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Programme  
Alimentaire  
Mondial

World  
Food  
Programme

Programa  
Mundial  
de Alimentos

**Executive Board  
Third Regular Session**

**Rome, 20 - 23 October 1997**

## **FINANCIAL AND BUDGETARY MATTERS**

**Agenda item 4 a), c)  
and d)**

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6 October 1997

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## **REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS (ACABQ) (September 1997)**

The Executive Director is pleased to submit herewith the report of the ACABQ pertaining to WFP. The report covers different agenda items as follows:

- Paragraphs 1 - 36: Item 4-A - Biennial Budget for 1998-99
- Paragraph 9: Item 4-C - Proposal on use of interest income
- Paragraph 37: Item 4-D - Appointment of the External Auditor (see also Annex III)

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Reference: AC/1329

Advisory Committee on  
Administrative and Budgetary Questions

1 October 1997

Dear Ms Bertini,

Enclosed please find two copies of the report of the Advisory Committee on Administrative and Budgetary Questions on the World Food Programme's budget proposal for the 1998-1999 biennium (WFP/EB.3/97/4-A), on the proposed use of interest income (WFP/EB.3/97/4-C) and on the appointment of the External Auditor for the term July 1998-June 2002 (WFP/EB.3/97/4-D). I should be grateful if you would arrange for this to be reproduced in-verbatim and placed before the Executive Board at its forthcoming session as a complete and separate document. A printed version (in all languages) of the document should be provided to the Advisory Committee at its earliest possible opportunity.

Yours sincerely,

C.S.M. Mselle  
Chairman

Ms. Catherine Bertini  
Executive Director  
World Food Programme  
Via Cristoforo Colombo, 426  
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1. The Advisory Committee on Administrative and Budgetary Questions has considered the World Food Programme's budget proposal for the 1998-1999 biennium (WFP/EB.3/97/4-A). In addition, the Committee had before it reports on the proposed use of interest income (WFP/EB.3/97/4-C) and on the appointment of the External Auditor for the term July 1998-June 2002 (WFP/EB.3/97/4-D). During its consideration of these matters, the Committee met with the Executive Director and her colleagues who provided additional information and clarification.
2. The Advisory Committee welcomes the efforts made to take into account some of the recommendations of the ACABQ and improve the presentation of the biennial budget proposal for 1998-1999. The Committee notes that an attempt was also made to identify resources allocated for programme support and administration in the format followed by other funds and programmes of the United Nations (WFP/EB.3/97/4-A). However, in the Committee's opinion, the budget document still does not provide sufficient information to substantiate the administrative and budgetary requirements of WFP's programme activities. The Committee reiterates its view that more specific information on programme and budget performance in the previous biennium, as compared to the proposals, should be included. Narratives should be more specific, less repetitive and discuss the implementation of the previous budget elements, including explanations on deviations from the original estimates and reasons for shortcomings during the implementation phase of the operations. Furthermore, in the Committee's view, it is essential that the linkage between the programme of work and the resources available be shown in the document. These issues are further discussed in some detail below. The Committee recalls its request that information also be given on implementation of previous recommendations of the Committee.

## RESOURCES

3. As indicated in paragraphs 50-55 and Table 4 of document WFP/EB.3/97/4-A, the Executive Director has revised the estimates of resources in 1996-1997 from the original projection of \$3,091 million to \$2,801 million, or a decrease of 9.4 percent in the estimate. WFP's total delivery estimates in 1996-1997 have been revised from the original planned operational level of 5,600 thousand tons of commodities to 5,013 thousand tons, and the expenditure estimates for 1996-1997 have been revised from \$3,090 million to \$2,742 million. The Committee notes that expenditure estimates have been reduced for all expenditure categories shown in Table 4, with the exception of direct support costs, which increase from \$164 million to \$184 million, or 12.2 percent. The Advisory Committee regrets that, as requested by the Committee in paragraph 17 of its report WFP/EB.A/97/4-A/Add.2, a performance report for all the operations of WFP, including detailed explanations on the Programme Support and Administrative (PSA) budget expenditure was not submitted with the proposal for the WFP budget for 1998-1999.
4. For 1998-1999, as indicated in paragraphs 61-64 and Table 7 of document WFP/EB.3/97/4-A, WFP's estimated resources amount to \$2,491 million, reflecting a decrease of 11.1 percent as compared to the revised resources to \$2,801 million for 1996-1997. WFP's total delivery estimates are 4,381 thousand tons in 1998-1999, reflecting a



decrease of 12.6 percent as compared to revised total delivery estimates of 5,013 tons in 1996-1997. WFP's resources consist of commodities, cash and acceptable services. For 1998-1999, the resource projection of \$2,491 million includes the value of commodities in kind estimated at \$763 million, cash contributions including cash in lieu of commodities (CLC) estimated at \$1,669 million, government cash contributions towards local cost (GCCC) of \$3 million and interest and other income of \$56 million.

5. The Advisory Committee notes that for 1998-1999 the volume and value of commodities have been revised in relation to earlier projections that appeared in the WFP Strategic and Financial Plan, 1998-2001 (WFP/EB.A/97/4-A, paragraphs 110-112 and 129), considered by the Advisory Committee in its report at its Spring session 1997. In paragraph 129 of the Financial Plan, the Executive Director had proposed that the Executive Board approve the preparation of a consolidated budget for 1998-1999 of approximately \$2.9 billion based on a projection of 4,305 thousand tons of commodities. For 1998-1999, WFP's revised projection of 4,381 thousand tons (of contributions in kind and purchases), includes an estimated level of contributions of 1,441 thousand tons for development, 1,040 thousand tons for Protracted Relief Operations (PRO) and 1,900 for Emergency Operations (EMOP). As indicated in paragraphs 67, 71 and 75, the respective estimated value is \$651 million for development, \$526 million for PRO and \$1,117 million for EMOP based on the weighted average commodity price of \$304 a ton for development, \$247 a ton for PRO and \$272 for EMOP (see also WFP/EB.3/97/4-A, Tables 8, 9 and 19). Upon request, the Committee was provided with the composition of the food baskets for these three programme categories. The Committee recalls that for the 1996-1997 budget the value of commodities was based on an average price of \$250 a ton, which was approximately the average f.o.b. weighted price of commodities in 1995 (CFA: 40/4/Rev.1). The Committee sought further clarification on the change in the price level of commodities and the composition of the commodity food baskets but no further information was made available.
6. The Advisory Committee notes from Table 3 of document WFP/EB.3/97/4-A that, with respect to the level of projected resources, there is a steady decline of WFP resources, particularly in food aid resources for development and humanitarian relief operations. In this connection, the Committee was informed that WFP expects to broaden its funding base by actively seeking donations from individuals, foundations and corporate sources. The Advisory Committee was informed that a contribution of \$1 million has already been pledged. The Committee welcomes these efforts but cautions that the conditions attached to voluntary contributions, including those from the private sector, must be subject to the Financial Regulations of the Organization.
7. As indicated in paragraphs 85-89 of document WFP/EB.3/97/4-A, WFP makes provisions in its resource projections for two types of support costs, namely direct and indirect support costs. For 1998-1999 direct support costs (DSC) are estimated at \$182.4 million and cover the cost of 208 Professional staff and 1,714 Other personnel (WFP/EB.3/97/4-A, Tables 7 and 14). The Advisory Committee notes that a large proportion of the DSC resources are utilized at headquarters for activities that, in the view of the Committee, should be budgeted under WFP's programme support and administrative (PSA) budget (see paragraph 21 below).
8. Indirect support costs (ISC) cover the execution of projects and activities but are not directly linked to the individual project. Such costs are applied on the basis of rates established by the Executive Board. ISC is the main funding source for WFP's PSA budget. As shown in Table 15 of document WFP/EB.3/97/4-A, indirect support costs recoveries amount to \$188 million. The Advisory Committee notes that, on the basis of



recovery rates approved by the Executive Board for 1997, the projections of revenue generated to support the PSA budget requirements in 1998-1999 need to be supplemented by about \$23 million from interest income after taking into account \$3 million from GCCC (WFP/EB.3/97/4-A, Table 13).

9. In document WFP/EB.3/97/4-C, paragraph 11, the Executive Director proposes, *inter alia* that interest income during a current financial period should be applied to meet any shortfalls due to imbalances between an approved PSA budget and the level of indirect support cost recovery; after meeting imbalances in support cost recoveries during the current financial period, any remaining interest income earned during a current financial period would be applied, in the next financial period, to reduce support cost recovery rates, or in a manner to be decided by the Executive Board, on the basis of a recommendation made by the Executive Director. The Advisory Committee agrees with the proposal.
10. The Advisory Committee notes from paragraph 91-92 of document WFP/EB.3/97/4-A that the PSA budget is allotted on the basis of levels of operations and that expenditures are incurred evenly throughout the year, while the income from support costs recoveries is obtained when contributions are made to the WFP operations. The drawdowns from the operational reserve for purposes of financing PSA expenditures are therefore likely to be for a longer period of time than those to finance operational activities. The Committee notes that the effect that these drawdowns may have on the level of the operational reserve and on its use to meet other requirements such as those mentioned in paragraph 91 is not explained. The Committee recalls that the funding level of the operational reserve was established at \$57 million and that the Committee had recommended that appropriate action be taken to ensure that the level of the reserve is guaranteed for the purposes for which it was established (CFA: 40/4/Add.2. paragraphs 32-33).

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## PROGRAMME SUPPORT AND ADMINISTRATIVE BUDGET

11. As indicated in paragraphs 156-158 and Table 1 and 18 of document WFP/EB.3/97/4-A, the Executive Director proposes a PSA budget of \$216.9 million for 1998-1999. The Executive Director proposes further to reduce the total PSA budget requirements by approximately \$2.5 million, from “benefits and savings from streamlining the operations.” Accordingly, she requests an authorization of \$214.4 million for the PSA budget in 1998-1999 by appropriation line as shown in Tables 1 and 18.
12. The Advisory Committee is aware that the PSA budget includes elements of fixed costs and of variable costs that fluctuate with changes in the level of WFP’s operations. In the opinion of the Committee with the current steady decline in resources for WFP operations, the level of recovery of indirect support costs to cover the total costs of the PSA budget will become more and more difficult to achieve. In order to deal with this problem, the Committee notes that WFP has utilized a portion of interest income to meet the shortfall in the recovery of indirect support costs (see paragraph 8 above).
13. The Advisory Committee notes that the use of interest income to supplement the support costs recoveries has increased from \$7 million in the original PSA budget for 1996-1997 to \$14 million in the revised PSA budget for 1996-1997 and \$23 million in the proposed PSA budget for 1998-1999. In the light of the decreasing level of cash contributions and the record of collection of pledges (see CFA: 40/4/Add.2. paragraph 8), the Committee believes that the increasing use of interest income to finance shortfalls in recovery of indirect support costs will be difficult to sustain and that the PSA budget will have to be



reduced to a level more compatible with the recovery rates approved by the Executive Board. In this connection, the Committee was provided upon request with the results of the 1997 WFP cost study on indirect support cost rates. These rates, calculated as a percentage of total WFP operational and direct expenditures, are shown in the attached Annex I to this report.

14. As indicated in paragraph 93 of document WFP/EB.3/97/4-A, after a review in 1996 of WFP operations, “the Executive Director initiated large scale fundamental reform measures aimed at streamlining and decentralising WFP’s business practices, and improving the organisation’s efficiency and responsiveness.” Operational initiatives to be addressed in 1998-1999 are discussed in paragraphs 98-143 of the budget document.
15. The Advisory Committee notes that savings arising from the initiatives mentioned above appear to amount to only \$2.5 million for the PSA budget in 1998-1999 (Table 1 of WFP/EB.3/97/4-A). The Committee was informed that compared to the revised PSA estimates for 1996-1997 of \$226.4 million, the proposed PSA budget for 1998-1999 was reduced by \$21.4 million to a level of \$205 million at 1996-1997 prices. As with the past biennial budgets, WFP relies on FAO’s standard staff costs and the application of these to WFP posts resulted, in aggregate, in an increase of six percent on staff costs; however, non-staff costs have not been proposed for increase. It was further noted that the total budget of \$214.4 million is subject to re-costing when the FAO Conference approves the Lire-US dollar exchange rate in November 1997.
16. With respect to decentralization of resources from headquarters to the field, the Committee notes the proposals in paragraphs 98-99 for the organizational changes at headquarters and for further decentralization and redeployment of staff to the field, including senior managers at the D-2 level. The Committee notes that the intended net reduction at headquarters will amount to 44.5 posts (paragraph 101). This, however, is not reflected in the field offices staffing tables (see Table B2 of WFP/EB.3/97/4-A). The Committee further notes that some organizational units at headquarters (e.g., the Office of the Executive Director and the Resources and External Relations Division) continue to be “top-heavy” and no explanation is provided in the document for the large number of posts at the D-2 and D-1 level in these units, while the total of P-2 and P-3 posts has been substantially reduced (see Table B2). The Advisory Committee recommends that in her next submission the Executive Director provide this explanation.
17. Paragraphs 160-164 of the budget document discuss resources for programme support of regional and country offices. These amount to \$99,386,000 or 46 percent of the total PSA budget estimate and include \$74,090,000 for staff costs and \$25,652,000 for local operating expenses. The Advisory Committee notes that although “the PSA budget for WFP is largely determined by the programme of work to be carried out in the regional and country offices where WFP’s basic work lies”, the document does not contain any explanation on the work performed by the WFP field network; this should be corrected. The Advisory Committee requested information on the breakdown of \$25,652,000 budgeted for local operating costs, but this was not provided.
18. As shown in Tables B1 and B2 of the budget document the number of PSA posts for 1998-1999 is 1,591.5 (410 Professional, 170 National Officers, 44 United Nations Volunteers and 967.5 General Service), comprising 532.5 posts at headquarters and 1,059 in the field offices. In addition, as shown in Tables 2 and 14 of the budget document, 1,922 posts (208 Professional and 1,714 other posts) are accounted for as direct support costs of projects.



19. Table B1 of the budget document shows a number of changes in staff levels in the proposed budget for 1998-1999, as compared to those staff levels in the approved and revised budget for 1996-1997. Paragraph 137 and Table 16 of the budget document show how the post upgrades were applied in the 1996-1997 biennium. The Committee notes from paragraph 138 that the Executive Director proposes to allocate a maximum of 10 upgradings in the 1998-1999 biennium. The Committee requests that in the future information be provided as to the basis for the reclassifications.
20. As shown in Table B1 of the budget document, the total regional and country offices staff under the PSA includes 1,059 (184 Professionals, 170 National Officers, 44 UNVs and 661 General Service). These are augmented by 1,863 staff (180 Professional and 1,683 other personnel) reported under direct support costs (see Table 14 of WFP/EB.3/97/4-A) in paragraph 102 it is indicated that the foreseen reduction in operations in some countries led to the decision to reduce the number of country office Professional posts. The Committee regrets that no information is provided as to how these staff resources at regional and country offices are being utilized.
21. The Advisory Committee notes that 532.5 posts at headquarters (226 Professional and 306.5 General Service), shown in Table B1 of the budget document, are augmented by 59 posts accounted for as project posts (29 Professional and 31 other levels), which carried out responsibilities at headquarters in the Regional Bureaux and in the Financial Management Improvement Programme (FMIP) of the Finance and Information Services Division (WFP/EB.3/97/4-A, paragraph 86 and Table 14). The Advisory Committee reiterates its view that, taking into account the responsibilities of the headquarters units concerned (see paragraphs 182 and 203-205 of WFP/EB.3/97/4-A), it is not convinced that these personnel charges at headquarters should be classified as direct support costs. The Committee has indicated that excluding such costs from the PSA budget understates the actual administrative and support cost required to deliver WFP activities (CFA: 40/4/Add.2, paragraph 19).
22. Paragraphs 108-133 of the budget document discuss the Financial Management Improvement Programme (FMIP). The Advisory Committee notes that the total cost of FMIP is now estimated at about \$31.5 million over the life of the project and that donor contributions towards FMIP amount so far to \$8.8 million (paragraph 110). FMIP is expected to achieve full operational development in 1999. The Committee recalls that it had been informed that the total initial estimate for FMIP was \$18 million and that the project was expected to be completed over a three year period, namely by the end of 1997 (CFA: 40/4/Add.2 paragraph 28). The Committee was unable to ascertain the reasons for such a large increase in the cost of the project and the extension of its life to 1999.
23. In paragraph 111 it is indicated that benefits of about \$6 million a year are expected to result starting in the year 2000 and that when fully operational FMIP will also allow savings of 32.5 posts at headquarters. The Advisory Committee sought clarification on these matters and was provided with a summary of measurable benefits from FMIP (see Annex II attached to this report). The Committee recalls that it had requested the Executive Director to provide, in the context of the performance report for 1996-1997 (mentioned in paragraph 3 above), detailed information on the progress of the implementation of FMIP, indicating, *inter alia*, its scope, the various components of the project, period of implementation and sources of funding and expenditure (CFA: 40/4/Add.2, paragraph 29 and 36). The Committee regrets that this information was not submitted to the Committee. The Committee was provided with the copy of FMIP progress report No.4, covering the second quarter of 1997 and containing a summary of accomplishments to date. The



information contained in this newsletter on FMIP does not address fully the concerns of the Committee.

24. The Advisory Committee notes from paragraph 112 of the budget document that the Executive Director will continue to seek contributions from donors to cover the remaining FMIP implementation costs and that, as an interim measure, she proposes to transfer up to \$10 million from interest income to help complete the projects and activities under FMIP. In the light of the observations of the Committee, as indicated in paragraphs 9, 13 and 20 above, the Committee is unable to take a position with respect to this proposal. The Committee requests that the Executive Director prepare a full performance report on the implementation of FMIP from the start of the project and submit it to the ACABQ in the context of the next budget presentation.
25. The Committee reiterates, however, that the full level of the PSA costs, including FMIP costs, should be disclosed irrespective of whether financing comes from resources pledged for various operations of WFP or from additional contributions by donors. This, in the view of the Committee, will permit the ACABQ and the Executive Board to scrutinize and monitor the cost of such activities.
26. As indicated in paragraphs 136, 231 and Table 35 of the budget document provision for training and staff development for 1998-1999 amounts to \$3,170,000 (or about 1.5 percent of the PSA budget of \$214.4 million). This includes estimates for “counterpart training” of \$600,000 and for “field allocation” of \$580,000; moreover, the Committee notes from Table C2 that no training provisions are budgeted under “programme support country office” and that the total training provision of \$3,170,000 are distributed among headquarters units.
27. As indicated previously, the Advisory Committee is of the view that WFP should continue to make efforts to respond to the training needs of government counterparts and implementing partners, as a means to increase the capacity for execution, implementation and supervision of the assistance provided (WFP/EB.A/97/4-A/Add.2, paragraph 7). With regard to training of WFP staff, the Committee requests that, in the future, information be provided on the total number of staff trained and the corresponding categories of training, i.e., management training, finance and administration. Furthermore, in view of the greater emphasis on delegation of authority to the field (see paragraphs 98-99 of WFP/EB.3/97/4-A), the Committee agrees with the view that training should be targeted so as to create greater capacity for discharge of delegated authority. The Committee request that, in the future, information on resources spent for training that may be budgeted under projects or under direct support costs be clearly disclosed in the section on training in the budget document.
28. Paragraphs 220-235 of the budget document discuss the main object of expenditure of the PSA budget and Table C1 shows the proposed PSA budget for 1998-1999 as compared to the revised budget for 1996-1997 by major object of expenditure. The Committee notes that the reasons for volume changes from 1996-1997 in the various object of expenditure of the PSA budget are not explained.
29. As indicated in paragraph 222 and Table 31, staff costs of \$155,943,000 do not include provision for funding after-service medical liabilities and “should the Executive Board take a decision to make provision for such liabilities, the staff cost component of the budget will need to be revised accordingly.” The Advisory Committee recalls the Executive Director had proposed the establishment of a fund to finance after-service medical liabilities to be funded from future surpluses (WFP/EB.A/97/4-E). In this connection, the Committee had





been informed that the surpluses in question would be those at the full disposal of WFP and not earmarked for special purposes. The Committee noted that the Executive Director's recommendations had not been accompanied by precise financial implications and that other options for funding had not been presented (WFP/EB.97/4-A/Add.2, paragraph 18). The Committee reiterates its view that, taking into account the need for precise financial implications and bearing in mind the projected decline in reserves available for food aid, the Executive Director's proposal needs to be carefully assessed and all options considered, including the possible adjustment of premiums (WFP/EB.A/97/4-A/Add.2, paragraph 20).

30. As indicated in paragraphs 141-143, the Executive Director intends to move the WFP headquarters to the Parco dei Medici building during the first quarter of 1998. The Italian authorities had approved the Parco dei Medici building as WFP's new headquarters. The costs for all customary obligations, including legal standards and installations for the building are expected to be met by the building's owner. The Advisory Committee notes from paragraphs 143 and 151 that the Executive Director requests authority from the Executive Board to borrow up to \$10 million from the Operational Reserve to meet "fit-up" costs. It is indicated that it would be her intention to try to recover most of the expenses from the Host Government during the biennium.
31. The Advisory Committee notes that no information is provided in the document as to how the \$10 million advance from the operational reserve would be utilized in connection with the move to the new premises. The Committee recalls that, in regard to a similar request to undergo major refurbishing of the WFP headquarters building during 1996-1997 at the cost of also \$10 million, it had indicated that "the source of financing the cost of refurbishing the headquarters building does not obviate the need to justify the estimate, nor does it mean that the expenditure should be removed from the PSA budget." The Committee also requested detailed information on this matter to be submitted in connection with the performance report mentioned in paragraph 2 above (CFA: 40/4/Add.2, paragraph 27). The Committee regrets the lack of compliance with previous recommendations.
32. The Advisory Committee was provided upon inquiry with a preliminary budget for refurbishing the new premises at Parco dei Medici building in Rome, amounting to \$11,284,200; however, the Committee was not provided with any evidence of the intention of the Host government to reimburse WFP for this expenditure during the 1998-1999 biennium.
33. With regard to the use and replenishment of the operational reserve, the Advisory Committee recalls that in document WFP/EB.A/97/4-D, paragraph 16 (iii), the Executive Director proposed that the operational reserve would be used to "make reimbursable advances to other funds as may be established by the Executive Board for which firm pledges or other firm sources of income had been identified, up to a limit of five million dollars or not exceeding 10 percent of the Operational Reserve, whichever is less." In paragraph 22 of its report WFP/EB.A/97/4-A/Add.2, the Committee noted and endorsed the proposal of the Executive Director with respect to funding and replenishment of the operational reserve. Under the circumstances, the Committee sees no justification to use the operational reserve for the refurbishing of the new premises.
34. In paragraphs 140 and 151, in connection with the discussion on the United Nations reform, the Executive Director requests authority from the Executive Board to utilize up to \$3 million from the General Fund for the purpose of covering costs that WFP may have to incur for common premises in the field. Upon inquiry, the Advisory Committee was informed that the \$3 million estimate is a notional figure since actual common premises



cost estimates have not yet been worked out. The Committee sees no need to earmark funds at this juncture for common premises that have not yet been studied and costed. Should resources be required during the 1998-1999 biennium, they should be reflected in the performance report. Otherwise, for subsequent periods, they should be justified under the PSA budget to which they will pertain.

35. The Advisory Committee notes from paragraph 218 of the budget document that there is a contingency provision of \$400,000. The Committee understands that up to now this has not been used; it, therefore, recommends that its continued existence be reviewed.
36. The Advisory Committee has, on several occasions, identified expenditure which should be included under PSA. The Committee notes that the practice of not including this type of expenditure under PSA understates the level of the requirements. The Committee also is concerned by the fact that this procedure allows neither the Advisory Committee nor the Executive Board to fully consider these proposed expenditures.

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## **APPOINTMENT OF THE EXTERNAL AUDITOR**

37. In the document WFP/EB.3/97/4-D, the Executive Director addresses the issue of the appointment of the WFP External Auditor for the next term corresponding to the financial periods 1998-1999 and 2000-2001. The Advisory Committee recalls that it has already expressed its view on this subject, as indicated in paragraph 21 (h) of its report WFP/EB.A/97/4-A/Add.2.



## ANNEX I

**1997 WORLD FOOD PROGRAMME COST STUDY  
INDIRECT SUPPORT COST RATES**  
Based on Actual 1996 and Projected 1997 Indirect and Operational Expenditures  
(Calculated as a percentage of total operational and direct expenditures)

Programme	1997 Study (percent)	1996 Study (percent)	1995 Study (percent)
Development	16.9	13.9	14.5
EMOP	5.9	6.0	4.8
PRO	7.0	7.1	7.2
Special Operation	5.6	11.9	15.3
JPO Scheme (Note 1)	12.0	12.0	12.0
Bilateral transport	12.8	4.5	3.1
Bilateral procurement	6.8	4.0	4.7
Bilateral combined (Note 2)	9.0	4.3	3.8
<b>Average all programmes</b>	<b>9.1</b>	<b>8.6</b>	<b>8.1</b>

Note 1: Rate shown fixed by Executive Board. Support Costs in excess of this amount are distributed to other major programme categories based upon work effort indicated by JPO's participating in the work measurement survey.

Note 2: Bilateral rates are based upon 1996 actual operational expenditures.



## ANNEX II



**ANNEX III****DOCUMENT WFP/EB.A/97/4-A/ADD.2, PARAGRAPH 21 (H)**

The comments of the ACABQ on the Appointment of the External Auditor refer to paragraph 21 (h) of an earlier report of the ACABQ (document WFP/EB.A/97/4-A/Add.2) which is reproduced below.

*“Proposed Financial Regulation 14.1 and 14.2: The Committee endorses these proposals which represent current Financial Regulation 11.1 and 11.1 without change. In this connection, the Advisory Committee points out that although, up to now, WFP and FAO have both utilized the same external auditor, this need not be a requirement. The Advisory Committee understands that there has been discussion of broadening the field for the selection of External Auditors to include the private sector. The Advisory Committee recommends against any change of the current procedure. In the opinion of the Advisory Committee, to audit a public institution like WFP and in order to respond to the concerns of Member States, it is most appropriate to continue to use the External Auditors of State Members of the UN or FAO. Moreover, the Advisory Committee points out that recourse to the private sector will likely prove more costly, since it is the experience of the Advisory Committee that the contribution of audit resources by Member States is often far in excess of the amount of reimbursement that they receive.”*



## SUMMARY OF MEASURABLE BENEFITS FOR MAIN FMIP PROJECTS

Category/Project	Estimated Cost (USD)	Estimated Yearly Savings Posts (Number)	Estimated Yearly Savings Costs (USD mn)	Start of Benefit Stream	Main Benefits
<b>Development/Management</b>	3 420	n/a	n/a	n/a	
<b>Legacy Systems</b>					
- WIS/NOP Merge	360 000	n/a	270 00	1997	More efficient and faster use of the mainframe system by WFP staff.
- UNICC Options	120 000	n/a	250 00	1998	Lower charges for mainframe services.
- Other	850 000	n/a	n/a		
<b>Tactical Systems</b>	210 000	-	n/a	1996-97	Various - occurring across several business areas.
<b>Technical Architecture</b>					
- HQ/LAN Cabling	20 000	-	150 00	1997	Less down time for HQ workstations and better utilisation of Help Desk Technical staff.
- Country Off Connectivity	1 750	n/a	650 00	1998	Replacement of a share of voice communication with far cheaper data exchange. Enable the use of groupware like Lotus NOTES to improve work flows.
- Other	4 550	n/a	n/a		
<b>Strategic Systems</b>					
- Resources Management	540 000	5.5	480 00	1999	More efficient tracking of donor communications and contributions, facilitates document retrieval.
- Logistics Management (CTS)	1 050	6.0	2 65	1998-99	Operational efficiency savings, savings in system development costs and reduced training needs.
- Procurement Management	1 280	n/a	140 00	1999	More efficient management of the entire procurement process.
- Finance Management	3 470	18.5	1 57	2000	Elimination of duplication and reconciliation work, greater accuracy and timeliness of reports.
- Project Management	640 000	n/a	n/a	2000	
- Logistics Management (HQ)	1 170	n/a	n/a	2000	
- HR/Payroll	2 500	2.4	100 00	2000	More efficient HR administration, ease of entitlements admin and leave recording, fewer queries.
- Programming	1 000	n/a	n/a	2000	
<b>Information Exchange</b>					
- Data Warehouse	430 000	-	100 00	1998	Provides more targeted, accurate and timely management info, reduces the cost of report prep.
- Other	700 000	n/a	n/a	n/a	
<b>Business Process Improvements</b>	570 000	n/a	n/a	n/a	
<b>Operational Improvements</b>	1 290	n/a	n/a	n/a	
<b>Recurrent Staff Augmentation</b>	-	-	-	-	
<b>Total</b>	<b>25 920</b>	<b>32.4</b>	<b>6 36</b>		