideration at its 126<sup>th</sup> Session, the Committee discussed the use of inter-session electronic communication to consider matters within its remit, and requested the Secretariat to explore possible modalities for implementation.