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FINANCIAL MANAGEMENT IMPROVEMENT PROGRAMME (FMIP)

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NOTE TO THE EXECUTIVE BOARD

This document is submitted for consideration and approval to the Executive Board.

Pursuant to the decisions taken on the methods of work by the Executive Board at its First Regular Session of 1996, the documentation prepared by the Secretariat for the Board has been kept brief and decision-oriented. The meetings of the Executive Board are to be conducted in a business-like manner, with increased dialogue and exchanges between delegations and the Secretariat. Efforts to promote these guiding principles will continue to be pursued by the Secretariat.

The Secretariat therefore invites members of the Board who may have questions of a technical nature with regard to this document, to contact the WFP staff member(s) listed below, preferably well in advance of the Board's meeting. This procedure is designed to facilitate the Board's consideration of the document in the plenary.

The WFP focal point for this document is:

Deputy Director, FSF: E. Whiting tel.: 066513-2701

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Documentation and Meetings Clerk (tel.: 066513-2641).



BACKGROUND

1. At its Third Regular Session of 1998, the Executive Board requested that WFP put forward a proposal aimed at the full funding of the Financial Management Improvement Programme (FMIP). The proposal formulated by the Secretariat is set out below.

COST OF IMPLEMENTATION

2. It is currently estimated that 37 million United States dollars (\$) will be required to implement FMIP from its inception in 1995, through its completion in the year 2000. While this estimate has varied during the years of planning and initial implementation, it has remained largely unchanged since mid-1998. The confidence in the estimate has increased over time as: a) a much better idea of the scope of main components has become available; b) some major components have been completed; and c) a fixed-price contract for the very large finance, human resources and procurement management system has been put in place. While further cost variations cannot be ruled out, it is expected that they will be smaller than those experienced in the past.

CONTRIBUTIONS TO FMIP

3. In total, \$20.4 million has thus far been allocated to FMIP. Of this, \$7.1 million has been allocated from internal WFP resources, including interest on FMIP donations. Six donors have directly supported the effort, providing more than \$13.3 million. The last donor contribution was in July 1998.
4. Also in July 1998, the Executive Director formally established the FMIP Special Account. Among the provisions administering the Account is that interest income generated will accrue to FMIP. The interest earned between the beginning of 1996, when the Account retroactively went into effect, and the end of 1998, has been assessed at \$882,974. Table 1 details the FMIP income to 31 December 1998.



TABLE 1. FMIP INCOME TO 31 DECEMBER 1998

	Amount (USD)	Date	Purpose
WFP			
WFP—1995 PSA	690 221		General
WFP regular resources—1995–97	5 500 000		General
Interest income 1996–98	882 974		General
Subtotal—WFP	7 073 195		
Direct donor contributions			
Australia	44 000	Feb 95	Financial Analysis Support
USA through Rwanda Regional SEO	1 533 730	Mar 95	General
Other	3 000 000	Sep 95	Computer equipment/ Consultancy support
Germany	555 000	Jun 96	Commodity Tracking System
UK	3 184 600	Apr 97	General
Switzerland	500 000	Aug 97	Resource Mobilization/ Finance Management
USA	1 400 000	Nov 97	General
Japan	3 100 000	Jul 98	Procurement and Project Management
Subtotal—Donors	13 317 330		
Total income	20 390 525		

Prior advance from the General Fund

5. At its Third Regular Session of 1997, the Executive Board agreed to advance to FMIP an amount of \$10 million from the General Fund. The initial terms were that this advance would need to be repaid immediately as new contributions were received. However, at the Third Regular Session of 1998, the Secretariat requested that repayment be deferred until such time as FMIP has been fully funded. This proposal was accepted by the Board.

Current funding status and shortfall

6. With FMIP implementation expected to cost about \$37 million, and only \$20.4 million available thus far, \$16.6 million in additional funds is required to complete the programme to the current scope. With the \$10 million advance described above, it is estimated that there are sufficient funds to permit work to proceed into the third quarter of 1999. However, additional funds must be made available before then to avoid interruption in the pace of implementation. A summary of the funding status and shortfall is shown in Table 2 below.

TABLE 2: FMIP FUNDING STATUS AND SHORTFALL (million US dollars)

Funds required	37.0
Income and interest received	-20.4
Overall funding shortfall	16.6
Advance from the General Fund	-10.0
Immediate shortfall	6.6



Proposal to cover the overall funding shortfall (\$16.6 million)

7. Donors have thus far been generous in providing over \$13 million to FMIP. However, while efforts have continued over the past several months to secure further contributions to help cover the shortfall, no additional funds have recently materialized. The Secretariat does not anticipate that sufficient new contributions will emerge.
8. In the Report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) dated 18 September 1998, among other things, the Committee addressed the potential use of the unearmarked balance of the General Fund. Specifically, "*The Committee understands that the bulk of this balance constitutes interest income, and the Executive Board may wish to consider using part of this amount to fund the additional \$7.5 million [i.e. the unfunded balance at that time] required for the FMIP ...*".¹
9. The use of the General Fund to fund part of FMIP would be consistent with Recommendation 4.0 of the Report of the Formal Working Group on the Review of WFP's Resource and Long-term Financing Policies. The recommendation on the use of the General Fund refers, *inter alia*, to "*specific one-off purposes rather than recurrent items*".

RECOMMENDATION

10. In order not to jeopardize the timely completion of FMIP, the Executive Director recommends that:
 - the initial \$10 million advance from the General Fund to FMIP, approved by the Executive Board in October 1997, be converted into a grant; and
 - the unfunded balance, up to an overall FMIP cost ceiling of \$37 million, be covered through a further grant from the General Fund (at present this totals \$6.6 million).
11. Efforts will continue to secure additional contributions, and interest income accruing to the FMIP Special Account will be applied to reduce the actual amount required from the General Fund.

¹ From the *Report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ)* as contained in Agenda item 4 a) and c), report on Financial and Budgetary Matters for the Third Regular Session of the Executive Board, 19–22 October 1998.

