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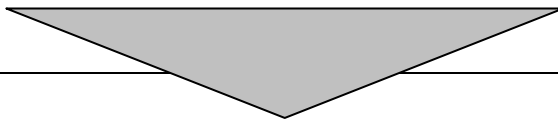
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BALANCES OF PROJECTS CLOSED PRIOR TO 2001 AND MIGRATED TO WINGS

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Note to the Executive Board



This document is submitted for approval by the Executive Board.

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

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

Chief, Contribution and Project Accounting Mr E. Whiting tel.: 066513-2701
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Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Supervisor, Meeting Servicing and Distribution Unit (tel.: 066513-2328).



Executive Summary



This document presents a preliminary status report on the financial balances, as at 31 December 2000, of closed projects migrated to WINGS. It describes the categories of financial balances in relation to confirmed and received contributions and explains the actions being taken on the disposition of the financial balances of these projects, including ongoing discussions with donors. Information is also presented on the improvements expected in the financial management of contributions and projects following the introduction of WINGS.

Draft Decision



The Board approves the document (WFP/EB.1/2002/4-B/1) and:

- Takes note of the status and of the actions being taken by the Secretariat to complete the analysis and to continue discussions with donors to clear all contributions and balances of closed projects;
- Looks forward to the report on the outcome of this exercise, to be presented with the biennial audited financial statements in October 2002; and
- Encourages donors to agree to the reprogramming of unused resources from closed projects to fund underfunded development projects and protracted relief and recovery and emergency operations.



INTRODUCTION

1. At the Third Regular Session of the Executive Board in October 2001, the Executive Director reported that in the course of implementation of the new WFP Information Network and Global System (WINGS), project information had been migrated from the old systems (WIS/GL:M). This migrated information included contributions, income and expenditures for projects that were considered closed as at 31 December 2000. However, following the migration to WINGS, the Secretariat is continuing with further analysis in the context of the biennial closure exercise. This document provides a preliminary report on the status of the analysis of closed projects that were migrated to WINGS.

LIFE CYCLE OF CONTRIBUTION, INCOME AND EXPENDITURES

2. A pledge in writing to make a multilateral or directed multilateral contribution to a programme category is considered a **confirmed contribution**. Such a contribution allows the Secretariat to start making obligations and to incur expenditures for a given project, as provided for in the Financial Regulations, even before cash is actually received. Cash is considered **income** only when it has actually been received, either against a confirmed contribution or as an outright cash contribution. Normally, whatever is confirmed as a contribution and is spent is also actually collected over time. However, at a certain date—particularly at the moment of project closure—the status of project funding (referred to here as **financial balance**) could differ from the normal situation. This occurs when, at the time of project closure, confirmed but uncollected contributions or collected contributions are more or less than what was actually spent. This was true for some of the projects that were closed prior to the migration to WINGS, and these cases constitute the basis for this report. Differences may also be found in, *inter alia*, the quantities and values of commodity contributions in kind and in the allocation of received contributions to projects/project phases; these differences are in the process of being analysed.

STATUS OF CLOSED PROJECTS

3. Closed projects are those for which all operational activity has been completed and all financial obligations settled. The migration of information from WIS/GL:M to WINGS included the financial balances for 163 development projects, emergency operations (EMOPs) and protracted relief and recovery operations (PRROs) that were closed before the end of 2000. Analysis of these migrated balances is ongoing, hence the aggregate provisional financial status of these closed projects as of the writing of this paper as disclosed in WINGS is as follows.



	US\$ million
Confirmed contributions	1 831.16
Cash/commodity received	1 661.42
Balance of confirmed contributions (to be collected or received)	169.74
Cash/commodity received	1 661.42
Actual expenditures	1 628.41
Balance of cash received and not spent	<u>33.01</u>
Aggregate net financial balance of closed projects	202.75

4. The above table indicates that a total of US\$1,831.16 million was pledged for those 163 projects, of which US\$1,661.42 million was actually received by WFP (in cash and in kind). The actual expenditures, however, were only US\$1,628.41 million. Therefore, there is a remaining cash balance of US\$33.01 million from contributions received for these projects, and a pledge balance of US\$169.74 million yet to be received. Accordingly, there is an aggregate net financial balance of US\$202.75 million.

DISAGGREGATION OF CONFIRMED AND RECEIVED CONTRIBUTIONS AND ACTUAL EXPENDITURES

5. The above information is an aggregation of the financial balances among projects as stated earlier. However, if this net financial balance is disaggregated, the result is the following project categories and required actions:

Project for which	Action required
Category 1. Confirmed contribution is more than actual expenditures	Cancel the balance of the pledge
Category 2. Confirmed contribution is less than actual expenditures	Find resources to meet the deficit
Category 3. Contribution received is less than actual expenditures (cash deficit)	Call forward contributions not yet received from donors concerned
Category 4. Contribution received is more than actual expenditures (cash surplus)	Reprogramme the resources with the consent of the donor, or refund them



6. When classified as above, 145 of the closed projects have confirmed contributions in excess of expenditures (category 1) of US\$206.14 million. Eighteen projects have confirmed contributions less than expenditures (category 2) of US\$3.39 million. In terms of contributions received or collected, 66 projects have cash deficits (category 3) of US\$119.18 million, and 97 projects have cash surpluses (category 4) of US\$152.19 million.
7. In addition to the ongoing review of the balances, the Secretariat is engaged in continuing discussions with donors, with a view to arriving at decisions on:
 - (i) the use of the balance of contributions already received;
 - (ii) contributions not yet received; and
 - (iii) proposals to seek alternative funding for those projects with confirmed contributions that are less than expenditures.
8. A report on the outcome of this exercise and on the final status of the balances of the closed projects will be submitted to the October 2002 Session of the Executive Board, together with the biennial audited financial statements.

IMPROVEMENTS RESULTING FROM WINGS

9. With the introduction of WINGS the financial management of contributions and projects will be significantly strengthened and the shortcomings of the legacy system in terms of providing accurate and up-to-date information will be overcome. In particular, WINGS contains system controls that do not allow financial commitments to be entered into or disbursements to be made without an allocation of funds, which in turn must be covered by project funding backed by confirmed contributions.
10. As WINGS contains real-time information and strong reporting tools, the status of donor contributions and the financial implementation of projects can be closely monitored. This is expected to ensure that (i) contributions are more effectively utilized in a more timely manner, (ii) delays in project implementation due to lack of financial information are promptly addressed, and (iii) reports on unspent contributions on closed projects are made available to donors on a timely basis, thereby allowing earlier consultation on the use of funds.

RECOMMENDATION

11. The Executive Director recommends that the Executive Board approve the document and:
 - take note of the status and of the actions being taken by the Secretariat to complete the analysis and to continue discussions with donors to clear all contributions and balances of closed projects;
 - look forward to the report on the outcome of this exercise, to be presented with the biennial audited financial statements in October 2002; and
 - encourage donors to agree to the reprogramming of unused resources for closed projects to fund underfunded development projects and protracted relief and recovery and emergency operations.

