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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 الأغذية والزراعة للأمم المتحدة

FINANCE COMMITTEE

Hundred and Ninety-second Session
Rome, 1-3 June 2022
Audited annual accounts, 2021

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

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Documents can be consulted at www.fao.org

NI975/e

EXECUTIVE SUMMARY

- The Secretariat is pleased to submit the audited 2021 Financial Statements together with the Audit Opinion and the Report of the External Auditor. The Financial Statements have been prepared under International Public Sector Accounting Standards (IPSAS). The External Auditor has completed the audit in accordance with the International Standards of Auditing, and has provided an unqualified audit opinion.

- This document is submitted to the Board in accordance with General Regulation XIV.6 (b) and Financial Regulations 13.1 and 14.8, which provide for the submission to the Board of the audited Financial Statements of WFP and an associated report of the External Auditor. The statements and the report are presented in one document.

- This document includes a Statement on Internal Control which provides specific assurance on the effectiveness of internal control in WFP.

- The Secretariat's responses to the External Auditor's recommendations are contained in "Report on the implementation of the External Auditor's recommendations" (WFP/EB.A/2022/6-J/1).

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to review the "Audited annual accounts, 2021" 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 "Audited annual accounts, 2021".**

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

Executive Board
Annual session
Rome, 20–24 June 2022

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Agenda item 6
WFP/EB.A/2022/6-A/1
Resource, financial and budgetary matters
For approval

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

Audited annual accounts, 2021

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Draft decision*

The Board:

i) approves the 2021 annual financial statements of WFP, together with the report of the External Auditor, pursuant to general regulations XIV.6 (b);

ii) notes the funding from the General Fund of USD 208,331.60 during 2021 for the ex-gratia payments and the write off of cash losses and receivables;

iii) notes losses of commodities and other losses during 2021 forming part of operating expenses for the same period.

* 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.

Section I

Cour des comptes
FRANCE

The First President

Paris, 31 March 2022

To the Executive Board

AUDIT OPINION

Opinion

We have audited the Financial Statements of the World Food Programme (WFP), for the 12 months period ended 31 December 2021. These Financial Statements include a Statement of Financial Position as at 31 December 2021, a Statement of Financial Performance, a Statement of Changes in Net Assets, a Statement of Cash Flow, a Statement of Comparison of Budget and Actual Amounts and Notes, including a summary of the accounting policies and other information.

In our opinion, the Financial Statements present fairly the financial position of the World Food Programme as at 31 December 2021 and the results of the operations for the period, in conformity with the International Public Sector Accounting Standards (IPSAS). The Financial Statements were prepared in accordance with the stated accounting policies and the accounting policies were applied on a basis consistent with that of the preceding financial period. All transactions that we became aware of or that we tested during our audit have been carried out in compliance with the Financial Regulations and with the authorizations granted by legislative authority.

Basis for Opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISA) and in accordance with Article XIV of the Financial Regulations of the World Food Programme and its annex relating to external audit. These Standards require us to comply with the ethical rules and to plan and perform our audit in order to obtain a reasonable assurance that the Financial Statements are free from material misstatements. As required by the Charter of ethics of the Cour des comptes, we guarantee the independence, the fairness, the neutrality, the integrity and the professional discretion of the auditors. Furthermore, we also fulfilled our other ethical obligations in compliance with the Code of Ethics of the International Organisation of Supreme Audit Institutions (INTOSAI). The responsibilities of the External Auditor are more extensively described in the section "Auditor's Responsibilities for the Audit of the Financial Statements".

We believe that the audit evidence collected is sufficient and appropriate to constitute a reasonable basis for our opinion.

.../

Management's Responsibilities for the Financial Statements

Within the framework of Article XIV.6 (b) of the General Regulations and by virtue of the Articles 13.1 and 13.3 of the Financial Regulations, the Executive Director of the World Food Programme is responsible for presenting the Financial Statements. These Statements are in conformity with the International Public Sector Accounting Standards. This responsibility includes the design, implementation and monitoring of internal control procedures to ensure the preparation and the fair presentation of Financial Statements, free of significant misstatements, resulting either from frauds or errors. This responsibility also includes the determination of fair accounting estimates adapted to the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

The goal of the audit is to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

An audit therefore consists in implementing audit procedures in order to collect audit evidence regarding the amounts and the information presented in the Financial Statements. The External Auditor takes into account the internal control in effect in the entity, relative to the establishment and preparation of financial statements, so as to define appropriate audit procedures in the circumstances, and not with the aim of expressing an opinion on the effectiveness of this control. The choice of the audit procedures is based on the External Auditor's professional judgment, as is the case for the risk evaluation of the Financial Statements, for the assessment of the appropriateness of the accounting policies and of the accounting estimates, and for the overall presentation of the Financial Statements.

Pierre MOSCOVICI

Cour des comptes
FRANCE

EXTERNAL AUDIT OF THE WORLD FOOD PROGRAMME

AUDIT REPORT

FINANCIAL STATEMENTS OF THE WORLD FOOD PROGRAMME

FOR THE YEAR ENDED 31 DECEMBER 2021

COUR DES COMPTES REFERENCE: WFP-2022-1

WFP
World Food Programme

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EXECUTIVE SUMMARY

The financial position of the World Food Programme (WFP) remains strong, with net assets of USD 7.9 billion, an increase of USD 1.1 billion over the level at the end of 2020. Cash and investments represented 40 percent of the balance sheet, and the level of contributions was very high, standing at USD 9.6 billion in 2021, USD 1.2 billion more than in 2020 and USD 1.6 billion more than in 2019.

In 2021, WFP recorded a surplus of USD 886 million, mainly due to the time lag between the collection of contributions and their commitment, the increase in contributions almost automatically leading to an increase in the surplus. Cumulative surpluses contribute to an increase in net assets from year to year, but WFP's prudential situation remains stable: net assets relative to operational requirements equal five months of requirements in 2021, as in 2020.

While food distribution expenditure increased from USD 2.41 billion in 2020 to USD 2.83 billion in 2021, the volume of food distributed in 2021 decreased from 4.42 million tons in 2020 to 4.35 million tons in 2021. The increase in food distribution costs is the result of an increase in the price of commodities, in particular rice, millet, oil and wheat.

The Russian Federation's intervention in Ukraine in February 2022 took place subsequent to the closure of the 2021 financial statements and did not result in any adjustment to the amounts recorded in 2021. It is expected to have an impact on WFP operations in 2022, however, increasing operating costs. Given the significance of this event, the Executive Director provided an estimate of its potential impact in paragraphs 9–12 of his note accompanying the financial statements.

This year the External Auditor has once again issued an unqualified opinion on WFP's financial statements. In accordance with its mandate under WFP's financial regulations, it has also made a number of observations with respect to the efficiency of the financial procedures and controls.

The application of an erroneous indirect support cost rate to several funding agreements shows that analysing conditions is not always straightforward and that clarification should be provided on the decision making process to be followed before offering a reduced rate to a donor, as well as on the final authority responsible for approving the reduced rate.

Long-term employee benefits amounted to more than USD 1 billion at the end of 2021. Most of this amount is derived from actuarial estimates, which again this year are based on data from the staff census as of 30 September 2021 rather than at the end of the year. The impact of this approximation on the financial statements is unlikely to be significant, but WFP will need to ensure this by estimating it at reasonable intervals.

WFP has made a long-term investment in bonds and equities in order to fund long-term employee benefits. As the long-term benefits are now fully funded from these investments, it is WFP's responsibility to analyse whether the funding arrangement needs to be suspended or whether an additional implementation period is required and to report on the matter to the Executive Board.

I. OBJECTIVES AND SCOPE OF THE AUDIT

1. In accordance with our notification letters of 6 September and 13 December 2021, a team of five auditors audited the financial statements of WFP for the financial year ended 31 December 2021 with the objective of issuing an audit opinion on the financial statements. The audit was carried out mainly at WFP headquarters in Rome, in two stages:

- an interim audit from 4 to 15 October 2021; and
- a final audit from 14 February to 4 March 2022.

2. Pursuant to an Executive Board[1] decision of 10 November 2015, WFP external auditing was entrusted to the First President of the Cour des Comptes of France for the period 1 July 2016 to 30 June 2022, in accordance with financial regulation 14.1 of the WFP Financial Regulations.

3. The External Auditor's mandate is set out in section XIV of the WFP Financial Regulations and the annex thereto, and in the call for applications for the appointment of the External Auditor. The terms of reference for the mandate comprise the call for applications and the offer of services of the Cour des Comptes, particularly its detailed technical offer, which was approved by the Board.

4. The responsibilities of the External Auditor consist of auditing the accounts of WFP (financial regulation 14.1) and making observations, as it sees fit, with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of WFP (financial regulation 14.4).

5. In accordance with article XIV.6 (b) of WFP's General Regulations and pursuant to financial regulations 13.1 and 13.3 of its Financial Regulations, the Executive Director submits the annual financial statements of WFP to the Executive Board for its approval after having submitted them to the External Auditor for examination and opinion. The financial statements are prepared in accordance with International Public Sector Accounting Standards (IPSAS). Management is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility includes making accounting estimates that are reasonable in the circumstances. In accordance with financial regulation 3.1, the Executive Director is also responsible and accountable to the Board for the financial management of the activities of WFP.

6. A letter of engagement was drawn up with the Secretariat to ensure that, in accordance with International Standards on Auditing (ISA), the respective obligations of management and the External Auditor are clearly understood. In addition, before each audit, the External Auditor informs the Secretariat of the scope of the audit activities to be undertaken.

7. This report falls within the scope of the annual work plan of the External Auditor submitted to the WFP Executive Board at its 2021 second regular session, in November, which describes the audit activities to be carried out from July 2021 to June 2022. In accordance with the terms of reference, each year the External Auditor must produce an audit report on the financial statements of WFP (to be submitted to the Board for approval), accompanied by an opinion on the accounts, two reports on the performance and regularity of the management of WFP, also known as "performance audit reports" (to be submitted to the Board for consideration), and management letters drafted following visits to field offices (regional bureaux and country offices). The External Auditor also validates the draft annual

[1] Hereinafter referred to as "the Board".

report on the implementation status of its previous recommendations, submitted by the Secretariat to the Board for consideration.

8. The audit of the financial statements was carried out in accordance with the International Standards on Auditing and the International Standards of Supreme Audit Institutions for financial audits.

9. The field visits in country offices,[2] related mainly to the regularity of the management of the offices, although the audits performed also contributed to preparation of this report.

10. The objective of the audit was to obtain reasonable assurance about:

- whether the financial statements give a true and fair view, in all material respects, of the financial position of WFP at 31 December 2021 and the results of the operations recorded during the financial year, in accordance with IPSAS;
- whether the financial statements were prepared in compliance with the Financial Regulations and the stated accounting policies;
- whether the accounting policies applied are consistent with those of the previous financial year; and
- whether the transactions were performed in compliance with the Financial Regulations and the authority conferred by the legislative bodies.

11. Each observation and recommendation was discussed with the relevant staff. The audit closure meeting was held with senior management of the Corporate Finance Division on 4 March 2022. Management received the External Auditor's draft report and provided feedback; the present report takes into account all its comments and responses.

12. The External Auditor has issued an **unqualified** opinion on the financial statements.

[2] WFP country offices in Algeria, Armenia, the Central African Republic, the Democratic Republic of the Congo, the Dominican Republic, Namibia, and Pakistan.

II. LIST OF RECOMMENDATIONS

13. The External Auditor has assigned a priority level to each recommendation:

- ***Priority 1:*** An essential point requiring the immediate attention of management;
- ***Priority 2:*** A less urgent control issue requiring management attention; and
- ***Priority 3:*** An issue brought to the attention of management, pertaining to which controls could be improved.

Field	Priority	Recommendations
Management of contributions	2	**1. Update all documents relating to the management of funding agreements, in particular with regard to delegations of authority and agreement templates.**
	1	**2. Revise the directives, circulars and guidance documents on the management of funding agreements to ensure consistency and to include, as appropriate, a decision tree that specifies the consultations and decisions at each stage, depending on the circumstances and types of contributions.**
	1	**3. Formally include in applicable directives, circulars and guidance documents the requirement to seek the advice of the Chief Financial Officer, prior to any decision to offer a donor a reduced rate of indirect support cost recovery and prior to the approval of any contribution with such a reduced rate.**
Employee benefits	3	**4. Estimate at reasonable intervals, for example every three years, the impact on the actuarial valuation of changes in the workforce in the last quarter of the year.**

III. OBSERVATIONS AND RECOMMENDATIONS

1. Follow-up on previous recommendations

14. The External Auditor has reviewed the status of implementation of the seven recommendations issued on 2021 on the 2020 financial statements based on interviews conducted in February 2022 and documentation provided by WFP. Its assessment of the status of implementation is summarized in the table below.

Table 1: Status of implementation of the External Auditor's recommendations relating to the audit of WFP's financial statements for the 2020 financial year

Subject	*Implemented*	*Implementation in progress*	*Not implemented*	*Total*	*Reference paragraphs in the 2020 report*
Financial reporting				2	Paras. 33–42
1. Reconsider the decision to no longer present a prioritized plan in the management plan	X				
2. Establish a written procedure for updating the financial resources management manual	X				
Enterprise resource planning software				2	Paras. 43-47
3. Automate the synchronization of staff files	X				
4. Implement security controls related to external users' access to the system	X				
Employee benefits				3	Paras. 49-50
5. Include in the actuary's contract provisions for providing additional information	X				
6. Determine the lapse rate on the basis of experience	X				
7. Set the participation rate of international staff based on historical rates	X				
Total	**7**	**0**	**0**	**7**	

Source: External Auditor.

15. In response to the recommendation that it submit a budget, in the sense of a resource forecast, to the Board for approval, the Secretariat reinstated the presentation of the implementation plan in the management plan for 2022-2024.[3] WFP has thus brought itself into compliance with the Financial Regulations, in particular Financial Regulation 9.3, which states that "the proposed Management Plan shall include the estimated resources and expenditures for each programme category [...]".

16. With regard to the recommendation to establish a written procedure for the periodic updating of the financial management manual, the Secretariat has completed this task by issuing a revised version of the financial management manual in December 2021,

[3] WFP/EB.2/2021/5-A/1/Rev.1.

accompanied by an Executive Director's circular[4] that provides for the updating of the manual each time it is amended.

17. With regard to the management of the WINGS II[5] enterprise resource planning system, the audit revealed significant discrepancies between the baseline data maintained by the Human Resources Division in the WINGS SAP/HCM personnel master file and the WINGS/Active Directory (AD) file. The data synchronization between the two files is now automated.

18. In response to the recommendation to implement security controls over external user access to the WINGS II enterprise resource planning system, a new procedure is being introduced to differentiate between external users who require access to the system and those who do not. This has resulted in a huge reduction in the number of external users from 1,000 to 141, as well as savings in WFP's licensing fees.

19. In the area of employee benefits, the Secretariat and WFP's actuary have done considerable work in recent years on improving the traceability of documentation enabling an assessment of the robustness of the methodology, data, and assumptions used to estimate employee benefits. Despite the progress made, last year the External Auditor considered that the Secretariat could further strengthen the audit trail.

20. The External Auditor therefore recommended considering inclusion in the actuary's next contract of terms required the provision of additional information on the data and methods used in actuarial valuations. These suggestions related to the External Auditor's access to after-service health insurance plan evaluation records for a sample of staff and the documentation of the methodology used to calculate the retirement and lapse rates for internationally recruited staff. As this information was provided by the actuary, it is considered that this recommendation has been implemented.

21. The recommendation to determine the lapse rate for the national field staff medical insurance plan by taking into account the actual experience of beneficiaries with discontinuing their participation in the plan has been implemented.

22. Finally, the Secretariat provided the actuary with historical contribution data so that the after-service health insurance plan cost sharing rate for international staff could be calculated based on historical participation rates rather than on the average of ex ante estimates. The recommendation has therefore been implemented. The Secretariat has clarified that WFP will seek the advice of the actuary on the best approach for future evaluations.

23. In its report on the 2018 financial statements, the External Auditor recommended that WFP obtain from the United Nations Development Programme (UNDP), which manages part of the remuneration of WFP staff, assurance regarding the reliability of the payroll system used for that purpose. Like last year WFP received a letter from UNDP, dated 17 February 2022, confirming that the internal controls in place for the management of WFP's staff payroll are considered adequate. WFP further believes that UNDP will take responsibility if the process is not managed correctly, which it considers unlikely.

24. With regard to cash-based transfers, WFP continued to implement the recommendation made in 2017 to extend the roll-out of SCOPE.[6] This system covered 83 million beneficiaries at the end of 2021, compared to 63.7 million at the end of 2020, 47 million at the end of 2019 and 33 million at the end of 2018. The proportion of cash-based transfers covered by SCOPE was 70 percent in 2021, compared to 59.8 percent in 2020 and

[4] OED 2021/022.

[5] WFP Information Network and Global System.

[6] Digital beneficiary information and transfer management platform.

45 percent in 2019. SCOPE and comparable systems covered 74 percent of cash-based transfers in 2021, while coverage was 71 percent in 2020 and 2019.

2. Overview of WFP's financial position for the year 2021

2.1 Presentation of WFP's simplified statement of financial position

Table 2: WFP's simplified statement of financial position (*USD million*)

	31/12/2021	31/12/2020
Current assets		
Cash and investments	3 514	3 356
Contributions receivable	4 688	4 203
Inventories	1 220	1 013
Other	294	285
Total current assets	***9 716***	***8 857***
Non-current assets		
Contributions receivable	550	352
Investments	1 162	1 009
Property, plant and equipment and intangible assets	225	200
Total non-current assets	***1 937***	***1 560***
TOTAL ASSETS (a)	***11 653***	***10 417***
Current liabilities		
Deferred revenues	821	830
Vendor payables and other liabilities	1 237	1 253
Total current liabilities	**2 058**	**2 083**
Non-current liabilities		
Deferred revenues	550	352
Employee benefits	1046	1 085
Loan	50	55
Total non-current liabilities	**1 646**	**1 492**
TOTAL LIABILITIES (b)	***3 704***	***3 575***
NET ASSETS (a)–(b)	**7 949**	**6 842**

Source: Statement I of WFP's financial statements (rounded amounts).

25. WFP's simplified statement of financial position, presented above, shows its financial position to be strong, with net assets of USD 7.94 billion at the end of 2021, an increase of USD 1.107 billion over the year-end figure for 2020 in the previous financial statements. This rising trend in net assets, which has been observed for several years, is linked to significant surpluses. As a result, net assets have increased by USD 2.08 billion in the two years since the end of 2019.[7] This financial strength is also illustrated by the asset mix at the end of 2021, which consisted of USD 4.68 billion in cash and cash equivalents and short-term and long-term investments, representing 40 percent of the USD 11.65 billion total (42 percent in 2020).

[7] Net assets of USD 5,870 million as of 31 December 2019.

26. WFP's non-current liabilities include employee benefits, which stood at USD 1.05 billion at the end of 2021 – the largest portion of which is for the after-service medical plan. This amount decreased by USD 39 million compared with that recorded at the end of 2020. The decrease is mainly due to the increase in the discount rate for after-service medical plan liabilities[8] (see section 4.3 below).

27. Following a decision adopted by the Board in December 2010, WFP set up a long-term investment fund in bonds and equities to fund these long-term employee benefits. The increase in 2021 is the result of an investment of USD 77.2 million in bonds and equities and the recognition of capital gains and interest income. The balance already covered by this investment at the end of 2021 stood at USD 1,120 million.[9] This is the first year in which investment has exceeded long-term employee benefits.

28. As the long-term benefits are now fully funded by these investments, it is up to WFP to analyse whether the funding arrangement put in place should be suspended or whether an additional implementation period is required. It will have to take into account the uncertainties surrounding the economic assumptions and the volatility of discount rates, given that part of the excess coverage is due to unrealized gains.

2.2 Presentation of WFP's simplified statement of financial performance

Table 3: WFP's simplified statement of financial performance
(USD million)

	2021	**2020**
Revenue		
Contributions	9 608	8 390
Other revenue	160	514
Total revenue	***9 768***	***8 904***
Expenses		
Food commodities distributed	2 829	2 410
Cash-based transfers distributed	2 324	2 124
Distribution and related services	981	906
Employee costs	1 263	1 152
Other expenses	1 485	1 462
Total expenses	***8 882***	***8 054***
Surplus for the year	***886***	***850***

Source: Statement II of WFP's financial statements (rounded amounts).

[8] In 2021, the rate increased from 2.2 percent to 2.6 percent. It should be noted that the evolution of the value of benefits is the opposite of that of the actuarial rates.

[9] Note 2.6 of the financial statements. This amount represents the assets held in reserve in the form of bonds and equities. If the amount of USD 14.2 million in cash also allocated to the reserves is added, the total assets held in reserve amount to USD 1,134.5 million (USD 1,120.3 million + USD 14.2 million).

29. The year 2021 was characterized by a very high level of voluntary contributions, totalling USD 9.61 billion, USD 1.2 billion more than in 2020 and USD 1.6 billion more than in 2019.[10] This continues an upward trend over the past few years, as contributions totalled only USD 6 billion in 2017.[11] The 61 percent increase over five years is testament to WFP's capacity to mobilize donors.

30. The difference between revenue and expenses resulted in a surplus of USD 886 million, exceeding the surplus posted in 2020 (USD 850 million), in 2019 (USD 658 million), and in 2018 (USD 729 million). WFP does not consider that this rising trend in any way reflects an inability to spend all the contributions on its operations. Following an earlier recommendation, since 2018 WFP has in fact provided explanations for this in the Executive Director's note accompanying the financial statements. These explanations stress the time lag between the raising of funds and their allocation, such that any increase in contributions almost automatically leads to an increase in the surplus. In 2021, 88 percent of the surplus came from operations in Afghanistan and Pakistan, with significant contributions being received shortly before year-end. Finally, while accumulated surpluses contribute to an increase in net assets from year to year, i.e. an increase in the fund and reserve balance, the ratio of operating surplus (USD 6.2 billion) to operating requirements (USD 13.9 billion) remains stable at approximately five months of operating requirements,[12] as in 2020.

31. WFP's traditional food distribution activity increased in value from USD 2.41 billion in 2020 to USD 2.83 billion in 2021. However, the volume of foods decreased from 4.42 million tons in 2020 to 4.35 million tons in 2021. The increase in food distribution costs is the result of an increase in the price of commodities, in particular rice, millet, oil and wheat.

32. In this context of rising food prices, the Russian Federation's intervention in Ukraine in February 2022 took place subsequent to the closure of the 2021 financial statements and did not result in any adjustments to the amounts recorded in 2021. It is expected to have an impact on WFP operations in 2022, however, by increasing its operating costs. Indeed, the Russian Federation and Ukraine together supply 30 percent of the wheat and 20 percent of the maize on world markets.[13] Given the importance of this event, in order to inform users the Executive Director has provided an estimate of its potential impact in paragraphs 9-12 of his note accompanying the financial statements.

33. Cash-based transfers increased compared to the previous year, with USD 2.32 billion in 2021 compared to USD 2.12 billion in 2020. This increase, although moderate, confirms a long-term trend linked to WFP's decision to develop this form of assistance.[14] A decrease in cash-based transfers to the regional operation for Syrian refugees was more than offset by an increase in transfers to Yemen, Bangladesh and especially to Somalia and the Democratic Republic of the Congo. Four operations accounted for more than half of the cash-based transfers in 2021: the Syrian regional refugee response[15] (USD 486 million), Yemen (USD 364 million), Somalia (USD 203 million) and Bangladesh (USD 152 million). In all, food distributions and cash-based transfers accounted for USD 5.15 billion in 2021 (USD 4.53 billion in 2020), representing 58 percent of WFP's total expenses (56.2 percent in 2020).

34. In 2021 staff costs reached USD 1.26 billion compared to USD 1.15 billion in 2020, an increase of 9.6 percent (USD 111 million). This was mainly due to the continuing growth in staff numbers over the past several years. In 2021, WFP employed 21,259 people worldwide,

[10] USD 7.98 billion in 2019.

[11] USD 4.81 billion in 2015.

[12] 6.2/(13.9/12) = 5.3.

[13] Presentation of the financial statements by the Executive Director in accordance with financial regulation 13.1.

[14] Cash-based transfers went from USD 882 million in 2016 to USD 2.13 billion in 2019.

[15] In Egypt, Iraq, Jordan, Lebanon, and Turkey.

compared to 20,125 in 2020, an increase of 1,134 employees over one year (+5.6 percent) and 6,625 more since 2014. At the headquarters in Rome alone, there were 2,438 staff, compared to 2,273 in 2020 and 1,503 in 2014, an increase of 165 in one year and an increase of 935 since 2014.

3. Main points regarding accounting principles

3.1 Distributions through partners

35. In accordance with the definition of an asset in paragraph 7 of IPSAS 1, an asset is recognized in the statement of financial position (Statement I), when WFP has control over it and assumes the majority of the risks and benefits associated with it. In line with this principle, commodities distributed through cooperating partners are considered to have been removed from inventory, and therefore from assets, as soon as they have been handed over to the cooperating partners, even when not yet distributed to the beneficiaries. Thus the agreements signed with cooperating partners stipulate that they, and no longer WFP, assume the physical custody and control of such commodities. Cash-based transfers distributed through a partner, however, are recognized as assets until they have been distributed to beneficiaries. In this case, the agreements with the partners provide for the opening of special bank accounts with respect to which WFP has specific rights. WFP maintains sole and full beneficial title and interest to the cash held in such accounts.

36. These accounting treatments are in line with IPSAS, including the definition of an asset. The difference in treatment between the two distribution modalities reflects the different level of control retained by WFP over each of the channels used.

3.1 Contributions for future years

37. Until 2015, WFP recognized all contributions for future years as revenue for the periods in which donor agreements were entered into, regardless of the periods in which the contributions were to be used. In recognition of the strong growth in such contributions, WFP decided in 2016 to change its accounting policy to allow it to record the share of contributions relating to future years as deferred revenue. This is based on the treatment of conditional contributions under IPSAS standard 23, which considers that the temporal dimension creates a condition of use within the meaning of the standard. Other international agencies are making the same use of the concept of deferred revenue as WFP.

38. This accounting policy is, in the opinion of the External Auditor, consistent with applicable IPSAS standards. It should be noted, however, that the IPSAS Board is currently considering this issue, which could lead to the adoption of a new IPSAS standard, in which case WFP will need to review its accounting policy to bring it into line with IPSAS standards that would then be applicable.

4. Main points regarding internal controls

4.1 WINGS II enterprise resource planning software

39. The WINGS II enterprise resource planning system (SAP architecture) plays a major role in the production of the financial statements, given that WFP is a highly decentralized organization that depends heavily on its information systems and operates in a high-risk environment in terms of risk of control and risk of fraud. WFP should make a robust cybersecurity policy a priority, particularly for general information technology controls[16] and

[16] General information technology controls relate to securing the access rights associated with the WINGS II enterprise resource planning software. They cover in particular the management of SAP_NEW, SAP_ALL and SAP* privileged profiles, the monitoring of user profiles and in particular the deactivation of rights when users leave WFP.

application controls,[17] as this is an effective means of limiting such risks. For this reason, the External Auditor has performed information technology reviews focused on WINGS II since the start of its mandate in 2016 and issued recommendations in the financial audit reports for 2016 to 2020 to improve the security of WINGS II.

40. Most of these recommendations have been implemented. While in some cases there were indications that risks persisted, they were considered residual as they were of limited magnitude.[18] These included the maintenance in WINGS of users who still had access rights that did not comply with best practices in terms of segregation of duties (e.g. approving orders and authorizing payments), users with extended SAP ALL[19] and SAP NEW rights, and users whose rights were not deactivated after their departure. The WFP Technology Division acknowledged that there would always be some level of risk due to the nature of WFP's operations and indicated that WFP accepted such risks and had put the necessary procedures in place to limit them. In view of these factors, the External Auditor considers that its recommendations could be closed because it would be difficult for WFP to do much more.

41. In 2021 the security policy, including the role and user administration procedure, which had been in draft form since 2018, was approved in the form of a Technology Division briefing note.[20] This is an important step forward in bringing WFP into line with applicable standards[21] and global best practices in information technology governance and security. The security policy must be approved by management, published and communicated to employees and relevant external parties. It must be reviewed at regular intervals or in the event of significant changes in order to remain appropriate, adequate and effective.

4.2 Management of contributions

42. In 2021, WFP and the World Bank's International Development Association (IDA) entered into three funding agreements: one to support operations in Afghanistan and two to support operations in Yemen, applying a 4 percent indirect support cost rate to contributions. The indirect support cost rate of 6.5 percent applies to all contributions except for government contributions to programmes in their own countries and contributions made by developing countries or countries with economies in transition, as determined by the Executive Board. In such cases, an indirect support cost recovery rate of 4 percent is applied.[22]

43. After thorough analysis, WFP management concluded that the application of a 4 percent indirect support cost rate was not consistent with the Board's exemptions and that the standard 6.5 percent indirect support cost rate should have been applied to all three contributions. The shortfall resulting from the difference in the applied rates is USD 6.1 million.[23]

[17] Application controls relate to managing the segregation of duties in the processes that feed into the relevant accounts (such as the purchasing process, where there should be segregation of duties between ordering, receiving and payment). WFP uses the SAP CRM module to manage the segregation of duties in WINGS II.

[18] See Report of the External Auditor on the 2019 financial statements (Section I of document WFP/EB.A/2020/6-A/1).

[19] SAP ALL standard profiles enable all transactions to be completed in WINGS. The SAP NEW standard profiles contain all the permissions required in the updated versions of WINGS.

[20] TEC/IN/2021/005.

[21] Clause 5.2 of the ISO/IEC 27001 standard.

[22] WFP Management Plan (2021-2023) (WFP/EB.2/2020/5-A/1/Rev.1).

[23] Note 8.2 of the financial statements: Contingent liabilities.

44. The two funding agreements for Yemen and the funding agreement for Afghanistan were signed by the WFP country directors for those countries under a delegation of authority[24] granted by the then Executive Director to the Director of the Resources and External Relations Division, now the Partnerships and Advocacy Department, who then further delegated the authority[25] to country and regional directors subject to three basic criteria, i.e., that contributions were consistent with WFP's needs and mandate, imposed no additional conditions and allowed for full-cost recovery.[26]

45. Delegation to country directors therefore could not be applied in these three cases, given the existence of a derogation from the standard indirect support cost recovery rate. Consequently, the corresponding funding agreements should have been signed by the Director of the Partnerships and Advocacy Department or under a specific delegation. Furthermore, neither the delegations of authority nor the funding agreement templates are up to date, as the applicable circular and directive do not take into account the changes in the organizational structure of the divisions concerned since 2002, and some funding agreement templates still refer to a standard rate that is no longer applicable.

Recommendation 1. Update all documents relating to the management of funding agreements, in particular with regard to delegations of authority and agreement templates.

46. The process of developing a funding agreement is described in a handbook from the Partnership and Advocacy Department[27] and other guides. Nevertheless, the application of an indirect support cost rate that was retrospectively found to be erroneous shows that analysing the conditions is not always straightforward and that clarification should be provided on the process to be followed before a reduced rate is offered to a donor and with regard to the final authority to approve the rate in question. Such clarifications could take the form of a decision tree annexed to the applicable directives, guidelines and manuals specifying the consultations undertaken and decisions made at each stage, depending on the circumstances.

47. In addition, the requirement to alert the Chief Financial Officer at an early stage of a negotiation and then to obtain his or her authorization regarding the rate of recovery of indirect support costs to be applied is not formally provided for in the applicable directives and manuals.[28] Due to his or her role, the Chief Financial Officer and Assistant Executive Director, Resource Management Department, who oversees the Corporate Planning and Performance Division and the Corporate Finance Division, is directly affected by the application of a rate that derogates from the standard rate of 6.5 percent. Indeed, the recovery of indirect support costs feeds into WFP's programme support and administrative budget; the surplus is paid into the Programme Support and Administrative Equalization Account, which is one of WFP's statutory reserves.[29]

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[24] Circular OED98/003.

[25] Directive RE2002/001.

[26] Paragraph 19 of the directive RE2002/001.

[27] Grants Management and Contribution Framework (including annex 3. ISC rates and the Full Cost Recovery (FCR) principle).

[28] An email from the Chief of Staff dated 12 January 2022 now invites systematic consultation with the Chief Financial Officer, without the need for a directive or a manual.

[29] Note 2.15 of the financial statements.

Recommendation 2. Revise the directives, circulars and guidance documents on the management of funding agreements to ensure consistency and to include, as appropriate, a decision tree that specifies the consultations and decisions at each stage, depending on the circumstances and types of contributions.

Recommendation 3. Formally include in applicable directives, circulars and guidance documents the requirement to seek the advice of the Chief Financial Officer prior to any decision to offer a donor a reduced rate of indirect support cost recovery and prior to the approval of any contribution with such a reduced rate.

4.3 Actuarial calculations for long-term employee benefits

48. Long-term employee benefits recognized under liabilities in statement I stood at USD 1,046 million at the end of 2021, compared with USD 1,085 million at the end of 2020, USD 1,023 million at the end of 2019 and USD 737 million at the end of 2018. Most of this amount (USD 1,041 million) arises from actuarial valuations by the actuarial firm under contract with WFP, as shown in the table below.

Table 4: Status of long-term employee benefits[30]
(in USD million)

	Actuarial valuation	WFP valuation	2021	2020	Variation
After-service medical plans	892		**892**	**934**	-4%
Other non-current employee benefits[31]	100		**100**	**92**	+9 %
Separation payments scheme	27		**27**	**29**	-7 %
Compensation plan reserve fund[32]	22	2	**24**	**25**	-4%
Home leave travel		4	**4**	**6**	-33%
Total	**1,041**	**6**	**1,046**	**1,085**	**-4%**

Source: External Auditor based on financial statements (rounded amounts).

49. WFP and its actuary have done considerable work on providing better traceability of documentation that makes it possible to assess the robustness of the approach, data and assumptions used to estimate these long-term employee benefits.

50. The actuarial valuation is again based on data from the staff census as of 30 September 2021. Consequently, the changes that occurred during the fourth quarter of 2021 are not taken into account. This practice does not contradict IPSAS 39 and WFP considers that the net impact of this approximation on the financial statements, which had

[30] These benefits apply to international professional staff, general service staff and national professional officers.

[31] These benefits include death grants and repatriation grants paid on separation.

[32] The purpose of this plan is to compensate staff and their families in the event of work-related death, injury or illness.

been estimated at USD 1.2 million in 2020, is not material. This small deviation has led WFP not to repeat this analytical work in 2021. WFP could improve the validation of staff census data by submitting to its actuary each year an analysis of staff changes in the fourth quarter and asking for an estimate, at reasonable intervals (e.g. every three years), of the potential impact of these changes on liabilities.

Recommendation 4. Estimate at reasonable intervals, for example every three years, the impact on the actuarial valuation of changes in the workforce in the last quarter of the year.

4.4 Cases of fraud and presumptive fraud

51. The External Auditor's role is not to investigate fraud or provide assurance on the matter. Nevertheless, in accordance with ISA 240, it is the responsibility of the External Auditor to identify risks of material misstatements in the financial statements that may result from fraud, and it considers its own assessment of fraud risk in defining its audit strategy and its work. In addition, in accordance with article 6 of the annex to the financial regulations, the External Auditor is responsible for bringing instances of fraud and presumptive fraud, as well as waste and misuse of WFP's funds or other assets, to the attention of the Board in its report on the financial transactions for the financial year.

52. As highlighted in previous reports, WFP is particularly exposed to a risk of fraud due to its activity, the regions in which it operates, the nature of its assets, the highly decentralized nature of its organization and the large number of partners with which it interacts. Frauds are detected regularly. In 2021, WFP reported that it was aware of 35 cases of substantiated fraud, of which 12 resulted in financial loss to WFP (USD 97,777, of which USD 16,446 was recovered). The cases involved misrepresentation, vendor procurement fraud, theft and embezzlement involving WFP staff and third parties. WFP also has 47 cases of suspected fraud under investigation (USD 9.6 million). In 2020, WFP reported that it was aware of 19 cases of substantiated fraud (valued at USD 133,490, of which WFP was able to recover USD 100,907) and seven cases of suspected fraud currently under investigation (valued at USD 5.7 million). As in prior years, the External Auditor obtained confirmation of these elements by the Inspector General of WFP.

53. The amount of suspected fraud under investigation in 2021 is mainly explained by a single case that is the subject of several investigations, with each investigation relating to a cooperating partner. After conducting an exercise to deduplicate biometric identifications in SCOPE, the WFP Somalia country office identified potentially fraudulent duplicates that resulted in unwarranted payments to beneficiaries. The total represents the amounts paid by various cooperating partners. Investigations to determine whether there was fraud were already under way in 2020 and were still ongoing at the time of the audit. The envisaged loss, which was reported to be USD 5.6 million in the notes to the 2020 financial statements, was estimated at USD 7.2 million in 2021 and represents 75 percent of the amount of suspected fraud.

4.5 Write-offs and ex gratia payments

54. All ex gratia payments and write-offs relating to contributions, inventories of food and other items and other assets must be formally approved by the Executive Director, as per financial regulations 12.3 and 12.4. Thus, a note signed by the Executive Director approving ex gratia payments and write-offs recognized in 2021 was submitted to the External Auditor on 25 March 2022 and presented in note 9 to the financial statements.

55. As of the closure of the accounts, the write-offs of food commodities (USD 24.9 million in 2021, USD 22.8 million in 2020, USD 24.6 million in 2019, USD 14.4 million in 2018 and USD 20.5 million in 2017) had not undergone a systematic detailed analysis submitted to the Executive Director, nor had they led to the formulation of an action plan to limit future risk,[33]even though financial regulation 12.4 provides that "the Executive Director may, after full investigation, authorize the writing-off of losses of cash, commodities and other assets [...]." As the External Auditor has already indicated in its reports on the financial statements for 2016-2020, in its opinion write-offs should only be recognized once authorized by the Executive Director on the basis of the annual report on overall losses, after full investigation, in accordance with the provisions of financial regulation 12.4. The main locales where losses were suffered in 2021 are Ethiopia (USD 4 million), Yemen (USD 3.5 million), the Sudan (USD 3.4 million), South Sudan (USD 2.9 million) and the Syrian Arab Republic (USD 2.3 million).

IV. ACKNOWLEDGEMENTS

56. The audit team would like to express its sincere gratitude to the Corporate Finance Division for its support during the audit, and in particular to the Deputy Director, Financial Reporting, who was the primary focal point for this audit. It would also like to thank the other WFP divisions for their contribution to the audit of the financial statements, particularly the Technology Division.

End of audit observations.

[33] The note approved by the Executive Director on 25 March gives the value and location of the losses but states that the annual global losses report, which will be completed later and submitted to the Executive Board at its 2022 annual session for information, will provide a detailed explanation of the nature of losses and mitigation actions.

ANNEX: AUDIT ADJUSTMENTS TO THE FINANCIAL STATEMENTS

1. The work of the External Auditor did not reveal any audit adjustments, whether due to error or a difference in judgment.

Section II

Executive Director's statement

Introduction

1. In accordance with article XIV.6 (b) of the general regulations and financial regulation 13.1, I have the honour to submit for the approval of the Executive Board (the Board) the financial statements of the World Food Programme (WFP), prepared in accordance with IPSAS, for the year ended 31 December 2021. The External Auditor has given his opinion and report on the 2021 financial statements, both of which are also submitted to the Board as required by financial regulation 14.8 and the annex to the financial regulations.

Operational context

Operating environment

2. The World Food Programme was established in 1961 by the United Nations General Assembly and Food and Agriculture Organization of the United Nations (FAO) Conference as the United Nations system's food aid organization. WFP is governed by a 36-member Executive Board which provides intergovernmental support, direction, and supervision of WFP's activities. WFP provides assistance in 117 countries and territories where its work is overseen through the six regional bureaux. WFP has more than 21,000 employees worldwide of whom over 87 percent are based in the countries where the agency provides assistance.

3. The organization's corporate strategy is mapped out in its strategic plan which is renewed every four years. The strategic plan is guided by the Sustainable Development Goals (SDGs) set forth in the 2030 Agenda for Sustainable Development, in particular SDG 2 on ending hunger and SDG 17 on revitalizing global partnerships for implementation of the SDGs. WFP's Strategic Plan (2017–2021) therefore aligns the organization's work to the 2030 Agenda's global call to action, which prioritizes efforts to end poverty, hunger, and inequality, encompassing humanitarian as well as development efforts.

4. Responding to emergencies and saving lives and livelihoods – either through direct assistance, or by strengthening country capacities – remains at the heart of WFP's operations, especially as humanitarian needs become increasingly complex and protracted. At the same time, WFP continues to support countries by building resilience for food security and nutrition, and to change the lives of individuals and communities across the world by improving agricultural techniques, strengthening local livelihoods, promoting adaptation to climate change, ensuring children have the nutrients they need and managing school feeding programmes that help girls and boys stay at school and build bright futures.

5. Recent estimates indicate that 276 million people are acutely food-insecure, and 44 million people across 38 countries are at risk of falling into famine. Conflict, economic shocks – including those resulting from the COVID-19 pandemic – and weather extremes are the main drivers of acute food insecurity.

6. The global economy recovery in 2021 was notably uneven. In two-thirds of developing and emerging economies, pandemic-induced income losses were not expected to be recovered by 2022; in low-income countries the slowest growth of the past two decades was expected. Furthermore, in 2021, there was a gradual but persistent increase in international food commodity prices and energy prices. The conflict in Ukraine in 2022 has plunged global food and energy markets into turmoil, raising high food prices even further. Should this continue,

food security will continue to decline, reducing people's purchasing power and threatening their economic access to food.

7. The global economic impact from conflicts, economic shocks, including those resulting from the COVID-19 pandemic, has placed increased pressure on WFP to mobilize resources for meeting escalating operational requirements. In 2021, given increased demand for WFP's assistance, WFP's operational requirements increased from originally planned USD 12.1 billion to USD 14.4 billion, an increase of 19 percent. Contributions revenue to WFP reached USD 9.6 billion in 2021, a 15 percent increase compared to the 2020 contribution revenue level of USD 8.4 billion. Supported by record donor funding levels, and in partnerships with national governments, United Nations agencies, and over 1,000 non-governmental organization (NGO) partners, WFP reached 128 million of direct beneficiaries, by delivering USD 2.8 billion and USD 2.3 billion of food assistance and cash-based transfers, respectively. While emergency response remained a focus in 2021 and 69 percent of WFP funding was directed to crisis response, WFP's response in nutrition, smallholder farmer support, collaboration with national governments, and its role in providing common services, among others were significant.

8. In response to the severe impacts to global supply chains and commercial transport markets caused by the COVID-19 pandemic, WFP leveraged its extensive supply chain capacity and logistics expertise to establish a flexible common services structure to ensure the continuity of existing humanitarian operations and the global health response. Since the start of the pandemic, WFP has established a network of eight global humanitarian response hubs to facilitate the movement of critical cargo on a free-to-user basis on behalf of all humanitarian organizations through which over 130,000 m^3 of cargo has been transported. WFP's global air passenger services have reached a total of 68 locations ensuring that over 33,000 essential health and humanitarian personnel from 474 organizations could continue their critical work on the frontlines of the pandemic response. Managed by WFP, the United Nations Humanitarian Air Service (UNHAS), has been providing safe, reliable and cost-effective air transport services for over a decade. WFP managed 22 UNHAS operations. In support to the COVID-19 response, in 2021, UNHAS performed medevacs and played an essential role in transporting medical supplies and in the distribution of vaccines and medical equipment. WFP continues to co-lead the United Nations Medevac Cell together with the United Nations Department of Operational Support. The cell has completed a total of 330 international COVID-19 medical evacuations.

Events after the reporting date

9. In February 2022 the Russian Federation invaded Ukraine which prompted the international community to impose heavy sanctions on the Russian Federation. While this event has not resulted in any adjustments of the amounts recognized in the 2021 financial statements, it is expected to impact WFP operations in 2022 by simultaneously increasing the number of people in need and increasing operating costs that will constrain WFP's response.

10. Combined the Russian Federation and Ukraine supply 30 percent of wheat and 20 percent of maize to global markets, moreover the Russian Federation also has significant influence on the energy market. As a result, international food and fuel prices have increased sharply since the onset of the conflict. FAO Food Price Index reached an all-time high already in February 2022 and further turmoil on both food and energy markets is expected which will have major implications for food security across the world.

11. The Russian invasion of Ukraine has brought shipments from Ukraine to a halt and Russian grain deals to pause amidst uncertainty around sanctions, freezing 23 percent and 43 percent of their expected exports of wheat and maize in 2021/2022. While WFP can compensate short-term possible disruptions, export disruptions in the Black Sea and

commodities price increases are expected to raise the cost of WFP's food procurement and transportation by approximately USD 29 million per month. The potential impact on WFP's operations are subject to a high degree of uncertainty, and the actual impact may differ from the estimate.

12. Countries which are already in a weak position economically at the onset of the crisis and reliant on grain imports will have the lowest capacity to buffer food price increases and safeguard their people's food security. In many instances these are the countries where WFP provides assistance. WFP's operational requirements for 2022 are expected to grow to USD 19 billion potentially, excluding the impact of the Ukraine conflict, and that will widen the gap between the funding needs and available resources, impacting millions of people who rely on WFP to keep them alive.

Strategic plan and corporate results framework (2022–2025)

13. Year 2021 was the final year of WFP's work in line with the strategic plan for 2017–2021. The Board approved the WFP strategic plan for 2022–2025 (WFP/EB.2/2021/4-A/1/Rev.2), reaffirming its commitment to WFP's mandate, as reflected in its general rules and regulations.

14. The WFP strategic plan (2022–2025) is situated within a renewed global commitment to the 2030 Agenda for Sustainable Development and brings strengths and capabilities to the United Nations system efforts to help countries respond to the urgent needs of those furthest behind and achieve the SDGs. Specifically, the vision of the strategic plan is the eradication of food insecurity and malnutrition (SDG 2 – zero hunger) and national and global actors achieving the SDGs (SDG 17 – partnerships for the goals). While prioritizing SDGs 2 and 17, the drivers behind increasing food insecurity – shocks that come on top of old grievances, persistent stressors and worsening structural vulnerabilities – underline their deep interconnectedness with other SDGs.

15. Further, having approved WFP's strategic plan for 2022–2025, the Board approved the corporate results framework for 2022–2025 during its first regular session in 2022 (WFP/EB.1/2022/4-A/Rev.1). The corporate results framework for 2022–2025 is the operational tool for the implementation of the new strategic plan. The new corporate results framework is constructed around a clear three-tier results chain (impact, outcome and output), consistent with United Nations and international best practice in results-based management. The impact level is clearly related to WFP's contribution to SDG targets. The outcome level reflects the strategic change that WFP will strive to achieve in partnership with others and the output level describes the key corporate products and services that WFP and its implementing partners will hold themselves directly accountable for delivering.

16. Baselines and targets at country level will be established once all new country strategic plans (CSPs) are approved (at the 2022 second regular session of the Executive Board). Current CSPs are being realigned with the new strategic plan and the new corporate results framework.

Financial analysis

Summary

17. WFP's primary source of revenue is voluntary contributions from donors. WFP recognizes contribution revenue when confirmed in writing and where the contributions are not stipulated for a future financial year. Contributions stipulated by donors for use in future periods are recorded as deferred revenue.

18. WFP's primary expenses are for food commodities distributed and cash-based transfers. Expenses are recognized when food commodities are delivered, or cash-based transfers are distributed. There is an inherent time lag between the recognition of revenue and the recognition of expenses. Expenses in any one year may be higher or lower than the revenue in that year as WFP utilizes or replenishes its fund balances.

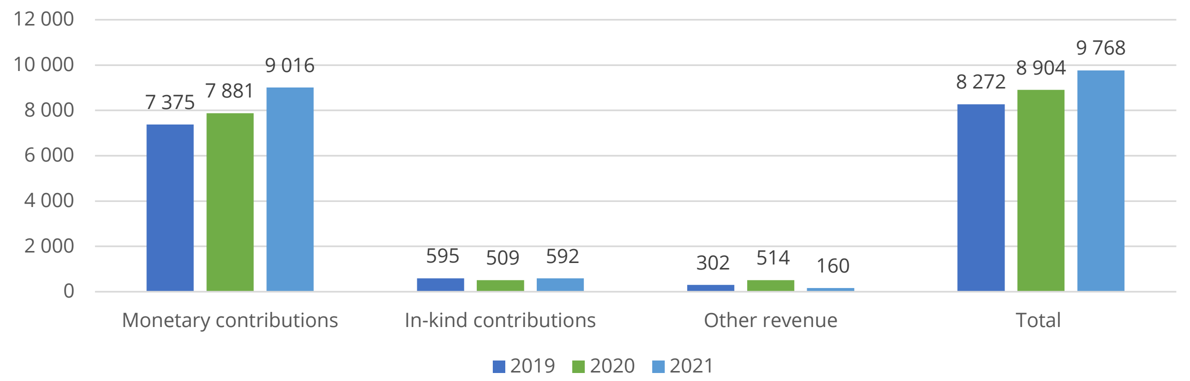
19. Based on the nature of WFP's operations most of its assets are current assets expected to be realized within 12 months after the reporting date. Current assets are expected to be significantly higher than current liabilities due to time lag between revenue and expenses recognition as discussed above.

20. Total fund balances and reserves comprise fund balances accumulated due to excess of revenue over expenses (including gains and losses recognized directly in net assets) in prior financial periods, and reserves established by the Board for funding specific activities under specific circumstances.

Financial performance

Revenue

Figure 1. Revenue
(*in USD million*)



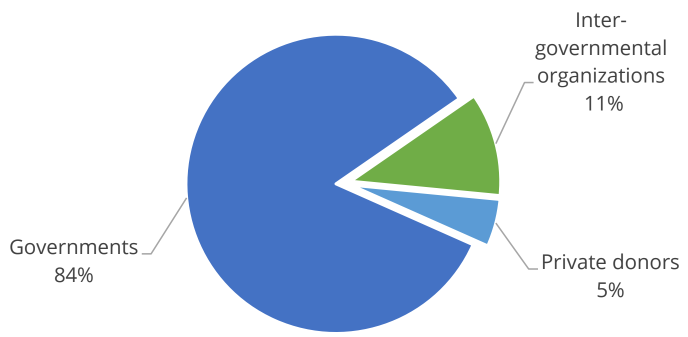
21. In 2021, WFP recognized a record revenue of USD 9,768.0 million, an increase of USD 864.3 million or 10 percent from the revenue of USD 8,903.7 million in 2020.

22. USD 9,607.7 million or 98 percent of total revenue was from donor monetary and in-kind contributions, an increase of USD 1,218.1 million or 15 percent compared to USD 8,389.6 million in 2020.

23. The increase in contribution revenue in 2021 stems from continued support of WFP's traditional major donors as well as from governments' contributions to programmes in their own countries. In 2021, increased contributions were received from the largest donors including, the United States of America, Germany, Canada, Japan and Norway. Other major donors were the European Commission and the United Kingdom of Great Britain and Northern Ireland. The largest governments' contributions to programmes in their own countries that also contributed to increased contribution revenue in 2021 were received from Pakistan and Somalia. Another major contributor was the World Bank, either directly or through host governments. Private donors' contributions are three times higher than in 2020 and their share grew from 2 percent in 2020 to 5 percent in 2021. The highest private

donor contribution amounting to USD 288 million was sourced with funding from the Kingdom of Saudi Arabia and the United Arab Emirates.

Figure 2. Contributions revenue by donors (*in percentages*)



24. USD 8,245.9 million or 86 percent of 2021 contributions revenue of USD 9,607.7 million was for WFP's programme category funds, USD 153.9 million or 2 percent for trust funds and USD 1,207.9 million or 12 percent was initially recorded under the General Fund and Special Accounts segment. Multilateral contributions, amounting to USD 465.9 million in 2021, that are initially recorded under the General Fund and Special Account segment, are subsequently allocated to specific programmes. Thirty-two percent of contribution revenue under the programme category funds was generated in the Regional Bureau for the Middle East, Northern Africa and Eastern Europe due to the extensive needs of major emergency operations in Yemen, the Syrian Arab Republic and the Syrian Regional Refugee Response. Eighteen percent of contribution revenue was generated in the Regional Bureau for Asia and the Pacific due to the sharp rise in contribution revenue for Afghanistan as a response to rising needs. The contribution revenue under the programme category funds was distributed across six regional bureaux and across top ten countries as follows.

Figure 3. Contribution revenue distribution by regional bureau (*in percentages*)

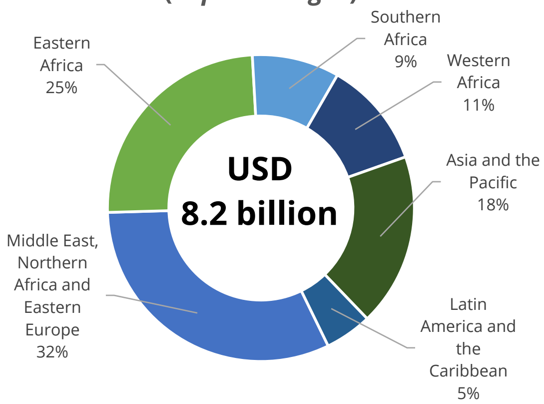
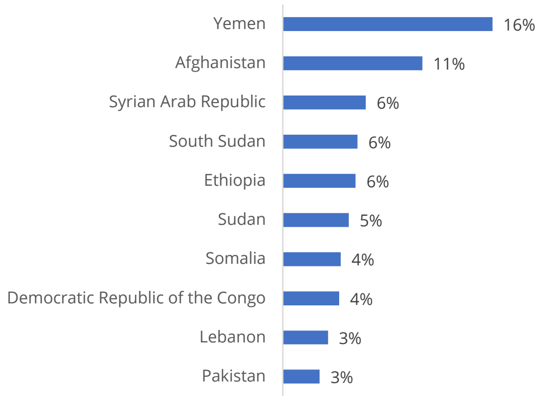


Figure 4. Top 10 Countries by Revenue Distribution



25. Other revenue was USD 160.3 million in 2021, a decrease of USD 353.8 million compared to USD 514.1 million in 2020. The decrease mainly stems from realized and unrealized currency exchange losses that are reflected both under currency exchange differences and as part of return on investments. The other revenue comprised:

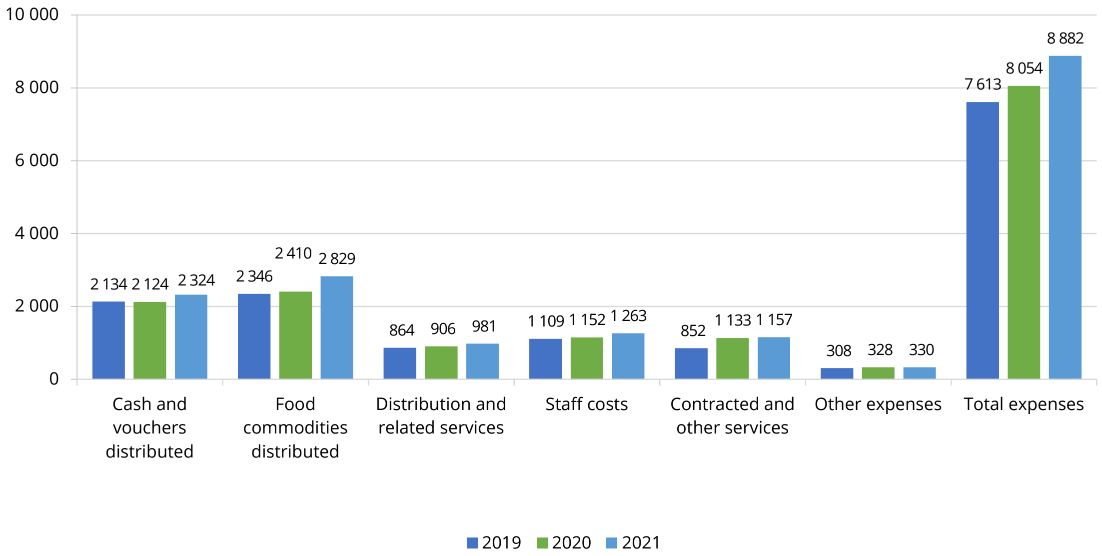
a) other revenue generated from provision of goods and services – USD 277.8 million, an increase of 58 percent, mainly due to increase in revenue from food procurement, fuel, and other logistics service provision;

b) currency exchange differences – USD 107.7 million loss, mainly due to devaluation of contribution receivables denominated in euro; and

c) return on investments – USD 9.8 million loss, mainly due to foreign currency revaluation losses on long-term investments denominated in euro and yen;

Expenses

Figure 5. Expenses
(*in USD million*)



26. In 2021, WFP expenses were USD 8,882.4 million, an increase of USD 828.7 million or 10 percent from USD 8,053.7 million in 2020.

27. Cash-based transfers distributed of USD 2,323.7 million (including USD 235.1 million of commodity voucher transfers), increased by USD 200.0 million or 9 percent compared to USD 2,123.7 million (including USD 254.9 million of commodity voucher transfers) in 2020. This increase was driven by the strong increase in distributions in Yemen (USD 112 million) and Somalia (USD 105 million) as well as in eight other countries with double digit growth. The Syrian Regional Refugee Response emergency (namely, in Turkey, Lebanon, Jordan, Egypt and Iraq) had a 21 percent share of total cash-based transfers distributed in 2021 (2020: 31 percent) while the second largest operation is in Yemen with a 16 percent share in total (2020:12 percent).

28. Food commodities and non-food items distributed totalled USD 2,828.6 million, an increase of 17 percent over USD 2,410.1 million distributed in 2020. Food commodities distributed in 2021 were 4.4 million mt, a decrease of 0.07 million mt over 2020. The food commodities distributed corresponding value was USD 2,779.2 million in 2021, a 16 percent increase over 2020. The increase in value is due to the increase in both food commodities prices and transportation costs. Seventy-six percent of the food commodities distributed in tonnage

and in value are attributable to WFP's emergency and other large operations in Yemen, the Syrian Arab Republic, Ethiopia, South Sudan, Afghanistan, the Sudan, Nigeria, the Democratic Republic of the Congo, the Niger and Somalia.

29. Distribution and related services increased in 2021 by USD 74.7 million or 8 percent to USD 980.9 million from USD 906.2 million in 2020. The increase is mainly related to the increased transportation costs related to food distribution, transaction fees payable on cash-based transfers distribution, and delivery costs of the cooperating partners related to the capacity strengthening activities.

30. Staff costs increased by USD 110.7 million to USD 1,262.8 million in 2021, a 10 percent increase compared to 2020. This increase includes USD 19.8 million related to employee duty travel as COVID-19 pandemic travel restrictions were eased in 2021. Overall, the increase in staff costs across main employee categories is consistent with an increase in the number of employees in those categories. The increase in average headcount in 2021 compared to 2020 was 8 percent, while total number of staff at year end was 21,259.

31. The contracted and other services increased by USD 23.3 million or 2 percent. While the costs related to activities and services provided as a result of the COVID-19 pandemic decreased in 2021 compared to 2020, including the costs of air operations, this decrease was offset by increased costs of field-level agreements and commercial consultancy services.

32. The other expenses category of USD 329.7 million remained at the same level as in 2020 and is composed of:

a) Supplies, consumables and other running costs – USD 218.4 million;

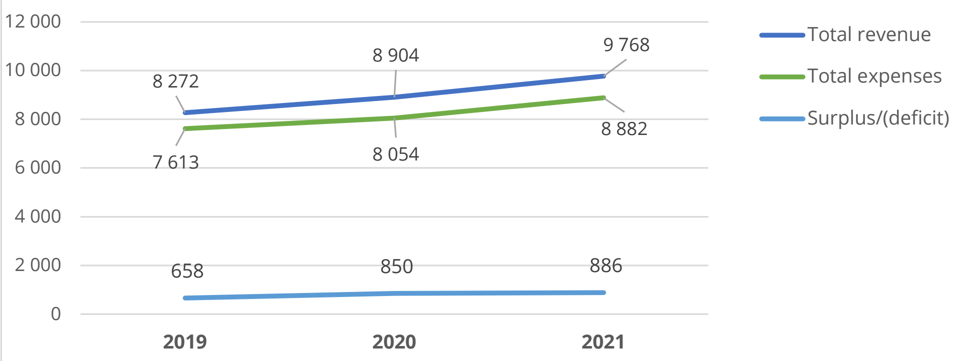
b) Depreciation and amortization costs – USD 57.3 million;

c) Other expenses – USD 52.6 million; and

d) Finance costs – USD 1.4 million.

Surplus

Figure 6. Evolution of the surplus
(in USD million)



33. In 2021, the surplus of revenue over expenses was USD 885.6 million, compared to a surplus of USD 850 million in 2020, an increase of 4 percent. The surplus is realized as a result of a continuous revenue growth as revenue is recognized in full when a contribution agreement is signed while expenses are recognized over the average period of one and a half years of duration of the grant.

34. The surplus in the period is comprised of surpluses in some operations where revenue recognized exceeded expenses incurred during the same period, reflecting an inherent time lag between revenue and expenses recognition. The surpluses are partially offset by the deficits in other operations, that continued to utilize fund balances, accumulated due to the excesses of revenue over expenses in previous financial periods.

35. The time lag between revenue and expenses recognition remains the main factor for surpluses/deficits in a reporting period. Out of the contribution revenue of USD 9,607.7 million in 2021, 80 percent pertained to grants that have duration beyond 2021.

36. In 2021, 88 percent of surplus is attributed to Afghanistan and Pakistan, generated by high value contributions confirmed to these operations closely before year-end. The contribution revenue for Afghanistan increased by USD 722.6 million in support of early crisis response, resilience building, and nutrition programming to meet Afghanistan's deepening food and nutrition needs. The surplus in Pakistan is due to the Government's contribution to the health and nutrition programme to prevent stunting that will be implemented over three years. The largest deficit is realized in South Sudan, followed by other country offices in aggregate as these operations continued to spend against the fund balances generated from previous periods.

Financial position

TABLE 1. SUMMARY OF FINANCIAL POSITION AT 31 DECEMBER 2021
(in USD million)

	2021	2020
Cash and short-term investments	3 514.1	3 356.4
Contributions receivable	5 238.3	4 555.2
Inventories	1 219.6	1 012.9
Other receivables	293.9	284.6
Long-term investments	1 162.0	1 008.5
Property, plant and equipment and intangible assets	225.4	200.1
Total assets	**11 653.3**	**10 417.7**
Deferred revenues	1 370.6	1 181.2
Employee benefits	1 102.1	1 135.9
Loan	55.2	61.0
Other liabilities	1 175.9	1 197.2
Total liabilities	**3 703.8**	**3 575.3**
Net assets	**7 949.5**	**6 842.4**
Fund balances	7 478.0	6 431.2
Reserves	471.5	411.2
Total fund balances and reserves	**7 949.5**	**6 842.4**

Total assets

37. The increase in total assets in 2021 is driven by increased donor contributions. The increase amounts to USD 1,235.6 million or 12 percent. It is reflected on all asset lines and in particular on donor contribution receivables that are higher by USD 683.1 million.

38. Total cash, cash equivalents, and short-term investments of USD 3,514.1 million increased by USD 157.7 million or 5 percent from USD 3,356.4 million in 2020. The increase is driven by an overall increase in operations and increased liquidity needs. WFP's cash, cash equivalents and short-term investments included in the programme category funds segment of USD 2,430.1 million cover three and a half months of operational activity (same as in 2020). Long-term investments increased by USD 153.5 million or 15 percent, primarily due to the increase in the market value of bonds and equities, as well as additions to invested assets with an aim to cover long-term employee benefits.

39. Total contributions receivable of USD 5,238.3 million increased by USD 683.1 million or 15 percent from USD 4,555.2 million in 2020. The increase is in line with the growth in contribution revenue and the average collection period remains seven months.

40. The inventory comprises food commodity inventory of USD 1,183.4 million and non-food items inventory of USD 36.2 million. The value of WFP's food commodity inventory at the end of 2021 increased by USD 209.6 million or 22 percent from the 2020 value of USD 973.8 million while inventory held in mt increased by 13 percent from the 2020 inventory (1.7 million mt in 2021 compared to 1.5 million mt in 2020). The higher increase in value is the result of the increase in prices of most key commodities held, in particular, wheat and vegetable oil. Fifty-four percent of inventories by quantity were held by ten operations: Yemen, Ethiopia, the Syrian Arab Republic, Afghanistan, South Sudan, the Democratic Republic of the Congo, Somalia, the Sudan, Chad and Madagascar. Using the historical average of commodities distributed, the 1.7 million mt of food commodities in inventory represents four and a half months of operational activity.

Total liabilities

41. Total liabilities increased by USD 128.5 million from USD 3,575.3 million in 2020 to USD 3,703.8 million in 2021 which is driven by an increase in deferred revenue.

42. Deferred revenue reflects contributions revenue stipulated for future years. Deferred revenue in 2021 increased by USD 189.4 million or 16 percent from USD 1,181.2 million at the end of 2020 to USD 1,370.6 million at the end of 2021. Of the total deferred revenue of USD 1,370.6 million, USD 820.5 million is stipulated for use in 2022, and the remaining balance of USD 550.1 million is stipulated for use from 2023 and beyond.

43. Employee benefit liabilities decreased by USD 33.8 million or 3 percent to USD 1,102.1 million. This decrease is composed of a USD 5.2 million increase in short-term benefits and a USD 39.0 million decrease in long-term benefits due to the increase of discount rates.

44. The decrease in other liabilities was USD 21.3 million or 2 percent. Other liabilities primarily comprise accruals, vendor payables and liabilities for service provision. Liabilities for service provision results from activities in which WFP provides goods and services in exchange for payment. For these activities payments are normally received from requesting parties, predominantly governments and other United Nations system organizations, in advance, while revenue is recognized, and advance payment released upon provision of service or delivery of goods.

Net assets

45. Net assets represent the difference between WFP's total assets and total liabilities. At 31 December 2021, WFP's net assets totalled USD 7,949.5 million, confirming a healthy overall financial position. Of these net assets (fund balances and reserves), USD 6,184.7 million relate to the programmes, representing approximately five months of operational activity (same as in 2020). Operational fund balances relate to donor support

primarily directed to specific programmes in different stages of implementation, with expenses and related reduction in fund balance only recognized when food commodities are delivered and cash-based transfers are distributed. The remaining balance of USD 1,293.3 million pertains to the General Fund, Trust Fund and Special Accounts while USD 471.5 million pertains to reserves.

46. At 31 December 2021, reserves balances increased by USD 60.3 million or 15 percent compared to the balance held at 31 December 2020. The increase was due to a USD 95.0 million increase in the Programme Support and Administrative Equalization Account offset by the USD 34.7 million decrease in the Immediate Response Account (IRA).

Budgetary analysis

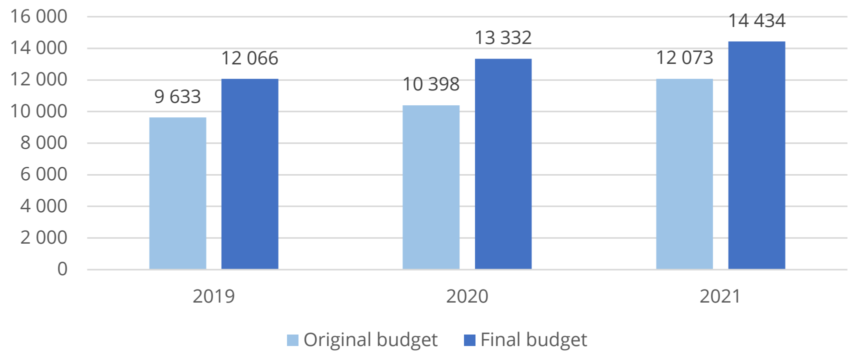
Budget preparation and approval

47. The strategic and programmatic context for budget preparation is set out in the WFP Strategic Plan (2017–2021) and is embedded in planning processes that are designed to build on WFP's priority emergency assistance in ways that result in not only saving lives but also changing lives. WFP's country offices are operating based on a CSP framework composed of CSPs, interim CSPs (ICSPs) and limited emergency operations. CSPs include country portfolio budgets and serve as a vehicle for resource mobilization and fund management. They are aligned with the WFP Strategic Plan (2017–2021) and the Corporate Results Framework (2017–2021).

48. CSPs are approved by the Board and may be revised to respond to contextual and operational changes. If the strategic review based on which a CSP is developed is not completed, ICSPs lasting up to three years are approved by the Board. Revisions funded entirely by the host country may be approved by the Executive Director. Further authorities are delegated from the Board to the Executive Director such as approval of limited emergency operations up to a USD 50 million limit, increase of CSPs or ICSPs not exceeding 15 percent of current overall budget and revisions related to service provision activities as further detailed in annex III of document WFP/EB.1/2020/4-A/1/Rev.2.

Basis of the budget

Figure 7. Budget evolution (*in USD millions*)



49. The budget figures for a CSP and programme support and administrative (PSA) budget disclosed in Financial Statement V – Statement of comparison of budget and actual amounts are derived from the programme of work in the WFP Management Plan (2021–2023) and are broadly needs based. Resources are made available for the CSP costs when contributions are confirmed by donors for approved CSPs and through WFP's advance

financing facility. Budgetary authority to incur PSA costs is received through the approval of the management plan.

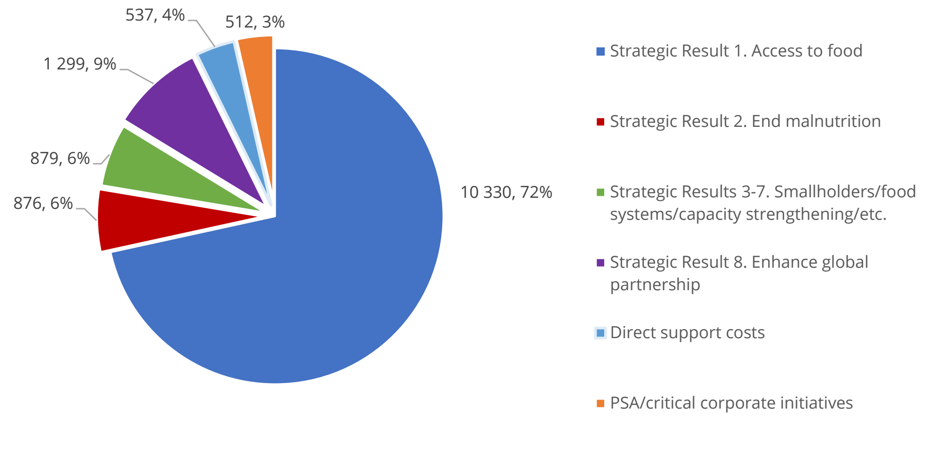
Overview of the budgetary requirements in 2021

50. The WFP Management Plan (2021–2023), which was approved by the Board in November 2020, presented the 2021 programme of work amounting to USD 12,073.3 million as "original budget". The original budget in 2021 increased by 16 percent compared to the original budget in 2020, due to increased operational requirements in some of the largest operations such as in Ethiopia, the Sudan, Afghanistan, the Syrian Arab Republic and Nigeria.

51. By the end of 2021 the programme of work was updated to include the unforeseen needs. The final 2021 programme of work was 20 percent higher at USD 14,434.0 million, an increase of USD 2,360.7 million. This is disclosed in the Financial Statement V as "final budget".

52. Nearly 74 percent or USD 1,748.0 million of the USD 2,360.7 million total increase is attributable to the increased needs in Ethiopia, the Sudan, Afghanistan, the Syrian Arab Republic and Nigeria.

Figure 8. Final budget for period ended 31 December 2021
(*in USD million*)



53. Countries affected by protracted conflict required urgent and targeted unconditional food assistance and nutrition programmes, adapted to the magnitude of the conflict and to fluctuations in needs. From the programmatic perspective, WFP direct programmatic costs in support of SDG 2, Strategic Result 1 (Access to food) and Strategic Result 2 (End malnutrition) represented 78 percent or USD 11,206.7 million of the total final budget of USD 14,434.0 million (a 13 percent increase for the unforeseen needs compared to the 2021 original budget).

54. Furthermore, 9 percent or USD 1,298.9 million of the total final budget was allocated in support of SDG 17, Strategic Result 8 (Enhance global partnership) which includes increases in Ethiopia and the Sudan.

55. Ten WFP operations in 2021, mostly emergencies, accounted for 62 percent of the total CSP final budget.

Figure 9. Final budget by size - CSP (*in percentage*)

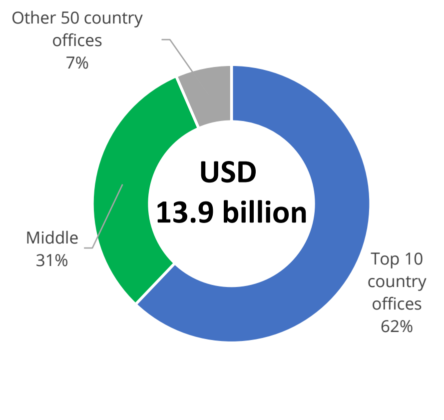
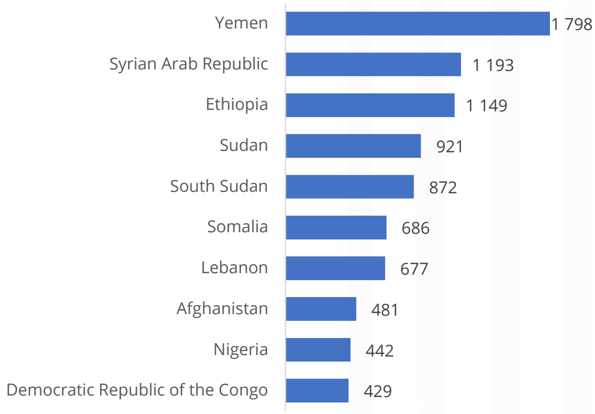


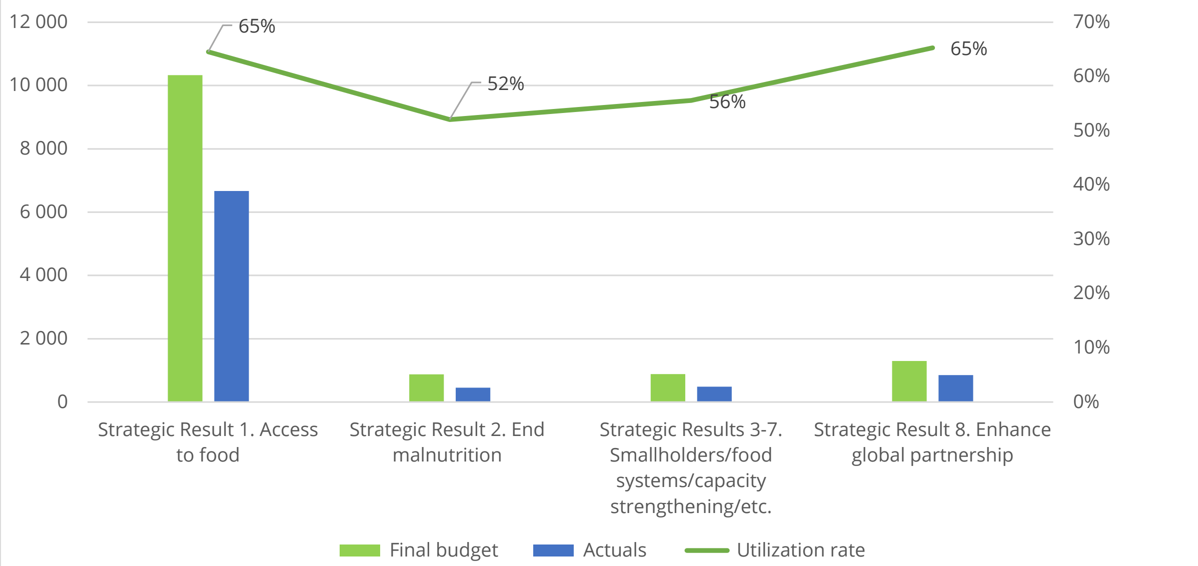
Figure 10. Top 10 countries by final budget (*in USD million*)



Utilization of the budget

CSP final budget utilization

Figure 11. Final budget utilization by strategic results - CSP (*in USD million*)



56. Resources are made available for CSPs when contributions are confirmed by donors for the approved CSP, or funds are provided through advance financing mechanisms. Therefore, budgetary utilization within the year is constrained by the amount, timing, and predictability of contributions, as well as the inherent operational constraints.

57. In 2021, the CSP final budget was USD 13,921.7 million (disclosed in the Financial Statement V as "Subtotal CSP costs" under the Final Budget) and overall utilization of the CSP final budget was at 64 percent, reflected across the various strategic results as outlined below:

    a) Strategic Result 1 (Everyone has access to food) had a utilization rate of 65 percent. Nearly 96 percent of USD 6,668.8 million actual costs under Strategic Result 1 related to unconditional resource transfers, school meals, assets creation and livelihood support activities. Unconditional resource transfer in Yemen alone amounted to USD 1,145.3 million.

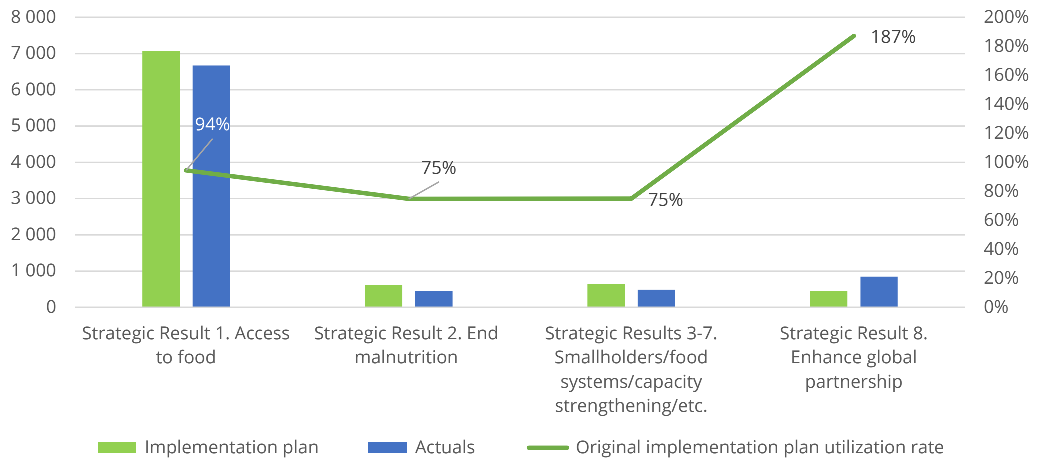
b) Strategic Result 2 (No one suffers from malnutrition) had a utilization rate of 52 percent, resulting from both resource and implementation constraints. Malnutrition prevention and nutrition treatment activities represented 92 percent of total actual costs of USD 456.3 million under Strategic Result 2.

c) Strategic Result 8 (Sharing of knowledge, expertise, and technology, strengthen global partnership support to country efforts to achieve the SDGs) had an overall utilization rate of 65 percent. Service provision and platform services are the primary activity category contributing to Strategic Result 8. WFP was most active in Ethiopia, the Sudan, Yemen, and South Sudan to provide various services including food procurement services, cash transfer services, supply chain services and common services.

d) The remaining five strategic results (Strategic Results 3–7), contributing to sustainable food systems and to countries' capacities to implement SDGs had an overall utilization rate of 56 percent. Among the remaining five strategic results, Strategic Result 4 (Food systems are sustainable) and Strategic Result 5 (Developing countries have strengthened capacities to implement the SDGs) accounted for 83 percent of overall actual costs of USD 488.5 million. Asset creation and livelihood support was the main contributing activity towards these strategic results, with an overall utilization rate of 77 percent.

CSP Implementation plan utilization

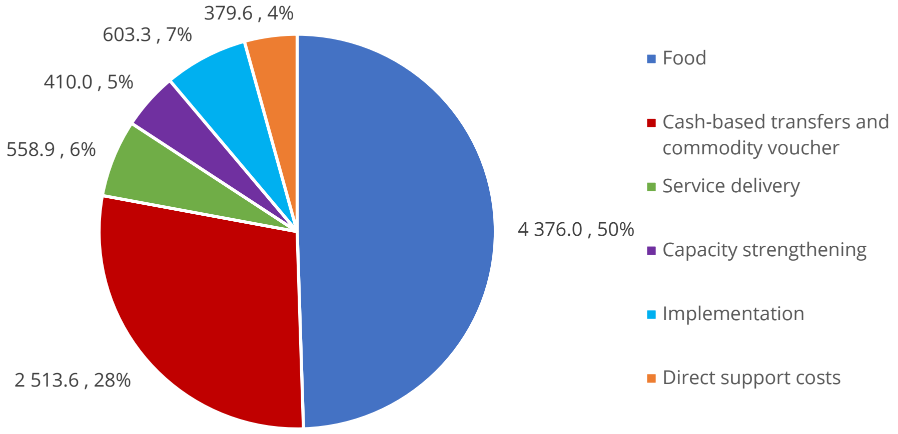
Figure 12. Implementation plan utilization by strategic result - CSP (*in USD million*)



58. The CSP implementation plan presented in Statement V of USD 9,204.8 million represents operational needs prioritized to consider forecasted available resources and operational challenges as at 1 January 2021. WFP achieved an overall utilization rate of 96 percent against the implementation plan. Strategic Result 8 (Enhance global partnerships) has a particularly high utilization rate due to the high level of resources received including for activities not planned at the beginning of the year but requested by host governments during the year in particular for food procurement services. Utilization rates for other strategic results are in line with the overall final budget utilization as explained above.

CSP actual costs analysis by transfer modalities

Figure 13. CSP Actual costs by high level cost category (*in USD million*)



59. The country portfolio budget structure includes four high-level cost categories: transfer costs; implementation costs; direct support costs; and indirect support costs. The transfer costs correspond to the monetary value of the transferred food, cash, capacity strengthening and service delivery, as well as the related delivery costs and accounted for 89 percent of total CSP operational and direct support costs in 2021.

60. Out of total USD 7,858.5 million transfer costs, USD 4,376.0 million was for food transfers. Yemen, Ethiopia, the Syrian Arab Republic, the Sudan, South Sudan and Afghanistan were the countries with the highest food delivery, representing 71 percent of the total food transfer cost.

61. Cash-based transfers increased consistently over the past ten years and reached USD 2,513.6 million in 2021. Yemen, Lebanon and Somalia operations represent the largest share of cash-based transfers, with 45 percent of total cash-based transfer costs.

62. Capacity strengthening accounted for USD 410.0 million or 5 percent of total CSP costs, referring to the transfer of materials, equipment, knowledge and other resources to individual beneficiaries, communities, or other counterparties in support of WFP's strategic objectives. Service delivery transfer costs increased to USD 558.9 million in 2021, with an increased demand from the governments for food procurement services.

63. Implementation costs and direct support costs accounted for 7 percent and 4 percent, respectively, of the CSP actual costs.

Indirect costs

64. Budgetary authority to incur PSA costs is received through the approval of the management plan. The final PSA budget in 2021 consisted of USD 443.5 million for regular PSA expenditure and USD 68.8 million for critical corporate initiatives. Of the final approved regular PSA budget, USD 442.6 million or 99.8 percent was utilized. Of the final approved critical corporate initiatives budget, USD 48.9 million or 71 percent was utilized in 2021.

Enhancing transparency and accountability

65. WFP prepares financial statements in accordance with IPSAS to ensure timely, relevant, and useful financial reporting, thereby improving transparency and accountability in the management of resources.

66. To ensure continued compliance with IPSAS, WFP assesses the impact and applies new IPSAS standards and changes accounting policies when changes in IPSAS require revisions. WFP continues to work closely with other United Nations system organizations, through the High-Level Committee on Management task force on IPSAS. This task force provides a platform for discussion of IPSAS issues, with a view to achieving consistency in the application of IPSAS developments and enhancing comparability of financial reporting.

67. The leadership group meets regularly to discuss strategic direction and the framework for decision making, including a review of selected IPSAS-based financial highlights, which cover key areas of WFP's financial performance and financial position.

68. WFP's enterprise risk management framework is designed to manage and communicate WFP's risk exposure and provide reasonable assurance regarding the achievement of WFP's objectives. The Enterprise Risk Management Division prepares the annual Statement on Internal Control on behalf of the Executive Director. In February 2021, the Executive Director signed a decision memorandum requesting the leadership group to dedicate at least one session per quarter to discuss risk matters, focusing on key responsibilities assigned to functional directors under the 2018 enterprise risk management policy and tasking the Enterprise Risk Management Division with supporting these discussions. In 2021, two leadership group risk discussions on the monitoring function and management of non-governmental organizations took place. The Chief Financial Officer and Assistant Executive Director, Resource Management Department: a) oversees and provides direction to the Enterprise Risk Management Division; b) serves as steward for the internal control framework and monitors its implementation through regular reporting on risk matters at senior governance and oversight committees as well as annual assurance statements from global management; and c) ensures that a clear action plan exists for addressing major risks and internal control issues.

69. WFP has adopted clear policies related to the public disclosure of the results of independent evaluations and audits. Evaluation reports and the accompanying management responses dating back to 2000 can be found on WFP's public website. Reports of the External Auditor and management responses are available on the Executive Board's public website. Internal audit reports are posted on WFP's public website in accordance with the policy for disclosure of oversight reports. In addition, annual updates to the Executive Board on Joint Inspection Unit recommendations are available on the Executive Board's public website. Relative to internal audit reports, management, through the Chief of Staff, continues its attention on and accountability for the implementation and closure of recommendations, a practice begun in July 2019.[1]

70. To increase operational transparency within the Integrated Road Map framework, WFP created the CSP data portal in mid-2018 to provide budgetary, financial and performance information over the life spans of the CSPs or ICSPs, and to ensure that the Executive Board retains required visibility and oversight.

71. WFP is a leading member of the International Aid Transparency Initiative (IATI), a voluntary multi-stakeholder initiative to increase transparency of development cooperation. In line with commitment to the IATI transparency commitment, WFP openly publishes monthly in

[1] Annual Report of the Inspector General (WFP/EB.A/2020/6-D/1/Rev.1), paragraphs 39–40.

the IATI registry detailed information about WFP programmatic activities, including incoming funds, expenditures, and results (outputs). WFP has been at the top of the IATI summary statistics since 2015 assessing all IATI publishers (currently more than 1,100) by scoring three dimensions – timeliness, forward-looking and comprehensiveness. Since 2019 WFP reports to the United Nations System Chief Executives Board for Coordination in full compliance to UN Data Cube financial reporting standards. The UN Data Cube is a critical pillar of the Data Strategy of the Secretary-General 2020–22 to increase transparency and promote a data-driven approach within the United Nations system. WFP is one of the early adopters disclosing since 2019 expenditures by SDG targets and geographical location, while the agreed road map makes these dimensions mandatory only in 2022.

Treasury risk management

72. WFP's activities expose it to a variety of financial risks including the effects of changes in debt and equity market prices, foreign currency exchange rates, interest rates, and defaults by debtors in meeting its obligations. WFP's financial risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance of WFP.

73. Financial risk management is carried out by a central treasury function using guidelines set out by the Executive Director who is advised by the WFP Investment Committee. Policies cover foreign exchange, interest rate and credit risk, the use of derivative financial instruments, and investing of excess liquidity.

74. WFP investments had a mixed year in 2021 as its short-term fixed-income investments produced meagre returns while the long-term investment portfolio continued to generate a robust annual performance. Looking ahead to 2022, despite the risk of lower economic growth from the higher geopolitical risks, major global central banks are expected to begin raising interest rates in response to elevated inflation pressures. Investment returns on short-term investments are to remain subdued.

75. WFP's employee benefit liabilities were USD 1,102.1 million at 31 December 2021. WFP sets aside assets for the long-term employee benefit liabilities in the form of cash and long-term investments (bonds and equities). In accordance with the current funding plan approved by the Board in 2010, an incremental annual funding of USD 7.5 million is included in the standard staff cost over a 15-year period starting in 2011, with a view towards achieving a full funded status of the long-term employee benefit liabilities in 2025. WFP determines the funding level based on the long-term employee benefit liabilities. As at 31 December 2021, the level of assets set aside (USD 1,134.5 million) for the funding of the long-term employee benefit liabilities (USD 1,046.1 million) represents a 108 percent funding level. This is an increase from the 91 percent funding level in 2020. Improvement of the funding ratio in 2021 is a result of a decrease in the long-term liabilities due to an increase in the discount rates and an increase in the market value of the assets set aside.

76. WFP is committed to mitigating cash-related risks and increasing accountability to people, donors, and governments. WFP has recently released a cash-based transfers assurance framework with the aim of putting together existing guidance and learning on the measures that country offices should have in place so that WFP can be reasonably confident that the right beneficiaries receive the right entitlements at the right time, and the risks of potential fraud, human error or other divergence of cash-based transfer benefits are mitigated to the extent possible while promoting beneficiary protection and effective programmes at the same time.

77. Controls are implemented across the full cash-based transfers programme cycle from beneficiaries targeting and registration, through verifications of beneficiaries registers and improved beneficiary complaint and feedback mechanisms, to due diligence assessments of financial services providers selected by WFP following the procurement rules, using the corporate templates for all contracts and agreements, established secure payment processes, segregation of duties, distribution reconciliations and finally, post-distribution monitoring and evaluation to ensure programmatic objectives are achieved as designed.

Sustainability

78. WFP's financial statements are prepared on a going-concern basis.

79. In making this determination, WFP has considered the impact on the operational activities of WFP due to the new conflict and COVID-19 pandemic as described in detail under the operational context section of this statement. There is still uncertainty of how the new conflict and COVID-19 pandemic will be impacting future periods. In the environment of worsening global food insecurity, WFP's mandate of the leading humanitarian organization saving lives and changing lives, delivering food assistance in emergencies, and working with communities to improve nutrition and build resilience is as relevant as ever.

80. My statement on sustainability is supported by:

   i) the operational requirements I put forward in the WFP management plan (2022–2024) of USD 13.9 billion, approved by the Executive Board during its 2021 second regular session;

   ii) the WFP strategic plan (2022–2025) approved by the Executive Board at its 2021 second regular session;

   iii) the total assets held at the end of 2021 of USD 11.7 billion, an increase of 12 percent compared to 2020, which are three times higher than WFP's liabilities;

   iv) the net assets (fund balances and reserves) held at the end of 2021 of USD 7.9 billion, an increase of 16 percent compared to 2020;

   v) the revenue received in 2021 of USD 9.8 billion, an increase of 10 percent compared to 2020; and

   vi) the projected contributions levels for the year 2022 of USD 8.4 billion, as indicated in the approved WFP management plan (2022–2024).

81. The trend of donor support in sustaining WFP's mandate since its inception remained strong and on growth. However, the sharp increases in international food and fuel prices that were already soaring before the onset of the conflict in Ukraine, will continue to impact access to food. As a result, WFP's operational needs will continue to grow, widening the gap between WFP's funding needs and available resources. The consequences of any potential significant reduction in contributions would lead to a consequential reduction in the scale of operations and number of people who rely on WFP's assistance.

82. While I am confident that WFP has adequate resources to continue to operate in the medium term thanks to the tremendous support of the donors, resource mobilization is the critical priority that WFP is addressing to its Board and our donors.

Administrative matters

83. WFP's principal place of business as well as the names and addresses of its General Counsel, actuaries, principal bankers, and External Auditor are shown in Annex I to this document.

Responsibility

84. As required under financial regulation 13.1, I am pleased to submit the following financial statements, which have been prepared under IPSAS. I certify that to the best of my knowledge and information, all transactions during the period have been properly entered in the accounting records and that these transactions together with the following financial statements and notes, details of which form part of this document, fairly present the financial position of WFP at 31 December 2021.

Statement I	Statement of Financial Position at 31 December 2021
Statement II	Statement of Financial Performance for the year ended 31 December 2021
Statement III	Statement of Changes in Net Assets for the year ended 31 December 2021
Statement IV	Statement of Cash Flow for the year ended 31 December 2021
Statement V	Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2021

Notes to the financial statements

David M. Beasley
Executive Director

Rome, 25 March 2022

Executive Director's statement on internal control

Scope and purpose of internal control

1. WFP's Executive Director is accountable to the Executive Board for the administration of WFP and for the implementation of WFP programmes, projects and other activities. Financial Regulation 12.1 requires the Executive Director to establish internal controls, including internal audit and investigation, to ensure the effective and efficient use of WFP's resources and the safeguarding of its assets.

2. WFP defines internal control as a process, effected by WFP's Executive Board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. The Statement on Internal Control provides assurance from the Executive Director on the effectiveness of WFP's system of internal control.

WFP's operating environment

3. The humanitarian imperative obliges WFP to respond when needed. This principle exposes WFP to operating environments and situations with a high level of inherent risk, including in terms of the security of its employees and beneficiaries, and, in some cases, the ability to maintain the highest standards of internal control.

Internal control and enterprise risk management frameworks

4. WFP's internal control framework is aligned with guidance issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In accordance with COSO, WFP's system on internal control includes five components: control environment, risk assessment, control activities, information and communication and monitoring activities.

5. WFP's enterprise risk management framework is aligned with COSO guidance on enterprise risk management, which integrates risk, strategy and performance. WFP's 2018 enterprise risk management policy aims to establish a pragmatic, systematic and disciplined approach to identifying and managing risks throughout WFP that is clearly linked to the achievement of its strategic objectives.

6. WFP's oversight framework outlines the organization's vision for oversight and provides a snapshot of the evolving architecture and activities in place to operationalize the vision, which includes governance, Executive Board accountability and oversight frameworks, and associated reporting arrangements.

Review of the effectiveness of internal control

7. Managers within WFP who are responsible for implementing and overseeing internal controls in their areas of responsibility participate in an annual review of the effectiveness of WFP's internal controls that considers: feedback from global management as part of the annual Executive Director's Assurance Exercise; the Office of the Inspector General's 2021 annual report; and other evidence as available and appropriate.

Significant risk and internal control matters

8. While no new significant issues arose in 2021, **four issues** from the 2020 Statement on Internal Control were carried over for prioritization and further attention in 2022.

9. The results of the 2021 global staff survey show that foundational progress has been achieved as a result of focused corporate attention on **workplace culture and conduct**. Culture change takes time, and continued visibility and attention to this matter are needed to ensure a respectful, diverse and responsive culture is embedded in the organization. More work needs to be done to foster trust in the internal justice system and ensure protection against retaliation. WFP has issued revised circulars on prevention and response to abusive conduct and whistleblower protection which should empower managers to focus on prevention and early intervention before issues lead to formal complaints. Continued work is also needed to strengthen tone-at-the-top through "walking the talk" and holding senior management to account for inappropriate behaviour. WFP expects to improve this matter through the leadership framework launched in March 2022 which will be complemented by an accountability framework for supervisors in 2022.

10. The WFP strategic plan (2022-2025) and global evolutions in ways of working have brought about changing skills needs that make effective **talent management and workforce planning** more important than ever. At the same time, a reliance on short-term contracts has reduced the attractiveness of WFP as an employer and made it difficult to recruit and retain talent. There is a limited local talent pool to draw from in some of WFP's operating environments which is also an obstacle to meeting the organization's diversity commitments. There is a need for greater representation of women in leadership roles, especially at the D2 level. Through the launch of the WFP people policy in 2021, WFP established a framework for excellence in people management that outlines its workforce vision, priorities and commitments. Implementation of the policy is in progress through a diversity and inclusion framework completed in January 2021, a staffing framework released in September 2021 and a long-term change management process that will continue throughout 2022 and 2023.

11. The WFP strategic plan (2022-2025) reaffirms the importance of partnerships as an essential enabler for the achievement of WFP's objectives. Challenges related to **NGO management** persist. These include capacity-related challenges around the quality and quantity of technical expertise, poor data and reporting and uneven geographical presence, with the greatest capacity gaps observed among local NGOs. Effective performance and compliance monitoring are moreover hampered by the sheer quantity of NGO partners and the short-term nature of most field-level agreements, which govern the partnership between WFP and NGOs, that need to be updated frequently. In 2021, WFP worked with 971 NGOs (15 percent international and 85 percent national), a 32 percent increase from 2020, and the administrative workload of implementing controls was highlighted as a top concern. WFP continues to invest in partner capacity and strategic resource investments have been made in the NGO Partnerships Unit, including enhanced NGO partnership guidance, a new field-level agreement template, and the continued roll-out of the United Nations Partner Portal.

12. As the numbers of beneficiaries have reached historic highs, WFP continues to use digital transformation as a strategy to meet expanding operational and accountability expectations in the area of **beneficiary management and information technology solutions**. This is an area with significant inherent risk due to rapidly evolving and complex operating environments as well as a dependence on third parties for data collection. Challenges remain related to data use and quality, protection, privacy, and retention, as well as the suitability of corporate information technology systems in local contexts. Feedback suggests that process and normative guidance have not kept pace with the tools available and considering minimum corporate requirements may be one way to allow for flexibility while at the same time ensuring control expectations are met. While the risks to be managed remain significant, WFP has made notable progress in cybersecurity, the implementation of

the digital beneficiary information and transfer management platform SCOPE, cash-based transfer assurance, and cross-functional governance of beneficiary management through the new Identity Management Steering Committee.

Statement

13. All internal controls have inherent limitations – including the possibility of circumvention – and therefore WFP can provide only reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. Further, because of changing conditions, the effectiveness of internal controls may vary over time.

14. Based on the above, I consider, to the best of my knowledge and information, that WFP operated a satisfactory system of internal control for the year ended 31 December 2021 in line with COSO's 2013 Internal Control - Integrated Framework.

15. WFP is committed to addressing the internal control and risk management issues identified above as part of the continuous improvement of its system of internal control.

David M. Beasley

Executive Director

Rome, 25 April 2022

WORLD FOOD PROGRAMME

STATEMENT I

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

(USD million)

	Note	2021	2020
Assets			
Current assets			
Cash and cash equivalents	2.1	1 848.8	1 950.5
Short-term investments	2.2	1 665.3	1 405.9
Contributions receivable	2.3	4 688.2	4 203.6
Inventories	2.4	1 219.6	1 012.9
Other receivables	2.5	293.9	284.6
		9 715.8	**8 857.5**
Non-current assets			
Contributions receivable	2.3	550.1	351.6
Long-term investments	2.6	1 162.0	1 008.5
Property, plant and equipment	2.7	212.4	188.1
Intangible assets	2.8	13.0	12.0
		1 937.5	**1 560.2**
Total assets		**11 653.3**	**10 417.7**
Liabilities			
Current liabilities			
Payables and accruals	2.9	1 160.4	1 175.2
Deferred revenue	2.10	820.5	829.6
Provisions	2.11	15.5	22.0
Employee benefits	2.12	55.9	50.7
Loan	2.13	5.6	5.7
		2 057.9	**2 083.2**
Non-current liabilities			
Deferred revenue	2.10	550.1	351.6
Employee benefits	2.12	1 046.2	1 085.2
Loan	2.13	49.6	55.3
		1 645.9	**1 492.1**
Total liabilities		**3 703.8**	**3 575.3**
Net assets		**7 949.5**	**6 842.4**
Fund balances and reserves			
Fund balances	2.15	7 478.0	6 431.2
Reserves	2.15	471.5	411.2
Total fund balances and reserves		**7 949.5**	**6 842.4**

The accompanying notes form an integral part of these financial statements.

David M. Beasley
Executive Director
Rome, 25 March 2022

Manoj Juneja
Chief Financial Officer and
Assistant Executive Director
Resource Management Department

WORLD FOOD PROGRAMME

STATEMENT II

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2021

(USD million)

	Note	2021	2020
Revenue			
Monetary contributions	3.1	9 016.0	7 881.1
In-kind contributions	3.2	591.7	508.5
Currency exchange differences	3.3	(107.7)	234.9
Return on investments	3.4	(9.8)	103.3
Other revenue	3.5	277.8	175.9
Total revenue		**9 768.0**	**8 903.7**
Expenses			
Cash-based transfers distributed	4.1	2 323.7	2 123.7
Food commodities distributed	4.2	2 828.6	2 410.1
Distribution and related services	4.3	980.9	906.2
Wages, salaries, employee benefits and other staff costs	4.4	1 262.8	1 152.1
Supplies, consumables and other running costs	4.5	218.4	237.3
Contracted and other services	4.6	1 156.7	1 133.4
Finance costs	4.7	1.4	1.5
Depreciation and amortization	4.8	57.3	49.4
Other expenses	4.9	52.6	40.0
Total expenses		**8 882.4**	**8 053.7**
Surplus for the year		**885.6**	**850.0**

The accompanying notes form an integral part of these financial statements.

WORLD FOOD PROGRAMME

STATEMENT III

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 DECEMBER 2021

(USD million)

	Note	Accumulated surplus/fund balances	Surplus (deficit)	Reserves	Total net assets
Total net assets at 31 December 2020		**5 581.2**	**850.0**	**411.2**	**6 842.4**
Allocation of the surplus for 2020		850.0	(850.0)	-	-
Movements in fund balances and reserves in 2021					
Transfer from/to reserves	2.15	(60.3)		60.3	-
Net unrealized gains on long-term investments	2.6/2.15	94.6			94.6
Actuarial gains on employee benefit liabilities	2.12	126.9			126.9
Surplus for the year			885.6		885.6
Total movements during the year		**161.2**	**885.6**	**60.3**	**1 107.1**
Total net assets at 31 December 2021		**6 592.4**	**885.6**	**471.5**	**7 949.5**

	Note	Accumulated surplus/fund balances	Surplus (deficit)	Reserves	Total net assets
Total net assets at 31 December 2019		**4 779.6**	**658.2**	**432.2**	**5 870.0**
Allocation of the surplus for 2019		658.2	(658.2)	-	-
Movements in fund balances and reserves in 2020					
Transfer from/to reserves	2.15	21.0	-	(21.0)	-
Net unrealized gains on long-term investments	2.6/2.15	88.2	-	-	88.2
Actuarial gains on employee benefit liabilities	2.12	34.2	-	-	34.2
Surplus for the year		-	850.0	-	850.0
Total movements during the year		**143.4**	**850.0**	**(21.0)**	**972.4**
Total net assets at 31 December 2020		**5 581.2**	**850.0**	**411.2**	**6 842.4**

The accompanying notes form an integral part of these financial statements.

WORLD FOOD PROGRAMME
STATEMENT IV
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2021
(USD million)

	Note	2021	2020
Cash flows from operating activities:			
Surplus for the year		885.6	850.0
Adjustments to reconcile surplus to net cash flows from operating activities			
Depreciation and amortization	2.7/2.8	57.3	49.4
Unrealized loss (gain) on short-term investments	2.2	16.4	(3.4)
Unrealized loss (gain) on long-term investments	2.6	19.0	(12.2)
(Increase) in amortized value of long-term investments	2.2/2.6	(2.8)	(3.0)
(Decrease) in amortized value of long-term loan	2.13	(0.4)	(0.3)
Interest expense on long-term loan	2.13	1.8	1.8
(Increase) in inventories	2.4	(206.7)	(76.5)
(Increase) in contributions receivable	2.3	(683.1)	(320.5)
(Increase) decrease in other receivables	2.5	(10.6)	32.3
(Increase) decrease in property, plant and equipment (donated in-kind)	2.7	5.0	(0.2)
(Decrease) increase in payables and accruals	2.9	(14.8)	239.0
Increase (decrease) in deferred revenue	2.10	189.4	(301.1)
(Decrease) increase in provisions	2.11	(6.5)	7.8
Increase in employee benefits net of actuarial gain/loss on post-employment benefits	2.12	93.0	104.5
Net cash flows from operating activities		**342.6**	**567.6**
Cash flows from investing activities:			
(Increase) decrease in short-term investments	2.2	(268.8)	125.9
Decrease in accrued interest receivable	2.5	1.3	2.1
(Increase) in long-term investments	2.6	(82.1)	(148.2)
(Increase) in property, plant and equipment	2.7	(83.7)	(55.1)
(Increase) in intangible assets	2.8	(3.9)	(6.6)
Net cash flows from investing activities		**(437.2)**	**(81.9)**
Cash flows from financing activities:			
Interest paid on loan	2.13	(1.8)	(1.8)
Repayment of annual principal on loan	2.13	(5.3)	(5.3)
Net cash flows from financing activities		**(7.1)**	**(7.1)**
Net (decrease) increase in cash and cash equivalents		**(101.7)**	**478.6**
Cash and cash equivalents at beginning of the year	2.1	**1 950.5**	**1 471.9**
Cash and cash equivalents at end of the year	2.1	**1 848.8**	**1 950.5**

The accompanying notes form an integral part of these financial statements.

WORLD FOOD PROGRAMME

STATEMENT V

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS[1]

FOR THE YEAR ENDED 31 DECEMBER 2021

(USD million)

	Note 6	Budget amount		Actual on comparable basis[3]	Difference: final budget and actual	Implementation plan
		Original budget	Final budget[2]			
CSP costs						
Strategic Result 1 – Everyone has access to food		9 048.0	10 330.4	6 668.8	3 661.6	7 060.6
Strategic Result 2 – No one suffers from malnutrition		843.2	876.3	456.3	420.0	610.3
Strategic Result 3 – Smallholders have improved food security and nutrition through improved productivity and incomes		219.6	272.1	168.0	104.1	193.2
Strategic Result 4 – Food systems are sustainable		393.7	425.8	238.1	187.7	333.5
Strategic Result 5 – Developing countries have strengthened capacities to implement the SDGs		125.1	176.6	81.4	95.2	121.8
Strategic Result 6 – Policies to support sustainable development are coherent		3.2	4.0	0.7	3.3	2.4
Strategic Result 7 – Developing countries access a range of financial resources for development investment		0.6	0.6	0.3	0.3	0.3
Strategic Result 8 – Sharing of knowledge, expertise and technology, strengthen global partnership support to country efforts to achieve the SDGs		469.0	1 298.9	848.3	450.6	453.4
Adjusted direct support costs		490.2	537.0	379.6	157.4	429.3
Subtotal CSP costs		**11 592.6**	**13 921.7**	**8 841.5**	**5 080.2**	**9 204.8**
Regular PSA costs		443.5	443.5	442.6	0.9	443.5
Critical corporate initiatives		37.2	68.8	48.9	19.9	37.2
Subtotal indirect costs		**480.7**	**512.3**	**491.5**	**20.8**	**480.7**
Total		**12 073.3**	**14 434.0**	**9 333.0**	**5 101.0**	**9 685.5**

The accompanying notes form an integral part of these financial statements

[1] Prepared on a commitment basis. Commitments represent possible future liabilities based on a current contractual agreement and include outstanding purchase orders and contracts where goods and services have not yet been received.

[2] The final budget represents approved operational needs as of 31 December of the reporting year. Instead, implementation plan represents operational needs prioritized considering funding forecasts of available resources and operational challenges as at 1 January 2021.

[3] Comparable basis means the actual amounts presented on the same accounting basis, same classification basis, for the same funds and the same period as the approved budget.

Notes to the financial statements at 31 December 2021

Note 1: Accounting policies

Reporting entity

1. WFP was established in 1961 by the United Nations General Assembly and the Conference of the FAO as the United Nations system's food aid organization. The purposes of WFP are: a) to use food aid to support economic and social development; b) to meet refugee and other emergency and protracted relief food needs; and c) to promote world food security in accordance with the recommendations of the United Nations and FAO.

2. WFP is governed by a 36-member Executive Board which provides intergovernmental support, direction and supervision of WFP's activities. The organization is headed by an Executive Director, who is appointed jointly by the United Nations Secretary-General and the Director-General of FAO.

3. WFP has its headquarters in Rome, Italy. During 2021, WFP provided assistance in 117 countries and territories, where its work is overseen through the six regional bureaux.

4. The financial statements include the operations of WFP, while jointly controlled entities are disclosed in note 12.

Basis of preparation

5. The financial statements of WFP have been prepared on the accrual basis of accounting in accordance with the IPSAS using the historic cost convention, modified by the inclusion of investments at fair value. Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard (IFRS) has been applied.

6. The cash flow statement (Statement IV) is prepared using the indirect method.

7. The functional and reporting currency of WFP is the United States dollar. Transactions in currencies other than the United States dollar are translated into United States dollars at the prevailing United Nations operational rates of exchange at the time of transaction. Assets and liabilities in currencies other than United States dollars are translated into United States dollars at the prevailing United Nations operational rates of exchange year-end closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance.

Use of estimates and judgements

8. The preparation of the financial statements in conformity with IPSAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on past experience and various other factors that are believed to be reasonable under the circumstances, and information available at the date of preparation of the financial statements, the results of which form the basis of judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and any future periods affected.

9. Significant estimates and assumptions that may result in material adjustments in future periods include: actuarial measurement of employee benefits; impairment of assets; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; provisions and contingent liabilities.

10. As the COVID-19 pandemic continued to cause economic and social uncertainty in 2021, management reviewed estimates and underlying assumptions, assessed the impact of the pandemic, and made no significant changes to key estimates and assumptions as a result.

11. 83 percent of WFP's assets are current assets expected to be realized within 12 months after the reporting date and as such subject to a lower level of uncertainty about the future. Long-term investments representing 60 percent of non-current assets are largely measured at fair value (note 2.6) based on recently observed market prices and are not subject to management's estimates.

12. Management assessment of WFP's going concern is disclosed in the Executive Director Statement which forms part of the audited annual accounts.

Adoption of new accounting standards

13. WFP follows closely IPSAS Board new pronouncements, assesses their relevance and impact on WFP's accounting policies and procedures, and adopts new IPSAS standards based on their relevance, and in line with the standards effective implementation dates as prescribed by the IPSAS Board. The following new standards and exposure drafts are of relevance for WFP.

14. In August 2018, the IPSAS Board published IPSAS 41 *Financial instruments* to replace IPSAS 29 *Financial instruments: recognition and measurement*. The new standard establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29. The IPSAS 41 was issued initially with an effective date 1 January 2022, which was subsequently deferred by the IPSAS Board by one year to 1 January 2023, to allow the constituents more time to prepare for the implementation in light of the adverse impact of the COVID-19 pandemic. WFP will adopt the new standard effective 1 January 2023.

15. In January 2022, the IPSAS Board published IPSAS 43 *Leases* to replace IPSAS 13 *Leases*. Issuance of IPSAS 43 completes the Phase One of the IPSAS Board's Leases project, the main purpose of which is the alignment with the IFRS 16 *Leases*. The IPSAS 43 no longer requires classification of leases as either finance or operational leases, and it requires recognition of assets and liabilities related to rights and obligations created by all lease contracts. The effective date of IPSAS 43 is 1 January 2025. WFP will adopt the standard on its effective date.

16. The IPSAS Board strategy and workplan 2019–2023 focus most of its efforts on setting standards on public sector specific issues while still maintaining convergence with the IFRS and developing guidance to meet users' broader financial reporting needs. In line with the 2019–2023 IPSAS Board workplan, there are several exposure drafts issued which are at different phases of their review by constituents, and of relevance to WFP:

    - exposure draft 70, *Revenue with Performance Obligations*. Exposure draft 70 is based on the IFRS 15 *Revenue from Contracts with Customers* and has been expanded to apply to binding arrangements which are not necessarily contractual. Exposure draft 70 has a broadened scope with a greater emphasis on the transfer of goods or services to third-party beneficiaries;

    - exposure draft 71, *Revenue without Performance Obligations*. It updates IPSAS 23 *Revenue from non-exchange transactions* (taxes and transfers). It addresses revenue that arises from binding arrangements with present obligations which are not performance obligations and revenue not related to binding arrangements. It captures the majority of revenue transactions in the public sector;

- exposure draft 72, *Transfer expenses*. It is a new issuance that aims to fill the gap in IPSAS literature on public expenditures. It relates to transactions (other than taxes) where an entity transfers resources to another party without directly receiving anything in return. The accounting for transfer expenses with performance obligations mirrors the accounting for revenue with performance obligations in exposure draft 70.

17. The expected publication of the final pronouncements for the above-mentioned exposure drafts is tentatively set up for June 2022. The implementation dates have not been specified yet.

Cash and cash equivalents

18. Cash and cash equivalents comprise cash on hand, cash at banks, money market and short-term deposits, including those managed by investment managers.

19. Investment revenue is recognized as it accrues, taking into account the effective yield.

Financial instruments

20. Financial instruments are recognized when WFP becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and WFP has transferred substantially all the risks and rewards of ownership.

21. Financial assets that are held for trading are measured at fair value and any gains or losses arising from changes in the fair value are accounted for through surplus or deficit and included within the Statement of Financial Performance in the period in which they arise. The short-term investments are classified within this category since they are held to support WFP operations and therefore may be divested of in the short-term which may generate trading gains or losses. Derivatives are also classified as held for trading.

22. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans and receivables comprise contributions receivable in cash, other receivables and cash and cash equivalents. Loans and receivables are stated at amortized cost.

23. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that WFP has the intention and ability to hold to maturity. Held-to-maturity investments comprise the United States Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS) held within the long-term investment portfolio and are stated at amortized cost.

24. Available-for-sale financial assets are non-derivative financial assets that are not designated within any other category. Available-for-sale assets comprise the long-term investments other than the United States Treasury STRIPS. They are carried at fair value, with value changes recognized in the Statement of Changes in Net Assets. Gains and losses are reclassified from net assets to surplus or deficit when the assets are derecognized.

25. All non-derivative financial liabilities are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest method.

Inventories

26. Food commodities and non-food items on hand at the end of the financial period are recorded as inventories and are valued at cost or current replacement cost, whichever is lower. Under the legal framework in which WFP operates, legal title of food commodities normally passes to the recipient country government at their point of first entry into a recipient country where they become distributable. Although legal title may have passed

for those food commodities held in WFP warehouses in recipient countries, WFP records these commodities as inventories because WFP retains physical custody and control.

27. The cost of food commodities includes purchase cost or fair value[1] if donated in-kind and all other costs incurred in bringing the food commodities into WFP's custody at their point of first entry into a recipient country where they become distributable. In addition, any significant costs of conversion such as milling, or bagging are included. Cost is determined on the weighted average basis.

Contributions receivable

28. Contributions receivable are recognized when confirmed in writing by donors.

29. Contributions receivable are presented net of allowance for impairment and allowance for estimated reduction in contribution revenue.

30. In-kind contributions of services that directly support approved operations and activities, which have budgetary impact, and can be reliably measured, are recognized, and valued at fair value. These contributions include use of premises, utilities, transport, and personnel.

31. Donated property, plant and equipment and intangible assets are valued at fair market value and recognized as property, plant and equipment or intangible asset and contribution revenue.

Property, plant and equipment

32. Property, plant and equipment are measured initially at cost. Subsequently, property, plant and equipment are carried at cost less accumulated amortization and any impairment losses. Borrowing costs, if any, are not capitalized. Donated property, plant and equipment are valued at fair market value and recognized as property, plant and equipment and contribution revenue. Depreciation is provided for property, plant and equipment over their estimated useful life using the straight-line method, except for land which is not subject to depreciation. The estimated useful life for property, plant and equipment classes is as follows:

Class	Estimated useful life (years)
Buildings	
Permanent	40
Temporary	5
Computer equipment	3
Other equipment	3
Office fixtures and fittings	5
Motor vehicles	
Light	5
Heavy and armoured	8
Workshop equipment	3

33. Leasehold improvements are recognized as assets and valued at cost and depreciated over the lesser of remaining useful life of the improvements or the lease term.

34. Impairment reviews are undertaken for all assets at least annually.

[1] Indicators of the fair value for food commodities donated in-kind include world market prices, the Food Assistance Convention price and the donor's invoice price.

Intangible assets

35. Intangible assets are measured initially at cost. Subsequently, intangible assets are carried at historical cost less accumulated amortization and any impairment losses. Donated intangible assets are valued at fair market value and recognized as intangible assets and contribution revenue.

36. Amortization is provided over the estimated useful life using the straight-line method. The estimated useful life for intangible asset classes is as follows:

Class	Estimated useful life (years)
Internally generated software	6
Externally acquired software	3
Licences and rights, copyrights and other intangible assets	3

Employee benefits

37. WFP recognizes the following categories of employee benefits:

- short-term employee benefits due to be settled within 12 months after the end of the accounting period in which an employee renders the related service;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

Termination benefits are recognized as an expense only when WFP is demonstrably committed, without realistic possibility of withdrawal, to either terminating the employment of a staff member before the normal retirement date or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

United Nations Joint Staff Pension Fund

38. WFP is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF or the Fund), which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3 (b) of the regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

39. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. WFP and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify WFP's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence WFP has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS standard 39, "Employee Benefits" (IPSAS 39). WFP's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

Provisions and contingent liabilities

40. Provisions are made for future liabilities and charges where WFP has a present legal or constructive obligation as a result of past events, and it is probable that WFP will be required to settle the obligation.

41. Other material commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of WFP.

Contributions revenue

42. WFP recognizes contributions revenue when confirmed in writing and where the contribution has been stipulated for the current financial reporting year. For contributions stipulated for future years, WFP recognizes an asset (cash or receivable) and a liability (deferred revenue) when the agreement is confirmed in writing. Deferred revenue is reduced, and revenue is recognized only when the contribution year, as stipulated by the donor, starts.

Other revenue

43. Other revenue is revenue from exchange transactions. An exchange transaction is one where WFP receives resources, assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Revenue from the provision of services is recognized in the financial period in which the service is rendered according to the estimated stage of completion of that service. Revenue from the transfer of goods is recognized when the risk and rewards of ownership of the goods are passed to the requesting party. When providing goods or cash transfer services, payment for the cost of the transfer service is recognized as other revenue, while the value of goods or cash transferred is recognized as a liability towards the requesting party until the liability is extinguished.

Food commodities and cash-based transfers distributed

44. Food commodities are expensed when distributed directly by WFP or once they are handed over to cooperating partners or service providers for distribution.

45. Cash-based transfers are expensed when distributed directly by WFP or once they are distributed by the cooperating partners or service providers.

Fund accounting and segment reporting

46. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial statements are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all WFP funds. Fund balances represent the accumulated residual of revenue and expenses.

47. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity’s past performance in achieving its objectives and for making decisions about the future allocation of resources. WFP classifies all projects, operations and fund activities into three segments: i) programme category funds; ii) General Fund and Special Accounts; and iii) trust funds. WFP reports on the transactions of each segment during the financial period, and the balances held at the end of the period.

48. The programme category funds is an accounting entity established by the Board for the purposes of accounting for contribution revenue and expenses for all programme categories established to carry out the purposes of WFP. Programme categories include CSPs, ICSPs, limited emergency operations and transitional ICSPs. CSPs are prepared following sustainable development analysis and include WFP's entire portfolio of humanitarian and development activities in a country.

49. The General Fund is the accounting entity established for recording, under separate accounts, indirect support cost (ISC) recoveries, miscellaneous income, operational reserve and contributions received that are not designated to a specific programme category, project or a bilateral project. Special Accounts are established by the Executive Director under financial regulation 5.1 for special contributions or monies earmarked for specific activities, the balances of which may be brought forward to the succeeding financial period.

50. Trust funds are also identifiable subdivisions of the WFP Fund. These are established by the Executive Director under financial regulation 5.1 to account for contributions, the purpose, scope and reporting procedures of which have been agreed upon with the donor under specific trust fund agreements.

51. Reserves are maintained within the General Fund for the purpose of operational support. An operational reserve is maintained within the General Fund as required under financial regulation 10.5 to ensure continuity of operations in the event of temporary shortfalls of resources. In addition to the operational reserve, other reserves have been established by the Board.

52. WFP may enter into third-party agreements (TPAs) to undertake activities which, while consistent with the objectives of WFP, are outside WFP's normal activities. TPAs are not reported as WFP revenue and expenses. At the year-end, the net balance owing to or from third parties is reported as a payable or receivable in the Statement of Financial Position under the General Fund. Service fees charged on TPAs are included within other revenue.

Budget comparison

53. WFP's budget is prepared on a commitment basis and the financial statements on an accrual basis. In the Statement of Financial Performance, expenses are classified on the basis of the nature of expenses, whereas in the Statement of Comparison of Budget and Actual Amounts, expenditures are classified by strategic results into WFP cost categories. The strategic results elaborated in WFP Strategic Plan (2017–2021) focus WFP's responses on what countries need. WFP's eight strategic results are mapped to the SDG 2 and SDG 17 targets that are relevant to WFP's capacities and mandate, aligning WFP's support to national and global efforts on the SDGs.

54. Budget planning for CSPs follows the structure of the country portfolio budgets. The Board approves budgets for the direct costs of operations either directly or through its delegated authority. It also approves the annual management plan, including the appropriations for PSA costs, and critical corporate initiatives. Budgets may be subsequently amended by the Board or through the exercise of delegated authority.

55. Statement V: Comparison of Budget and Actual Amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and financial statements differ, note 6 provides reconciliation of the actual amounts presented in Statement V and the actual amounts presented in Statement IV: Cash Flow.

56. The original and final budget in Statement V represents WFP's operational requirements developed based on needs assessment. In addition, the implementation plan is presented. The implementation plan represents a prioritized plan of work based on estimated available resources considering that WFP is a voluntarily funded organization and its operations and financial management therefore depend on the level of funding actually received. The implementation plan includes the prioritized programme of work for the direct cost portion and the budgeted regular PSA costs and critical corporate initiatives for the indirect cost portion.

Note 2.1: Cash and cash equivalents

	2021	2020
	USD million	
Cash and cash equivalents		
Bank and cash at headquarters	334.2	222.0
Bank and cash at regional bureaux and country offices	118.4	255.7
Money market and deposit accounts at headquarters	599.6	599.5
Cash and cash equivalents held by investment managers	796.6	873.3
Total cash and cash equivalents	**1 848.8**	**1 950.5**

57. Cash required for immediate disbursement is maintained in cash and bank accounts. Balances in the money market and deposit accounts are available at short notice.

Note 2.2: Short-term investments

	2021	2020
	USD million	
Short-term investments		
Short-term investments	1 658.5	1 399.0
Current portion of long-term investments (note 2.6)	6.8	6.9
Total short-term investments	**1 665.3**	**1 405.9**

58. Short-term investments are divided into two portfolio tranches with distinct investment horizons and specific investment guidelines and restrictions. The risk profile of short-term investments did not materially change in 2021 and remained at very low levels in the context of a market environment of low absolute yields.

59. Short-term investments were valued at USD 1,658.5 million at 31 December 2021 (USD 1,399.0 million at 31 December 2020). Of this amount, USD 715.1 million pertains to bonds issued or guaranteed by governments or government agencies (USD 622.3 million at 31 December 2020); USD 537.5 million pertains to corporate bonds (USD 504.5 million at 31 December 2020) and USD 405.9 million pertains to asset-backed securities (USD 272.2 million at 31 December 2020). These investments are stated at fair value based on valuation provided by the independent custodian bank responsible for the administration and safekeeping of the securities.

60. At 31 December 2021, derivatives usage in short-term investments was limited to bond futures and derivatives exposure was considered not to be material. The notional amount of the derivatives financial instruments held in the investment portfolio is USD 37.9 million (USD 2.7 million at 31 December 2020).

61. The movements in short-term investment accounts during the year are as follows:

	2020	**Net additions/ (deductions)**	**Interest received/ amortized**	**Net realized gains/ (losses)**	**Net unrealized gains/(losses)**	**2021**
	USD million					
Short-term investments	1 399.0	259.5	21.9	(5.5)	(16.4)	1 658.5
Current portion of long-term investments	6.9	(0.5)	0.4	-	-	6.8
Total short-term investments	**1 405.9**	**259.0**	**22.3**	**(5.5)**	**(16.4)**	**1 665.3**

62. During 2021, total short-term investments increased by USD 259.4 million. This increase includes net unrealized loss of USD 16.4 million presented in the reconciliation of surplus to operating cash flows in the Statement of Cash Flow and amortized interest on the current portion of the long-term investment of USD 0.4 million, also presented in the reconciliation as part of the increase in amortized value of the long-term investment of USD 2.8 million. The remaining balance, net of reclassification from long-term to short-term of USD 6.6 million, amounting to USD 268.8 million is presented in the Statement of Cash Flow under investing activities.

Note 2.3: Contributions receivable

	2021	2020
	USD million	
Composition:		
Current	4 688.2	4 203.6
Non-current	550.1	351.6
Total net contributions receivable	**5 238.3**	**4 555.2**
Monetary contributions receivable	5 118.2	4 435.4
In-kind contributions receivable	234.5	238.5
Total contributions receivable before allowance	**5 352.7**	**4 673.9**
Allowance for reduction in contribution revenue	(105.4)	(110.6)
Allowance for impairment	(9.0)	(8.1)
Total net contributions receivable	**5 238.3**	**4 555.2**

63. Current contributions receivable are for confirmed contributions that are due within 12 months while non-current contributions receivable are those that are due after 12 months from 31 December 2021.

64. Contributions receivable relate to donor contributions for programme categories, trust funds or to the General Fund and Special Accounts. Donor contributions may include restrictions that require WFP to use the contribution for a specific objective, activity or country within a specified timeframe.

65. The following table illustrates the composition of contributions receivable by ageing:

	2021		2020	
	USD million	*%*	*USD million*	*%*
Ageing				
2021	4 681.9	87	-	-
2020	552.6	10	4 060.3	88
2019	119.5	2	432.9	9
2018 and earlier	48.1	1	108.7	3
Subtotal	**5 402.1**	**100**	**4 601.9**	**100**
Revaluation adjustments (non-USD contributions receivable)	(49.4)	-	72.0	-
Total contributions receivable before allowance	**5 352.7**	**100**	**4 673.9**	**100**

66. Contributions receivable are presented net of allowance for impairment and allowance for estimated reductions in contribution revenue.

67. Allowance for reductions in contribution revenue is an amount estimated for any reductions of contributions receivable and corresponding revenue when the funding is no longer needed by the programme or activity to which the contributions were related. The allowance is based on historical experience.

68. The change in the allowance for reductions in contribution revenue during 2021 is as follows:

	2020	Utilization	Increase/ (decrease)	2021
		USD million		
Total allowance for reduction in contribution revenue	**110.6**	**(31.4)**	**26.2**	**105.4**

69. During 2021, the reductions in contributions receivable amounted to USD 31.4 million. These reductions are recorded as a utilization of the allowance for reductions in contribution revenue and reported in the Statement of Financial Position. At 31 December 2021, the estimated final allowance required is USD 105.4 million. Accordingly, an increase of USD 26.2 million was recorded as an adjustment to contribution revenue for the period and is reported in the Statement of Financial Performance.

70. The allowance for impairment is recorded based on a review of open contributions receivable to determine any line items that may not be collectible based on objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivable ("loss event") and that loss event(s) has an impact on the estimated future cash flows of the contributions receivable or group of receivables. Note that this is for contributions receivable where expenses have already been incurred but donors are not expected to provide funding. Actual write-offs require a transfer from the General Fund and approval by the Executive Director for amounts higher than USD 10,000.

71. The change in the allowance for impairment during 2021 is as follows:

	2020	Utilization	Increase/ (decrease)	2021
		USD million		
Total allowance for impairment	**8.1**	**-**	**0.9**	**9.0**

72. During 2021, there were no write-offs recorded as a utilization of the allowance for impairment and reported in the Statement of Financial Position. At 31 December 2021, the estimated final allowance for impairment required is USD 9.0 million. Accordingly, an increase of USD 0.9 million was recorded as an adjustment for the period and is reported in the Statement of Financial Performance.

Note 2.4: Inventories

73. The following tables show the movements of food and non-food items during the year. The first table shows the total value of inventories – food and non-food – as presented in the Statement of Financial Position. The second table shows a reconciliation of food inventories, which reflects the opening balance and the additions during the year reduced by the value of food distributed and impairment allowance made during the year.

	2021	2020
	USD million	
Food on hand	861.0	697.5
Food in transit	326.9	280.1
Subtotal food	**1 187.9**	**977.6**
Less: allowance for impairment – food	(4.5)	(3.8)
Total food	**1 183.4**	**973.8**
Non-food items	36.4	39.4
Less: allowance for impairment – non-food	(0.2)	(0.3)
Total non-food items	**36.2**	**39.1**
Total inventories	**1 219.6**	**1 012.9**

Food reconciliation	**2021**	**2020**
	USD million	
Opening inventory	973.8	919.6
Add back: impairment allowance	3.8	3.5
Food purchased	2 005.9	1 585.7
In-kind commodities received	496.6	482.4
Transport and related costs	487.0	373.2
Total inventory available for distribution	**3 967.1**	**3 364.4**
Less: food distributed	(2 779.2)	(2 386.8)
Less: allowance for impairment	(4.5)	(3.8)
Total food	**1 183.4**	**973.8**

74. For 2021, food and non-food items distributed totalled USD 2,828.6 million (USD 2,410.1 million in 2020), as reported in the Statement of Financial Performance. Of this amount, USD 2,779.2 million relates to food commodities and USD 49.4 million relates to non-food items (USD 2,386.8 million and USD 23.3 million respectively in 2020).

75. For food, costs incurred up to the first point of entry in the recipient country are included in inventories. These costs include costs of procurement, ocean transport, port costs and, for food destined for landlocked countries, the overland transport cost across transit countries.

76. Food quantities, derived from WFP's food tracking systems, are validated by physical stock counts and valued on a weighted average basis.

77. Inventories include non-food items held at WFP warehouses in Dubai and at various strategic storage depots managed by the United Nations Humanitarian Response Depot network.

78. Non-food items include fuel stock, isolation and treatment units related to the COVID–19 emergency, prefabricated warehouses, modular buildings, generators and spare parts.

79. Food commodity stocks at 31 December 2021 were 1.7 million mt, valued at USD 1,187.9 million (1.5 million mt, valued at USD 977.6 million at 31 December 2020).

80. Inventories are valued net of any impairments or obsolescence. An allowance for impairment has been made for possible loss or damage to inventories under WFP's custody. The allowance is based on past experience and has been set at 0.38 percent of total food and 0.73 percent for non-food items (in 2020, the allowance for food was 0.39 percent and the allowance for non-food items was 1.26 percent). As at 31 December 2021, the estimated final allowance for impairment required is USD 4.7 million and USD 0.1 million utilization is recorded. Accordingly, an increase in the allowance for impairment of USD 0.7 million is reported in the Statement of Financial Performance.

81. The change in the allowances for impairment during 2021 is as follows:

	2020	**Utilization**	**Increase/ (decrease)**	**2021**
		USD million		
Allowance for impairment – food	3.8	-	0.7	4.5
Allowance for impairment – non-food	0.3	(0.1)	-	0.2
Total allowance	**4.1**	**(0.1)**	**0.7**	**4.7**

Note 2.5: Other receivables

	2021	**2020**
	USD million	
Advances to vendors	78.9	63.2
Advances to staff	33.2	32.8
TPA receivables	0.3	-
Customer receivables	84.4	73.6
Miscellaneous receivables	119.7	146.6
Total other receivables before allowance	**316.5**	**316.2**
Allowance for impairment	**(22.6)**	**(31.6)**
Total net other receivables	**293.9**	**284.6**

82. Advances to vendors are for payments in advance of goods and service delivery.

83. Advances to staff are cash advances for education grants, rental subsidies, travel and other staff entitlements. These advances are non-interest bearing in accordance with staff rules and regulations.

84. A TPA is a legally binding contract between WFP and another party in which WFP acts as an agent to provide goods or services at an agreed price. Transactions relating to TPA are treated as receivables and payables in the Statement of Financial Position. TPA receivables and payables are offset against each other to reflect the net position with the third parties.

85. Customer receivables include amounts due from customers for goods and services provided by WFP. Miscellaneous receivables include advances to service providers for cash-based transfers, accrued interest receivable and value-added tax receivables where outright tax exemptions have not been obtained from governments.

86. Other receivables are reviewed to determine whether any allowance for impairment is required. As at 31 December 2021, the estimated allowance required is USD 22.6 million, of which USD 19.8 million is for value-added tax receivable and USD 2.8 million is for other receivables (USD 28.9 million for value-added tax receivable and USD 2.7 million for other receivables in 2020).

87. The change in the allowance for impairment during 2021 is as follows:

	2020	**Utilization**	**Increase/ (decrease)**	**Revaluation adjustment**	**2021**
			USD million		
Total allowance for impairment	**31.6**	**-**	**0.3**	**(9.3)**	**22.6**

88. The revaluation adjustment reflects the revaluation of the allowance denominated in non-USD currency.

89. The increase in the allowance for impairment of USD 0.3 million was recorded as an expense for the period and is reported in the Statement of Financial Performance.

Note 2.6: Long-term investments

	2021	**2020**
	USD million	
United States Treasury STRIPS	48.5	52.8
Current portion (note 2.2)	(6.8)	(6.9)
Long-term portion, United States Treasury STRIPS	**41.7**	**45.9**
Bonds	417.9	373.2
Equities	702.4	589.4
Total bonds and equities	**1 120.3**	**962.6**
Total long-term investments	**1 162.0**	**1 008.5**

90. Long-term investments consist of investments in STRIPS and investments in bonds and equities.

91. The United States Treasury STRIPS were acquired in September 2001 and are held to maturity. The maturities of the securities are phased over 30 years to fund payment of interest and principal obligations on a long-term commodity loan from a donor government agency (note 2.13), denominated in the same currency as the STRIPS over the same period. The STRIPS bear no nominal interest and were purchased at a discount to their face value; the discount was directly related to prevailing interest rates at the time of purchase of 5.50 percent and to the maturities of the respective STRIPS. The current portion of the STRIPS is equal to the amount required to settle current obligations on the long-term loan.

92. Changes in market value of the investment in STRIPS are not recognized. At 31 December 2021, the market value of this investment was USD 58.2 million (USD 66.6 million at 31 December 2020).

93. The investments in bonds and equities have been designated as being held for funding of WFP's post-employment benefits liabilities and are not expected to be used in support of WFP's current operations. Although these investments are designated for this purpose, and are not available for funding current operations, the investments are not subject to separate legal restrictions and do not qualify as "plan assets" as defined in IPSAS 39, Employee Benefits.

94. Investments in equities are made through two Environmental, Social and Corporate Governance (ESG) funds which track the composition and performance of the Morgan Stanley Capital International (MSCI) All Country World Index, a recognized index of stocks to all world markets. This investment structure provides exposure to global equities markets on a passive basis with risks and returns that mirror the MSCI All Country World Index.

95. The increase in the value of the long-term bond and equity investments of USD 157.7 million resulted from the investment of cash into bonds and equities of amounts charged to funds and projects in relation to the employee benefit liabilities and the increase in market value of invested assets. The cash transfer of USD 77.2 million is invested in line with the WFP asset allocation policy with the objective of achieving a target of 60 percent in global equities and 40 percent in global bonds for funds set aside to meet employee benefit liabilities. These investments are stated at fair value based on valuation provided by the independent custodian bank responsible for the administration and safekeeping of the securities.

96. The movement of long-term investments accounts during 2021 is as follows:

	2020	Additions/ (deductions)	Interest received/ amortized	Net realized gains/ (losses)	Net unrealized gains/ (losses)	2021
			USD million			
Bonds and equities	**962.6**	77.2	6.7	(1.8)	75.6	**1 120.3**
Investment in STRIPS	**45.9**	(6.6)	2.4	-	-	**41.7**
Total long-term investment	**1 008.5**	**70.6**	**9.1**	**(1.8)**	**75.6**	**1 162.0**

97. During 2021, long-term investments increased by USD 153.5 million. Long-term bonds and equities are treated as available-for-sale financial assets except the part of investment in foreign exchange forwards (notional amount of USD 21.4 million) which are treated as held for trading financial assets. Accordingly, under IPSAS, the net unrealized gain of USD 94.6 million related to those financial assets treated as available-for-sale are transferred to net assets and presented in the Statement of Changes in Net Assets. The net unrealized gains of USD 0.7 million related to derivative financial instruments and the net unrealized losses of USD 19.7 million related to foreign exchange differences on monetary items are presented in the Statement of Financial Performance. The amortized interest on the investment in STRIPS of USD 2.4 million is presented in the reconciliation of surplus to operating cash flows in the Statement of Cash Flow as part of the increase in amortized value of the long-term investment of USD 2.8 million. The remaining balance, net of a reclassification from long-term to short-term of USD 6.6 million, amounting to USD 82.1 million is presented in the Statement of Cash Flow under investing activities.

Note 2.7: Property, plant and equipment

	Cost				Accumulated depreciation				Net carrying amount
	At 31 Dec 2020	**Additions**	**Disposal/ transfers**	**At 31 Dec 2021**	**At 31 Dec 2020**	**Depreciation expense**	**Disposal/ transfers**	**At 31 Dec 2021**	**At 31 Dec 2021**
					USD million				
Buildings									
Permanent	45.9	8.1	3.8	57.8	(7.0)	(1.8)	-	(8.8)	49.0
Temporary	127.7	15.9	(8.1)	135.5	(96.8)	(12.9)	8.3	(101.4)	34.1
Computer equipment	16.8	2.3	(0.8)	18.3	(13.7)	(2.0)	0.6	(15.1)	3.2
Other equipment	74.6	6.8	(3.8)	77.6	(60.9)	(9.3)	3.5	(66.7)	10.9
Office fixtures and fittings	0.8	0.1	-	0.9	(0.5)	(0.1)	-	(0.6)	0.3
Motor vehicles									
Light	95.7	23.6	(9.0)	110.3	(66.7)	(12.8)	8.8	(70.7)	39.6
Heavy and armoured	121.8	16.8	(3.5)	135.1	(83.6)	(9.0)	3.2	(89.4)	45.7
Leasehold improvements	41.8	4.3	9.1	55.2	(24.8)	(6.5)	0.4	(30.9)	24.3
Fixed assets under construction	17.0	2.5	(14.2)	5.3	-	-	-	-	5.3
Total	**542.1**	**80.4**	**(26.5)**	**596.0**	**(354.0)**	**(54.4)**	**24.8**	**(383.6)**	**212.4**

	Cost				Accumulated depreciation				Net carrying amount
	At 31 Dec 2019	Additions	Disposal/ transfers	At 31 Dec 2020	At 31 Dec 2019	Depreciation expense	Disposal/ transfers	At 31 Dec 2020	At 31 Dec 2020
	USD million								
Buildings									
Permanent	42.3	0.6	3.0	45.9	(5.4)	(1.6)	-	(7.0)	38.9
Temporary	110.2	19.3	(1.8)	127.7	(81.8)	(12.0)	(3.0)	(96.8)	30.9
Computer equipment	14.6	2.5	(0.3)	16.8	(12.1)	(1.6)	-	(13.7)	3.1
Other equipment	65.7	10.1	(1.2)	74.6	(52.5)	(8.4)	-	(60.9)	13.7
Office fixtures and fittings	0.8	-	-	0.8	(0.4)	(0.1)	-	(0.5)	0.3
Motor vehicles									
Light	89.9	11.2	(5.4)	95.7	(59.6)	(11.3)	4.2	(66.7)	29.0
Heavy and armoured	114.6	7.3	(0.1)	121.8	(76.6)	(7.7)	0.7	(83.6)	38.2
Leasehold improvements	35.4	7.7	(1.3)	41.8	(20.4)	(4.9)	0.5	(24.8)	17.0
Fixed assets under construction	15.6	4.4	(3.0)	17.0	-	-	-	-	17.0
Total	**489.1**	**63.1**	**(10.1)**	**542.1**	**(308.8)**	**(47.6)**	**2.4**	**(354.0)**	**188.1**

98. In 2021, major additions to property, plant and equipment were for buildings, motor vehicles and other equipment. Net acquisitions (after disposals) for the period ended 31 December 2021 totalled USD 53.9 million (USD 53.0 million at 31 December 2020) of which USD 5.0 million relate to donated in-kind property, plant and equipment (USD 0.2 million at 31 December 2020). Net carrying amount of property, plant and equipment is reported in the Statement of Financial Position and the depreciation expense for the year of USD 54.4 million is reported in the Statement of Financial Performance (USD 47.6 million in 2020).

99. Other equipment category includes office equipment, security and safety equipment, telecommunication equipment and workshop equipment.

100. Property, plant and equipment are capitalized if their cost is greater or equal to the threshold limit set at USD 5,000. They are depreciated over the asset's estimated useful life using the straight-line method. The threshold level is reviewed periodically.

101. Assets are reviewed annually to determine if there is any impairment in their value. The review that was undertaken in 2021 did not result in any of the property, plant and equipment being impaired in value.

Note 2.8: Intangible assets

	Cost				Accumulated depreciation				Net carrying amount
	At 31 Dec 2020	Additions	Disposal/ transfers	At 31 Dec 2020	At 31 Dec 2020	Amortization expense	Disposal/ transfers	At 31 Dec 2021	At 31 Dec 2021
	USD million								
Internally generated software	63.0	3.1	4.3	70.4	(56.3)	(2.7)	-	(59.0)	11.4
Externally acquired software	2.9	0.2	0.2	3.3	(2.8)	(0.2)	-	(3.0)	0.3
Licences and rights	0.7	0.1	-	0.8	(0.7)	-	-	(0.7)	0.1
Intangible assets under construction	5.2	0.5	(4.5)	1.2	-	-	-	-	1.2
Total intangible assets	**71.8**	**3.9**	**-**	**75.7**	**(59.8)**	**(2.9)**	**-**	**(62.7)**	**13.0**

	Cost				Accumulated depreciation				Net carrying amount
	At 31 Dec 2019	Additions	Disposal/ transfers	At 31 Dec 2020	At 31 Dec 2019	Amortization expense	Disposal/ transfers	At 31 Dec 2020	At 31 Dec 2020
	USD million								
Internally generated software	60.3	2.7	-	63.0	(54.6)	(1.7)	-	(56.3)	6.7
Externally acquired software	2.7	0.2	-	2.9	(2.7)	(0.1)	-	(2.8)	0.1
Licences and rights	0.7	-	-	0.7	(0.7)	-	-	(0.7)	-
Intangible assets under construction	1.5	3.7	-	5.2	-	-	-	-	5.2
Total intangible assets	**65.2**	**6.6**	**-**	**71.8**	**(58.0)**	**(1.8)**	**-**	**(59.8)**	**12.0**

102. Intangible assets are capitalized if their cost exceeds the threshold of USD 5,000 except for internally generated software, where the threshold is USD 100,000. The capitalized value of internally generated software excludes those costs related to research and maintenance costs.

103. Net carrying amount of intangible assets is reported in the Statement of Financial Position while the amortization expense for the year of USD 2.9 million is reported in the Statement of Financial Performance.

Note 2.9: Payables and accruals

	2021	2020
	USD million	
Vendor payables	155.0	128.2
Donor payables	11.8	21.4
Liabilities for service provision	201.4	213.6
Miscellaneous	94.8	129.2
Subtotal payables	**463.0**	**492.4**
Accruals	697.4	682.8
Total payables and accruals	**1 160.4**	**1 175.2**

104. Payables to vendors relate to amounts due for goods and services for which invoices have been received.

105. Payables to donors represent balance of unspent contributions for closed activities, country portfolio budgets or grants pending refund or reprogramming.

106. Liabilities for service provision represent liabilities to customers that will be extinguished through provision of goods and services in future financial periods.

107. Miscellaneous payables include amounts due to staff and other United Nations agencies for services received and the fair value of foreign exchange forward contracts.

108. Accruals are liabilities for goods and services that have been received or provided to WFP during the year and which have not been invoiced by suppliers.

Note 2.10: Deferred revenue

	2021	2020
	USD million	
Composition		
Current	820.5	829.6
Non-current	550.1	351.6
Total deferred revenue	**1 370.6**	**1 181.2**

109. Deferred revenue represents contributions where revenue recognition has been deferred to future financial periods since the year stipulated by the donor starts after the current financial period.

110. The current portion denotes revenue deferred for contributions related to the next 12 months. The non-current portion denotes revenue deferred for contributions related to the period beyond 12 months after the financial year-end.

111. In line with the accounting policy for contribution revenue as described in note 1, deferred revenue is reduced, and contribution revenue is recognized in the Statement of Financial Performance when the contribution year, as stipulated by the donor, starts.

112. The following table illustrates the composition of deferred revenue by contribution year, as stipulated by the donor:

	2021	2020
	USD million	
Contribution year		
2025	90.8	1.5
2024	144.0	14.8
2023	315.3	80.5
2022	820.5	254.8
2021	-	829.6
Total deferred revenue	**1 370.6**	**1 181.2**

Note 2.11: Provisions

	2021	2020
	USD million	
Provision for refunds to donors	11.5	19.0
Other provision	4.0	3.0
Total provisions	**15.5**	**22.0**

113. The provision for refunds to donors estimates the level of refunds that are expected to be given back to donors for unspent cash contributions to the programme. The provision is based on historical experience.

114. The change in the provision for refunds to donors during 2021 is as follows:

	2020	Utilization	Increase/(decrease)	2021
	USD million			
Provision for refunds to donors	19.0	(7.8)	0.3	11.5

115. During 2021, refunds made to donors totalled USD 7.8 million. These refunds are recorded as a utilization of the provision for refunds to donors and reported in the Statement of Financial Position. At 31 December 2021, the estimated final provision required is USD 11.5 million. Accordingly, an increase of USD 0.3 million was recorded as an adjustment

to monetary contribution revenue for the period and is reported in the Statement of Financial Performance.

116. Other provision is recognized for legal claims where it is probable that there will be an outflow of resources to settle the claims and the amounts can be reliably estimated.

117. The change in the provision for legal claims during 2021 is as follows:

	2020	Utilization	Increase/ (decrease)	2021
		USD million		
Provision for legal claims	3.0	(0.2)	1.2	4.0

Note 2.12: Employee benefits

	2021	2020
	USD million	
Composition		
Current	55.9	50.7
Non-current	1 046.2	1 085.2
Total employee benefits liabilities	**1 102.1**	**1 135.9**

	2021			2020
	Actuarial valuation	WFP valuation	Total	
		USD million		
Short-term employee benefits	5.3	50.6	55.9	50.7
Post-employment benefits	940.9	1.5	942.4	987.0
Other long-term employee benefits	99.7	4.1	103.8	98.2
Total employee benefits liabilities	**1 045.9**	**56.2**	**1 102.1**	**1 135.9**

2.12.1 Short-term employee benefits

118. Short-term employee benefits consist of annual leave, education grants and incurred but not paid amounts relating to all benefit plans. The benefits amount incurred but not paid was estimated by professional actuaries and accrued as short-term employee benefit liabilities.

2.12.2 Post-employment benefits

119. Post-employment benefits are defined benefit plans consisting of after-service medical plans (ASMPs), the Separation Payment Scheme (SPS) and the Compensation Plan Reserve Fund.

120. Post-employee benefits are established for two groups of staff: a) staff members who are in the professional category and general service in headquarters; and b) WFP's national professional officers and general service staff members in the country offices and regional bureaux. Both groups of staff are covered by the FAO staff rules and the United Nations staff rules.

121. The ASMPs allow eligible retirees and their eligible family members to participate in the Basic Medical Insurance Plan (BMIP) or the Medical Insurance Coverage Scheme (MICS) depending on which staff group they belong to. BMIP is provided to staff members in the professional category and the general service category in headquarters. MICS is provided to national professional officers and general service staff members in country offices and regional bureaux. ASMP defined benefit obligation represents the present value of the share of the organization's medical insurance costs for retirees and active staff post-employment benefits accrued to-date.

122. The SPS is a plan to fund severance pay for WFP general service staff at the duty stations in Italy upon separation from service.

123. The Compensation Plan Reserve Fund is a plan that provides compensation to all staff members, employees and dependents in case of death, injury or illness attributable to the performance of official duties and, in certain circumstances, to supplement the disability and survivors' pensions paid by the Fund.

2.12.3 Other long-term employee benefits

124. Other long-term employee benefits consist of home leave travel and other separation-related benefits which comprise accrued leave, death grants, repatriation grants and repatriation travel and removal expenses and are payable when staff are no longer in service.

2.12.4 Valuation of employee benefit liabilities

125. Employee benefit liabilities are measured by professional actuaries or calculated by WFP. At 31 December 2021, total employee benefit liabilities amounted to USD 1,102.1 million, of which USD 1,045.9 million were calculated by the actuaries and USD 56.2 million were calculated by WFP (USD 1,082.5 million and USD 53.4 million, respectively, at 31 December 2020).

126. Of the total employee benefit liabilities of USD 1,102.1 million, the amount of USD 929.4 million has been charged against relevant funds and projects (USD 827.5 million at 31 December 2020). The balance of liabilities in the amount of USD 172.7 million has been allocated against the General Fund (USD 308.4 million at 31 December 2020).

127. During the 2010 annual session, the Board approved a funding plan to provide for the unfunded employee benefit liabilities currently allocated to the General Fund. The funding plan includes an incremental annual funding of USD 7.5 million in the standard staff cost over a 15-year period starting in 2011 with a view to achieving fully funded status at the end of the 15-year period.

2.12.5 Actuarial valuations of post-employment and other separation-related benefits

128. Liabilities arising from post-employment benefits (ASMPs, SPS and the Compensation Plan Reserve Fund) and other separation-related benefits are determined by professional actuaries on the basis of actuarial assumptions.

129. Post-employment benefits and other separation-related benefits liabilities which are calculated by actuaries totalled USD 1,040.6 million at 31 December 2021 (USD 1,077.2 million in 2020), of which USD 724.8 million pertains to staff members who are in the professional category and general service in headquarters (USD 739.4 million in 2020) and USD 315.9 million pertains to the benefits for national professional officers and general service staff members in country offices and regional bureaux (USD 337.8 million in 2020).

130. The actuarial gains/(losses) for post-employment benefits are recognized in the Statement of Changes in Net Assets. The actuarial gains/(losses) for other separation-related benefits are recognized as an expense in the Statement of Financial Performance for the year in which they arise.

2.12.5.1 Actuarial assumptions and methods

131. Each year, WFP reviews and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for WFP's after-service benefit plans (post-employment benefits and other separation-related benefits). For the 2021 valuation, the assumptions and methods used are described in the following table which also indicates the assumptions and methods used for the 2020 valuation.

132. The assumptions and methods adopted for the 2021 actuarial valuation resulted in a decrease in the post-employment and other separation-related benefits net liabilities in the total amount of USD 36.6 million (an increase of USD 60.5 million in 2020).

133. The principal actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 39. In addition, each actuarial assumption is required to be disclosed in absolute terms.

134. The following assumptions and methods have been used to determine the value of post-employment and other separation-related employee benefits liabilities for WFP at 31 December 2021.

Discount rate	Established based on yield curve approach, using yields on high-grade corporate bonds and the expected cash flows of each of the WFP's plans. Separate discount rates are used for each of the plans as follows: **International professional and headquarters general service**: BMIP – 2.6 percent; other separation-related benefits (OSRB) – 2.3 percent; SPS – 0.7 percent and Staff Compensation Plan (SCP) – 3.2 percent; (BMIP – 2.2 percent; OSRB – 1.9 percent; SPS – 0.3 percent and SCP – 2.8 percent in 2020 valuation). **National professional officers and general service in country offices/regional bureaux:** MICS – 3.4 percent; OSRB – 2.5 percent; SCP – 3.4 percent (MICS – 3.0 percent; OSRB – 2.1 percent; SCP – 3.0 percent in 2020 valuation).
Medical cost increases (ASMP only)	BMIP – 4.0 percent for 2022, decreasing steadily to 3.45 percent for 2033 and beyond (4.05 percent for 2021, decreasing steadily to 3.45 percent for 2033 and beyond in 2020 valuation). MICS – 8.3 percent for 2022, decreasing steadily to 3.95 percent in 2042 and beyond (8.6 percent for 2021, decreasing steadily to 3.70 percent in 2043 and beyond in 2020 valuation).
Annual salary scale	General inflation (varies per plan) plus 0.5 percent for productivity increases plus merit component (same in 2020 valuation).

Annual cost of living increases/ general inflation	Separate general inflation rates are used for each of the plans as follows: **International professional and headquarters general service**: BMIP – 2.4 percent; OSRB – 2.3 percent; SPS – 2.1 percent and SCP – 2.3 percent (BMIP – 1.8 percent; OSRB –1.9 percent; SPS – 1.1 percent and SCP – 1.9 percent in 2020 valuation). **National professional officers and general service in country offices/regional bureaux:** MICS – 2.5 percent; OSRB – 2.5 percent; SCP – 2.5 percent (MICS – 2.0 percent; OSRB – 2.0 percent; SCP – 2.0 percent in 2020 valuation).
Future exchange rates	United Nations operation rates of exchange at 31 December 2021.
Mortality rates	Mortality rates are based on 2017 UNJSPF tables with annuitant rates weighted by headcount, rather than by annuity size (the same in 2020 valuation).
Disability rates	Disability rates match the ones used in 31 December 2020 valuation of the UNJSPF.
Withdrawal rates	**International professional and headquarters general service**: Based on a study of WFP's withdrawal rates from 2013 to 2018 (same in 2020 valuation). **National professional officers and general service in country offices/regional bureaux:** Based on a study of withdrawal rates for this category of staff from 2015 to 2020 (same in 2020 valuation).
Retirement rates	**International professional and headquarters general service**: Based on a study of WFP's withdrawal rates from 2013 to 2018 (same in 2020 valuation). **National professional officers and general service in country offices/regional bureaux:** Based on a study of withdrawal rates for this category of staff from 2015 to 2020 (same in 2020 valuation).
Actuarial method	ASMPs, SPS and SCP: Projected unit credit with an attribution period from the entry on duty date to the date of full eligibility for benefits. Other separation-related payments schemes: For accrued leave, projected unit credit with an attribution period from the entry on duty date to separation. For repatriation travel and removal, projected unit credit with an attribution period from the entry on duty date to separation. For repatriation grant and death grant, projected unit credit with an attribution based on the actual benefit formula.

135. The following tables provide additional information and analysis in relation to employee benefits liabilities, as calculated by the actuaries.

2.12.5.2 Reconciliation of defined benefit obligation

	After-service medical plans	Other separation-related benefits	Separation payment scheme	Compensation Plan Reserve Fund	Total
			USD million		
Defined benefit obligation at 31 December 2020	**933.5**	**91.8**	**28.6**	**23.3**	**1 077.2**
Service cost for 2021	64.2	10.8	2.6	2.3	79.9
Interest cost for 2021	23.0	1.7	0.1	0.6	25.4
Actual gross benefit payments for 2021	(6.9)	(11.9)	(2.8)	(0.7)	(22.3)
Participant contributions	2.2	-	-	-	2.2
Exchange rate movements	(31.2)	(1.1)	(1.0)	(0.3)	(33.6)
Other actuarial (gains) losses	(92.4)	8.4	(0.6)	(3.6)	(88.2)
Defined benefit obligation at 31 December 2021	**892.4**	**99.7**	**26.9**	**21.6**	**1 040.6**

2.12.5.3 Annual expense for calendar year 2021

	After-service medical plans	Other separation-related benefits	Separation payments scheme	Compensation Plan Reserve Fund	Total
			USD million		
Service cost	64.2	10.8	2.6	2.3	79.9
Interest cost	23.0	1.7	0.1	0.6	25.4
Actuarial loss	-	7.3	-	-	7.3
Subtotal expense	**87.2**	**19.8**	**2.7**	**2.9**	**112.6**

2.12.5.4 Reconciliation of present value of defined benefit obligation

	After-service medical plans	Other separation-related benefits	Separation payments scheme	Compensation Plan Reserve Fund	Total
			USD million		
Defined benefit obligation					
Inactive	241.5	-	-	15.7	257.2
Active	650.9	99.7	26.9	5.9	783.4
Total	**892.4**	**99.7**	**26.9**	**21.6**	**1 040.6**
(Gain)/loss on defined benefit obligation	(121.4)	7.3	(1.6)	(3.9)	(119.6)

2.12.6 Employee benefits liability – sensitivity analysis

136. The principle assumption in the valuation of all employee benefit plans is the discount rate. Sensitivity analysis for the discount rate for the employee benefits liabilities is presented in the following table.

	After-service medical plans	Other separation-related benefits	Separation payments scheme	Staff Compensation Plan	Total
Defined benefit obligation			***USD million***		
Current discount rate assumption minus 1%	1 159.1	110.8	29.5	25.9	1 325.3
Current discount rate assumption	892.4	99.7	26.9	21.6	1 040.6
Current discount rate assumption plus 1%	700.4	92.5	24.6	18.3	835.8

2.12.6.1 After-service medical plans – sensitivity analysis

137. Three of the principal assumptions in the valuation of the ASMPs are: i) the rate at which medical costs are expected to increase in the future; ii) the exchange rate between the United States dollar and the euro; and iii) the discount rate used to determine the present value of benefits that will be paid from the plan in the future.

138. Sensitivity analysis for the actuarial estimates for BMIP is presented in the following table.

		Long-term medical inflation per year		
Exchange rate	**Discount rate**	**2.85%**	**3.85%**	**4.85%**
			USD million	
1.035 USD per EUR	3.6%	363.8	444.7	551.6
1.135 USD per EUR	3.6%	380.6	465.2	577.1
1.235 USD per EUR	3.6%	397.4	485.6	602.5
1.035 USD per EUR	2.6%	461.9	564.6	700.4
1.135 USD per EUR	2.6%	483.2	590.6	732.6
1.235 USD per EUR	2.6%	504.5	616.6	764.9
1.035 USD per EUR	1.6%	598.5	731.4	907.4
1.135 USD per EUR	1.6%	626.1	765.2	949.2
1.235 USD per EUR	1.6%	653.7	798.9	991.0

139. Sensitivity analysis for the actuarial estimates for MICS is presented in the following table.

	Long-term medical inflation per year		
Discount rate	**3.0%**	**4.0%**	**5.0%**
	USD million		
4.4%	217.5	235.3	256.5
3.4%	279.0	301.8	329.0
2.4%	364.2	393.9	429.4

140. The results assume that claims costs and premium rates would increase by the same percentage as the medical inflation, but that all other assumptions would be unaffected.

2.12.7 Expected costs during 2022

141. The expected contribution of WFP in 2022 to the defined benefits plans is USD 22.5 million which is determined based on expected benefit payments for that year.

	After-service medical plans	Other separation-related benefits	Separation payments scheme	Staff Compensation Plan	Total
			USD million		
Expected organization contributions during 2022	7.9	11.2	2.0	0.7	21.8

2.12.8 United Nations Joint Staff Pension Fund

142. The Fund's regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

143. WFP's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 percent for participants and 15.8 percent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

144. The latest actuarial valuation for the Fund was completed as of 31 December 2019 and the valuation as of 31 December 2021 is currently being performed. A roll forward of the participation data as of 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

145. The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4 percent. The funded ratio was 107.1 percent when the current system of pension adjustments was taken into account.

146. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2019, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

147. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2018, 2019 and 2020) amounted to USD 7,993.2 million, of which 5 percent was contributed by WFP.

148. During 2021, WFP's contributions paid to the Fund amounted to USD 146.7 million (USD 133.4 million in 2020). Expected contributions due in 2022 are USD 161.5 million.

149. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

150. The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments and these can be viewed by visiting the Fund at www.unjspf.org.

2.12.9 Social security arrangements for employees under service contracts

151. WFP employees under service contracts are entitled to social security based on local conditions and norms. WFP, however, has not undertaken any global arrangement for social security under service contracts. Social security arrangements can either be obtained from the national security system, private local schemes or as cash compensation for own scheme. The provision of proper social security in line with local labour legislation and practice is a key requirement of the service contract. Service contract holders are not WFP staff members and are not covered by the FAO and United Nations Staff Rules and Regulations.

Note 2.13: Loan

	2021	2020
	USD million	
Current portion of loan	5.6	5.7
Non-current portion of loan	49.6	55.3
Total loan	**55.2**	**61.0**

152. In December 2000, an agreement was reached between a major donor and WFP regarding a scheme to facilitate the provision of food assistance to two country projects. Under the scheme, a USD 106.0 million long-term loan was obtained from a government agency of the donor country and used to purchase food commodities.

153. The loan is payable over 30 years and interest on the loan is at the rate of 2 percent per year for the first ten years and 3 percent per year on the declining balance each year thereafter. The current portion of the long-term loan includes an annual principal of USD 5.3 million and an amortization cost of USD 0.3 million using the effective interest method. Investments in United States Treasury STRIPS (note 2.6) acquired in 2001 are held to maturity up to 2031 for the payment of interest and principal of the commodity loan of USD 106.0 million.

154. The loan is reflected at amortized cost using the effective interest rate of 2.44 percent. At 31 December 2021, the total amortized cost was USD 55.2 million (USD 61.0 million at 31 December 2020) with an amount due within one year of USD 5.6 million and a long-term portion of USD 49.6 million (USD 5.7 million and USD 55.3 million, respectively, in 2020).

155. Interest expense during 2021 totalled USD 1.4 million (USD 1.5 million at 31 December 2020) as reflected in the Statement of Financial Performance, of which USD 1.8 million represents the annual interest paid in May 2021 and USD (0.4) million represents the amortized cost resulting from the recognition of the long-term loan at its net present value.

156. In the Statement of Cash Flow, interest paid during the year in the amount of USD 1.8 million is presented under financing activities, while amortized interest of USD (0.4) million is presented under reconciliation to net cash flows from operating activities.

Note 2.14: Financial instruments

2.14.1 Nature of financial instruments

157. Details of the significant accounting policies and methods adopted, including the criteria for recognition and de-recognition, the basis of measurement and the basis on which gains and losses are recognized in respect of each class of financial asset and financial liability are set out in note 1.

158. The financial assets of WFP are categorized as follows:

	2021	2020
	USD million	
Financial assets at fair value through surplus or deficit	1 660.4	1 402.2
Held-to-maturity investments	48.5	52.8
Loans and receivables	7 149.9	6 553.9
Available-for-sale financial assets	1 118.4	961.4
Subtotal	**9 977.2**	**8 970.3**
Non-financial assets	1 676.1	1 447.4
Total	**11 653.3**	**10 417.7**

159. Financial assets at fair value through surplus or deficit are categorized as held for trading.

160. All material financial liabilities are stated at amortized cost.

161. The following table presents the WFP assets that are measured at fair value at 31 December 2021 and 2020, respectively.

	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	USD million				*USD million*			
Financial assets at fair value through surplus or deficit	-	1 657.6	2.8	1 660.4	-	1 402.2	-	1 402.2
Available-for-sale financial assets	706.2	412.2	-	1 118.4	586.3	375.1	-	961.4
Total	**706.2**	**2 069.8**	**2.8**	**2 778.8**	**586.3**	**1 777.3**	**-**	**2 363.6**

162. The different levels of fair value have been defined as follows: quoted prices (unadjusted) in active markets for identical assets (level 1); inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and inputs for the asset that are not based on observable market data (that is, unobservable inputs) (level 3).

163. WFP investment guidelines are conservative in nature with the primary objective being capital preservation and liquidity. Both the held for trading and the available-for-sale financial assets are rated high quality as per international credit ratings (note 2.14.2 – Credit risk). Investment managers are bound by WFP investment guidelines that require them to select highly liquid securities for the investment portfolios. Fair value levels largely depend on whether an active market exists for a security. Active markets provide direct data inputs and may, on average, provide better liquidity, lowering trading costs via tighter bid and ask prices. A different fair value level does not necessarily imply a different or higher level of risk for a security, all things being equal. The fair value hierarchy reflects the nature of the inputs used in determining fair values, but not the level of risk inherent in a security

as the probability of a partial or full default on cash flows from issuers or counterparts is independent from the fair value level category.

164. The level 3 financial instruments were acquired in 2021, while no level 3 financial instruments were held in 2020.

165. During 2021, there was no transfer between fair value levels for financial assets.

2.14.2 Credit risk

166. WFP's credit risk associated with investments is spread widely and WFP's risk management policies limit the amount of credit exposure to any one counterparty and include minimum credit quality guidelines. The short-term investments have credit quality at year-end of AA and the long-term investments have credit quality at year-end of A+.

167. Credit risk and liquidity risk associated with cash and cash equivalents are minimized substantially by ensuring that these financial assets are placed in highly liquid and diversified money market funds with AAA credit ratings and/or with major financial institutions that have been accorded strong investment grade ratings by a primary rating agency and/or with other creditworthy counterparties.

168. Contribution receivables comprise primarily amounts due from sovereign nations. There is a credit risk concentration where 50 percent is a receivable from one government's agencies (2020: 59 percent). Details of contributions receivable, including allowances for reductions in contribution revenue and doubtful accounts are provided in note 2.3.

2.14.3 Interest rate risk

169. WFP is exposed to interest rate risk through short-term investments and long-term bonds. At 31 December 2021, the effective interest rates of these two investment portfolios were 0.52 percent and 1.29 percent, respectively (0.32 percent and 0.86 percent, respectively, in 2020). A measurement of interest rate sensitivity indicates that the effective duration is 0.77 years for the short-term investments and 11.41 years for the long-term bonds (0.79 years and 11.38 years, respectively, in December 2020). Fixed income derivatives are used by external investment managers to manage interest rate risk under strict investment guidelines.

2.14.4 Foreign currency risk

170. At 31 December 2021, 87 percent of cash, cash equivalent and investments are denominated in the US dollar base currency and 13 percent are denominated in euros and other currencies (89 percent and 11 percent, respectively, as at 31 December 2020). Non-US dollar holdings have the primary objective of supporting operating activities. In addition, 62 percent of contributions receivable are denominated in the US dollar base currency, 19 percent are denominated in euros, 8 percent in Swedish kronor, 4 percent in Pakistan rupees, 3 percent in Canadian dollars, and 4 percent in other currencies (67 percent in the United States dollar base currency, 22 percent in euros, 3 percent in Canadian dollars, 3 percent in Swedish kronor and 5 percent in other currencies at 31 December 2020).

171. Foreign exchange forward contracts are used to hedge the euro versus US dollar exchange exposure on PSA staff costs incurred at headquarters in line with the hedging policy approved by the Board at its 2008 annual session. During the year ended 31 December 2021, 12 contracts were settled at a realized loss of USD 0.9 million (12 contracts were settled during the year ended 31 December 2020 at a realized gain of USD 0.7 million). In addition, a new hedging strategy was implemented for 2022, in which WFP entered into 12 foreign exchange forward contracts to purchase a total of EUR 72.6 million over 12 months at a fixed exchange rate. At 31 December 2021, the 12 contracts have a notional value of USD 86.2 million and an unrealized loss of

USD 3.0 million using the forward rate at 31 December 2021. Both the realized loss and unrealized loss are included in currency exchange differences presented in the Statement of Financial Performance.

2.14.5 Market risk

172. WFP is subject to market risk in both the short-term and long-term investments. The market value of its fixed income, equity, financial derivatives and foreign exchange forwards may change on a daily basis. All the sensitivity analyses provided below have been prepared on the basis that all variables are held constant, other than that specifically mentioned.

173. Interest rate sensitivity – For short-term investments, if interest rates were to rise (fall) by 1 percent, the impact to the Statement of Financial Performance is a USD 18.9 million unrealized loss (gain). For long-term bond portfolio, if interest rates were to rise (fall) by 1 percent, the impact to the Statement of Changes in Net Assets is a USD 47.9 million unrealized loss (gain).

174. Futures price sensitivity – For short-term investments, if futures prices were to rise (fall) by 1 percent, the impact to the Statement of Financial Performance is a USD 0.4 million unrealized loss (gain). For long-term bond portfolio, if futures prices were to rise (fall) by 1 percent, the impact to the Statement of Changes in Net Assets is a USD 0.2 million unrealized gain (loss).

175. Equity price sensitivity – The equity investments track the MSCI All Country World Index, a recognized index of stocks of all world markets. If equity prices were to rise (fall) by 1 percent proportionally across the two ESG equity funds, the impact to the Statement of Changes in Net Assets is a USD 7.0 million unrealized gain (loss).

176. Foreign exchange forwards sensitivity - For the remaining 12 PSA hedge forward contracts, if USD/EUR rate were to rise (fall) by 1 percent, the impact to the Statement of Financial Performance is a USD 0.8 million unrealized gain (loss), with all other variables held constant. For long-term investments, if foreign currency prices were to appreciate (depreciate) versus the USD by 1 percent across the forward currency positions currently held, the impact to the Statement of Financial Performance is a USD 0.2 million unrealized gain (loss).

Note 2.15: Fund balances and reserves

177. Fund balances represent the unexpended portion of contributions that are intended to be utilized in future operational requirements of the Programme. These are WFP's residual interest in WFP's assets after deducting all its liabilities. The following table presents WFP's fund balances.

	2021				
	Programme category funds	Trust funds	General Fund and Special Accounts		Total
	(fund balance)	(fund balance)	(fund balance)	Reserves	
Opening balance at 1 January 2021	**5 256.7**	**286.3**	**888.2**	**411.2**	**6 842.4**
Surplus (deficit) for the year	**351.6**	**(29.5)**	**563.5**	**-**	**885.6**
Movements in fund balances and reserves in 2021					
Advances to projects	220.2	0.4	2.3	(222.9)	**-**
Repayments by projects	(70.4)	-	-	70.4	**-**
Other transfer from/to reserves	-	-	(212.8)	212.8	**-**
Transfer between funds	426.6	24.8	(451.4)	-	**-**
Actuarial gains on employee benefit liabilities	-	-	126.9	-	**126.9**
Net unrealized gains on long-term investments	-	-	94.6	-	**94.6**
Total movements during the year	**576.4**	**25.2**	**(440.4)**	**60.3**	**221.5**
Closing balance at 31 December 2021	**6 184.7**	**282.0**	**1 011.3**	**471.5**	**7 949.5**

	2020				
	Programme category funds	Trust funds	General Fund and Special Accounts		Total
	(fund balance)	(fund balance)	(fund balance)	Reserves	
Opening balance at 1 January 2020	**4 947.1**	**150.3**	**340.4**	**432.2**	**5 870.0**
Surplus (deficit) for the year	**(45.0)**	**105.8**	**789.2**	**-**	**850.0**
Movements in fund balances and reserves in 2020					
Advances to projects	170.8	0.8	10.0	(181.6)	**-**
Repayments by projects	(76.2)	-	-	76.2	**-**
Other transfer from/to reserves	-	-	(84.4)	84.4	**-**
Transfer between funds	260.0	29.4	(289.4)	-	**-**
Actuarial losses on employee benefit liabilities	-	-	34.2	-	**34.2**
Net unrealized gains on long-term investments	-	-	88.2	-	**88.2**
Total movements during the year	**354.6**	**30.2**	**(241.4)**	**(21.0)**	**122.4**
Closing balance at 31 December 2020	**5 256.7**	**286.3**	**888.2**	**411.2**	**6 842.4**

178. Advances from the IRA reserve to projects, repayments of such advances and other movements in the IRA reserve are explained in 2.15.3.

179. Other transfer from/to reserves include allocations approved by the Board, replenishments of reserves and surplus of ISC revenue over PSA expenses and are explained in 2.15.3 and 2.15.4.

180. There are cash contributions provided by donors, which, at the time of confirmation, have not been designated to a specific programme category fund. These contributions are initially designated as multilateral and unallocated funds and are reported under the General Fund. They are allocated to specific programme categories through transfers between funds.

181. Reserves are established by the Board as facilities for funding and/or financing specific activities under specific circumstances. During 2021, WFP had four active reserves: i) operational reserve; ii) Global Commodity Management Facility reserve; iii) IRA; and the iv) PSA Equalization Account (PSAEA). The following table presents WFP's reserves.

	2021				
	Operational reserve	**Global Commodity Management Facility**	**IRA**	**PSAEA**	**Total**
Note	**2.15.1**	**2.15.2**	**2.15.3**	**2.15.4**	
Opening balance at 1 January 2021	**95.2**	**6.0**	**78.4**	**231.6**	**411.2**
Advances to projects	-	-	(222.9)	-	**(222.9)**
Repayments by projects	-	-	70.4	-	**70.4**
Approved Board allocations	-	-	20.0	(32.2)	**(12.2)**
Replenishments	-	-	97.8	0.2	**98.0**
Surplus of ISC revenue over PSA expense	-	-	-	127.0	**127.0**
Total movements during the year	**-**	**-**	**(34.7)**	**95.0**	**60.3**
Closing balance at 31 December 2021	**95.2**	**6.0**	**43.7**	**326.6**	**471.5**

182. Movements in the reserves are charged directly against the reserve accounts.

2.15.1 Operational reserve

183. Financial Regulation 10.5 calls for the maintenance of an operational reserve to ensure the continuity of operations in the event of a temporary shortfall of resources. In addition, the operational reserve is used to manage the risk associated with the Internal Project Lending Facility (previously referred to as the Working Capital Financing Facility).

184. The balance of the operational reserve at 31 December 2021 is USD 95.2 million.

2.15.2 Global Commodity Management Facility reserve

185. The Global Commodity Management Facility reserve account was established in 2014 to provide for losses sustained by the Global Commodity Management Facility that fall outside insurance coverage (decision 2014/EB.A/8).

186. The balance of the Global Commodity Management Facility reserve at 31 December 2021 is USD 6.0 million.

2.15.3 Immediate Response Account

187. The IRA was established as a flexible resource facility to enable WFP to respond quickly to emergency needs for food and for non-food-related purchase and delivery costs.

188. In 2021, the IRA received USD 97.8 million in replenishments.

189. Advances made to projects totalled USD 222.9 million and repayments by projects amounted to USD 70.4 million.

190. In 2021, the IRA received USD 20.0 million in approved Board allocations transferred from the self-insurance special account (decision 2021/EB.A/20). The target IRA level is USD 200.0 million as established by the Executive Board decision 2014/EB.2/4.

191. Outstanding advances to projects made by the IRA at 31 December 2021 totalled USD 352.8 million (USD 229.7 million in 2020).

2.15.4 Programme support and administrative budget equalization account

192. The PSAEA is a reserve set up to record the difference between ISC revenue and PSA expenses for the financial period.

193. Based on the Executive Board decisions, USD 32.2 million was allocated from the PSA equalization account for critical corporate initiatives (decision 2020/EB.2/2).

194. The excess of ISC revenue over PSA expenses totalling USD 127.0 million was transferred to the PSAEA in 2021 (USD 82.3 million surplus in 2020).

195. The PSAEA balance at 31 December 2021 is USD 326.6 million.

Note 3: Revenue

		2021	2020
		USD million	
3.1	**Monetary contributions**		
	Contributions for direct costs	8 475.8	7 414.6
	ISC contributions	567.6	502.5
	Subtotal	**9 043.4**	**7 917.1**
	Less:		
	Refunds, reprogrammes and reductions in contribution revenue	(27.4)	(36.0)
	Total monetary contributions	**9 016.0**	**7 881.1**
3.2	**In-kind contributions**		
	Commodities in-kind contributions	529.8	432.3
	Services and non-food items in-kind contributions	61.8	76.0
	Subtotal	**591.6**	**508.3**
	Add (deduct):		
	Increase (decrease) in contribution revenue	0.1	0.2
	Total in-kind contributions	**591.7**	**508.5**
3.3	**Currency exchange differences**	**(107.7)**	**234.9**
3.4	**Return on investments**		
	Net realized gains (losses) on investments	(6.7)	34.4
	Net unrealized gains (losses) on investments	(35.6)	15.2
	Interest earned	32.5	53.7
	Total return on investments	**(9.8)**	**103.3**
3.5	**Other revenue**		
	Revenue generated from provision of goods and services	254.5	161.3
	Miscellaneous revenue	23.3	14.6
	Total other revenue	**277.8**	**175.9**
	Total revenue	**9 768.0**	**8 903.7**

196. Contribution revenue is adjusted by changes in the levels of the allowance for reduction in contribution revenue (note 2.3) and in the level of the provision for refunds to donors (note 2.11). Actual refunds and reduction in contribution revenue are made against specific contributions.

197. In-kind contributions represent confirmed contributions of food commodities, services or non-food items during the year.

198. During 2021, other revenue amounted to USD 277.8 million of which USD 254.5 million was generated from the provision of goods and services (USD 161.3 million at 31 December 2020) and USD 23.3 million from miscellaneous revenue (USD 14.6 million at 31 December 2020). Revenue generated from the provision of goods and services included mainly air operations, logistics and supply chain services, revenue from fuel sales and other services. Miscellaneous revenue included proceeds from sale of damaged commodities and other assets.

Note 4: Expenses

		2021	2020
		USD million	
4.1	**Cash-based transfers distributed**		
	Cash and voucher transfers	2 088.6	1 868.8
	Commodity voucher transfers	235.1	254.9
	Total cash-based transfers distributed	**2 323.7**	**2 123.7**
4.2	**Food commodities distributed**	**2 828.6**	**2 410.1**
4.3	**Distribution and related services**	**980.9**	**906.2**
4.4	**Wages, salaries, employee benefits and other staff costs**		
	International and national staff	867.0	807.2
	Consultants	206.7	180.4
	United Nations volunteers	3.3	3.5
	Temporary staff	180.3	148.4
	Other personnel costs	5.5	12.6
	Total wages, salaries, employee benefits and other staff costs	**1 262.8**	**1 152.1**
4.5	**Supplies, consumables and other running costs**		
	Telecommunications and IT	20.5	17.6
	Equipment	120.1	144.1
	Office supplies and consumables	38.6	45.8
	Utilities	10.7	7.8
	Vehicle maintenance and running costs	28.5	22.0
	Total supplies, consumables and other running costs	**218.4**	**237.3**
4.6	**Contracted and other services**		
	Air operations	312.4	405.8
	Other contracted services	680.2	572.3
	Telecommunications/IT related services	64.2	61.5
	Security and other services	37.6	37.2
	Leases	62.3	56.6
	Total contracted and other services	**1 156.7**	**1 133.4**
4.7	**Finance costs**	**1.4**	**1.5**
4.8	**Depreciation and amortization**	**57.3**	**49.4**

		2021	2020
		USD million	
4.9	**Other expenses**		
	Maintenance services	6.6	3.9
	Insurance	4.9	11.5
	Bank charges/investment manager and custodian fees	6.6	4.9
	Impairment and write-offs	2.8	1.9
	Other	31.7	17.8
	Total other expenses	**52.6**	**40.0**
	Total expenses	**8 882.4**	**8 053.7**

199. Food commodities distributed include cost of commodities as well as transport and related costs between the country in which WFP takes possession and the recipient country. Included in the cost of commodities distributed are pre- and post-delivery losses of USD 24.9 million (USD 22.8 million in 2020) (note 9).

200. Given WFP's accounting policy to expense when food is handed over to the cooperating partners, at 31 December 2021, USD 107.7 million (127,265 mt) of food held by cooperating partners was yet to be distributed to beneficiaries (USD 76.4 million (98,026 mt) at 31 December 2020).

201. Cash-based transfers distributed represent assistance distributed in bank notes, electronic transfers, through debit cards or value vouchers.

202. Distribution and related services represent cost of moving commodities in-country up to and including final distribution.

203. Wages, salaries, employee benefits and other staff costs are for WFP staff, consultants and service contract holders and include employee and consultant travel, training and staff workshops, and incentives.

204. Contracted and other services include costs of air operations, telecommunications, security, operating lease payments and other contracted services such as costs arising from field-level agreements, commercial consultancy, United Nations common services and contributions to United Nations bodies.

205. Supplies, consumables and other running costs are cost of goods and services used for both direct project implementation and administration and support.

206. Other expenses include maintenance expenses, insurance premiums, bank charges and investment fees, impairment and write-off expenses as well as other expenses such as advocacy and training expenses.

Note 5: Statement of Cash Flow

207. Cash flows from operating activities are not adjusted for donations of commodities-in-kind or services-in-kind as these donations have no impact on cash movements. Cash flows from investing activities are shown net of items where the turnover is rapid, the amounts are large, and the maturities are short.

Note 6: Statement of Comparison of Budget and Actual Amounts

208. WFP's budget and financial statements are prepared using different bases. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow are prepared on a full accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance, whereas the Statement of Comparison of Budget and Actual Amounts is prepared on a commitment accounting basis.

209. As required under IPSAS standard 24, "Presentation of Budget Information in Financial Statements", the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

210. Budget amounts have been presented on a functional classification basis in accordance with the management plan (2021–2023), which presents a breakdown of the budget by year.

211. Statement V includes a column – implementation plan – which represents a prioritized plan of work based on estimated forecast contributions considering that WFP is a voluntarily funded organization and its operations and financial management therefore depend on the level of funding actually received.

212. Explanations of material differences between the original budget and final budget, final budget and the actual amounts, and implementation plan and the actual amounts are presented under the budget analysis section of the Executive Director's statement.

213. Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. For WFP, the budget is prepared on the commitment basis and the financial statements are prepared on the accrual basis. Open commitments including open purchase orders and net cash flows from operating, investing and financing activities are presented as basis differences.

214. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for WFP for purposes of comparison of budget and actual amounts.

215. Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. Under entity differences, trust funds form part of WFP activities and are reported in the financial statements but, as they are considered extra-budgetary resources, are excluded from the budget.

216. Presentation differences are due to differences in the format and classification schemes adopted for presentation of Statement of Cash Flow and Statement of Comparison of Budget and Actual Amounts. Revenue and non-fund relevant expenses that do not form part of the Statement of Comparison of Budget and Actual Amounts are reflected as presentation differences.

217. A reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Cash Flow (Statement IV) for the year ended 31 December 2021 is presented below.

	Operating	Investing	Financing	Total
	USD million			
Actual amount on comparable basis (Statement V)	**(9 333.0)**	**-**	**-**	**(9 333.0)**
Basis differences	(316.0)	(437.2)	(7.1)	(760.3)
Presentation differences	10 178.5	-	-	10 178.5
Entity differences	(186.9)	-	-	(186.9)
Actual amount in the Statement of Cash Flow (Statement IV)	**342.6**	**(437.2)**	**(7.1)**	**(101.7)**

Note 7: Segment reporting

Note 7.1: Statement of Financial Position by segment

	2021					2020
	Programme category funds	General Fund and Special Accounts	Trust funds	Inter-segment transactions	Total	
	USD million					
Assets						
Current assets						
Cash, cash equivalents and short-term investments	2 430.1	671.7	412.3	-	**3 514.1**	**3 356.4**
Contributions receivable	4 451.2	154.1	82.9	-	**4 688.2**	**4 203.6**
Inventories	863.0	355.6	1.0	-	**1 219.6**	**1 012.9**
Other receivables	285.4	1 147.9	10.8	(1 150.2)	**293.9**	**284.6**
	8 029.7	**2 329.3**	**507.0**	**(1 150.2)**	**9 715.8**	**8 857.5**
Non-current assets						
Contributions receivable	199.1	335.0	16.0	-	**550.1**	**351.6**
Long-term investments	-	1 162.0	-	-	**1 162.0**	**1 008.5**
Property, plant and equipment	135.6	75.8	1.0	-	**212.4**	**188.1**
Intangible assets	0.4	12.0	0.6	-	**13.0**	**12.0**
	335.1	**1 584.8**	**17.6**		**1 937.5**	**1 560.2**
Total assets	**8 364.8**	**3 914.1**	**524.6**	**(1 150.2)**	**11 653.3**	**10 417.7**
Liabilities						
Current liabilities						
Payables and accruals	1 508.9	596.3	205.4	(1 150.2)	**1 160.4**	**1 175.2**
Deferred revenue	462.6	338.7	19.2	-	**820.5**	**829.6**
Provisions	9.5	4.0	2.0	-	**15.5**	**22.0**
Employee benefits	-	55.9	-	-	**55.9**	**50.7**
Loan	-	5.6	-	-	**5.6**	**5.7**
	1 981.0	**1 000.5**	**226.6**	**(1 150.2)**	**2 057.9**	**2 083.2**
Non-current liabilities						
Deferred revenue	199.1	335.0	16.0	-	**550.1**	**351.6**
Employee benefits	-	1 046.2	-	-	**1 046.2**	**1 085.2**
Loan	-	49.6	-	-	**49.6**	**55.3**
	199.1	**1 430.8**	**16.0**	**-**	**1 645.9**	**1 492.1**
Total liabilities	**2 180.1**	**2 431.3**	**242.6**	**(1 150.2)**	**3 703.8**	**3 575.3**
Net assets	**6 184.7**	**1 482.8**	**282.0**	**-**	**7 949.5**	**6 842.4**
Fund balances and reserves						
Fund balances	6 184.7	1 011.3	282.0	-	**7 478.0**	**6 431.2**
Reserves	-	471.5		-	**471.5**	**411.2**
Total fund balances and reserves, 31 December 2021	**6 184.7**	**1 482.8**	**282.0**	**-**	**7 949.5**	**6 842.4**
Total fund balances and reserves, 31 December 2020	**5 256.7**	**1 299.4**	**286.3**	**-**	**6 842.4**	

Note 7.2: Statement of Financial Performance by segment

	2021					2020
	Programme category funds	General Fund and Special Accounts	Trust funds	Inter-segment transactions	Total	
	USD million					
Revenue						
Monetary contributions	7 705.6	1 159.9	150.5	-	**9 016.0**	**7 881.1**
In-kind contributions	540.3	48.0	3.4	-	**591.7**	**508.5**
Currency exchange differences	(84.3)	(24.3)	0.9	-	**(107.7)**	**234.9**
Return on investments	0.5	(10.3)	-	-	**(9.8)**	**103.3**
Other revenue	349.8	1 693.4	2.6	(1 768.0)	**277.8**	**175.9**
Total revenue	**8 511.9**	**2 866.7**	**157.4**	**(1 768.0)**	**9 768.0**	**8 903.7**
Expenses						
Cash-based transfers distributed	2 323.6	-	0.1	-	**2 323.7**	**2 123.7**
Food commodities distributed	2 829.4	1 442.4	-	(1 443.2)	**2 828.6**	**2 410.1**
Distribution and related services	965.5	20.1	1.3	(6.0)	**980.9**	**906.2**
Wages, salaries, employee benefits and other staff costs	765.3	435.4	79.9	(17.8)	**1 262.8**	**1 152.1**
Supplies, consumables and other running costs	187.0	45.7	5.0	(19.3)	**218.4**	**237.3**
Contracted and other services	994.0	265.9	98.3	(201.5)	**1 156.7**	**1 133.4**
Finance costs	-	1.4	-	-	**1.4**	**1.5**
Depreciation and amortization	34.9	22.1	0.3	-	**57.3**	**49.4**
Other expenses	60.6	70.2	2.0	(80.2)	**52.6**	**40.0**
Total expenses	**8 160.3**	**2 303.2**	**186.9**	**(1 768.0)**	**8 882.4**	**8 053.7**
Surplus (deficit) for the year, 2021	**351.6**	**563.5**	**(29.5)**	**-**	**885.6**	**850.0**
Surplus (deficit) for the year, 2020	**(45.0)**	**789.2**	**105.8**	**-**	**850.0**	

218. Cash and cash equivalents and short-term investments are presented as separate line items on the face of the Statement of Financial Position and presented together under segment reporting. The below table reconciles the amounts reported in the Statement of Financial Position and segment reporting.

	2021	2020
	USD million	
Cash and cash equivalents	1 848.8	1 950.5
Short-term investments	1 665.3	1 405.9
Total cash and cash equivalents and short-term investments	**3 514.1**	**3 356.4**

219. Some internal activities lead to accounting transactions that created inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the above tables to accurately present these financial statements.

220. Fund balances under programme category funds and trust funds represent the unexpended portion of contributions that are intended to be utilized for future operational requirements of the Programme.

Note 8: Commitments and contingencies

Note 8.1: Commitments

8.1.1 Property leases

	2021	2020
	USD million	
Obligations for property leases:		
Within 1 year	54.1	52.2
Later than 1 year and not later than 5 years	41.4	49.3
Beyond 5 years	10.0	14.4
Total property leases obligations	**105.5**	**115.9**

221. At 31 December 2021, property lease obligations for the WFP headquarters building in Rome represent 15 percent of the total obligations under the within 1-year category and 7 percent under the later than 1 year and not later than 5 years category (15 percent and 21 percent, respectively, at 31 December 2020). The lease can be renewed at WFP's option. Costs incurred in leasing the headquarters building are reimbursed by the host government. The commitments are disclosed for all operating lease agreements. The agreements include cancellation clauses allowing WFP to terminate for any reason with sixty days' notice period.

8.1.2 Other commitments

222. At 31 December 2021, WFP had commitments for the acquisition of food commodities, transportation, services, non-food items, and capital commitments contracted but not delivered as follows:

	2021	2020
	USD million	
Food commodities	463.8	275.8
Transportation – Food commodities	124.0	99.6
Services	380.6	375.4
Non-food items	93.9	79.1
Capital commitments	31.5	19.4
Total open commitments	**1 093.8**	**849.3**

223. These commitments will be recognized as expenses in future financial periods and will be settled from the unexpended portion of contributions after receipt of the related goods or services.

Note 8.2: Contingent liabilities and contingent assets

224. There is one material contingent liability case in 2021, arising from incorrect application of the ISC rate on three grants, and hence, leading to potential financial shortfall for WFP.

225. In 2021, WFP and an international financial institution (IFI) entered into the three agreements, one to support operations in Afghanistan and two to support operations in Yemen, applying the ISC rate of 4 percent. WFP's standard ISC rate is 6.5 percent for all programmatic contributions except for governments' contributions to programmes in their own countries, and government contributions made pursuant to General Rule XIII.4(e), for which the ISC rate of 4 percent applies.[39] Following extensive consultations and legal review, senior management concluded that the application of the 4 percent ISC rate was incorrect for the three grants due to the fact that they were made by an IFI directly to WFP and not a government, and that a 6.5 percent ISC rate should have applied. These grants were subsequently registered with the standard 6.5 percent ISC rate.

226. WFP and the IFI are engaged in high-level exchanges to address the issue and to find a mutually agreeable remedy for the potential financial shortfall resulting from the incorrect application of the reduced ISC rate. Notwithstanding, since the agreements had been signed by both parties with the 4 percent ISC rate, it would be reasonable for the IFI to expect the execution of grants in alignment with contractual agreements, meaning that the potential shortfall of approximately USD 6.1 million from the difference between the standard and reduced ISC rate would have to be covered by WFP.

227. In 2005, two WFP employees in the WFP regional bureau in South Africa were found to have committed fraud resulting in a loss of approximately USD 6.0 million. A criminal trial began in 2008, and the South African authorities restrained the employees' known assets, reportedly valued at ZAR 40 million (approximately USD 2.5 million at 31 December 2021).

[39] Decisions and recommendations of the 2020 second regular session of the Executive Board (WFP/EB.2/2020/11); Decisions and recommendations of the 2021 second regular session of the Executive Board (WFP/EB.2/2021/12).

228. WFP also initiated arbitration against the two employees for recovery of the misappropriated funds, to establish WFP's claim against the restrained assets irrespective of the outcome of the criminal proceedings. In January 2010, the arbitral tribunal issued a default award in favour of WFP on all claims, for approximately USD 5.6 million, plus interest and costs. Following the required waiver by the United Nations and FAO of WFP's immunity, WFP applied to the High Court of South Africa to make the arbitral award an order of court for the purpose of enforcement in South Africa, which was granted in October 2011 and is now final.

229. In December 2012, the two employees were found guilty and subsequently sentenced to 25 years of imprisonment. In 2016, the defendants' convictions were finalized.

230. Enforcement of the court decision against the restrained assets experienced delays after the criminal proceedings concluded. WFP is working with counsel to actively explore all options to ensure advancement of the proceedings to obtain a confiscation order for the defendants' assets.

Note 9: Losses, *ex-gratia* payments and write-offs

231. WFP financial regulation 12.3 provides that "The Executive Director may make such *ex-gratia* payments as the Executive Director deems necessary in the interest of WFP. The Executive Director shall report all such payments to the Board with the financial statements". In addition, financial regulation 12.4 provides that "The Executive Director may, after full investigation, authorize the writing off of losses of cash, commodities and other assets, provided that a statement of all amounts written off shall be submitted to the External Auditor with the financial statements."

232. The following table details the *ex-gratia* payments and losses of cash, food commodities and other assets.

	2021	**2020**
	USD million	
Ex-gratia payments	0.2	0.1
Contributions receivable	-	1.2
Food commodity losses	24.9	22.8
Non-food item losses	0.1	-
Other assets and cash losses	0.7	0.1
	mt	
Commodity losses (quantity)	40 287	40 300

233. The *ex-gratia* payments mainly pertain to critical issues affecting WFP personnel. In 2021, *ex-gratia* payments were made to WFP staff members to cover for medical expenses which surpassed medical coverage limits. Contributions receivable write-offs relate to the write-off of receivables from donors. The other assets and cash losses are related mainly to cash-based transfer losses and write-offs of other receivables.

234. The food commodity losses include all losses that occur from the first receipt of commodity in WFP's custody until distribution to the beneficiaries, either directly or through the cooperating partners. These losses are insured by the WFP cargo self-insurance scheme up

to the point at which commodities are distributed to beneficiaries or handed over to cooperating partners in case of distribution through cooperating partners. During 2021, USD 9.8 million was recovered from the third parties responsible for the food commodity losses (USD 6.9 million in 2020). The non-food item losses are minor and are related mainly to warehouse losses.

235. In 2021, fraud substantiated by the Office of Inspections and Investigations resulted in financial losses of USD 97,777 of which USD 16,446 was recovered (USD 133,490 in 2020, of which USD 100,907 was recovered). The cases involved misrepresentation and procurement fraud by vendor, theft and embezzlement involving WFP staff and third parties. As at 31 December 2021, presumptive fraud related to ongoing investigations where amounts can be reasonably estimated, was valued at USD 9,648,664 involving fraudulent practices by partners, third parties and WFP personnel (USD 5,729,607 in 2020).

Note 10: Related party and other senior management disclosure

Note 10.1: Key management personnel

	Number of individuals	**Number of positions**	**Compensation and post adjustment**	**Entitlements and benefits**	**Pension and health plans**	**Total remuneration**	**Outstanding advances against entitlements**
				USD million			
Key management personnel, 2021	8	8	1.4	0.6	0.4	2.4	0.1
Key management personnel, 2020	7	7	1.3	0.6	0.4	2.3	0.1

236. Key management personnel are the Executive Director, Deputy Executive Director, Assistant Executive Directors, Chief of Staff and Special Advisor to the Executive Director as they have the authority and responsibility for planning, directing, and controlling the activities of WFP.

Note 10.2: Other senior management

	Number of individuals	**Number of positions**	**Compensation and post adjustment**	**Entitlements and benefits**	**Pension and health plans**	**Total remuneration**	**Outstanding advances against entitlements**
				USD million			
Other senior management, 2021	37	31	4.9	1.6	1.4	7.9	0.9
Other senior management, 2020	38	31	5.0	2.0	1.4	8.4	0.9

237. In addition to key management personnel whose remuneration, advances and loans are required to be disclosed under IPSAS standard 20, "Related Party Disclosures", similar disclosure is also made for other senior management of WFP for the sake of completeness and transparency. Other senior management include regional directors and headquarters divisional directors.

238. The tables above detail the number of positions and the number of staff who held these positions over the course of the year. The Executive Board consists of 36 Member States without personal appointment.

239. The aggregate remuneration paid to key management personnel and other senior management includes net salaries; post adjustment; entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs; post-employment benefits; other long-term employee benefits and employer pension and current health insurance contributions.

240. Key management personnel and other senior management qualify for post-employment benefits and other long-term employee benefits at the same level as other employees. The actuarial assumptions applied to measure such employee benefits are disclosed in note 2.12. Key management personnel and other senior management are ordinary members of the UNJSPF.

241. During 2021, compensation provided to close members of the family of key management personnel and other senior management amounted to USD 0.1 million and USD 0.9 million respectively (USD 0 and USD 0.7 million, respectively, in 2020).

242. Advances are those made against entitlements in accordance with staff rules and regulations and are widely available to all WFP staff.

Note 11: Events after reporting date

243. WFP's reporting date is 31 December 2021. On the date of certifying of these financial statements by the Executive Director, there have been no material events, favourable or unfavourable, incurred between the balance sheet date and the date when the financial statements have been authorized for issue that would have impacted these statements.

Note 12: Interest in other entities

International Computing Centre

244. The International Computing Centre (ICC) was established in January 1971 pursuant to Resolution 2741 (XXV) of the United Nations General Assembly. ICC provides IT and communications services to partners and users in the United Nations system. As a partner bound by the mandate of the ICC, WFP would be proportionately responsible for any third-party claim or liability arising from or related to service activities of the ICC as specified in the ICC mandate. At 31 December 2021, there are no known claims that impact WFP. Ownership of assets is with ICC until dissolution. Upon dissolution, the division of all assets and liabilities among partner organizations shall be agreed by the management committee in accordance with a formula defined at that time.

African Risk Capacity

245. WFP and the African Risk Capacity (ARC) signed an administrative service agreement in June 2015 expiring on 31 August 2024. ARC is a specialized agency of the African Union that shares the goal of promoting food security with WFP.

246. While ARC is a separate legal entity, its financial and operating policies with reference to this agreement are subject to WFP rules. Funds received under this agreement are held under an ARC trust fund by WFP. WFP provides technical, administrative, personnel, and project management services to ARC. The Director-General of the ARC is employed by WFP and is accountable to both the WFP Executive Director and ARC. The agreement is considered a joint operation where, based on the terms of the agreement, the financial transactions of ARC are consolidated within WFP financial statements. As at 31 December 2021, the accumulated surplus held under an ARC trust fund totalled USD 19.7 million.

ANNEX

	Name	Address
WFP	World Food Programme	Via Cesare Giulio Viola 68/70 Parco de' Medici 00148 Rome, Italy
General Counsel and Director, Legal Office	Bartolomeo Migone	Via Cesare Giulio Viola 68/70 Parco de' Medici 00148 Rome, Italy
Actuaries	Ernst & Young Advisory	Tour First, 1 place des Saisons 92037 Paris La Défense France
Principal Bankers	Citibank N.A.	Via Mercanti, 12 20121 Milan, Italy
	Standard Chartered Plc	1 Basinghall Avenue London, EC2V 5DD United Kingdom
External Auditor	First President of the Cour des Comptes (France)	13 rue Cambon 75001 Paris, France

Acronyms

AD	Active Directory
ARC	African Risk Capacity
ASMP	after-service medical plan
BMIP	Basic Medical Insurance Plan
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSP	country strategic plan
ESG	Environmental, Social and Corporate Governance
FAO	Food and Agriculture Organization of the United Nations
IATI	International Aid Transparency Initiative
ICC	International Computing Centre
ICSP	interim country strategic plan
IDA	International Development Association
IFI	international financial institution
IFRS	International Financial Reporting Standard
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standard
IRA	Immediate Response Account
ISA	International Standards on Auditing
ISC	indirect support cost
MICS	Medical Insurance Coverage Scheme
MSCI	Morgan Stanley Capital International
NGO	non-governmental organization
OSRB	other separation-related benefits
PSA	programme support and administrative (budget)
PSAEA	Programme Support and Administrative Equalization Account
SCOPE	Digital beneficiary information and transfer management platform
SCP	Staff Compensation Plan
SDG	Sustainable Development Goal
SPS	Separation Payment Scheme
STRIPS	United States Treasury Separate Trading of Registered Interest and Principal of Securities
TPA	third-party agreement
UNDP	United Nations Development Programme
UNHAS	United Nations Humanitarian Air Service
UNJSPF	United Nations Joint Staff Pension Fund
WINGS	WFP Information Network and Global System