

برنامج
الأغذية
العالمي



Programme
Alimentaire
Mondial

World
Food
Programme

Programa
Mundial
de Alimentos

**Executive Board
Third Regular Session**

Rome, 21–25 October 2002

FINANCIAL AND BUDGETARY MATTERS

Agenda item 5

For approval

E

Distribution: GENERAL

WFP/EB.3/2002/5-A/1/2

2 September 2002

ORIGINAL: ENGLISH

AUDITED BIENNIAL ACCOUNTS (2000–2001)—SECTION II

**Opinion of the External Auditor on the Audited
Financial Statements for 2000–2001**

This document is printed in a limited number of copies. Executive Board documents are available on WFP's WEB site (<http://www.wfp.org/eb>).

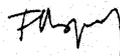
WORLD FOOD PROGRAMME FINANCIAL STATEMENTS 2000–01

OPINION OF THE EXTERNAL AUDITOR

My staff audited the accompanying financial statements numbered I to III and the supporting notes numbered 1 to 30 of the World Food Programme for the financial period ended 31 December 2001. These financial statements are the responsibility of the Executive Director of the 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 Specialised 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 2001 and the results of the operations for the period then ended; that they were prepared in accordance with the Programme's stated accounting policies, which were applied on a basis consistent with that of the preceding period, except for the changes mentioned in paragraph 9 of my attached report, with which I concur; and that the transactions were in accordance with the Financial Regulations and legislative authority.



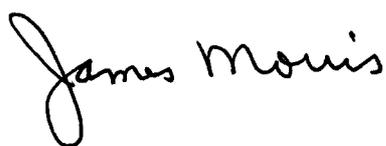
François LOGEROT
Premier Président de la Cour des Comptes
de la République Française
External Auditor

8 August 2002



Biennial Accounts 2000–2001
Certification of Financial Statements

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 (Financial Rule 113.6).



James T. Morris
Executive Director

Rome, 6 August 2002



**STATEMENT I:
STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(US\$ million)**

	Notes	Development	Emergency relief	Protracted relief and recovery	Special operations	General Fund	Trust funds	Total WFP Fund	Prior-period 1998-1999
INCOME	4								
Commodity contributions in-kind	3-5	163.0	525.9	218.9	-	-	-	907.8	898.9
Other contributions	5	318.6	1 210.9	577.8	71.2	13.9	96.9	2 289.3	1 883.4
Government cash contributions for local costs		-	-	-	-	3.0	-	3.0	2.4
Interest		-	-	-	-	81.6	6.9	88.5	80.1
Currency exchange adjustments	5	-	-	-	-	(4.4)	-	(4.4)	1.6
Miscellaneous income		-	(0.1)	-	-	17.5	-	17.4	15.3
Transfer or indirect support cost contributions to General Fund	b	(27.4)	(104.0)	(46.6)	(3.9)	188.5	(6.6)	-	-
TOTAL INCOME INCLUDING TRANSFER		454.2	1 632.7	750.1	67.3	300.1	97.2	3 301.6	2 881.7
EXPENDITURE									
Commodities in-kind	3	163.0	525.9	218.9	-	-	-	907.8	898.9
Commodities purchased	3	116.5	331.4	139.8	-	0.2	17.4	605.3	458.3
Ocean transport and related costs		62.9	250.2	125.9	0.5	-	2.7	442.2	395.0
Landside transport, storage and handling	3	23.8	312.0	171.8	-	-	7.8	515.4	522.9
Other direct operational costs	3	11.4	23.1	7.3	49.6	8.5	18.8	118.7	125.0
Direct support costs	3	40.5	149.6	99.9	14.9	20.0	45.7	370.6	269.5
Programme support and administrative	7	-	-	-	-	229.6	-	229.6	247.9
TOTAL EXPENDITURE		418.1	1 592.2	763.6	65.0	258.3	92.4	3 189.6	2 917.5
Excess/(shortfall) of income over expenditure		36.1	40.5	(13.5)	2.3	41.8	4.8	112.0	(35.8)
Fund balances, beginning of period		104.6	59.7	50.7	8.8	51.4	72.9	348.1	461.3
Reprogramming of unused fund balances	15	(0.7)	(81.6)	(14.3)	(2.6)	(0.8)	(2.2)	(102.2)	(48.2)
Refund of unused fund balances	15	-	(2.5)	(0.1)	(0.6)	-	(1.0)	(4.2)	(2.3)
Prior-period adjustments	3	-	(0.5)	-	-	0.5	-	-	-
Savings on cancellation of prior-period obligations	22	-	-	-	-	4.3	-	4.3	4.4
Provision for after-service medical cost	21	-	-	-	-	-	-	-	(44.8)
Transfers between funds and accounts	14	(0.8)	1.0	(0.2)	-	-	-	(0.0)	-
Transfers to/(from) reserves	14	-	(24.2)	0.7	2.1	(33.4)	-	(54.8)	13.5
FUND BALANCES, END OF PERIOD		139.2	(7.6)	23.3	10.0	63.8	74.5	303.2	348.1

Note: 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 2001
(US\$ million)**

	Notes	Development, rehabilitation and disaster preparedness	Emergency operations	Protracted relief and recovery operations	Special operations	General Fund	Trust funds	Total WFP Fund	Prior-period 1998-1999
ASSETS									
Cash and short-term investments	2H, 8	171.0	102.4	99.0	18.7	347.7	80.8	819.6	828.8
Long-term investments	2H, 9	-	-	-	-	85.4	-	85.4	19.3
Contributions receivable	5	154.4	935.0	472.6	28.0	5.3	49.6	1644.9	1 032.9
Other accounts receivable	10, 19	-	-	-	-	91.4	-	91.4	47.1
TOTAL ASSETS		325.4	1 037.4	571.6	46.7	529.8	130.4	2641.3	1 928.1
LIABILITIES									
Contributions not yet received	5	154.4	935.0	472.6	28.0	5.3	49.6	1644.9	1 032.9
Monetized funds held in trust	29	-	-	-	-	57.3	-	57.3	10.4
Outstanding obligations	12	27.2	96.1	63.8	8.2	29.8	5.6	230.7	212.1
Accounts payable	11, 19	4.6	13.9	11.9	0.5	87.7	0.7	119.3	76.9
Provisions	13	-	-	-	-	-	-	0.0	140.2
Staff-benefit funds	21	-	-	-	-	66.0	-	66.0	64.1
Loans payable	25	-	-	-	-	106.0	-	106.0	-
TOTAL LIABILITIES		186.2	1 045.0	548.3	36.7	352.1	55.9	2224.2	1 536.6
RESERVES AND FUND BALANCES									
Staff safety and security account		-	-	-	-	6.5	-	6.5	-
DSC advance facility	3, 19	-	-	-	-	13.4	-	13.4	-
Operational reserve	17	-	-	-	-	57.0	-	57.0	-
Immediate response account	18	-	-	-	-	37.0	-	37.0	-
Fund balances		139.2	-7.6	23.3	10.0	63.8	74.5	303.2	391.5
TOTAL RESERVES AND FUND BALANCES		139.2	-7.6	23.3	10.0	177.7	74.5	417.1	391.5
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		325.4	1037.4	571.6	46.7	529.8	130.4	2641.3	1 928.1

Note: The accompanying notes form an integral part of these Financial Statements.



**STATEMENT III:
STATEMENT OF CASH FLOW
FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(US\$ million)**

	Notes	WFP Fund	Prior-period 1998-1999
Cash inflow/(outflow) from operating activities			
Excess/(shortfall) of income over expenditure (Statement I)		112.0	(35.8)
(Increase)/decrease in other accounts receivable	10	(44.3)	(2.3)
Increase/(decrease) in monetized funds held in trust	29	46.9	9.1
Increase/(decrease) in outstanding obligations	12	18.6	34.9
Increase/(decrease) in accounts payable	11	42.4	51.6
Increase/(decrease) in provisions	13	(140.1)	38.3
Increase/(decrease) in staff benefits fund	21	1.9	64.1
Less interest income		(88.5)	(80.1)
Net cash inflow/(outflow) from operating activities		(51.1)	79.8
Cash from investing and financing activities:			
(Increase)/in investments	9	(66.1)	(19.3)
Increase/(decrease) in loans	25	106.0	(2.5)
Add interest income		88.5	80.1
Net cash from investing and financing activities		128.4	58.3
Cash inflow/(outflow) from/(to) other sources:			
Reprogramming of unused fund balances	15	(102.2)	(48.2)
Refund of unused fund balances	15	(4.2)	(2.3)
Prior-period adjustments	3	-	-
Provision for staff benefit funds	21	-	(44.8)
Savings on cancellation of prior-period obligations	22	4.3	4.4
Contributions for the immediate response account	14, 18	15.6	-
Net cash inflow/(outflow) from/(to) other sources		(86.5)	(90.9)
Net decrease/increase in cash and term deposits		(9.2)	47.2
Cash and term deposits at beginning of period	8	828.8	781.6
Cash and term deposits at end of period	8	819.6	828.8

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



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, on request, implements 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, using this assistance to the extent possible to serve both relief and development purposes; and
 - provide services to bilateral donors, United Nations agencies and non-governmental organizations for operations that are consistent with the purposes of WFP 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. The Programme has its Headquarters in Rome, Italy, and conducts activities through 93 offices, including 83 country offices, around the world. Its policies and budget are determined and approved by the Executive Board, its governing body. 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 the Programme is a biennium starting on 1 January of each even-numbered year. These financial statements refer to the biennium ended 31 December 2001.

B. Accounting Convention

6. These financial statements are prepared in accordance with the Financial Regulations and Rules and policies of the World Food Programme, and governing body decisions.



Within this framework, the financial statements are prepared under the historical cost convention and in accordance with the United Nations Common Accounting Standards, except when the nature of WFP's operations requires adoption of different but internationally accepted accounting standards. The format of the financial statements is designed to show clearly the financial position of WFP and to meet the requirements of the Board and the Executive Director in achieving their oversight and management functions.

C. Fund Accounting

7. Pursuant to WFP's Financial Regulations, the financial statements of the World Food Programme Fund ("WFP Fund") are maintained on a "fund accounting" basis and present a consolidated position of all activities carried out by the Programme as at the end of a given period. A fund is an accounting entity with a self-balancing set of accounts recording cash and other financial and non-financial resources, together with related liabilities and residual equities or balances, and changes therein. 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 programme category funds, General Fund, including special accounts and trust funds.
8. The financial statements have been prepared in a form consistent with prior biennia, except where otherwise indicated in the relevant Notes to the Financial Statements as resulting from the introduction of the new WFP Information Network and Global System (WINGS) in January 2001 and in accordance with the revisions of the Resource and Long-Term Financing (R<F) policies and the Financial Regulations that took effect on 1 January 2000. The R<F policies classify contributions received by programme category and by funding window.
 - a) Depending on the specific conditions and degree of flexibility allowed by donors in the use of these contributions, the three funding windows and the nature of contributions recorded under each are:
 - **Multilateral.** WFP determines the country programme or WFP activities in which the contribution will be used and how it will be used, or the contribution is made in response to an appeal made by WFP.
 - **Directed multilateral.** This is a contribution, other than a response to an appeal made by WFP for a specific emergency operation, that the donor requests WFP to direct to a specific activity or activities initiated by WFP or to a specific country programme or country programmes. The contributed funds are reported separately under the standardized project reports.
 - **Bilateral.** This is a contribution that is directed by the donor to be used to support an activity not initiated by WFP. WFP accepts bilateral contributions only if they are for activities consistent with the objectives and policies of the Programme's mission statement and compatible with assistance provided by WFP in the recipient country.
 - b) Contributions received through multilateral and directed multilateral funding windows go towards funding projects under any of the following four WFP programme categories:
 - **Development (DEV)**—to support economic and social development.
 - **Emergency operation (EMOP)**—to meet emergency needs. Prior to 2001, this programme category comprised the International Emergency Food Reserve (IEFR) and the Immediate Response Account (IRA) reflecting two sources of contributions. Effective 1 January 2001, the IRA is treated as a replenishable reserve account in the General Fund to allow more flexibility in its use not only



for EMOP but also for Protracted Relief and Recovery Operations (PRROs) and Special Operations (SOs) in emergency situations. (See also Note 18.)

- **PRRO**—to meet protracted relief and recovery needs.
 - **SO**—to rehabilitate and enhance transport infrastructure and, if necessary and in extraordinary circumstances, to permit speedy and efficient delivery of food assistance to meet emergency and protracted relief needs.
- c) The General Fund is the accounting entity established for recording, under separate accounts: indirect support cost (ISC) recoveries; Government Cash Contributions for Local Costs (GCCC) miscellaneous income; contributions received that are not designated to a specific programme category, project or a bilateral project; interest income; and programme support and administrative (PSA) costs. Also classified under the General Fund category are the special accounts established by the Executive Director under Financial Regulation 5.1 and other General Fund. The General Fund also includes four reserves that were established by the Executive Board as facilities for funding and/or financing specific activities under specific conditions, namely the Staff Safety and Security Account, the Direct Support Cost (DSC) Advance Facility, the Operational Reserve and the Immediate Response Account. General Fund income and expenditure are detailed in Note 4.5.
- d) The trust fund is an identifiable subdivision of the WFP Fund, established by the Executive Director under Financial Regulation 5.1 in order to account for a special contribution, the purpose, scope and reporting procedures of which have been agreed upon with the donor under specific trust fund agreements. Trust funds include Bilateral Operations, the Junior Professional Officer (JPO) Scheme, Quality Improvement and other trust funds, Disaster Mitigation, Gender Activities, Airlift Activities—Operation Lifeline Sudan, and the Institutional Strengthening Programme (ISP). These are detailed in Note 4.6.
- e) The fund balances of contributions and expenditures before implementation of the R<F policies in 1996 were shown separately under a fourth funding window, Prior-96. In 2000, the Board approved the reprogramming of most of these surpluses, and the ultimate disposition of remaining unspent fund balances as at 31 December 2001 will be decided by the donors concerned or by the Board, either for reprogramming or refunding. (See also Note 15.)
9. Notes 4.1 to 4.6 provide an analysis of income and expenditure under each of the programme category funds, the General Fund and the trust fund. In the course of preparing the 2000 standardized project reports during the year 2001, certain income and expenditure items were realigned to the appropriate funding windows within these funds but this did not have any effect on the income or expenditure line items.

D. Currency Exchange Accounting

10. The financial statements are expressed in United States dollars.
- a) **Valuation of non-United States dollar assets and liabilities other than contributions receivable.** 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 applicable United Nations operational rate of exchange in effect at the end of the year 2001, which approximates to the market rate. Unrealized gains or losses as a result of the translation are included under the line “currency exchange adjustments” in Statement I.



- b) **Contributions receivable.** In Statement II the items “contributions receivable” and “contributions not yet received” in currencies other than United States dollars are translated on a global level as of the end of the biennium at the United Nations operational rate of exchange.
11. Transactions in other currencies during the biennium are translated into United States dollars at the United Nations operational rate of exchange prevailing at the time of the transaction.
- a) **Income received/collection of confirmed contributions.** Contributions are adjusted to reflect the difference between the confirmed contribution and the income received resulting from the difference in the exchange rates used at the time of these transactions.
- b) **Expenditures and obligations.** Expenditures and obligations in currencies other than United States dollars are recorded at the prevailing United Nations operational rate of exchange. Differences between that rate and the market rate at the time of actual payment are charged in the following manner:
- For project costs, losses and gains on exchange are charged or credited to the project concerned, except for currency exchange adjustments at the time of payment, which are charged or credited to the General Fund.
 - For PSA costs, 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 local currency, or vice versa, the difference resulting from the market rate and the United Nations operational rate of exchange is recorded as a loss or gain on exchange under the General Fund.
12. For selected currencies, the Programme enters into forward exchange contracts for hedging purposes. At 31 December 2001 there were no outstanding forward exchange contracts.

E. Basis of Accounting

13. All income, other than interest, is recognized when received. Interest income and all expenditures are recognized on an accrual basis.

E. (i) Contributions and Income

14. Specific treatment of the major categories of income is described below.

⇒ a. Commodity Contributions

- **Commodity contributions in kind** are valued at world market prices, at the Food Aid Convention (FAC) price or at the donor’s invoice price, 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.
- **Cash in lieu of commodities** is recorded at the cash value of contributions pledged and received.



⇒ *b. Other Commodities*

- Contributions other than commodities are recorded as income upon receipt. These are cash or in-kind contributions for air, ocean and landside transportation, storage and handling (LTSH), other direct operational costs (DOC), and DSC.

⇒ *c. Contributions for ISC*

- Contributions for ISC are disclosed as transfers to the General Fund in Statement I and the accompanying Notes. Under the amended R<F policy effective 1 January 2000, for multilateral and directed multilateral contributions, ISC is levied based on a single rate of 7.8 percent of direct costs at the time of the receipt of contributions. However, for bilateral contributions and trust funds, variable rates of ISC ranging from 3 percent to 7.8 percent of direct costs are levied upon receipt of the contributions. In some cases, the ISC is waived by the Executive Director pursuant to General Rule XIII.4(f).

⇒ *d. Income Other than Donor Contributions:*

- Miscellaneous income is recognized on a cash basis. Interest income however, is accrued as income in the biennium to which it relates.

E. (ii) Expenditure

15. Expenditure consists of the following transactions:

- a) disbursements with regard to the activity of the current biennium;
- b) unpaid vendor accounts for goods and services received; and
- c) outstanding obligations backed by legal commitments, such as contracts or purchase orders.

16. Expenditures are classified under the following major costs categories:

- a) **Direct Operational Costs** are costs incurred in providing activity inputs that are utilized directly in activities by beneficiaries, the government of the recipient country or other implementing partners, including the cost of commodities, ocean transportation and related costs, LTSH, and other direct operational costs (ODOC).
- b) **Direct Support Costs** are costs directly linked to the provision of support to an operation and would not be incurred if that activity ceased. This includes staff costs, general non-staff costs, travel, consultants, office expenses and other services, equipment and vehicles, office rental and other DSC.
- c) **Programme support and administrative costs** are costs incurred in staffing and operating WFP Headquarters, regional bureaux, country offices and liaison offices that cannot be attributed directly to any programme category or activity. In Statement I, these costs are described as PSA costs, while the sources of income that fund most of these costs are described as ISC income.



17. The reclassification of ODOC was based on WFP's revised R<F policies, which were designed to: (a) better reflect and measure direct and indirect support costs against what WFP delivers; (b) more accurately align costs under the applicable DOC, DSC and PSA categories; and (c) reaffirm the principle of full-cost recovery in that each donor is required to meet its share of all associated costs, including DSC and ISC. Key innovative aspects were:
- The re-categorization of costs meant that some costs previously considered to be ISC under PSA were transferred to project DSC, while certain DSC project deliverable costs were classified as DOC.
 - Support costs in budget terms were expanded to include both the indirect and direct support components, resulting in wider coverage of costs under the country office programme support line.
 - A single ISC rate was applied to all programme categories to finance the PSA budget.
 - A PSA-funded standard country office structure was established, with other support costs met through DSC.

E. (iii) Buildings and Equipment

18. The cost of buildings and equipment is charged to expenditure in the year of purchase and is included in the accounting records at a nominal value of US\$1.

E. (iv) Demurrage and Despatch

19. Demurrage costs paid by WFP to the shipper are generally set up as receivables from recipient governments or suppliers, while despatch benefiting WFP is recorded as payable. Demurrage receivable is disclosed net of despatch payable to the same governments or suppliers.

F. Standard Cost Accounting for Staff Costs

20. Staff salaries and entitlements are set according to a predetermined scale of staff grades generally referred to as standard costs. Factored in the computation of the standard costs are amounts for entitlements and other personnel-related liabilities in which payments to staff will be made in the future.
21. 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 21.)

G. PSA Staff Costs

22. PSA staff costs are charged at standard cost during the year. At the end of the year, any variances between standard and actual costs are allocated proportionately to each of the organizational units concerned.

H. Project Staff Costs

23. Prior to 2001, project staff costs were charged at actual cost against the relevant projects. During 2001, project staff costs were charged at standard cost following the design of the new HR (Human Resources)/Payroll system in WINGS. However, the project staff costs were reduced to actual at the end of the year by allocating the variance between standard and actual to the various programme categories.



24. The Executive Director intends to seek approval from the Board to set up a reserve for the staff cost variance equalization account in order to effect a more appropriate and consistent system of project cost accounting in WINGS. Staff costs will be charged at standard costs, and at the end of an accounting period the variances between these standard and actual costs will be carried forward in the staff cost variance equalization account under the General Fund in Statement II.

I. International Cargo Self-Insurance Account

25. WFP has had a self-insurance scheme since 1 May 1994. The scheme covers all pre-delivery and transit commodity losses involving international cargo. However, each shipment is reinsured with an external company against losses exceeding US\$750,000 per consignment or US\$1.5 million per vessel.
26. Consistent with the previous biennium, the self-insurance scheme is considered as a special account under the General Fund as established by the Executive Director.
27. The self-insurance account is credited with premiums charged to projects on a basis equivalent to commercial rates. 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. (See also Note 4.5.)

J. Investments

⇒ Short-Term Investments

28. Short-term investments are included among “Cash and short term investments” in Statement I and are stated at the acquisition cost or market value (whichever is lower). (See also Note 8.)
29. Short-term investments comprise a money market account and six actively managed portfolios entrusted to five fund managers. The main considerations for investment management in the order of priority are: (i) security of principal, (ii) liquidity and (iii) 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.
30. Fund managers are prohibited from investing in corporations that produce, manufacture or distribute landmines or other anti-personnel arms or parts thereof. The quality of fixed-income securities of governments, supranational organizations or corporations averaged AA for Standard and Poor’s and AA3 for Moody’s, and have at all times a minimum quality of A for Standard and Poor’s and A3 for Moody’s.

⇒ Long-Term Investments

31. The long-term investments are stated at cost in Statement I; the market value as at the end of the biennium has been disclosed in the notes. (See Note 9.)



32. The investments covering the Separation Payment Scheme and the Compensation Plan Reserve Fund are long-term in nature and are held and managed by FAO on behalf of WFP. As at 31 December 2001, the FAO-managed portfolio consisted of 52.4 percent equities, with the remainder of assets invested in fixed-income securities. (See also Note 21.)
33. The other long-term investments are in connection with the Long-term Loan and Investment special account. (See Note 25.) The investment instruments are United States Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS), with maturities over the next 30 years designed to guarantee the payment of interest and principal of the commodity loan entered into with a government agency. (See also Note 9.)

K. Preparation of Biennial Financial Statements from Legacy and WINGS

34. WFP financial statements at 31 December 2000 were prepared based on WFP's legacy systems, which consisted of the General Ledger: Millennium (GL:M), an accounting software that records transactions in the books of accounts, and the WFP Information System (WIS), software developed in house that processes accounting transactions. With the implementation of WINGS, effective 1 January 2001, these 2000–2001 biennial financial statements were prepared using data from WFP's legacy systems for 2000 and WINGS for 2001.
35. The Statement of Income and Expenditure and Changes in Reserves and Fund Balances for the biennium was prepared by consolidating totals of income, expenditures and other accounts from WFP's legacy systems for 2000 and WINGS for 2001.
36. The Statement of Assets, Liabilities and Reserves and Fund Balances at the end of the biennium was prepared based on the balances of these accounts extracted from WINGS. The ending balances were derived from: (i) beginning balances as at 1 January 2001 that were migrated from the legacy systems into WINGS in the manner described in Note 3; and (ii) transactions for the year 2001.

L. Rounding Policy

37. Amounts in Statements I, II and III and Notes 4.1 to 5 have been rounded to the nearest million, while the amounts in the Notes to the Financial Statements have been rounded either to the nearest thousand or to 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. Differences in amounts that resulted from rounding procedures in previous biennial financial statements were corrected with no impact on the financial statements as a whole.

NOTE 3: CHANGES IN ACCOUNTING PRESENTATION

38. During the financial period, WINGS was implemented. As a result of this, certain transactions and balances are no longer grouped or classified in the same way as in the past. Other changes were made to the presentation of the accounts, either to better apply the applicable accounting standards or to disclose information related to new policies.



Migration Strategy

39. The migration of operational and financial data from the legacy systems to WINGS involved the retrieval, conversion and transformation of data, and also required improving the existing information quality and adding new data, restructured values, and new fields. Thus it required a good understanding of how data were defined, presented and input into the legacy systems and into WINGS, and careful mapping of these two sets of data. It also required the build-up in WINGS of a chain of documents as the basis for the completion of transactions that began prior to the migration date, the initiation of new transactions after that date, and their eventual recording and accounting in the new system.
40. The data migrated from the legacy systems include the following sets of information:
- a) **Operational information.** This represents the balances of funds of ongoing projects, i.e. the approved level of each project plan, allocated and assigned amounts for each project and amounts of released allotments available for expenditure. Any changes in this information do not affect the accounting records but control the occurrence of transactions that result in the accounting entries.
 - b) **Financial information.** This represents financial data that are recorded in the books of accounts; any change in this information results in accounting entries. Supplementary to these accounts is other financial information that is contained in master tables, which are needed to complete the financial transactions. These include:
 - contribution receivables and fund balances of unspent contributions; and
 - all other balance sheet items, including cash, investments, other receivables and other payables, and fund balances of the General Fund, special accounts and trust funds.
41. The migration of financial and other information from the legacy systems to WINGS was implemented 1 January 2001. It was performed in two phases.
- **Phase 1:** This phase allowed for the continuous conduct of business in the new system while waiting for the closure of accounts as at 31 December 2000 and for the extensive data clean-up that was initiated prior to migration. This clean-up was performed 4-8 January 2001 and involved the migration of contribution receivables as at 31 December 2000 and partial migration of funded allotments (ranging from 60 percent to 100 percent, depending on the cost categories) that were needed to provide funds for any expenditures to be incurred in the new system.
42. As indicated above, it was imperative to distinguish clearly between completion of financial transactions that had already commenced in the legacy system (old business) and initiation of new transactions in the new system (new business). For old business, payments of transactions were recorded/performed in WINGS without the need to reconstruct the chain of documents. For new business, all documents required for payment, such as purchase orders, goods receipt notes and suppliers' invoices, were set up in WINGS. For project-related expenditures, the bill of lading date was used as the cut-off point, whereby all bills of lading dated up to 31 December 2000 were considered old business and those issued thereafter were new business. For PSA-related expenditures, the allotments for the second year of the biennium were released as initial funding for transactions that were to be executed in the new system.
- **Phase 2:** This phase involved the transfer of final balances of all the operational information for project budgets and the PSA and of all the financial information representing the balance sheet accounts as at 31 December 2000. This exercise took place during the second week of August 2001, following completion of the closure of accounts in the legacy systems for the year 2000 and after reaching a significant level



of data analysis and clean-up. This phase also involved additional post-migration-related activities that were performed after August in order to correct some transactions that were not fully migrated due to unfinished data clean-up or the refinancing of some projects.

43. Migrated financial data were taken directly from the books of accounts of the legacy systems, except for DSC, which was not detailed at the project and donor level. Hence, expenditures for DSC against donor contributions (see also Note 2.E) reflected in the legacy systems were restructured in the new system's database by using the allocation formula that had been used in the preparation of the Standard Project Reports (SPRs). This was done to ensure that these expenditures were allocated to the donors in proportion to their contributions to a given project. These adjustments in DSC allocations (bringing WINGS into line with the DSC reported in the SPRs) in effect increased the unspent contribution balances of certain donors while decreasing those of others. A more detailed report on the migration activities was prepared.

Commodity Contributions In-kind

44. In previous biennia, the line "Commodity contributions" shown as income in Statement I consisted of both in-kind contributions and cash in lieu of commodities. Beginning with the 2000–2001 biennium, in-kind contributions are reflected under a new line called "Commodity contributions in-kind". Cash contributions in lieu of commodities are now included in the line "Other contributions". On the expenditure side, the line "Operational costs in commodities" from previous biennia is now split into two: "Commodities in-kind", which come from in-kind contributions, and "Commodities purchased", which come from cash in lieu of commodities. The amounts for 1998–1999 are reclassified accordingly in order to be comparative with 2000–2001. This change allows for better comparability between income and expenditures.

Landside Transport, Storage and Handling

45. In previous biennia, LTSH costs were recorded as expenditures based on certain rates per ton of commodities covered by bills of lading issued as at the end of the biennia. The difference between the amount expended based on the predetermined LTSH rate and the outstanding obligations supported by contracts was reflected as "Provisions" in the payable section. With the introduction of WINGS and effective in the current 2000–2001 biennium, actual LTSH costs are recorded based on disbursements and outstanding obligations, and the provisions are presented only as additional information. The outstanding provisions at the end of 2000 were not carried over to WINGS in 2001. (See also Notes 12 and 13.)

Other Direct Operational Costs

46. The revised R<F policy implemented in 2000 widened the types of costs that were to be considered as DOC to include costs incurred in providing activity inputs that were utilized directly in activities by beneficiaries, the Government of the recipient country or other implementing partners. Previously these costs were included in costs categories such as DSC, but they are now disclosed under the line "Other direct operational costs".

Direct Support Cost and Programme Support and Administrative Cost

47. Compared with previous biennia, DSC has been redefined in 2000–2001 as variable or incremental costs for a WFP country office to support WFP operational activities in that country, whether these activities are of a development or a relief nature. Starting in 2000–2001, all previously funded PSA costs in a country office that fall outside the PSA-funded standard country office structure are shifted to DSC.



DSC Advance Facility

48. The DSC Advance Facility (DSCAF) is a guarantee mechanism approved by the Board in January 1999 to provide DSC advances to projects pending receipt of DSC contributions. (See Note 19). The following new lines have been added to the financial statements as a result of implementing this new facility:

- **DSC Advance Facility** is shown as a reserve account of the General Fund in Statement II;
- **DSC Advance Facility receivables** refers to the actual amount of advance that is outstanding at the end of the biennium; this is disclosed as a new line item in Note 10—Other Accounts Receivable; and
- **DSC advance to be recovered from project funds** this is a mirror account to the DSCAF receivable to reflect that the advance in favour of the project concerned is at the same time a payable by the project to the General Fund.

Prior-Period Adjustments

49. The new line “Prior-period adjustments” in Statement I is used for disclosing adjustments that affect the income and expenditure of previous accounting periods and not those of the current period.





NOTE 4.1:
SPECIFICATION OF INCOME AND EXPENDITURE BY FUNDING WINDOW
FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(US\$ million)

	DEVELOPMENT				Prior-period 1998- 1999
	Multilateral	Directed multilateral	Prior 1996	Total	
INCOME					
Commodity contributions in kind	122.7	40.1	0.2	163.0	216.9
Other contributions	250.0	68.5	0.1	318.6	397.0
Government cash contributions for local costs	-	-	-	-	-
Interest	-	-	-	-	-
Currency exchange adjustments	-	-	-	-	0.9
Miscellaneous income	-	-	-	-	-
Transfer of indirect support cost contributions to General Fund	(23.2)	(4.2)	-	(27.4)	(74.0)
Total income-net of transfer to general fund	349.5	104.4	0.3	454.2	540.8
EXPENDITURE					
Commodities in-kind	122.7	40.1	0.2	163.0	216.9
Commodities purchased	94.9	19.5	2.1	116.5	146.5
Ocean transport and related costs	50.3	12.8	(0.2)	62.9	73.5
Landside transport, storage and handling	17.0	7.0	(0.2)	23.8	34.5
Other direct operational costs	9.3	2.1	-	11.4	11.0
Direct support costs	27.1	12.8	0.6	40.5	24.1
Programme support and administrative	-	-	-	-	-
Total expenditure	321.3	94.3	2.5	418.1	506.5
EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE	28.2	10.1	(2.2)	36.1	34.3
Fund balances, beginning of period	86.7	14.2	3.7	104.6	49.3
Reprogramming of unused fund balances	-	-	(0.7)	(0.7)	-
Refund of unused fund balances	-	-	-	-	-
Prior-period adjustments	(2.5)	-	2.5	-	-
Savings on cancellation of prior-period obligations	-	-	-	-	-
Transfers between funds and accounts	-	-	(1.7)	(1.7)	7.5
Transfers to/(from) reserves	-	-	-	-	13.5
Migration adjustment	12.2	(11.3)	-	0.9	-
FUND BALANCES, END OF PERIOD	124.6	13.0	1.6	139.2	104.6

Note: In October 2000, the Board approved the reprogramming of US\$86.8 million prior-1996 unidentified funds. Before actual reprogramming of these funds however, it was discovered that US\$12.7 million had already been committed for reprogramming, against which US\$4.6 million had actually been spent as at 31 December 1999. This necessitated the reduction of the US\$86.8 to US\$74.1 million, which is the final amount subsequently reprogrammed by the Executive Director, as reported to the Board in early 2001 (WFP/EB.1/2001/INF/14). Had this been known and accounted for in 1999, the beginning balance of the multilateral funding window would have been US\$91.3 million, while the Prior 1996 would have been a deficit of US\$0.9 million, but with no overall impact on the total of US\$104.6 million.

NOTE 4.2:
SPECIFICATION OF INCOME AND EXPENDITURE BY FUNDING WINDOW
FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(US\$ million)

	EMERGENCY RELIEF				Prior-period 1998-1999
	Multilateral	Directed multilateral	Prior 1996	Total	
INCOME					
Commodity contributions in kind	-	524.0	1.9	525.9	509.1
Other contributions	94.4	1 115.7	0.8	1 210.9	989.0
Government cash contributions for local costs	-	-	-	-	-
Interest	-	-	-	-	-
Currency exchange adjustments	-	-	-	-	-
Miscellaneous income	-	-	(0.1)	(0.1)	-
Transfer of indirect support cost contributions to General Fund	(5.8)	(98.2)	-	(104.0)	(85.1)
Total income-net of transfer to General Fund	88.6	1 541.5	2.6	1 632.7	1 413.0
EXPENDITURE					
Commodities in-kind	-	524.0	1.9	525.9	509.1
Commodities purchased	35.5	296.2	(0.3)	331.4	232.3
Ocean transport and related costs	4.2	246.0	-	250.2	236.1
Landside transport, storage and handling	10.8	302.0	(0.8)	312.0	343.0
Other direct operational costs	4.2	18.7	0.2	23.1	27.9
Direct support costs	5.2	144.4	-	149.6	146.7
Programme support and administrative	-	-	-	-	-
Total expenditure	59.9	1 531.3	1.0	1 592.2	1 495.1
EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE	28.7	10.2	1.6	40.5	(82.1)
Fund balances, beginning of period	24.6	(75.2)	110.3	59.7	155.0
Reprogramming of unused fund balances	-	-	(81.6)	(81.6)	(13.2)
Refund of unused fund balances	-	(0.4)	(2.1)	(2.5)	(1.5)
Prior-period adjustments	(5.5)	(0.5)	5.5	(0.5)	-
Savings on cancellation of prior-period obligations	-	-	-	-	-
Transfers between funds and accounts	-	1.7	-	1.7	1.5
Transfers to/(from) reserves	(17.0)	-	(7.2)	(24.2)	-
Migration adjustment	4.7	(5.4)	-	(0.7)	-
FUND BALANCES, END OF PERIOD	35.5	(69.6)	26.5	(7.6)	59.7



NOTE 4.2 (continuation):
SPECIFICATION OF INCOME AND EXPENDITURE BY FUNDING WINDOW
FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(US\$ million)

	EMERGENCY RELIEF			Prior-period
	IEFR	IRA	Total	1998-1999
INCOME				
Commodity contributions in kind	525.9	-	525.9	509.1
Other contributions	1 195.4	15.5	1 210.9	989.0
Government cash contributions for local costs	-	-	-	-
Interest	-	-	-	-
Currency exchange adjustments	-	-	-	-
Miscellaneous income	(0.1)	-	(0.1)	-
Transfer of indirect support cost contributions to General Fund	(103.0)	(1.0)	(104.0)	(85.1)
Total income-net of transfer to General Fund	1 618.2	14.5	1 632.7	1 413.0
EXPENDITURE				
Commodities in-kind	525.9	-	525.9	509.1
Commodities purchased	331.4	-	331.4	232.3
Ocean transport and related costs	248.2	2.0	250.2	236.1
Landside transport, storage and handling	309.9	2.1	312.0	343.0
Other direct operational costs	23.1	-	23.1	27.9
Direct support costs	148.3	1.3	149.6	146.7
Programme support and administrative	-	-	-	-
Total expenditure	1 586.8	5.4	1 592.2	1 495.1
EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE	31.4	9.1	40.5	(82.1)
Fund balances, beginning of period	31.2	28.5	59.7	155.0
Reprogramming of unused fund balances	(48.5)	(33.1)	(81.6)	(13.2)
Refund of unused fund balances	(2.5)	-	(2.5)	(1.5)
Prior-period adjustments	(0.5)	-	(0.5)	-
Savings on cancellation of prior-period obligations	-	-	-	-
Transfers between funds and accounts	1.7	-	1.7	1.5
Transfers to/(from) reserves	(24.2)	-	(24.2)	-
Migration adjustment	3.8	(4.5)	(0.7)	-
FUND BALANCES, END OF PERIOD	(7.6)	-	(7.6)	59.7



NOTE 4.3:
SPECIFICATION OF INCOME AND EXPENDITURE BY FUNDING WINDOW
FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(US\$ million)

	PROTRACTED RELIEF AND RECOVERY				Prior-period 1998-1999
	Multilateral	Directed multilateral	Prior 1996	Total	
INCOME					
Commodity contributions in kind	85.5	133.3	0.1	218.9	172.9
Other contributions	219.4	358.4	-	577.8	348.4
Government cash contributions for local costs	-	-	-	-	-
Interest	-	-	-	-	-
Currency exchange adjustments	-	-	-	-	-
Miscellaneous income	-	-	-	-	-
Transfer of indirect support cost contributions to General Fund	(12.1)	(34.5)	-	(46.6)	(44.9)
Total income-net of Transfer to General Fund	292.8	457.2	0.1	750.1	476.4
EXPENDITURE					
Commodities in-kind	87.4	131.4	0.1	218.9	172.9
Commodities purchased	36.9	102.9	-	139.8	79.5
Ocean transport and related costs	44.9	81.0	-	125.9	81.5
Landside transport, storage and handling	35.7	136.1	-	171.8	118.8
Other direct operational costs	3.6	3.7	-	7.3	3.5
Direct support costs	23.2	76.7	-	99.9	54.3
Programme support and administrative	-	-	-	-	-
Total expenditure	231.7	531.8	0.1	763.6	510.5
EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE	61.1	(74.6)	-	(13.5)	(34.1)
Fund balances, beginning of period	(16.2)	57.3	9.6	50.7	120.2
Reprogramming of unused fund balances	-	-	(14.3)	(14.3)	(34.7)
Refund of unused fund balances	-	-	(0.1)	(0.1)	(0.8)
Prior-period adjustments	(7.5)	-	7.5	-	-
Savings on cancellation of prior-period obligations	-	-	-	-	-
Transfers between funds and accounts	-	-	-	-	-
Transfers to/(from) reserves	0.7	-	-	0.7	-
Migration adjustment	3.1	(3.3)	-	(0.2)	-
FUND BALANCES, END OF PERIOD	41.2	(20.6)	2.7	23.3	50.6



NOTE 4.4:
SPECIFICATION OF INCOME AND EXPENDITURE BY FUNDING WINDOW
FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(US\$ million)

	SPECIAL OPERATIONS				Prior-period 1998-1999
	Multilateral	Directed multilateral	Prior 1996	Total	
INCOME					
Commodity contributions in kind	-	-	-	-	-
Other contributions	-	72.1	(0.9)	71.2	74.2
Government cash contributions for local costs	-	-	-	-	-
Interest	-	-	-	-	-
Currency exchange adjustments	-	-	-	-	-
Miscellaneous income	-	-	-	-	-
Transfer of indirect support cost contributions to General Fund	-	(4.0)	0.1	(3.9)	(5.3)
Total income-net of transfer to General fund	-	68.1	(0.8)	67.3	68.9
EXPENDITURE					
Commodities in-kind	-	-	-	-	-
Commodities purchased	-	-	-	-	-
Ocean transport and related costs	-	0.5	-	0.5	-
Landside transport, storage and handling	-	-	-	-	-
Other direct operational costs	-	49.7	(0.1)	49.6	37.7
Direct support costs	-	17.0	(2.1)	14.9	30.9
Programme support and administrative	-	-	-	-	-
Total Expenditure	-	67.2	(2.2)	65.0	68.6
EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE	-	0.9	1.4	2.3	0.3
Fund balances, beginning of period	-	9.5	(0.7)	8.8	8.9
Reprogramming of unused fund balances	-	(1.9)	(0.7)	(2.6)	(0.3)
Refund of unused fund balances	-	(0.6)	-	(0.6)	-
Prior-period adjustments	-	-	-	-	-
Savings on cancellation of prior-period obligations	-	-	-	-	-
Transfers between funds and accounts	-	-	-	-	-
Transfers to/(from) reserves	-	2.1	-	2.1	-
Migration adjustment	-	-	-	-	-
FUND BALANCES, END OF PERIOD	-	10.0	0.0	10.0	8.9



NOTE 4.5:
SPECIFICATION OF INCOME AND EXPENDITURE
FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(US\$ million)

	GENERAL FUND											Prior period 1998-1999
	Programme support and administrative costs*	Other General Fund	Special Accounts								Total	
			Financial Management Improvement Programme	Public Affairs Branch**	Self- insurance account	Flight 3275 Kosovo disaster	TC/IT Standby equipment & services	JPO fees	UNHRD	Loan and investment		
INCOME												
Commodity contributions in-kind	-	-	-	-	-	-	-	-	-	-	-	-
Other contributions	-	10.3	0.2	-	-	0.1	0.4	0.3	2.6	-	13.9	9.6
Government cash contributions for local costs	2.4	0.6	-	-	-	-	-	-	-	-	3.0	2.4
Interest	-	73.2	0.8	-	2.5	-	-	-	-	5.1	81.6	73.2
Currency exchange adjustments	-	(4.4)	-	-	-	-	-	-	-	-	(4.4)	0.7
Miscellaneous income	-	1.4	-	-	16.1	-	-	-	-	-	17.5	15.3
Transfer of indirect support cost contributions to General Fund	188.5	-	-	-	-	-	-	-	-	-	188.5	215.7
Total income-net of transfer to General fund	190.9	81.1	1.0	-	18.6	0.1	0.4	0.3	2.6	5.1	300.1	316.9
EXPENDITURE												
Commodities in-kind	-	-	-	-	-	-	-	-	-	-	-	-
Commodities purchased	-	-	-	-	-	-	-	-	0.2	-	0.2	-
Ocean transport and related costs	-	-	-	-	-	-	-	-	-	-	-	-
Landside transport, storage and handling	-	-	-	-	-	-	-	-	-	-	-	-
Other direct operational costs	-	-	-	-	7.0	-	-	-	1.5	-	8.5	4.9
Direct support costs (see Note 7)	-	-	14.3	-	0.5	3.1	-	0.2	0.6	1.3	20.0	0.4
Programme support and administrative (see Note 7)	229.6	-	-	-	-	-	-	-	-	-	229.6	247.9
Total Expenditure	229.6	-	14.3	-	7.5	3.1	-	0.2	2.3	1.3	258.3	253.2
EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE	(38.7)	81.1	(13.3)	-	11.1	(3.0)	0.4	0.1	0.3	3.8	41.8	63.7
Fund balances, beginning of period***	-	19.0	12.5	0.3	19.6	-	-	-	-	-	51.4	94.0
Reprogramming of unused fund balances (see Note 15)	-	(0.8)	-	-	-	-	-	-	-	-	(0.8)	-
Provisions for prior after-service medical costs	-	-	-	-	-	-	-	-	-	-	-	(44.8)
Refund of unused fund balances	-	-	-	-	-	-	-	-	-	-	-	-
Prior-period adjustments (see Note 3)	-	0.5	-	-	-	-	-	-	-	-	0.5	-
Savings on cancellation of prior-period obligations	4.3	-	-	-	-	-	-	-	-	-	4.3	4.4
Transfers between funds and accounts (see Note 14)	-	(9.3)	6.3	-	-	3.0	-	-	-	-	(0.0)	(9.0)
Transfer to/(from) reserves (see Notes 17, 18 and 19)	-	(33.4)	-	-	-	-	-	-	-	-	(33.4)	(13.5)
FUND BALANCES, END OF PERIOD	(34.4)	57.1	5.5	0.3	30.7	-	0.4	0.1	0.3	3.8	63.8	94.8

* See also Note 6.

** Income and expenditures cannot be rounded to the nearest thousand.

*** The difference of 0.1 between the US\$51.3 million ending fund balance of the previous biennium and the US\$51.4 million total beginning fund balance of the current biennium is due to rounding. See also Note 2.J.



NOTE 4.6:
SPECIFICATION OF INCOME AND EXPENDITURE
FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(US\$ million)

	TRUST FUNDS								Prior-period 1998-1999
	Junior Professional Officer scheme	Bilateral operations	Quality Improvement and other trust funds	Disaster Mitigation	Gender activities	Airlift activities Operation Lifeline Sudan	Institutional Strengthening Programme	Total	
INCOME									
Commodity contributions in kind	-	-	-	-	-	-	-	-	-
Other contributions	10.5	55.4	6.8	(0.1)	0.1	16.7	7.5	96.9	65.2
Government cash contributions for local costs	-	-	-	-	-	-	-	-	-
Interest	0.3	5.6	0.1	0.5	-	-	0.4	6.9	6.9
Currency exchange adjustments	-	-	-	-	-	-	-	-	-
Miscellaneous income	-	-	-	-	-	-	-	-	-
Transfer of indirect support cost contributions to General Fund*	(0.9)	(4.7)	(0.2)	-	-	(0.8)	-	(6.6)	(6.4)
Total income-net of transfer to General fund	9.9	56.3	6.7	0.4	0.1	15.9	7.9	97.2	65.7
EXPENDITURE									
Operational costs in commodities	-	-	-	-	-	-	-	-	-
Commodities purchased	-	17.4	-	-	-	-	-	17.4	-
Ocean transport and related costs	-	2.7	-	-	-	-	-	2.7	3.9
Landside transport, storage and handling	-	7.8	-	-	-	-	-	7.8	26.6
Other direct operational costs	-	11.4	0.4	-	-	7.0	-	18.8	40.0
Direct support costs	9.5	17.2	9.2	1.1	0.4	4.0	4.3	45.7	13.1
Programme support and administrative	-	-	-	-	-	-	-	-	-
Total expenditure	9.5	56.5	9.6	1.1	0.4	11.0	4.3	92.4	83.6
EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE**	0.4	(0.2)	(2.9)	(0.7)	(0.3)	4.9	3.6	4.8	(17.9)
Reserves and Fund balances, beginning of period	3.4	58.8	8.3	3.4	0.6	(1.6)	-	72.9	90.8
Reclassification of Prior 1996 fund balances to payable	-	-	-	-	-	-	-	-	-
Reprogramming of unused fund balances	-	-	-	(2.2)	-	-	-	(2.2)	-
Refund of unused fund balances	(0.2)	(0.8)	-	-	-	-	-	(1.0)	-
Prior-period adjustments	-	-	-	-	-	-	-	-	-
Savings on cancellation of prior-period obligations	-	-	-	-	-	-	-	-	-
Transfers between activities	-	-	-	-	-	-	-	-	-
Transfer to/(from) reserves	-	-	-	-	-	-	-	-	-
RESERVES AND FUND BALANCES, END OF PERIOD	3.6	57.8	5.4	0.5	0.3	3.3	3.6	74.5	72.9

* ISC was waived by the Executive Director pursuant to General Regulations XIII.4(d).

** The shortfalls of income over expenditure in the current biennium are covered by the income already received in previous biennia, which are reflected under beginning-of-period fund balances.



NOTE 5:
SUMMARY STATUS OF CONTRIBUTIONS AS AT 31 DECEMBER 2001
(US\$ million)

	Balance of contributions outstanding as at 1 January 2000			New contributions and contribution adjustments			Receipts			Balance of contributions outstanding as at 31 December 2001		
	Commodities*	Cash	Total	Commodities	Cash	Total	Commodities	Cash	Total	Commodities	Cash	Total
DEVELOPMENT												
Multilateral contributions	49.20	27.40	76.60	116.20	264.40	380.60	122.70	250.00	372.70	42.70	41.80	84.50
Directed multilateral contributions	15.20	27.10	42.30	35.10	101.10	136.20	40.10	68.50	108.60	10.20	59.70	69.90
Prior 96 contributions	2.00	2.80	4.80	(1.80)	(2.70)	(4.50)	0.20	0.10	0.30	0.00	0.00	0.00
Allowance for doubtful accounts				0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL DEVELOPMENT	66.40	57.30	123.70	149.50	362.80	512.30	163.00	318.60	481.60	52.90	101.50	154.40
EMERGENCIES												
Multilateral contributions	8.10	8.30	16.40	(5.70)	97.20	91.50	0.00	94.40	94.40	2.40	11.10	13.50
Directed multilateral contributions	197.80	388.00	585.80	453.90	1 536.80	1 990.70	524.00	1 115.70	1 639.70	127.70	809.10	936.80
Prior 96 contributions	0.00	0.00	0.00	1.90	0.80	2.70	1.90	0.80	2.70	0.00	0.00	0.00
Allowance for doubtful accounts	0.00	0.00	0.00	0.00	(15.30)	(15.30)	0.00	0.00	0.00	0.00	(15.30)	(15.30)
TOTAL EMERGENCIES	205.90	396.30	602.20	450.10	1 619.50	2 069.60	525.90	1 210.90	1 736.80	130.10	804.90	935.00
PROTRACTED RELIEF												
Multilateral contributions	45.00	109.00	154.00	77.00	249.80	326.80	85.50	219.40	304.90	36.50	139.40	175.90
Directed multilateral contributions	44.10	96.80	140.90	120.80	526.70	647.50	133.30	358.40	491.70	31.60	265.10	296.70
Prior 96 contributions	0.00	0.00	0.00	0.10	0.00	0.10	0.10	0.00	0.10	0.00	0.00	0.00
Allowance for doubtful accounts				0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL PROTRACTED RELIEF	89.10	205.80	294.90	197.90	776.50	974.40	218.90	577.80	796.70	68.10	404.50	472.60
SPECIAL OPERATIONS												
Multilateral contributions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Directed multilateral contributions	0.00	11.70	11.70	0.00	88.40	88.40	0.00	72.10	72.10	0.00	28.00	28.00
Prior 96 contributions	0.00	0.00	0.00	0.00	(0.90)	(0.90)	0.00	(0.90)	(0.90)	0.00	0.00	0.00
TOTAL SPECIAL OPERATIONS	0.00	11.70	11.70	0.00	87.50	87.50	0.00	71.20	71.20	0.00	28.00	28.00
GENERAL FUND												
Special accounts	0.00	0.00	0.00	0.00	5.90	5.90	0.00	3.60	3.60	0.00	2.30	2.30
General Fund	0.00	0.40	0.40	0.00	12.90	12.90	0.00	10.30	10.30	0.00	3.00	3.00
TOTAL GENERAL FUND	0.00	0.40	0.40	0.00	18.80	18.80	0.00	13.90	13.90	0.00	5.30	5.30
TRUST FUNDS												
JPO scheme	0.00	0.00	0.00	0.00	15.20	15.20	0.00	10.50	10.50	0.00	4.70	4.70
Bilateral operations	0.00	0.00	0.00	11.20	85.40	96.60	0.00	55.40	55.40	11.20	30.00	41.20
Quality Improvement and other trust funds	0.00	0.00	0.00	0.00	17.50	17.50	0.00	14.30	14.30	0.00	3.20	3.20
Disaster mitigation	0.00	0.00	0.00	0.00	(0.10)	(0.10)	0.00	(0.10)	(0.10)	0.00	0.00	0.00
Gender activities	0.00	0.00	0.00	0.00	0.10	0.10	0.00	0.10	0.10	0.00	0.00	0.00
Operation Lifeline Sudan	0.00	0.00	0.00	0.00	17.20	17.20	0.00	16.70	16.70	0.00	0.50	0.50
TOTAL TRUST FUNDS	0.00	0.00	0.00	11.20	135.30	146.50	0.00	96.90	96.90	11.20	38.40	49.60
GRAND TOTAL	361.40	671.50	1 032.90	808.70	3 000.40	3 809.10	907.80	2 289.30	3 197.10	262.30	1 382.60	1 644.90

*Commodities include cash in lieu of commodity contributions.



NOTE 6:
INDIRECT SUPPORT COST CONTRIBUTIONS
FOR THE BIENNIUM ENDED 31 DECEMBER 2001
(US\$ thousand)

	Development	Emergency relief	Protracted relief and recovery	Special Operations	Trust funds	Total	Prior-period 1998-99
Multilateral	23 218	5 828	12 094	92	-	41 232	77 350
Directed multilateral	4 168	98 207	34 458	3 918	-	140 751	131 906
<i>Prior 1996</i>	-	-	-	(113)	-	(113)	45
Bilateral	-	-	-	-	6 610	6 610	6 409
Total contributions for administrative support	27 386	104 035	46 552	3 897	6 610	188 480	215 710

Note: WFP recovers indirect support costs from contributions to the various activities under its management. These recoveries are recognized as transfers from the programme categories to the General Fund and the related expenditure under the General Fund. Indirect support costs support the execution of projects and activities but cannot be directly linked to those projects and activities' implementation.

Indirect support cost income in excess of US\$45 million pertaining to 2001 contributions was received in January 2002, but due to the accounting policy of recognizing income only upon receipt, it was not included in the ISC income of US\$188.5 million for 2000-2001.



NOTE 7:
INDIRECT SUPPORT COSTS
FOR THE YEAR ENDED 31 DECEMBER 2001
(US\$ thousand)

	Expenditure for the year 2001	Prior-period 1998-1999
Programme support and administrative costs	229 610	230 864
Special Accounts and Other General Fund	-	17 108
Total indirect support costs	229 610	247 972

Note: Programme support and administrative costs are net of currency adjustment gain of US\$5.8 million for Headquarters salaries (1998-1999, US\$2.7 million). The expenditure classified as ISC for Special Accounts and Other General Fund in the prior biennium amounting to US\$17,107,588 is now classified as DSC in the current biennium to reflect these costs as directly linked to the relevant activity or project.

**NOTE 8:
CASH AND SHORT-TERM INVESTMENTS
AS AT 31 DECEMBER 2001
(US\$ thousand)**

	Balance as at 31 December 2001	Balance as at 31 December 1999
Bank and cash holdings at Headquarters		
Bank accounts	63 133	150 784
Short-term investments	684 148	649 393
Subtotal	747 281	800 177
Bank and cash holdings at country offices		
In convertible currencies	71 591	20 253
In non-convertible currencies	785	8 450
Subtotal	72 376	28 703
Total	819 657	828 880

Note: WFP's total bank and cash holdings are managed centrally and accounted for in the General Fund for reasons of economy of scale. These bank and cash holdings are distributed among the programme category funds in Statement II, resulting in a self-balancing set of accounts for each fund.

In 2001, the definition of convertible currencies is based on the Articles of Agreements of the International Monetary Fund in which countries that have accepted Article VIII, Sections 2, 3 and 4 are considered to have convertible currencies. In 1999, the classification of convertible currencies was based on the United Nation's Currency Control Categories, which comprises four categories of currencies: free, liberal, strict and dictatorial. Free currency units, whose financial transfer to other countries is generally not bound to licenses or official permission, was used to classify currencies as convertible.

The total short-term investments of US\$684 million had a market value of US\$700,135,646 at 31 December 2001. Of the total of US\$684 million, US\$39,938,849 is part of the proceeds of the long-term loan of US\$106 million (see Note 25) and US\$46,958,191 is funding the After-Service Medical Plan Coverage accrued liabilities (see Note 21).

Included in the bank and cash holdings at country offices are bank balances of monetized funds amounting to US\$57,335,846 against liabilities of US\$57,319,202, as at 31 December 2001 (1999: US\$10,430,636).



**NOTE 9:
LONG-TERM INVESTMENTS
AS AT 31 DECEMBER 2001
(US\$ thousand)**

	Balance as at 31 December 2001	Balance as at 31 December 1999
Separation Payments Scheme (held by FAO)	18 321	18 523
Compensation Plan Reserve Fund (held by FAO)	754	782
Investment in United States Treasury STRIPS	66 288	-
Total	85 363	19 305

Note: At 31 December 2001, the market value of the investments held by FAO was US\$20,308,102; the market value of investment held in United States Treasury STRIPS was US\$65,233,768.

**NOTE 10:
OTHER ACCOUNTS RECEIVABLE
AS 31 DECEMBER 2001
(US\$ thousand)**

	Balance as at 31 December 2001	Balance as at 31 December 1999
Personnel advances	13 845.1	12 000.1
Demurrage receivable from recipient governments and suppliers	3 624.2	3 361.10
Country office receivables	15 611.8	6 892.80
Rental and refurbishment of Headquarters premises, receivable from the Italian Government*	5 838.0	13 728.00
DSC advance facility receivable	13 453.2	
Accrued interest	3 744.7	4 598.60
Other United Nations organizations	7 004.3	1 614.30
Advances to vendors**	21 095.7	
Insurance receivables	3 748.7	
Other receivables	3 497.0	4 919.50
Total	91 462.7	47 114.4

* Represents a net balance after considering rental charges and adjustments and reimbursement by the host Government totalling US\$10.9 million during the biennium.

** In the legacy systems, these are charged directly to expenditures. In WINGS, these advances are recorded as receivables and the relevant purchase orders are recorded as accrued expenditures, as explained in Note 12.



NOTE 11:
ACCOUNTS PAYABLE
AS 31 DECEMBER 2001
(US\$ thousand)

	Balance as at 31 December 2001	Balance as at 31 December 1999
Other United Nations organizations	20 901.6	29 364.5
Despatch to be offset by demurrage*	2 827.0	1 208.8
Insurance recoveries payable to donors	23 333.6	21 454.0
DSC advance to be recovered from project funds**	13 453.2	
Vendor payable (see Note 12)	25 524.1	
Other accounts payable	33 221.8	24 819.4
Total	119 261.3	76 846.7

* Net despatch earned is payable to the recipient countries.

** This represents the total amount payable by project funds to the General Fund.

NOTE 12:
OUTSTANDING OBLIGATIONS AND VENDOR PAYABLE
AS AT 31 DECEMBER 2001
(US\$ thousand)

Programme category	Balance as at 31 December 2001*			Balance as at 31 December 1999
	Outstanding obligations	Vendor payable (see Note 11)	Total	
Development	27 207.5	4 643.7	31 851.2	36 624.4
Emergency relief	96 100.7	13 829.3	109 930.0	91 287.4
Protracted relief and recovery operations	63 829.8	11 810.4	75 640.2	35 307.7
Special Operations	8 217.8	572.2	8 790.0	10 202.3
General Fund **	29 743.9	(6 139.0)	23 604.9	27 075.1
Trust funds	5 638.7	807.5	6 446.2	11 624.0
Total	230 738.4	25 524.1	256 262.5	212 120.9

* In the legacy systems, the accrued liabilities and vendor payable accounts are combined in the Outstanding Obligations account as at the end of the biennium. In WINGS, the Outstanding Obligations consist only of accrued liabilities, i.e. obligations that are covered by purchase orders or contracts but for which the goods or services are not yet received as at the end of the biennium.

In order for the Outstanding Obligations to be comparative as at 2001 and 1999, the accrued liabilities and the Vendor Payable accounts are added together in these financial statements.

** The negative Vendor Payable account of US\$6.1 million will be cleared against the relevant programme categories upon settlement of final invoices.



**NOTE 13:
PROVISIONS
AS AT 31 DECEMBER 2001
(US\$ thousand)**

Programme category	Balance as at December 2001*	Balance as at December 1999
Development	17 432	13 240
Emergency relief	146 704	86 125
Protracted relief and recovery operations	48 649	38 102
Special Operations	910	-
General Fund	14	-
Trust funds	490	2 664
Total	214 199	140 131

* These figures representing LTSH provisions are not recorded in the accounts under the new information system and are being presented here for comparative purposes only.

In the legacy systems, the estimated LTSH from the issue of the bill of lading to delivery of the commodities to their ultimate destination is recorded as Provisions, and those amounts that are later covered by purchase orders or contracts as at the end of the biennium are reclassified as Outstanding Obligations.



NOTE 14: TRANSFERS OF FUNDS

Transfers between Funds and Accounts

50. During the biennium, the following amounts were transferred between funds and accounts:
- The Cambodia Relief Operations was a pre-1996 project that was funded from bilateral agency fees. Classified under the development programme category, the project had a fund balance of US\$1,663,510 at the end of 1999, but its cumulative expenditures were reflected under the General Fund. In order to align the fund balance with the cumulative expenditures, US\$1,663,510 was transferred from the pre-1996 funding window of the development programme category to the General Fund.
 - US\$2,986,969 was transferred from the unearmarked portion of the General Fund to the Special Account—Kosovo Flight Disaster. (See Note 24.)
 - US\$6,300,000 was transferred from the General Fund to the Financial Management Improvement Programme (FMIP) special account, as this represents expenditure for systems development and enhancements. In addition, US\$2.8 million was spent as part of PSA in connection with the Systems Applications Products (SAP) Transition Project, as this was expenditure related to the clearing and migration activities. (See Note 23.)
 - A developing country contributed commodity in-kind only, valued at approximately US\$2.3 million. Other donors agreed to fund US\$822,529 of the associated costs, and the Executive Director approved the use of the General Fund to meet the balance of US\$1,706,799, in accordance with WFP General Rule XIII.4 (e).
 - The migration of fund balances of the four programme categories resulted in a net difference of US\$63,841, as follows:

Category	US\$
Development	878 419
Emergency relief	(711 817)
Protracted relief and recovery	(190 266)
Special Operations	(40 177)
Net difference	(63 841)

These differences were adjusted, and the net difference was credited to the General Fund.



Transfers to/from Reserves

51. Effective 1 January 2001, and with the introduction of WINGS, the IRA was set up as a reserve in Statement I. (See Note 18.) This was done to provide a more accurate and transparent accounting of replenishments, recoveries and other related transactions affecting this account. The transfer was effected in the following manner:

	(US\$ thousand)	
Balance migrated from legacy systems and transferred to the IRA (General Fund)	32 394	
Less: amount allocated to EMOP projects in 2001	(15 374)	17 020
Add: Prior 1996 balance transferred to the IRA (General Fund)		7 215
Contributions received in 2001		15 606
Total		39 841
Less: amounts allocated to other projects in 2001:		
PRRO	(732)	
SO	(2 087)	(2 819)
Balance of IRA, 31 December 2001:		37 022

52. The Operational Reserve was replenished by a transfer of US\$13,454,770 from the General Fund, as approved by the Board in October 2000. (See Note 17.)
53. In October 2001, the Board authorized the one-off use of the General Fund to fund WFP's share of the 2002–2003 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. 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 the budgeted amount has been transferred to this account.

NOTE 15: REPROGRAMMING AND REFUND OF UNUSED FUNDS

Reprogramming

54. Unused fund balances were reprogrammed as follows (see also Statement I):

	US\$ thousand
Approved by the Executive Board in October 2000	86 800
Reprogramming of identified prior-1996 funds approved by respective donors	7 943
Reprogramming of surrendered prior-period obligations	2 344
Disaster Mitigation trust fund	2 149
SO project fund balance reprogrammed for the Special Account—UNHRD ¹	1 877
Reprogramming from old Special Emergency Operation projects to bilaterals	789
Others	325
Total	102 227

¹ United Nations Humanitarian Response Depot.



Prior-1996 Unused Fund Balances

55. At the end of 1999, a total of US\$122,885,554 (see Notes 4.1 to 4.4) remained under the prior-1996 funding window. Of this amount, US\$36,011,807 refers to unused fund balances that were identified as coming from specific donors, while US\$86,873,747 refers to an accumulation of project surpluses from the time WFP started operations up to the end of 1995 that could no longer be identified as coming from specific donors.
56. The identified donors were notified, and with the agreement of those who responded, the related unused balances were either reprogrammed or refunded during the biennium. A balance of US\$17,363,905 is still awaiting donor responses.
57. In October 2000, the Board approved the reprogramming of the US\$86.8 million for development, emergency and PRRO operations, as well as for the IRA; the transfer of funds to their respective programme categories was recorded in 2001. After the transfer, analysis was done of all contributions and expenditures recorded under the R<F starting in 1996 in order to clean up contribution balances prior to migration. This exercise gave rise to additional unidentified prior-1996 fund balances.
58. The prior-1996 funding window has a balance of US\$30,821,208, as at 31 December 2001, computed as follows:

	Identified	Unidentified (US\$ thousand)	Total
Balance as at 31 December 1999	36 012	86 874	122 886
Reprogramming approved by the Board in October 2000		(86 800)	(86 800)
Adjustments/transactions during the biennium			
Adjustments of prior-1996 income and expenditure	186	635	821
Reversal of 1996 expenditures charged against prior-1996		15 838	15 838
Reinstatement of surrendered prior-1996 obligations		(2 344)	(2 344)
Reversal of consumed stocks		(284)	(284)
Reprogramming and refund	(9 955)	(137)*	(10 092)
Transfers between funds and accounts	(1 664)		(1 664)
Transfers to IRA	(7 215)		(7 215)
Other adjustments		(325)	(325)
Balance as at 31 December 2001	17 364	13 457	30 821

* The amount of US\$136,895 was refunded to a donor from unidentified funds when the balance was subsequently confirmed.

Re-programming to UNHRD Brindisi

59. An amount of US\$1,873,844 from the beginning fund balance under the Special Operations programme category was transferred to Special Account—United Nations Humanitarian Response Depot (UNHRD). (See Note 26.)

Refund

60. The total amount refunded to donors during the biennium was US\$4,154,125. At the request of donors, US\$1,750,398 was disbursed while US\$2,403,727 was transferred to the donors' trust fund general account.



NOTE 16: CENTRAL EMERGENCY REVOLVING FUND

61. The Department of Humanitarian Affairs Central Emergency Revolving Fund (DHA-CERF) was established by the United Nations Secretary-General under United Nations General Assembly resolution 46/182, of 19 December 1991. In 2000, WFP availed itself of this facility up to US\$11 million to finance certain emergency operations. The loan was subsequently repaid in April 2001 when the operations concerned obtained funding from donors.

NOTE 17: 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. The Operational Reserve, which had a balance of US\$43,545,230 as at 31 December 1999, was replenished through a transfer of US\$13,454,770 from the General Fund, as approved by the Board in October 2000. This transfer brought the balance of the Operational Reserve back to US\$57,000,000 at 31 December 2001.
64. In May 2001, the Board approved the amendment of Financial Regulation 10.6 to allow the Executive Director to request the Board to approve the replenishment of the Operational Reserve from the unearmarked portion of the General Fund should contributions against which expenditures had been incurred prove to be uncollectable.

NOTE 18: IMMEDIATE RESPONSE ACCOUNT

65. The IRA was established by the Board, formerly the Committee on Food Aid Policies and Programmes (CFA), in December 1991 as a cash account within the IEFR 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 (ELA) with the IRA to allow the IRA also to be used for non-food-related costs.
66. With the implementation of the R<F policies in 1996, the IRA has been accounted for as a sub-category of the EMOP programme category, the other sub-category being the IEFR, with contributions reported as income when received. It has also been used for new emergency needs under PRRO and SO. Effective 1 January 2001, in order to implement it properly as a resource facility for these programme categories, the IRA is now accounted for as a reserve in the General Fund against which allocations can be made for emergency needs, whether these are under EMOP, PRRO or SO programme categories.
67. As at 31 December 2001, the IRA had a balance of US\$37,022,183 against the target level for the IRA set by the Board at US\$35 million. This target level is maintained through annual replenishment contributions from donors and, with the consent of the donors concerned, through insurance recoveries from commodity losses and interest income from bilateral funds due to the donors.



NOTE 19: DSC ADVANCE FACILITY

68. In January 1999, the Board approved the use of the General Fund as a guarantee mechanism to advance direct support costs as the need arises, in order to enable the Executive Director to ensure continued financing of DSC pending the confirmation of contributions. The DSCAF is the guarantee mechanism to implement projects that are awaiting DSC contributions.
69. During the biennial budgetary process, the Board sets the maximum level for the DSCAF. For the 2000–2001 and 2002–2003 biennia, the Board authorized the Executive Director to allot up to US\$33.0 million for the 2000–2001 biennium and \$25.0 million for the 2002–2003 biennium, for the purpose of advancing direct support costs under the DSCAF.
70. The individual advances from the DSCAF to projects are reflected as receivables of the General Fund and included in “Other receivables” in Statement II. These are also recorded as payables of the projects to the General Fund and included in “Accounts payable” 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 done on a first-in-first-out basis.
71. The amounts advanced and recovered in 2000–2001 were as follows:

	2000	2001
	(US\$ thousand)	
Total advanced	17 112	18 043
Total recovered	17 112	(4 590)
Net amount outstanding as at 31 December 2001	–	13 453

72. At the end of 2001, the unutilized portion of the DSCAF is as follows:

	US\$ thousand
Maximum amount authorized by the Board for 2000–2001 biennium	33 000
Utilized portion outstanding as at 31 December 2001	13 453
Unutilized portion of DSCAF as at 31 December 2001	19 547

NOTE 20: FIXED ASSETS—BUILDINGS AND EQUIPMENT, FURNITURE AND VEHICLES

73. The historical cost of buildings, equipment, furniture and vehicles as at 31 December 2001 is US\$130,071,613.
74. During the biennium, a total of US\$30,783,038 was acquired, while US\$15,108,793 was written off the inventory records mainly because the assets had been transferred to the recipient country or had become irreparable or obsolete.



NOTE 21: STAFF BENEFITS FUND

75. The eligible staff members of the Programme 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 April 2002 using demographic assumptions that were specific to WFP to determine the actuarial valuation of the accrued liabilities as at 31 December 2001. The Actuarial Valuation Report was issued in July 2002.

Separation Payments Scheme and Compensation Plan Reserve Fund

76. The liabilities in respect of separation entitlements accrued on behalf of the Programme's general service staff are fully covered by funds set aside and invested in the SPS operated by FAO, with an excess of US\$11,307,957. Based on the 2001 actuarial study, the accrued liabilities as at 31 December 2001 amounted to US\$7,013,039 (1999: US\$12,564,937).

77. The CPRF is a fund 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 accrued liabilities thereon based on the 2001 actuarial study amounted to US\$3,259,237 (1999: US\$588,833). Compared with the book value of the relevant funds invested with FAO, there is a deficiency of US\$2,505,351. However, this deficiency is fully covered by the excess in the SPS.

78. The historical asset values of the investment funds held by FAO are recorded in the books of WFP. (See Note 9.) As at 31 December 2001, the total of these funds exceeded the accrued liabilities by US\$8,802,606. The details are as follows:

	SPS	CPRF (US\$ thousand)	Total
Book value of investments	18 321	754	19 075
Accrued liabilities (based on 2001 actuarial valuation)	(7 013)	(3 259)	(10 272)
Excess (deficiency) of investments over liabilities	11 308	(2 505)	8 803

79. The Executive Director will recommend a strategy to the Board regarding the investments held by FAO and the net excess over accrued liabilities. In the meantime, the net excess is reflected under the liabilities in the financial statements.

After-Service Medical Coverage Plan

80. The 2001 Actuarial Valuation Report concluded that the ASMCP liabilities were US\$41,222,000. These liabilities are fully funded by short-term investments totalling US\$46,958,191. (See Note 8.) The excess of investment over accrued liabilities amounting to US\$5,736,191 is also reflected under the liabilities in the financial statements, the disposition of which will be part of the strategy to be submitted to the Board.



Other Benefits

81. The 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.
82. The Programme's estimated liability to staff in respect of accrued annual leave amounted to US\$9,294,805 at 31 December 2001 (1999: US\$5,469,626). This accrued liability is not provided for in the accounts but is recorded as current expenditure.
83. Staff liabilities for the field staff administered by the United Nations Development Programme (UNDP) could not be disclosed this biennium because of lack of information on the specific liabilities of participating agencies on the UNDP actuarial valuation report of 31 December 2001, received in July 2002.

United Nations Joint Staff Pension Fund

84. 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 22: SAVINGS ON CANCELLATION OF PRIOR-PERIOD OBLIGATIONS

85. As provided for under Financial Regulation 9.9, unliquidated obligations at the end of the 12-month period beyond the end of the biennium are recorded as savings under the General Fund. For the 2000–2001 biennium, these savings amounted to US\$4,275,097.
86. Savings on programme category funds from the prior–period expenditures could not be disclosed because of the migration of net commitments at mid-biennium.

NOTE 23: FINANCIAL MANAGEMENT IMPROVEMENT PROGRAMME

87. The FMIP was created in 1995 to help address shortcomings in WFP's capacity to manage and report on the use of its resources. It was conceived as a collection of the following integrated activities designed to improve overall financial management:
 - **Short-/medium-term developments** such as a series of low-cost, tactical information and operational support systems and applications, to provide immediate improvements until a new corporate system could be introduced. These were completed in 1998.
 - **Long-term developments** to redesign key business processes and implement a fully integrated strategic information system to meet the majority of donor and corporate information needs. This strategic system includes financial management, procurement



and human resource management, resource mobilization, programming, project management, transport and commodity-tracking processes. After an extensive evaluation of different business options, SAP was chosen in September 1998 as the enterprise software solution.

88. WINGS is WFP's new corporate information system. It covers all business processes, project management, resource management, financial and human resource management, payments, travel, payroll, transport and commodity management, and basic budget-related activities. It uses various software, the most significant of which are SAP, Oracle (for commodity tracking), Lotus Notes (for resource mobilization), and a software developed in-house (for country office cash receipts and disbursements activities).
89. Except for the human resources and payroll functions, WINGS went live in February 2001, but the financial transactions began on 1 January 2001. The payroll system was completed in time for the January 2002 payroll, while the HR phase is expected to be completed during the third quarter of 2002.
90. In the WFP Biennial Budget for the period 2002–2003, submitted to the Board in October 2001, the FMIP Special Account had increased from an original US\$37 million to US\$40 million, to cover the Strategic Integrated Management Support System (SIMMS), the Operations and Strategic Integrated System (OASIS) and the HR/Payroll system cost increases. By the end of 2001, this figure had increased to US\$43.3 million to provide funding of US\$2.6 million for the completion phase of the HR/Payroll system, and US\$700,000 for the Treasury system, which had not been part of the original FMIP plan. The increased funding came from additional PSA contributions that were included in the 2000–2001 PSA budget.
91. The total FMIP project costs consist of the following major activities:

Major activities	(US\$ thousand)
WINGS (including software, implementing partner costs and substitute staff)	32 580
Infrastructure (including connectivity, workstations)	6 100
Data warehouse and document management	800
Legacy operations	1 000
Other applications development (including COMPAS, RMS, COAGSAPINT, ² Treasury Solution)	1 820
Operational improvement	1 000
Total budget for FMIP Special Account to date	43 300
SAP Transition Project (These are expenditures related to support, data clean-up and migration which are recurring in nature)	2 800

92. For the biennium ended 31 December 2001, FMIP had a remaining balance of US\$5,487,597.31. The Special Account will be kept open to continue the full accounting of the FMIP until implementation of the HR/Payroll and the Treasury systems is completed.

² COMPAS: Commodity Movement, Processing and Analysis System, RMS: Resource Mobilization System, COAGSAPINT: Country office Accounting Guide SAP Interface.



NOTE 24: SPECIAL ACCOUNT—KOSOVO FLIGHT DISASTER

93. In response to the crash of the WFP-chartered flight KSV 3275 in Pristina on 12 November 1999, in which there were no survivors, 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.
94. The expenditures include travel costs for WFP staff and consultants, funeral arrangements, repatriation of the victims, ceremonies, accommodations provided to the victims' close family members, petty cash provision for incidental expenses, counselling and communications costs and legal and other related expenditures.
95. The *Presidenza del Consiglio* of Italy has reimbursed US\$103,985 of the expenses incurred, and this was credited to the special account. During the biennium, an additional US\$2,986,969 was transferred from the unearmarked portion of the General Fund to cover expenses that WFP continued to incur during the final resolution of issues relating to the accident, in close coordination with the other parties.
96. It is anticipated that no more expenditures will be incurred in 2002 and the special account can be closed.

NOTE 25: SPECIAL ACCOUNT—LOAN AND INVESTMENT

97. 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.
98. 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.
99. 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) and in short-term fixed-income securities (US\$39,938,849). Interest income accrued for the year 2001 amounted to US\$5,065,871.
100. 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. The special account is expected to generate interest income from the short-term investments and could provide a source of funding for WFP activities. The Executive Board, after considering proposals from the Executive Director and in consultation with the donors, will decide on the use of any surplus arising from this account.



NOTE 26: SPECIAL ACCOUNT—UNHRD

101. The UNHRD Special Account was established to account for the transactions affecting the operations of this depot that was established in Brindisi, Italy, on 1 June 2000, 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.
102. 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.
103. Prior to the establishment of UNHRD in Brindisi, Italy, WFP's warehousing activities were located in Pisa, Italy, and were funded by the Government of Italy through a Special Operations project. With the establishment of UNHRD, WFP moved its warehousing activities to Brindisi and closed the Special Operations project as at 31 December 2000. The unspent fund balance of the project amounting to US\$1,873,844 was transferred to the UNHRD Special Account.

NOTE 27: SPECIAL ACCOUNT—TC/IT STANDBY EQUIPMENT AND SERVICES

104. The telecommunications/information technology (TC/IT) Standby Equipment and Services in the General Fund 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 IT and Telecoms Emergency and Support Team (FITTEST), a small team consisting of highly qualified engineers and administrative and stock maintenance staff.
105. The TC/IT Special Account was initially funded 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. The cost of equipment used and services rendered, which was charged against PSA during the biennium, is then recovered from the relevant projects as soon as funding mechanisms are put in place. At the end of 2001, a total of US\$398,050, including interest income, had been recovered from the projects. Additional invoices totalling US\$1.4 million will be recovered from projects and credited to this account.

NOTE 28: SPECIAL ACCOUNT—JPO FEES

106. The donor contributions for the individual 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 have a more transparent accounting of the administrative costs of the JPO programme.



NOTE 29: MONETIZED FUNDS HELD IN TRUST

107. Monetized funds represent proceeds from the sale of commodities after delivery to the recipient government and spent in accordance with WFP's monetization policy. The amount reflects the cash balance at the end of the biennium and does not include any receivables or payables in respect to the managed funds. The responsibility for the management of such funds is as follows:
- The recipient government has title over the funds generated from the sale of commodities after delivery at an agreed-upon point. As a general principle, therefore, such funds are to be held and controlled by the recipient government.
 - However, when the interest of the WFP project so requires (e.g. when there is a risk of the funds being utilized for purposes other than those envisaged in the project agreement when there is slow utilization of the funds, or at the request of the recipient government itself), the relevant bank accounts are opened in the name of WFP, administered in accordance with the Programme's Financial Regulations and Rules, and treated as a "funds in trust" liability account. The amount of monetized funds held in trust at 31 December 2001 was US\$57,319,202.
 - These monetized funds, either held and controlled by the recipient government or administered by WFP, are required to be audited annually by local external auditors selected and appointed by the relevant project management. The funds are also audited by WFP's internal and external auditors in the course of their audit cycle.

NOTE 30: FUND BALANCES OF PROGRAMME CATEGORIES

108. As at 31 December 2001, fund balances under the four programme categories totalled US\$164,872,171. Of this amount, US\$49,804,039 pertains to closed projects funded from directed multilateral and Special Operations contributions. Closed projects are those for which all operational activity has been completed and all financial obligations settled. Under the four programme categories there were 172 closed projects for which financial balances were migrated to WINGS as at 31 December 2000. The balance of US\$115,068,132 pertains to projects that were completed in 2001, are ongoing or were set up in WINGS in 2001. Those projects completed in 2001 will be operationally and financially closed in 2002.
109. The breakdown of fund balances by programme category and for closed and ongoing projects is as follows:

	Closed prior migration	Ongoing	Total
	(US\$ thousand)		
Development	(3 913)	143 103	139 190
Emergency relief	17 953	(25 528)	(7 575)
Protracted relief and recovery	34 948	(11 597)	23 351
Special Operations	816	9 090	9 906
Total	49 804	115 068	164 872



110. Analysis of the 172 closed projects is ongoing, which may result in adjusted balances between closed and open projects without change to the total fund reserves and balances under each programme category. Ongoing projects show a negative balance under emergency and PRRO programme categories, because obligations are incurred against confirmed contributions.



ACRONYMS USED IN THE DOCUMENT

ASMCP	After-Service Medical Coverage Plan
CFA	Committee on Food Aid Policies and Programmes
COAGSAPINT	Country Office Accounting Guide SAP Interface
COMPAS	Commodity Movement, Processing and Analysis System
CPRF	Compensation Plan Reserve Fund
DEV	Development
DHA-CERF	Department of Humanitarian Affairs—Central Emergency Revolving Fund
DOC	Direct Operational Costs
DSC	Direct Support Cost
DSCAF	Direct Support Cost Advance Facility
ELA	Emergency Logistics Authorization Mechanism
EMOP	Emergency Operation
FAC	Food Aid Convention
FAO	Food and Agriculture Organization of the United Nations
FITTEST	Groups of Fast IT and Telecoms Emergency and Support Teams
GCCC	Government Cash Contributions for Local Costs
GF	General Fund
GL:M	General Ledger:Millennium
HR	Human Resources
ICT	Information/communications technology
IEFR	International Emergency Food Reserve
IRA	Immediate Response Account
ISC	Indirect Support Recoveries
ISP	Institutional Strengthening Programme
JPO	Junior Professional Officer
LTSH	Landslide transport, storage and handling
NGO	Non-governmental organization
OASIS	Operational and Strategic Integrated System
ODOC	Other Direct Operational Costs
PRRO	Protracted Relief and Recovery Operation
PSA	Programme Support and Administrative costs



RLTF	Resource and Long-Term Financing
RMS	Resource Mobilization System
SAP	Systems Application Product
SIMMS	Strategic Integrated Management Support System
SO	Special Operation
SPR	Standard Project Reports
SPS	Separation Payment Scheme
STRIPSUS	Seperate Trading of Registered Interest and Principal of Securities
TC/IT	Telecommunications/information technology
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
WIS	WFP Information Systems

