

برنامج  
الأغذية  
العالمي



Programme  
Alimentaire  
Mondial

World  
Food  
Programme

Programa  
Mundial  
de Alimentos

**Executive Board  
Annual Session**

**Rome, 24–26 May 2004**

# **RESOURCE, FINANCIAL AND BUDGETARY MATTERS**

**Agenda item 6**

*For approval*



Distribution: GENERAL

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22 April 2004

ORIGINAL: ENGLISH

## **AUDITED BIENNIAL ACCOUNTS (2002–2003): SECTION II**

**Opinion of the External Auditor on the  
Audited Financial Statements (2002–2003)**

## NOTE TO THE EXECUTIVE BOARD

**This document is submitted for approval by the Executive Board.**

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

Director, Finance Division (FS):            Mr S. Sharma            tel.: 066513-2700

Chief, Accounts Branch (FSA):            Mr A. Diaz            tel.: 066513-2230

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Supervisor, Meeting Servicing and Distribution Unit (tel.: 066513-2328).



UNITED NATIONS WORLD FOOD PROGRAMME  
FINANCIAL STATEMENTS 2002–2003

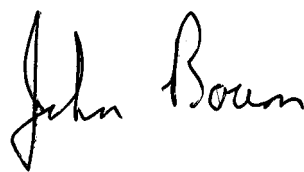
OPINION OF THE EXTERNAL AUDITOR

My staff audited the accompanying financial statements numbered I to III and the supporting notes numbered 1 to 19 of the United Nations World Food Programme for the financial period ended 31 December 2003. These financial statements are the responsibility of the Executive Director of the United Nations World Food Programme. My responsibility is to express an opinion on these financial statements based on the audit.

The audit was conducted in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. These standards require that the audit be planned and carried out to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and evaluating the overall financial statement presentation.

As a result of this audit, I am of the opinion that the financial statements present fairly the financial position at 31 December 2003 and the results of the operations for the period then ended; that they were prepared in accordance with the Programme's stated accounting policies set out in Note 2 to the financial statements; and that the transactions were in accordance with the Financial Regulations and legislative authority.

In accordance with Article XIV of the Financial Regulations, I have also issued a long form Report on my audit of the United Nations World Food Programme's financial statements.



**Sir John Bourn**  
Comptroller and Auditor General, United Kingdom  
External Auditor

National Audit Office  
London

15 April 2004





## World Food Programme

### Certification of Financial Statements 2002–2003 Biennium

Statement I	Statement of Income and Expenditure and Changes in Reserves and Fund Balances for the Biennium Ended 31 December 2003
Statement II	Statement of Assets, Liabilities and Reserves and Fund Balances as at 31 December 2003
Statement III	Statement of Cash Flow for the Biennium Ended 31 December 2003

Notes to the Financial Statements

Pursuant to Financial Rule 113.6, I hereby certify that to the best of my knowledge and information, all material transactions have been properly entered in the accounting records of the World Food Programme and are properly reflected in the attached financial statements and supporting schedules.

A handwritten signature in black ink that reads "James Morris".

James T. Morris  
Executive Director

Rome, 31 March 2004



**STATEMENT I**  
**STATEMENT OF INCOME AND EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE BIENNIUM ENDED 31 DECEMBER 2003**  
**(US\$ thousand)**

	Notes	Programme Category Funds	General Fund and Special Accounts (Note 17)	Bilaterals and Trust Funds (Note 18)	Eliminations (Note 19)	Total WFP Fund	Prior Period 2000-2001 (Restated)
<b>INCOME</b>							
Commodity in-kind contributions		1 086 118	256	1 306	-	1 087 680	785 492
Other contributions		3 523 945	31 185	96 207	-	3 651 337	3 090 580
Contribution from Office of Iraq Programme	12	815 976		97 108	-	913 084	-
Government cash contributions for local costs		-	2 589	-	-	2 589	2 999
Interest		-	78 957	4 051	-	83 008	88 504
Currency exchange adjustments		51 938	8 234	(97)	-	60 075	(1 761)
Miscellaneous income		-	27 259	-	(20 839)	6 420	17 400
Transfer of indirect support cost contributions to General Fund		(345 817)	353 411	(7 594)	-	-	-
<b>TOTAL INCOME INCLUDING TRANSFER</b>		<b>5 132 160</b>	<b>501 891</b>	<b>190 981</b>	<b>(20 839)</b>	<b>5 804 193</b>	<b>3 983 214</b>
<b>EXPENDITURE</b>							
Commodities in-kind		1 706 340	-	1 306	-	1 707 646	907 802
Commodities purchased		966 651	281	45 178	-	1 012 110	605 224
Ocean transport and related costs		433 259	9	4 923	-	438 191	442 270
Landside transport storage and handling		947 664	-	4 372	(5 094)	946 942	515 346
Other direct operational costs		195 910	6 244	42 759	(10 351)	234 562	118 778
Direct support costs	13	381 450	59 168	72 233	(5 394)	507 457	370 612
Programme support and administration		-	232 203	-	-	232 203	229 610
<b>TOTAL EXPENDITURE</b>		<b>4 631 274</b>	<b>297 905</b>	<b>170 771</b>	<b>(20 839)</b>	<b>5 079 111</b>	<b>3 189 642</b>
<b>Excess of income over expenditure</b>		<b>500 886</b>	<b>203 986</b>	<b>20 210</b>	<b>-</b>	<b>725 082</b>	<b>793 572</b>
<b>Fund balances, beginning of period</b>		1 627 341	191 998	74 455	-	1 893 794	1 380 934
Contribution adjustments	14	(422 555)	(51 683)	(22 796)	-	(497 034)	(230 253)
Prior period adjustments	15	(66 204)	5 689	5 781	-	(54 734)	44
Savings on cancellation of prior period obligations	15	-	2 184	-	-	2 184	4 275
Transfers between funds and accounts	16	4 165	(8 355)	4 190	-	-	-
Transfers to reserves	16	(741)	(233 061)	-	-	(233 802)	(54 779)
<b>FUND BALANCES, END OF PERIOD</b>		<b>1 642 892</b>	<b>110 758</b>	<b>81 840</b>	<b>-</b>	<b>1 835 490</b>	<b>1 893 794</b>

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



**STATEMENT II**  
**STATEMENT OF ASSETS, LIABILITIES AND RESERVES AND FUND BALANCES**  
**AS AT 31 DECEMBER 2003**  
**(US\$ thousand)**

	Notes	Programme Category Funds	General Fund and Special Accounts	Bilaterals and Trust Funds	Eliminations (Note 19)	Total WFP Fund	Prior Period 2000-2001 (Restated)
<b>ASSETS</b>							
Cash and short-term investments	3	412 899	397 615	96 848	-	907 362	762 322
Cash held in trust in Country Offices	4	-	-	59 228	-	59 228	57 336
Accounts receivable	5	-	201 336	-	(15 934)	185 402	91 463
Contributions receivable	6	1 744 205	4 395	-	-	1 748 600	1 595 238
Long-term investments	7	-	126 250	-	-	126 250	85 363
<b>TOTAL ASSETS</b>		<b>2 157 104</b>	<b>729 596</b>	<b>156 076</b>	<b>(15 934)</b>	<b>3 026 842</b>	<b>2 591 722</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Accounts payable	9	53 111	86 497	2 381	(15 934)	126 055	119 261
Outstanding obligations	2.E	461 101	26 031	13 316	-	500 448	230 738
Funds held in trust in Country Offices		-	-	58 539	-	58 539	57 319
Total Current Liabilities		514 212	112 528	74 236	(15 934)	685 042	407 318
<b>Long-term Liabilities</b>							
Staff benefit funds	10	-	63 926	-	-	63 926	66 033
Long-term loan	7, 17	-	106 000	-	-	106 000	106 000
Total Long-term Liabilities		-	169 926	-	-	169 926	172 033
<b>TOTAL LIABILITIES</b>		<b>514 212</b>	<b>282 454</b>	<b>74 236</b>	<b>(15 934)</b>	<b>854 968</b>	<b>579 351</b>
<b>RESERVES AND FUND BALANCES</b>							
Reserves	11	-	336 384	-	-	336 384	118 577
Fund balances		1 642 892	110 758	81 840	-	1 835 490	1 893 794
<b>TOTAL RESERVES AND FUND BALANCES</b>		<b>1 642 892</b>	<b>447 142</b>	<b>81 840</b>	<b>-</b>	<b>2 171 874</b>	<b>2 012 371</b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>		<b>2 157 104</b>	<b>729 596</b>	<b>156 076</b>	<b>(15 934)</b>	<b>3 026 842</b>	<b>2 591 722</b>

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



**STATEMENT III**  
**STATEMENT OF CASH FLOW**  
**FOR THE BIENNIUM ENDED 31 DECEMBER 2003**  
**(US\$ thousand)**

	Notes	WFP Fund	Prior Period 2000-2001 (Restated)
<b>Cash inflow (outflow) from operating activities:</b>			
Excess of income over expenditure (Statement I)		725 082	793 572
(Increase) in cash held in trust in country offices		(1 892)	(46 905)
(Increase) in accounts receivable		(93 939)	(44 348)
(Increase) decrease in contribution receivable		(153 362)	(562 326)
Increase in accounts payable		6 794	42 415
Increase (decrease) in outstanding obligations		269 709	(121 514)
Increase in funds held in trust in country offices		1 220	46 889
Subtotal		753 612	107 782
Less interest income		83 008	88 504
<b>Net cash inflow (outflow) from operating activities</b>		<b>670 604</b>	<b>19 278</b>
<b>Cash from investing and financing activities:</b>			
(Increase) in long-term investments		(40 887)	(66 058)
(Increase) decrease in loans payable		-	-
Increase (decrease) in staff-benefit fund liabilities		(2 107)	1 830
Increase in long-term loan		-	106 000
Add interest income		83 008	88 504
<b>Net cash from investing and financing activities</b>		<b>40 015</b>	<b>130 276</b>
<b>Cash inflow (outflow) from (to) other sources:</b>			
Contribution adjustments	<b>14</b>	(497 034)	(230 254)
Prior period adjustments	<b>15.A</b>	(54 734)	44
Savings on cancellation of prior period obligations	<b>15.B</b>	2 184	4 275
Transfers from reserves	<b>16.B</b>	(233 802)	(54 779)
Increase in reserves		217 808	75 031
<b>Net cash inflow (outflow) from (to) other sources</b>		<b>(565 578)</b>	<b>(205 682)</b>
<b>Net increase (decrease) in cash and term deposits</b>		145 041	(56 128)
Cash and term deposits at beginning of period		762 322	818 450
<b>Cash and term deposits at end of period</b>	<b>3</b>	<b>907 363</b>	<b>762 322</b>

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



# NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2003

## NOTE 1: OBJECTIVES AND ACTIVITIES OF THE WORLD FOOD PROGRAMME

1. The World Food Programme (WFP) was established in 1963 as the food aid arm of the United Nations system. Its main objectives are to:
  - use food aid to support economic and social development;
  - meet refugee and other emergency and protracted relief and recovery food needs; and
  - promote world food security in accordance with the recommendations of the United Nations and the Food and Agriculture Organization of the United Nations (FAO).
2. To achieve the above objectives, WFP implements on request food aid programmes, projects and activities to:
  - assist in economic and social development, concentrating its efforts and resources on the neediest people and countries;
  - assist in the continuum from emergency relief to development by giving priority to supporting disaster prevention, preparedness and mitigation, and post-disaster rehabilitation activities;
  - assist in meeting refugee and other emergency and protracted relief and recovery food needs, to the extent possible, to serve both relief and development purposes; and
  - provide services to bilateral donors, United Nations agencies and non-governmental organizations (NGOs) for operations that are consistent with WFP's aims and that complement WFP's operations.
3. WFP's activities are financed by voluntary contributions from Member States, government agencies, intergovernmental bodies and other public, private and non-governmental sources, and by miscellaneous income, including interest on investments.
4. WFP has its Headquarters in Rome, Italy, and conducts activities through 95 other offices: 82 country offices, six regional bureaux and seven Liaison Offices around the world. Its policies and budget are determined and approved by the Executive Board, its governing body consisting of 36 members, of whom 18 are elected by the United Nations Economic and Social Council (ECOSOC) and 18 by the FAO Council. Decisions on requests for assistance to meet emergency needs that exceed the level of authority delegated to the Executive Director are made jointly by the Executive Director and the Director-General of FAO.





## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Financial Period

5. The financial period of WFP is a biennium, starting on 1 January of each even-numbered year. The financial statements relate to the biennium ended 31 December 2003.

### B. Basis of Presentation

6. These financial statements are prepared in accordance with WFP's Financial Regulations and Rules, Executive Board decisions and resolutions, and the United Nations System Accounting Standards. The format of the financial statements is designed to clearly show the financial position and the results of WFP operations for the 2002–2003 biennium in order to meet the Board requirements in performing their oversight functions.

### C. Fund Accounting

7. Pursuant to WFP's Financial Regulations, the financial statements of the WFP Fund are presented on a "fund accounting" basis and show a consolidated position of all activities carried out by the Programme as at the end of a given period. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. These are presented as the Programme Category Funds, the General Fund, including Special Accounts, and Bilaterals and Trust Funds.
8. Income, expenditure and fund balances for WFP's major operational categories are presented under Programme Category Funds. The four major operational categories are classified as development, emergency relief, protracted relief and recovery, and special operations.
9. The General Fund is the accounting entity established for recording, under separate accounts, (i) indirect support costs (ISC) recoveries; (ii) miscellaneous income; (iii) operational and other reserves; and (iv) contributions that are not designated to a specific programme category or bilateral project. There are three categories within the General Fund:
  - **Programme Support and Administrative (PSA) Costs**, comprising PSA costs and income from indirect support cost (ISC), ISC recoveries and Government Cash Contributions for Local Costs (GCCC). At the end of the biennium, the fund balance under this category is transferred to the PSA Equalisation Account reserve (see Note 11F).
  - **Capital Asset Fund (CAF)** established by the Executive Board in October 2002 (2002/EB.3/5) to fund and account separately for capital expenditures relating to systems development and infrastructure enhancements. The CAF was initially funded by the remaining balance on the Financial Management Improvement Programme (FMIP) Special Account of US\$5,487,597 at 31 December 2001 and a reprogramming of US\$11,000,000 from funds made available from identified surpluses and fund balances.
  - **Other General Fund** consisting of contributions that are not designated to a specific programme category or a bilateral project, interest income, currency exchange adjustments, miscellaneous income and direct support costs (DSC).



10. 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.
11. The Bilaterals and other Trust Funds are identifiable subdivisions of the WFP Fund. These are established by the Executive Director under Financial Regulation 5.1 in order to account for contributions, the purpose, scope and reporting procedures of which have been agreed upon with the donor under specific trust fund agreements. The main trust funds are Bilateral Operations, the Junior Professional Officer Scheme, Quality Improvement and Other Trust Funds, Disaster Mitigation, Gender Activities, Airlift Activities-Operation Lifeline Sudan, and the Institutional Strengthening Programme.

## D. Basis of Measurement used in the Financial Statements

### ⇒ 1. Accounting and Reporting Currency

12. The financial accounts are maintained and financial statements are expressed in United States dollars.

### ⇒ 2. Valuation

13. Assets are recorded at historical cost at the amounts of cash or cash equivalent paid to acquire them at the time of their acquisition.
14. The cost of buildings and equipment is charged to expenditure at the time of purchase.
15. Liabilities are also recorded at historical cost at the amounts of cash or cash equivalent expected to be paid to satisfy the liability in the normal course of business.

### ⇒ 3. Foreign Currency Translation

16. At the end of the financial period, balances of assets and liabilities in currencies other than United States dollars are translated to United States dollars at the prevailing United Nations operational rate of exchange (the "United Nations rate"), which approximates the market rate. Resulting gains or losses are disclosed under the line "Currency exchange adjustments" in Statement I.
17. Transactions in currencies other than United States dollars are translated into United States dollars at the United Nations rate prevailing at the transaction date.
  - a) **Receipt of confirmed contribution.** A confirmed contribution is recorded in United States dollars at the prevailing United Nations rate at the time of recognizing the contribution. Upon receipt, the contribution is adjusted to reflect the amount actually received in United States dollars.
  - b) **Expenditures and obligations.** Expenditures and obligations in currencies other than United States dollars are recorded at the prevailing United Nations rates. Differences between the United Nations rates and the market rates at the time of actual payment are charged in the following manner:
    - For projects, expenditures are recorded at the prevailing United Nations rate at the time of receipt of goods or services. Losses or gains on foreign exchange at the time of payment are charged or credited to the General Fund.
    - For PSA, losses or gains are charged or credited to the General Fund.



- For trust funds and special accounts, losses or gains are charged or credited to the relevant trust fund or special account, as appropriate.
- c) **Sale and purchase of local currency.** Where there is a conversion of United States dollars into another currency, or vice versa, the difference between the market rate and the United Nations rate is recorded as a loss or gain on exchange under the General Fund.

⇒ 4. *Forward Exchange Contracts*

18. The Programme did not enter into forward exchange contracts during the 2002- 2003 biennium.

## E. Accrual Basis of Accounting

19. Under the accrual basis of accounting, the effects of transactions and other events are recognized when they occur, not upon receipt or payment. The transactions are recorded in the accounting records and reported in the financial statements for the periods to which they relate.

⇒ 1. *Income*

20. In previous biennia, income was recognized when cash or in-kind contributions were received. With effect from the 2002–2003 biennium, income is recognized on an accrual basis, that is, when a contribution is confirmed, except for Bilaterals and Trust Funds where income is recognized when cash is received.
21. The specific treatment of the major categories of income is described below.

**a) Commodity Contributions in-kind**

22. In kind commodity contributions are valued at the donor's invoice price, at the Food Aid Convention (FAC) price, or at world market prices, as applicable. Commodities pledged under the FAC are normally valued at FAC prices for each crop year, or when requested by the donor, at the donor price.

**b) Other Contributions**

23. Other contributions consist of:
- Cash in lieu of commodities—recorded at the cash value of contributions pledged.
  - Contributions of acceptable services—valued either at world market prices or, where the service is of a local character, at the price contracted for by the Executive Director. Contributions in personnel services are valued at WFP's standard cost.
  - Cash or services in-kind contributions—made for external transport and landside transportation, storage and handling (LTSH), other direct operational costs (DOC), DSC and ISC. Included in other contributions for ocean transport are amounts (US\$207.4 million in 2002–2003) paid by the major donor for cargo preference premiums, which are included as income by WFP but were not subject to the ISC levy for 2002–2003 pursuant to the Board Decision in February 2004 (2004/EB.1/9).
  - Government cash contributions for local costs—recognized as income at the time of confirmation of the actual amount to be given by host governments based on agreements with WFP on the extent of their responsibilities towards their commitments for local costs.



### **c) Contributions for ISC**

24. Contributions for ISC are recorded as income under the Programme Category Funds, Bilaterals and Trust Funds, and are disclosed as transfers to the General Fund in Statement I. In 2002, contributions of 7.8 percent of direct costs were received as ISC for multilateral and directed multilateral contributions. Effective from 1 January 2003, the single rate was reduced to 7 percent as approved by the Board in October 2002 (2002/EB.3/7). For bilateral contributions and trust funds, the ISC rates range from 3 to 7 percent of direct costs. In some cases, the ISC is waived by the Executive Director pursuant to General Rule XIII.4(f) or under the authority of the Executive Board.

### **d) Income other than donor contributions**

25. Interest income is accrued as income in the biennium in which it is earned. Premium income of the Self-Insurance Account is recognized every quarter, based on estimates of its annual activity, while its claims recovery income is recognized upon finalization of its claims against third parties. Income of special accounts that provide equipment or services is recognized upon issuance of invoices for equipment delivered or services rendered. Other miscellaneous income is recognized on an accrual basis to the extent that it can be determined based on the underlying agreement.

## **⇒ 2. Expenditures**

26. Under WFP Information Network and Global System (WINGS) standard procedures, expenditures are recorded when goods and services covered by purchase orders are received. At the end of an accounting period, however, expenditures are accrued for all outstanding purchase orders, i.e. where the goods and services are not yet received but commitments have been made and funds have already been obligated. Expenditures incurred during the accounting period and not covered by purchase orders or paid are also accrued. The increase in liability recorded by the accrual is referred to in the financial statements as outstanding obligations.

## **F. Standard Cost Accounting for Staff Costs Related to International and Headquarters-based Staff**

27. Staff salaries and entitlements of international and headquarters-based staff are set according to a pre-determined scale of staff grades generally referred to as standard costs. Factored into the computation of the standard costs are full amounts for entitlements for which payments to staff may not be completed in the current biennium.
28. In previous biennia, actual staff costs were charged against projects and the PSA. For the current biennium, and following the implementation of staff cost accounting in WINGS in 2001, PSA and project-funded staff costs related to international and headquarters-based staff are recorded at standard costs. In October 2002, the Board approved the establishment of a Staff Cost Variance Equalization Account (2002/EB.3/5), an account that will be made up of all variances between standard and actual staff costs. Accordingly, this account was set up to record the variances in 2002–2003 and the prior period adjustment of 2001 fund balances (see Note 11D). The underlying documentation presented to the Board referred to project-funded staff costs. As staff regularly move between project-funded and PSA-funded activities during the year, the standard staff cost is applied uniformly, and the Board will be requested to endorse the present accounting treatment



29. Separation payments and compensation due to work-related death, injury or illness of general service staff and after-service medical benefits to general service and professional staff covered by the FAO Staff Rules are fully provided for. Other personnel-related liabilities such as repatriation costs, accrued leave and termination indemnities are disbursed against current funding sources (see also Note 10E).

### **G. Third Party Agreement (TPA)**

30. WFP enters into certain agreements with third parties, the activities of which are outside WFP's normal activities. The receipts and disbursements arising from these activities are reported as receivables or payables in the balance sheet and not as WFP income and expenditures.

### **H. Demurrage and Despatch**

31. Demurrage is cost incurred when the loading or discharging of goods takes longer than the agreed laytime and is added to the freight due to the shipowner. For purchased commodities with free on board terms, demurrage at load port is recoverable from the food vendor. On the other hand, demurrage incurred at discharge port is recoverable from the party that performed discharge operations, either the recipient government or the stevedoring subcontractor.
32. Despatch is the amount earned when the loading or discharging of goods is completed before the agreed laytime expires and is deducted from the freight due to the shipowner. For commodities purchased with free on board terms, despatch at load port is payable to the food vendor. Despatch earned at discharge, however, is payable to either the recipient government or the stevedoring subcontractor.
33. Demurrage receivable is the disclosed net of despatch payable to the same governments or subcontractor.

### **I. Rounding Policy**

34. Amounts in the Statements have been rounded to the nearest thousand, while the amounts in the Notes to the Financial Statements have been rounded to the nearest dollar, the nearest thousand, or the nearest million. Rounding is applied in the following order: first to row totals, then column totals, column subtotals, and finally to the components of the subtotals.

### **J. Restatement of Prior Biennium 2000–2001 Figures**

35. The comparative figures in these financial statements for 2000–2001 have been restated to conform to the new accounting policy of income recognition through accrual method. However, the write-downs of contribution receivables of 2000–2001 refer to 2001 only as 2000 figures from the legacy system could no longer be determined.



### NOTE 3: CASH AND SHORT-TERM INVESTMENTS

36. Cash and short-term investments at 31 December 2003 consist of the following:

(US\$ thousand)		
	2003	2001
<b>Bank and cash holdings at Headquarters</b>		
Bank and money market accounts	100 303	63 071
Short-term investments	780 211	684 148
<b>Subtotal</b>	<b>880 514</b>	<b>747 219</b>
<b>Bank and cash holdings at country offices:</b>		
In convertible currencies	25 065	8 901
In non-convertible currencies	1 783	6 202
<b>Subtotal</b>	<b>26 848</b>	<b>15 103</b>
<b>Total</b>	<b>907 362</b>	<b>762 322</b>

37. Short-term investments are stated at the acquisition cost or market value of the portfolios, whichever is lower. The total of market values of the short-term investment portfolios amounted to US\$783,363,906 as at 31 December 2003 (US\$700,135,646 at 31 December 2001). These investments consist of five actively managed portfolios entrusted to four fund managers.

38. The main considerations for investment management in the order of priority are: security of principal, liquidity and return. The investment of funds is restricted to the following sectors of the fixed-income market: cash and equivalents, treasury bills, corporate and government bonds, mortgage-backed commercial and government securities, asset-backed securities and other fixed-income securities.

39. During the biennium, the fund managers complied with WFP's minimum asset quality of A- (or BBB+ in case of split rating). The average quality of WFP's portfolios during the biennium was AA. Fund managers also complied with WFP's investment guidelines, in particular refraining from making investments on behalf of WFP, in corporations which produce, manufacture or distribute landmines and other anti-personnel arms.

### NOTE 4: CASH HELD IN TRUST IN COUNTRY OFFICES

40. Certain funds received by WFP's regional and country offices are not contributions to projects within WFP's existing programme categories, but are held locally in trust by WFP. These funds may result from the sale of commodities unfit for human consumption or from monetization of commodities or other funds from agreements made unilaterally between WFP country offices and local governments. Monetized funds are proceeds from the sale of commodities after delivery to the recipient government. Amounts presented in these financial statements reflect the assets (cash and short-term investment) and liabilities at 31 December 2003.

41. The responsibility for the management of monetized and other funds covered by local agreements lies with the recipient government, which has title to the funds. Such funds are therefore held and controlled by the recipient government, unless the recipient government



asks WFP to manage these funds under trust fund agreements. These accounts are administered in accordance with WFP's Financial Regulations and Rules. The use of these funds is audited annually by local external auditors selected and appointed by the relevant project management. The use of the funds is also audited by WFP's internal and external auditors in the course of their audit cycle.

42. These funds held in trust in country offices at 31 December 2003 consist of the following:

(US\$ thousand)		
	2003	2001
<b>ASSETS</b>		
<b>Cash held in trust in country offices</b>		
In convertible currencies	54 765	44 505
In non-convertible currencies	4 463	12 831
<b>Total</b>	<b>59 228</b>	<b>57 336</b>
<b>LIABILITIES</b>		
<b>Funds held in trust in country offices</b>	<b>58 539</b>	<b>57 319</b>

43. The difference between the assets and liabilities resulted from timing differences in recording interest income and other bank reconciliation items.

## NOTE 5: ACCOUNTS RECEIVABLE

44. Accounts receivable at 31 December 2003 consist of the following:

(US\$ thousand)		
	2003	2001
Advances to vendors	69 096	21 096
Accrued interest	19 090	3 745
Personnel advances	13 945	13 845
Country office receivables	5 495	15 612
TPA receivables:		
Receivables from United Nations and other organizations	26 632	7 004
Receivable from the Government of Italy	5 418	5 838
Demurrage receivable from governments & suppliers	1 955	3 624
DSCAF receivable	15 934	13 453
Insurance receivables	8 478	3 749
Other receivables	2 244	3 497
Interest receivable on Loan and Investment Special Account	33 049	
<b>Subtotal</b>	<b>201 336</b>	<b>91 463</b>
Less: Eliminating entry on DSCAF	15 934	
<b>Total</b>	<b>185 402</b>	<b>91 463</b>



## NOTE 6: CONTRIBUTIONS RECEIVABLE

45. Contributions receivable at 31 December 2003 consisted of the following transactions:

SUMMARY STATUS OF CONTRIBUTIONS AS AT 31 DECEMBER 2003 (US\$ thousand)										
	Programme Funds			General Fund and Special Accounts			Total			Prior Biennium
	Commodities	Others	Total	Commodities	Others	Total	Commodities	Others	Total	2000–2001 (Restated)
<b>Balance of contributions receivable as at 31 December 2001</b>	251 343	1 338 585	<b>1 589 928</b>		5 310	<b>5 310</b>	251 343	1 343 895	<b>1 595 238</b>	1 032 926
Add: New contributions	1 773 390	3 652 649	<b>5 426 039</b>	256	31 185	<b>31 441</b>	1 773 646	3 683 834	<b>5 457 480</b>	3 729 597
Adjustments	63 491	73 310	<b>136 801</b>	14	24 098	<b>24 112</b>	63 505	97 408	<b>160 913</b>	56 793
<b>Total</b>	<b>2 088 224</b>	<b>5 064 544</b>	<b>7 152 768</b>	<b>270</b>	<b>60 593</b>	<b>60 863</b>	<b>2 088 494</b>	<b>5 125 137</b>	<b>7 213 631</b>	<b>4 819 316</b>
Less: Receipts	1 733 217	3 363 017	<b>5 096 234</b>		35 078	<b>35 078</b>	1 733 217	3 398 095	<b>5 131 312</b>	3 100 205
Write-down of contribution receivable	45 179	266 710	<b>311 889</b>		21 390	<b>21 390</b>	45 179	288 100	<b>333 279</b>	123 873
Write-off of contribution receivable		440	<b>440</b>					440	<b>440</b>	
<b>Balance of contributions receivable as at 31 December 2003</b>	<b>309 828</b>	<b>1 434 377</b>	<b>1 744 205</b>	<b>270</b>	<b>4 125</b>	<b>4 395</b>	<b>310 098</b>	<b>1 438 502</b>	<b>1 748 600</b>	<b>1 595 238</b>





## NOTE 7: LONG-TERM INVESTMENTS

46. Long-term investments at 31 December 2003 consist of the following:

(US\$ thousand)		
	2003	2001
<b>Staff benefit funds</b>		
Global bond portfolio	38 907	-
Equities portfolio	25 123	-
CPRF invested through FAO		754
SPS funds invested through FAO		18 321
<b>Subtotal</b>	<b>64 030</b>	<b>19 075</b>
<b>US Treasury STRIPS</b>	<b>62 220</b>	<b>66 288</b>
<b>Total</b>	<b>126 250</b>	<b>85 363</b>

47. Long-term investments are stated at book value. The total of market values at 31 December amounted to US\$143,574,897 (US\$85,541,870 at 31 December 2001).
48. In 2002 WFP took over from FAO the investments covering the Separation Payment Scheme (SPS) and the Compensation Plan Reserve Fund (CPRF). These funds together with the After Service Medical Coverage Plan (ASMCP) fund were placed in long-term investment portfolios consisting of 60 percent bonds and 40 percent equities.
49. The United States Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS) are investment instruments of the United States Treasury that were acquired in September 2001 and have maturities over 30 years until 2032 designed to guarantee the payment of interest and principal of the commodity loan entered into with a government agency.

## NOTE 8: BUILDINGS AND EQUIPMENT FURNITURE AND VEHICLES

50. The cost of buildings equipment furniture and vehicles are charged against expenditures and not capitalized (see Note 2.D.2). The total historical cost at 31 December 2003 is US\$147,598,289 (US\$130,071,613 at 31 December 2001).
51. During the biennium such assets were acquired for a total of US\$24,573,909 while US\$7,047,232 was written off the inventory records mainly because the assets had been transferred to the recipient country or had become irreparable or obsolete.



## NOTE 9: ACCOUNTS PAYABLE

52. Accounts payable at 31 December 2003 consist of the following:

(US\$ thousand)		
	2003	2001
Vendor payable	36 219	25 524
TPA payables:		
Payables to United Nations and other organizations	31 543	8 339
Despatch to be offset by demurrage*	4 957	2 827
Payable to UNDP	6 593	12 562
DSC advance to be recovered from project funds**	15 934	13 453
Insurance recoveries payable to donors	6 476	23 334
Other accounts payable	37 453	31 255
Treasury clearing account	2 814	1 967
<b>Subtotal</b>	<b>141 989</b>	<b>119 261</b>
Less: Eliminating entry on DSCAF	15 934	
<b>Total</b>	<b>126 055</b>	<b>119 261</b>

\* Net despatch earned is payable to the recipient countries.

\*\* This represents the total amount payable by project funds to the DSCAF reserve in the General Fund.

## NOTE 10: STAFF BENEFIT FUNDS

53. Eligible WFP staff members are entitled to certain benefits upon separation from service. Three of these future benefits are funded namely the Separation Payments Scheme (SPS) the Compensation Plan Reserve Fund (CPRF) and the After-Service Medical Coverage Plan (ASMCP). An actuarial study was conducted in December 2003 using demographic assumptions that were specific to WFP to determine the actuarial valuation of the accrued liabilities as at 31 December 2003.

### A. After-Service Medical Coverage Plan (ASMCP)

54. The ASMCP is a plan that allows eligible retirees and their eligible family members to participate in the Basic Medical Insurance Plan (BMIP). The 2003 Actuarial Valuation Report concluded that the ASMCP accrued liability balance was US\$47,885,000 at 31 December 2003 (US\$41,222,000 at 31 December 2001).

### B. Separation Payments Scheme (SPS)

55. SPS is a plan for all general service staff at the duty station in Rome that funds severance pay upon separation from service. The 2003 Actuarial Valuation Report concluded that the SPS accrued liability balance was US\$10,677,920 at 31 December 2003 (US\$7,013,039 at 31 December 2001).



### C. Compensation Plan Reserve Fund (CPRF)

56. The CPRF 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. The 2003 Actuarial Valuation Report concluded that the CPRF accrued liability balance was US\$3,023,273 at 31 December 2003 (US\$3,259,237 at 31 December 2001).

### D. Excess of Investments over Actuarial Liabilities

57. As at 31 December 2003 the total value of assets of the staff benefit funds exceeded the accrued liabilities by US\$2,473,533. The details are as follows:

US\$		
Book value of investments		64 029 726
Less accrued liabilities based on 2003 actuarial valuation:		
ASMCP	47 855 000	
SPS	10 677 920	
CPRF	3 023 273	61 556 193*
<b>Excess (deficiency) of investments over actuarial liabilities</b>		<b>2 473 533</b>

\* As at 31 December 2003 the accrued liabilities in WFP's records were US\$63,926,266.

### E. Other Benefits

58. Other separation-related benefits consist of repatriation grants repatriation travel and removal costs termination indemnities death grants and commutation of accrued annual leave. The related liabilities are not provided for but the Programme has the ability to meet any legal liabilities arising there from over an extended period of time unless a significant staff reduction programme is undertaken.
59. At the date of these financial statements the Programme's estimated liability to Professional and Rome-based General Service staff in respect of accrued annual leave and estimated termination indemnities at 31 December 2003 is US\$10,804,655 (US\$9,294,805 at 31 December 2001). For the field staff administered by the United Nations Development Programme (UNDP) the estimated liability on termination indemnities and accrued leave is US\$24,196,058 (not available in 2001). These contingent liabilities are not provided for in the accounts but are expensed when paid.

### F. United Nations Joint Staff Pension Fund

60. WFP is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF) which was established by the United Nations General Assembly to provide retirement death disability and related benefits. The pension fund is a funded defined benefit plan. The financial obligation of the organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly together with a share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the United Nations General Assembly has invoked 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. At the time of this report the United Nations General Assembly has not invoked this provision.



## NOTE 11: RESERVES

61. Reserves are established by the Executive Board as facilities for funding and/or financing specific activities under specific conditions. There are currently six reserves consisting of the following:

(US\$ thousand)		
	2003	2001
Operational Reserve	57 000	57 000
Immediate Response Account	32 671	41 669
DSCAF	15 934	13 453
Staff Cost Variance Equalization Account	55	-
United Nations Staff Safety and Security Account.	144	6 455
PSA Equalization Account	230 580	-
<b>Total</b>	<b>336 384</b>	<b>118 577</b>

### A. Operational Reserve

62. Financial Regulation 10.5 calls for the maintenance of an Operational Reserve for the purpose of ensuring the continuity of operations in the event of a temporary shortfall of resources.
63. At its 38<sup>th</sup> Session in 1994 the Board (formerly the Committee of Food Aid Policies and Programmes) agreed to establish the operational reserve at a level of up to US\$57 million. The operational reserve has remained at this level since then.

### B. Immediate Response Account

64. The Immediate Response Account (IRA) was established by the Committee on Food Aid Policies and Programmes in December 1991 as a cash account within the Programme Funds to act as a flexible resource facility to enable the Programme to respond quickly to emergency needs for the purchase and delivery of food aid. In November 1995 the Board decided to merge the Emergency Logistics Authorization Mechanism with the IRA to also allow the IRA to be used for non-food related costs.
65. Effective 1 January 2001 in order to properly implement the IRA as a resource facility for various programmes the IRA is accounted for as a reserve in the General Fund against which allocations can be provided to any emergency needs.
66. The IRA is maintained through annual replenishment contributions from donors and with the consent of the donors concerned through insurance recoveries from commodity losses and from interest income on bilateral funds due to donors.



67. As at 31 December 2003 the IRA has a balance of US\$32,671,067. The movements during 2002–2003 were as follows:

(US\$ thousand)		
	2003	2002
Balance beginning of year	29 029	37 022
Add: restatement of 2001 balance (see Note 2.1)		4 647
Restated balance beginning of year		41 669
Add (deduct):		
Advance to programmes	(63 441)	(31 593)
Write-down of contribution receivable	-	(2 480)
Replenishments—new contributions	19 803	20 350
Revolvements—recovered from programmes	47 280	1 083
<b>Balance end of year</b>	<b>32 671</b>	<b>29 029</b>

68. In October 2003 the Board approved on an exceptional basis the reprogramming to IRA of US\$20 million from the PSA Equalization Account (2003/EB.3/6).

### C. Direct Support Cost Advance Facility (DSCAF)

69. In January 1999 the Board approved the use of the General Fund as a guarantee mechanism to advance DSC as the need arises to enable the Executive Director to ensure continued financing of DSC pending the confirmation of contributions. The DSC Advance Facility (DSCAF) is the guarantee mechanism to implement projects that are awaiting DSC contributions.
70. During each biennial budgetary process the Board sets the maximum level for the DSCAF. For the 2002–2003 biennium the Board authorized the Executive Director to allot up to US\$25 million for purposes of advancing DSC under the DSCAF. In October 2003 the Board approved setting aside US\$60 million from the General Fund including the current amount of US\$25 million to be implemented in 2004 (2003/EB.3/6).
71. The individual advances from the DSCAF to projects are reflected as receivables of the General Fund and are included in Other Receivables in Statement II. These are also reflected as payables of the projects to the General Fund and are included in Accounts Payables in Statement II. When contributions are received for the projects financed by the DSCAF these receivables and payables are reversed to reflect the recoveries. Recoveries are made on a first-in first-out basis.



72. The amounts advanced and recovered during the biennium are as follows:

(US\$ thousand)		
	2003	2001
Balance beginning of biennium	13 453	
Add advances made during the biennium	63 430	35 155
Less: Recoveries against advances	(60 949)	(21 702)
<b>Balance end of biennium</b>	<b>15 934</b>	<b>13 453</b>

73. At the end of 2003 the unutilized portion of the DSCAF is as follows:

(US\$ thousand)		
	2002–2003	2000–2001
Maximum amount authorized by the Board	25 000	33 000
Unutilized portion outstanding as at 31 December 2003	(9 066)	(19 547)
<b>Utilized portion of DSCAF as at 31 December 2003</b>	<b>15 934</b>	<b>13 453</b>

#### D. Staff Cost Variance Equalization Account

74. Staff costs are charged at standard costs. At the end of an accounting period the variances between the standard and actual costs are carried forward in the Staff Cost Variance Equalization Account under the General Fund in Statement II (see also Note 2F).
75. At 31 December 2003 the balance of this account consisted of:

(US\$ thousand)	
Prior period variance from 2001	3 484
Less: Unfavorable variance from 2002-2003	(3 429)
<b>Balance at 31 December 2003</b>	<b>55</b>

#### E. Staff Safety and Security Account

76. In October 2001 the Board authorized the one-off use of the General Fund to fund WFP's share of the 2002–2003 Office of the United Nations Security Coordinator (UNSECOORD) budget that is 12.12 percent of the overall UNSECOORD field-related security budget for a total amount of US\$6,454,500 (2001/EB.3/39). The United Nations Staff Safety and Security Account has been set up to ensure that these funds are available from the General Fund for this purpose and that the budgeted amount has been transferred to this account.
77. A total of \$6,310,556 was disbursed to UNSECOORD during 2002–2003 leaving a balance of \$143,944 in the account at the end of the biennium. This balance will be paid in 2004 and the account will be closed. Henceforth, UNSECOORD assessments will be charged against project costs as per the October 2003 Board approval of the WFP Biennial Management Plan for 2004–2005.



## F. PSA Equalization Account

78. In October 2002 the Board took note of the establishment by the Executive Director of a PSA equalization account to record any gaps between actual PSA income and PSA expenditures (2002/EB.3/7). In 2002–2003 the excess of PSA income over expenditure was US\$123,933,611 while the cumulative excess related to prior periods amounted to US\$88,377,353. The total balance in the account including contribution adjustments prior period adjustments savings on cancellation of prior period obligations and transfers between funds and accounts amounted to US\$230,579,534.
79. In October 2003 the Executive Board approved the use of the following from the PSA Equalization Account in 2004–2005 (2003/EB.3/6):

	(US\$ million)
Capital investments and capacity-building	29
Security upgrades	20
Exchange rate variance on staff costs	41
Reprogramme to IRA	20
<b>Total</b>	<b>110</b>

## NOTE 12: IRAQ OPERATIONS

80. The Iraq operation for emergency assistance to the Public Food Distribution System comprised an approved regional emergency operation funded by WFP donors and a contribution from the Office Iraq Programme treated as a bilateral contribution. The operation was largely completed before the end of 2003, and pending the finalization of operational and financial activities, is expected to be closed by 30 June 2004.
81. For financial statement presentation purposes the income and expenditures of the Iraq operation are presented under the Programme Category Funds. For the fiscal period ending 31 December 2003 the total income and expenditures of the Iraq operation were US\$1,288,370,474 and US\$1,135,902,753 respectively of which US\$815,976,542 income consisting of US\$687,272,351 in-kind commodity contributions and US\$128,704,191 other contributions was funded by the Office of Iraq Programme.



## NOTE 13: SUPPORT COSTS

82. The Direct Support Cost (DSC) and Programme Support and Administrative (PSA) cost for the biennium ended 31 December 2003 consist of the following:

SUPPORT COSTS—DSC AND PSA FOR THE BIENNIUM ENDED 31 DECEMBER 2003							
(US\$ thousand)							
	Programme category	General Fund and Special Accounts			Bilateral and trust funds	Total 2002–2003	Prior biennium 2000–2001
	DSC	PSA	DSC**	Total			
Staff costs*	279 274	174 170	23 873	198 043	63 539	540 856	421 176
Non-staff costs	102 176	58 033	29 901	87 934	8 694	198 804	179 046
<b>Total support costs</b>	<b>381 450</b>	<b>232 203</b>	<b>53 774</b>	<b>285 977</b>	<b>72 233</b>	<b>739 660</b>	<b>600 222</b>

\*The term "Staff Costs" refers to the costs of WFP staff members and the related costs of consultants and other short-term contract holders. In addition to these staff costs within the DSC and PSA cost elements US\$16,748 thousand of staff costs were also incurred and disclosed within the ODOC cost element. This brings the total staff cost during the biennium to US\$557,604 thousand. There are also elements of staff cost incurred within LTSH which could not be accurately identified as these are paid directly in the field offices and not part of the regular payroll.

\*\* The total DSC under this column is net of US\$5,394 thousand eliminated entries from the DSC amount of US\$59,168 thousand shown in Statement I.

## NOTE 14: CONTRIBUTION ADJUSTMENTS

83. Contribution adjustments refer to transactions in the current biennium that are not treated as part of current income and expenditure. For the biennium ended 31 December 2003 these transactions consist of the following:

(US\$ thousand)					
	Programme category funds	General Fund and Special Accounts	Bilaterals and trust funds	Total WFP fund	Prior period 2000–2001
Reprogramming of unused fund balances	65 631	30 293	3 991	99 915	102 227
Refund of unused fund balances	44 595		18 805	63 400	4 154
Write-off of contribution receivables	440			440	-
Write-down of contribution receivables	311 889	21 390		333 279	123 872
<b>Total</b>	<b>422 555</b>	<b>51 683</b>	<b>22 796</b>	<b>497 034</b>	<b>230 253</b>





## A. Reprogramming

84. Reprogramming is the usage of excess funds from financially closed projects or from the unearmarked portion of the General Fund for current activities. Amounts reprogrammed during 2002–2003 were as follows:

(US\$ thousand)				
	Programme category funds	General Fund and Special Accounts	Bilaterals and trust funds	Total WFP fund
<b>Approved by the Board in October 2002 (2002/EB.3/5):</b>				
Prior 1996 unidentified fund balances	13 457	-	-	13 457
General Fund*	-	20 293	-	20 293
Retained earnings of Self-Insurance Account	-	10 000	-	10 000
<b>Approved by donors:</b>				
Prior 1996 identified fund balances	1 630	-	-	1 630
Closed projects' unspent fund balances	50 544	-	-	50 544
Bilateral funds	-	-	3 992	3 992
<b>Total</b>	<b>65 631</b>	<b>30 293</b>	<b>3 992</b>	<b>99 916</b>

\* The Board approved US\$22.7 million of which US\$20,292,697 was reprogrammed during the biennium.

## B. Refund

85. Refund is the return to donors of unspent funds from financially closed projects at their request. The total amount refunded to donors during the biennium consist of the following:

(US\$ thousand)	
<b>Programme category funds:</b>	
Prior 1996 fund balances	14 802
Closed projects and funds	29 793
<b>Subtotal—programme category funds</b>	<b>44 595</b>
<b>Bilaterals and trust funds</b>	<b>18 804</b>
<b>Total</b>	<b>63 399</b>

86. Where donors have requested that funds be transferred to their bilateral general accounts such transfers are treated as refunds.

## C. Write-off and Write-down of Contribution Receivables

87. Write-down is the reduction of contributions receivable where income was recognized in a prior biennium and where the receivable was made available for funding but expenditures have not been incurred and the receivable amount is no longer needed by the project to which the contribution was directed or is otherwise unavailable.



88. Write-off is the reduction of contributions receivable where the receivable was made available for funding and expenditures have already been incurred but the receivable is not likely to be realized. Write-offs require a transfer from the General Fund and approval by the Executive Director for amounts in excess of US\$5,000.

#### D. Prior 1996 Fund Balances

89. Fund balances that were carried forward to 1996 when the new Financial Policy Framework (formerly Resources and Long-Term Financing policies) was implemented are called Prior 1996 Funds. The specific donors who were identified against some of these funds were notified and with the agreement of those who responded the related funds were either reprogrammed or refunded. For the rest of these funds that could no longer be identified to specific donors reprogramming was done through Board approval. As at 31 December 2003 the remaining balance of the Prior 1996 Funds is US\$801,293 computed as follows:

US\$			
	Identified	Unidentified	Total
Balance as at 31 December 2001	17 363 905	13 457 303	<b>30 821 208</b>
Reprogramming approved by the Board in October 2002		(13 457 303)	<b>(13 457 303)</b>
Reprogramming approved by donors	(1 629 566)		<b>(1 629 566)</b>
Transfers approved by donors	(126 708)		<b>(126 708)</b>
Refund to donors	(14 801 941)		<b>(14 801 941)</b>
Multilateral non-food item transferred to General Fund	(4 397)		<b>(4 397)</b>
<b>Balance as at 31 December 2003</b>	<b>801 293</b>		<b>801 293</b>

90. This remaining prior 1996 fund balance has been taken out of Programme Category Funds and is treated as payable to donor under the General Fund.

## NOTE 15: PRIOR PERIOD TRANSACTIONS

### A. Prior Period Adjustments

91. Prior period adjustments are corrections of transactions that affect the income and expenditure of previous accounting periods and not those of the current period.

### B. Savings on Cancellation of Prior Period Obligations

92. As provided for under Financial Regulation 9.9 unliquidated obligations of the PSA at the end of the 12-month period beyond the end of the biennium are recorded as savings under the General Fund. For 2002–2003 these savings amounted to US\$2,183,795 (US\$4,275,097 in 2000–2001).

93. The value of non-PSA obligations from purchase orders in WINGS which were obligated and accrued at the end of the 2000–2001 biennium but not liquidated during 2002–2003 was US\$ 7,045,325. These were not reflected as savings but as reductions of project expenditures because these obligations may be valid up to the life of the project or the expiry of the funding source.



## NOTE 16: TRANSFERS OF FUNDS

### A. Transfers between Funds and Accounts

94. During the biennium transfers between funds and accounts include the following (US\$):

<b>1. Net transfers in (out) of the General Fund:</b>	
➤ Funding of 2001 PSA shortfall from unearmarked portion of the General Fund	(34 464 971)
➤ Funding of over-expenditures in Development Programmes	(5 440 328)
➤ Funding of over-expenditures on closed projects	(2 476 963)
➤ Funding of contributions written-off	(439 934)
➤ Final transfer to Kosovo Disaster Special Account	(32 260)
➤ Funding of process reviews and other activities	1 333 000
	<b>(41 521 456)</b>
<b>2. Net transfers in (out) of the Capital Asset Fund (CAF):</b>	
➤ FMIP balance approved by the Board in October 2002	5 487 597
➤ Transfer to General Fund as per above	(1 333 000)
	<b>4 154 597</b>
<b>3. Transfers from Loan and Investment Special Account to the Emerging Donor Matching Fund (EDMF):</b>	
➤ Transfer of net interest surplus to the EDMF Special Account	39 711 617
➤ Transfer of remaining fund balance of Loan and Investment Special Account to EDMF	6 653 053
	<b>46 364 670</b>

### B. Transfers to/from Reserves

95. The total transfers to reserves of US\$233,802,072 consisted of:

➤ From Programme Category Funds to the IRA reserve	741 198
➤ From General Fund to the DSC Advance Facility	2 481 340
➤ From the PSA fund balance to the PSA Equalization Account (see also Note 11F)	230 579 534
	<b>233 802 072</b>

## NOTE 17: GENERAL FUND AND SPECIAL ACCOUNTS

96. The General Fund and Special Accounts for the biennium ended 31 December 2003 consist of the following:



**GENERAL FUND AND SPECIAL ACCOUNTS - SPECIFICATION OF INCOME AND EXPENDITURE**  
**FOR THE BIENNIUM ENDED 31 DECEMBER 2003**  
(US\$ thousand)

	GENERAL FUND				SPECIAL ACCOUNTS									Total
	Programme Support & Administrative Costs	Capital Asset Fund	Private Sector In-Kind Contributions	Other General Fund	Financial Management Improvement Programme	Public Affairs Branch	Self-insurance Account	Flight 2145 Kosovo Disaster	ICT Standby Equipment & Services	JPO FEES	UNHRD	Loan and Investment	Emerging Donor Matching Fund	
<b>INCOME</b>														
Commodity in-kind contributions	-	-	-	-	-	-	-	-	-	-	256	-	-	256
Other contributions	-	11 000	18 733	501	-	-	-	-	(13)	-	964	-	-	31 185
Government cash contributions for local costs	2 589	-	-	-	-	-	-	-	-	-	-	-	-	2 589
Interest	-	-	-	32 549	-	5	1 273	-	(29)	-	20	45 139	-	78 957
Currency exchange adjustments	-	(5)	-	7 986	-	1	(2)	-	8	(1)	247	-	-	8 234
Miscellaneous income	-	-	-	1 649	-	85	8 742	-	16 395	-	388	-	-	27 259
Indirect support cost contributions to General Fund	353 547	-	-	(581)	-	-	-	-	13	467	(35)	-	-	353 411
<b>Total Income</b>	<b>356 136</b>	<b>10 995</b>	<b>18 733</b>	<b>42 104</b>	-	<b>91</b>	<b>10 013</b>	-	<b>16 374</b>	<b>466</b>	<b>1 840</b>	<b>45 139</b>	-	<b>501 891</b>
<b>EXPENDITURE</b>														
Commodities in-kind	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commodities purchased	-	-	-	-	-	-	-	-	-	-	281	-	-	281
Ocean transport and related costs	-	-	-	-	-	-	-	-	-	-	9	-	-	9
Landside transport, storage and handling	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other direct operational costs	-	-	-	-	-	-	3 261	-	12	-	2 971	-	-	6 244
Direct support costs	-	10 961	18 733	3 769	-	40	1 388	1	16 848	699	2 489	4 240	-	59 168
Programme support and administration	232 203	-	-	-	-	-	-	-	-	-	-	-	-	232 203
<b>Total Expenditure</b>	<b>232 203</b>	<b>10 961</b>	<b>18 733</b>	<b>3 769</b>	-	<b>40</b>	<b>4 649</b>	<b>1</b>	<b>16 860</b>	<b>699</b>	<b>5 750</b>	<b>4 240</b>	-	<b>297 905</b>
<b>EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>123 933</b>	<b>34</b>	<b>-</b>	<b>38 335</b>	<b>-</b>	<b>51</b>	<b>5 364</b>	<b>(1)</b>	<b>(486)</b>	<b>(233)</b>	<b>(3 910)</b>	<b>40 899</b>	<b>-</b>	<b>203 986</b>
<b>Fund balances, beginning of period</b>	<b>88 377</b>	<b>-</b>	<b>-</b>	<b>56 466</b>	<b>5 488</b>	<b>294</b>	<b>30 648</b>	<b>(29)</b>	<b>398</b>	<b>133</b>	<b>6 460</b>	<b>3 763</b>	<b>-</b>	<b>191 998</b>
Contribution adjustments	(21 390)	-	-	(20 293)	-	-	(10 000)	-	-	-	-	-	-	(51 683)
Prior period adjustments	2 997	-	-	413	-	-	639	(2)	126	(162)	(25)	1 703	-	5 689
Savings on cancellation of prior period obligations	2 196	-	-	(12)	-	-	-	-	-	-	-	-	-	2 184
Transfers between funds and accounts	34 467	4 155	-	(41 521)	(5 488)	-	-	32	-	-	-	(46 365)	46 365	(8 355)
Transfer to reserves	(230 580)	-	-	(2 481)	-	-	-	-	-	-	-	-	-	(233 061)
<b>FUND BALANCES, END OF PERIOD</b>	<b>-</b>	<b>4 189</b>	<b>-</b>	<b>30 907</b>	<b>-</b>	<b>345</b>	<b>26 651</b>	<b>-</b>	<b>38</b>	<b>(262)</b>	<b>2 525</b>	<b>-</b>	<b>46 365</b>	<b>110 758</b>
<b>Breakdown of contribution adjustments:</b>														
Reprogramming of unused fund balances	-	-	-	(20 293)	-	-	(10 000)	-	-	-	-	-	-	(30 293)
Write-down contributions receivable	(21 390)	-	-	-	-	-	-	-	-	-	-	-	-	(21 390)
Total	(21 390)	-	-	(20 293)	-	-	(10 000)	-	-	-	-	-	-	(51 683)



97. The Special Accounts are described below:

### A. Financial Management Improvement Programme (FMIP)

98. In October 2002 the Board approved the transfer of the remaining balance of this special account (US\$5,487,597 as at 31 December 2001) to the Capital Asset Fund (2002/EB.3/5). The FMIP special account will be closed.

### B. Public Affairs Branch Special Account

99. The Public Affairs Branch special account has the objective of promoting the visibility of WFP. Items such as WFP Christmas cards, T-shirts and pen-knives are bought and then re-sold either directly to staff members or to country offices.

### C. International Cargo Self-Insurance Account

100. WFP has had a self-insurance scheme since 1 May 1994. The scheme covers pre-delivery and transit commodity losses involving international cargo. Each shipment is reinsured with an external company against losses exceeding US\$750,000 per consignment or US\$1.5 million per vessel.

101. Consistent with the previous biennium the self-insurance scheme is a special account under the General Fund as established by the Executive Director.

102. The Self-Insurance Account is credited with premiums charged to projects on a basis equivalent to commercial rates. During 2002–2003 the total cost of premiums charged to projects net of the adjustments described below amounted to US\$4,503,809 (see also Note 19).

103. Financial compensation for transit losses is charged to this account and credited to the donors concerned who may allow this compensation to flow back to projects as additional contributions or as replenishment of the IRA. Any recoveries from responsible third parties are likewise credited to this account.

104. In October 2002 the Board approved the reprogramming of US\$10.0 million out of the US\$30.6 million fund balance in this account as at 31 December 2001 (2002/EB.3/5).

105. Included in the Self-Insurance Account are adjustments of transactions where the insurance premium income earned from projects funded by a major donor and the settlement of losses for claims filed by these projects were reversed. These adjustments are summarized below.

	(US\$)		
	Current biennium adjustments	Prior period adjustments	Total
Reversal of miscellaneous income—insurance premiums	(5 472 553)	(10 687 711)	<b>(16 160 264)</b>
Reversal of other DOCs—settlement of claims	10 467 282	11 333 530	<b>21 800 812</b>
Net effect of adjustments—increase in Fund	<b>4 994 729</b>	<b>645 819</b>	<b>5 640 548</b>



## **D. Kosovo Flight Disaster Special Account**

106. In response to the crash of the WFP-chartered flight KSV 3275 in Pristina on 12 November 1999 the Executive Director immediately established a special account in accordance with Financial Regulation 5.1 as a source of funding and charging of expenditures in connection with the aftermath of the disaster. In February 2000 the Board authorized on a post facto basis that the unearmarked portion of the General Fund be used to fund the special account.
107. The expenditures include travel costs for WFP staff and consultants funeral arrangements repatriation of the victims ceremonies accommodation provided to the victims' close family members petty cash provision for incidental expenses counseling and communications costs and legal and other related expenditures. In October 2002 the Board confirmed the transfer in 2001 of US\$3 million from the unearmarked portion of the General Fund (2002/EB.3/5).
108. A final resolution of issues relating to the accident has now been reached with concerned parties. It is anticipated that no more expenditures will be incurred and the special account can be closed. With the final transfer of US\$32,260 from the unearmarked portion of the General Fund the account now has a zero balance.

## **E. TC/IT Standby Equipment and Services**

109. The telecommunications and information technology (TC/IT) Standby Equipment and Services Special Account was established by the Executive Director effective January 2000 to be used for financing stand-by equipment and services for rapid deployment in emergency situations and to enhance information and communication technology (ICT) support services worldwide. The services are provided through Fast Information Technology and Telecommunications Emergency Support Team (FITTEST) a small team consisting of highly qualified engineers and administrative and stock maintenance staff.
110. The TC/IT Special Account was funded in 2001 by way of a budget allocation of US\$1,979,000 from additional PSA funding in order to be used for the purchase of stocks of stand-by equipment and to fund initial services at the first stage of deployment. As per the accounting policy on valuation (see Note 2.D) stocks of stand-by equipment that are on hand are already charged against expenditures. During 2002–2003 cost of equipment used and services totalling US\$16,335,188 rendered by FITTEST were recovered from projects through an internal invoicing mechanism (see also Note 19).

## **F. Junior Professional Officer (JPO) Fees**

111. The donor contributions for the individual Junior Professional Officers (JPOs) employed by WFP are subject to administration fees to fund the general administration of the JPO programme. The special account JPO Fees was set up in order to set aside part of the support cost (in excess of 7 percent) to meet the incidental expenditures associated with the implementation of the JPO programme. As a trust fund (see Note 18) the income of the JPO programme is recognised on a cash basis. The timing difference between the receipt of this income and expenditures has caused a deficit in 2003 which will be recovered in 2004.

## **G. United Nations Humanitarian Resource Depot (UNHRD)**

112. The United Nations Humanitarian Resource Depot (UNHRD) Special Account was established to account for the transactions affecting the operations of this depot that was established on 1 June 2000 in Brindisi, Italy and managed by WFP. The depot is operated



for a consortium of United Nations humanitarian agencies and non-governmental organizations (NGOs) that provide services to other parties under separate contractual agreements.

113. Cash or in-kind receipts for services rendered are recorded as income. Costs incurred whether general costs common to all services or specific costs for specific contract services are recorded as expenditures in this special account. Surpluses arising from the excess of income over expenditure in one period are carried forward to succeeding periods.

## H. Loan and Investment

114. 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 in December 2000 the donor gave a directed multilateral contribution in cash of US\$164,140,948 consisting of US\$106,000,000 to cover the costs of commodities and US\$58,140,948 for transport and other related costs. WFP then purchased commodities against a long-term loan contract with a government agency in the donor country amounting to US\$106,000,000.
115. The loan is payable over 30 years with a ten-year grace period on the principal. Interest on the loan is at the rate of 2 percent per year for the first ten years starting in June 2001 and 3 percent per year on the declining balance each year thereafter.
116. To ensure the repayment of the interest and principal the US\$106,000,000 cash contribution for the commodity was invested in long-term United States Treasury STRIPS (US\$66,288,383 plus US\$16,572 commissions) and in short-term fixed-income securities (US\$39,695,045). Two of the STRIPS have mature over the last two years to pay off the annual interest due on the loan. Consequently, the balance of investment in STRIPS has been reduced to US\$62,220,167 as at 31 December 2003.
117. The Long-term Loan and Investment Special Account was established in July 2001 in order to record all financial transactions related to this loan including the investment of the cash and the interest income generated. In October 2002 the Board approved the use of US\$39.7 million excess of loan proceeds over expected repayments to fund in part the Executive Director's expenditure plan (2002/EB.3/5). The Executive Director established the EDMF account with these proceeds to provide matching funding for commodity contributions only for WFP projects from emerging non-traditional donors. The funds in the EDMF Special Account are to be used as a last resort to cover associated operational and support costs as provided for under General Rule XIII.4(e)(i).

## I. Emerging Donor Matching Fund (EDMF)

118. In June 2003 the Executive Director approved that the EDMF Special Account be established in accordance with Financial Regulation 5.1 and that the net interest from the investments in the Loan and Investment Special Account be transferred to the EDMF.

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## NOTE 18: BILATERALS AND TRUST FUNDS

119. The Bilaterals and Trust Funds for the biennium ended 31 December 2003 consisted of the following:



**BILATERALS AND TRUST FUNDS - SPECIFICATION OF INCOME AND EXPENDITURE**  
**FOR THE BIENNIUM ENDED 31 DECEMBER 2003**  
(US\$ thousand)

	Bilateral Operations	Junior Professional Officer Scheme	Quality Improvement and Other Trust Funds	Disaster Mitigation	Gender Activities	Airlift Activities Operation Lifeline Sudan	Institutional Strengthening Programme	Total
<b>INCOME</b>								
Commodity in-kind contributions	1 306	-	-	-	-	-	-	1 306
Other contributions	28 271	16 201	9 283	215	100	22 371	19 766	96 207
Contribution from Office of Iraq Programme	97 108	-	-	-	-	-	-	97 108
Government cash contributions for local costs	-	-	-	-	-	-	-	-
Interest	3 275	236	(26)	25	-	-	541	4 051
Currency exchange adjustments	(41)	(2)	(36)	(1)	-	-	(17)	(97)
Miscellaneous income	-	-	-	-	-	-	-	-
Transfer of Indirect Support Cost contributions to General Fund	(2 010)	(3 691)	(456)	-	-	(1 437)	-	(7 594)
<b>Total Income - Net of Transfer to GF</b>	<b>127 909</b>	<b>12 744</b>	<b>8 765</b>	<b>239</b>	<b>100</b>	<b>20 934</b>	<b>20 290</b>	<b>190 981</b>
<b>EXPENDITURE</b>								
Commodities in-kind	1 306	-	-	-	-	-	-	1 306
Commodities purchased	45 178	-	-	-	-	-	-	45 178
Ocean transport and related costs	4 923	-	-	-	-	-	-	4 923
Landside transport, storage and handling	4 208	-	-	-	-	165	-	4 372
Other direct operational costs	22 595	-	6	(1)	-	20 159	-	42 759
Direct support costs	40 874	11 237	7 571	614	386	43	11 508	72 233
<b>Total Expenditure</b>	<b>119 083</b>	<b>11 237</b>	<b>7 577</b>	<b>613</b>	<b>386</b>	<b>20 367</b>	<b>11 508</b>	<b>170 771</b>
<b>EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>8 826</b>	<b>1 507</b>	<b>1 188</b>	<b>(374)</b>	<b>(286)</b>	<b>567</b>	<b>8 782</b>	<b>20 210</b>
<b>Fund balances, beginning of period</b>	57 618	3 574	5 392	553	379	3 350	3 589	74 455
Contribution adjustments	(22 277)	(410)	(107)	(2)	-	-	-	(22 796)
Prior period adjustments	3 448	-	(20)	(3)	7	-	2 349	5 781
Transfers between funds and accounts	4 900	-	(885)	-	-	-	175	4 190
<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>	<b>52 515</b>	<b>4 671</b>	<b>5 568</b>	<b>174</b>	<b>100</b>	<b>3 917</b>	<b>14 895</b>	<b>81 840</b>
<b>Breakdown of contribution adjustments:</b>								
Reprogramming of unused fund balances	(3 991)	-	-	-	-	-	-	(3 991)
Refund of unused fund balances	(18 286)	(409)	(107)	(2)	-	-	-	(18 805)
Total	(22 277)	(409)	(107)	(2)	-	-	-	(22 796)





## NOTE 19: ELIMINATIONS

120. Certain internal activities lead to accounting transactions that create inter-office balances in the financial statements. In order to more accurately present these financial statements these balances are eliminated through consolidation as shown in Statement I and Statement II. During 2002–2003 the activities that created such inter-office balances were:

Elimination	US\$	
<b>A Statement of income and expenditure and changes in reserves and fund balances</b>		
<b>Income</b>	Expenditure	
TC/IT Special Account	ODOC Project expenditures	10 351 051
TC/IT Special Account	LTSH Project expenditures	590 570
TC/IT Special Account	DSC Project expenditures	5 393 567
<b>Subtotal</b>		<b>16 335 188</b>
Self-Insurance Account	LTSH Project expenditures	4 503 809
<b>Total amount eliminated</b>		<b>20 838 997</b>
<b>B. Statement of Assets Liabilities Reserves and Fund Balances</b>		
DSCAF advances	Receivable of General Fund from Projects and Payable of Projects to General Fund	<b>15 933 512</b>



## ACRONYMS USED IN THE DOCUMENT

ASMCP	After-Service Medical Coverage Plan
CAF	Capital Asset Fund
CPRF	Compensation Plan Reserve Fund
DOC	direct operational costs
DSC	direct support cost
DSCAF	Direct Support Cost Advance Facility
EMOP	emergency operation
FAC	Food Aid Convention
FAO	Food and Agriculture Organization of the United Nations
FITTEST	Fast Information Technology and Telecommunications Emergency Support Team
FMIP	Financial Management Improvement Programme
GCCC	government counterpart cash contribution
ICT	information and communications technology
IRA	Immediate Response Account
ISC	indirect support costs
JPO	Junior Professional Officer
LTSH	landslide transport storage and handling
NGO	non-governmental organization
ODOCs	other direct operational costs
PSA	Programme Support and Administrative (costs)
SPS	Separation Payment Scheme
STRIPS	Separate Trading of Registered Interest and Principal of Securities
TC/IT	telecommunications and information technology
TPA	third-party agreement
UNDP	United Nations Development Programme
UNHRD	United Nations Humanitarian Response Depot
UNJSPF	United Nations Joint Staff Pension Fund
UNSECOORD	Office of the United Nations Security Coordinator
WINGS	WFP Information Network and Global System

