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AUDITED BIENNIAL ACCOUNTS (2000–2001)—SECTION III

Long-Form Report of the External Auditor with Comments on Financial and Management Matters

REPORT OF THE EXTERNAL AUDITOR
ON THE FINANCIAL STATEMENTS OF THE WORLD FOOD PROGRAMME
FOR THE FINANCIAL PERIOD 1 JANUARY 2000 TO 31 DECEMBER 2001

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REPORT OF THE EXTERNAL AUDITOR ON THE FINANCIAL STATEMENTS OF THE WORLD FOOD PROGRAMME FOR THE FINANCIAL PERIOD 1 JANUARY 2000 TO 31 DECEMBER 2001

Introduction

1. The present report is being submitted on the results of the audit of the World Food Programme (WFP) for the 2000–2001 biennium. The scope of the audit was determined in compliance with Article XIV of the Financial Regulations of the Programme as well as with the Additional Terms of Reference Governing External Audit appended thereto. The audit was carried out at Headquarters and in the field offices. In 2001 and 2002, my staff visited the four newly established Regional Bureaux (RB), one Regional Office (RO) and eight Country Offices (COs) in Africa, the Middle East and Asia where they carried out financial and management audits and a review of the decentralisation process. Their observations and recommendations were reported separately to the Executive Director and have been incorporated in the present report when and where appropriate.

2. The present report, which was written in English, includes the observations and recommendations arising from the audit of the financial statements of the WFP for the period 1 January 2000 to 31 December 2001 (first part) and from the management reviews conducted (second part). The third part addresses other matters such as *ex gratia* payments, losses written off and cases of fraud or presumptive fraud.

Audit of the Financial Statements

3. My staff audited the financial statements of the WFP for the period 1 January 2000 to 31 December 2001, which were submitted by the Executive Director in accordance with Article XIII of the Financial Regulations of the Programme. The statements of *ex gratia* payments and losses written off during the financial period, defined by Financial Regulations 12.3 and 12.4, respectively, were also provided.

4. The audit was carried out in accordance with the common auditing standards of the Panel of External Auditors of the United Nations (UN), the Specialized Agencies and the International Atomic Energy Agency. These standards require that the audit be planned and carried out so as to obtain reasonable assurance that the financial statements are free of material misstatement. The Executive Director is responsible for preparing these financial statements, and I am responsible for expressing an opinion on them.

5. The audit included an examination, on a test basis, of evidence supporting the disclosures in the financial statements. Also, it included assessing the accounting principles used and the compliance with legal authority as well as evaluating the overall presentation of the financial statements. The audit enabled me to issue the unqualified audit opinion on the WFP 2000–2001 financial statements, which is reproduced on page 1 of Section II of the Audited Biennial Accounts (WFP/EB.3/2002/5-A/1/2).

Review of Management Matters

6. In addition to the audit of the accounts, my staff carried out a management review of the Treasury management of the Programme [paras. 72 to 165] as well as the implementation of the decentralisation process [paras. 166 to 211]. They also conducted a follow-up review of the implementation of the Financial Management Improvement Programme (FMIP) [paras. 212 to 263].

Previous Recommendations

7. The present report also includes comments on action taken in response to recommendations contained in previous reports when such matters remain significant enough to be brought to the attention of the Executive Board. Comments on such matters are either incorporated in the section where they belong or regrouped at the end of the report in a specific section where follow-up action is analysed and assessed.

SUMMARY OF RECOMMENDATIONS

8. The table that follows recapitulates my recommendations. As requested by the Food and Agriculture Organization (FAO) Finance Committee at its 97th session in September 2001, table 1 that follows indicates the relative priority of these recommendations (fundamental, significant or merits attention[1]) as well as the timeline for their implementation.

[1] The priority of the recommendations was classified as follows:

- Fundamental: action that is considered imperative to ensure that the Programme is not exposed to high risks. Failure to take action could result in severe financial consequences and major disruptions to the operations.
- Significant: action that is considered necessary to avoid exposure to significant risks. Failure to take action could result in irregularities, inefficiencies and disagreements, which could have significant consequences, including financial ones, and compromise the attainment of objectives.
- Merits attention: action that is considered desirable and should result in enhanced control or better value for money.

TABLE 1: RECOMMENDATIONS ISSUED WITH THEIR RELATIVE PRIORITY AND TIMELINE FOR IMPLEMENTATION

Recommendation	Priority	Timeline
Financial Matters		
➢ I reiterate my previous recommendation for the design and implementation of a comprehensive procedure, including a more specific definition of what constitutes a donor invoice, that complies with the General Rule XIII.6 and Financial Rule 104.2. [para. 15]	Significant	Before the end of 2002
➢ In view of the current intention of the WFP to generate more funding from the private sector, I recommend that a policy and detailed guidelines be established in this regard. Since the issue may have repercussions on indirect support costs, as in the case of the "Friends of WFP", the Executive Board should be consulted prior to the issuance of the fore-mentioned policy. [para. 22]	Significant	Before the end of 2003
➢ I recommend that a new accounting instruction on the computation of interest be promptly issued. [para. 29]	Merits attention	Before the end of 2002
➢ I recommend that all efforts be made to shorten the delays currently encountered in the bank reconciliation process. [para. 39]	Significant	Immediate effect
➢ I recommend that FSF reconcile on a regular basis its list of CO accounts with the COs concerned. Furthermore, I recommend that COs be reminded of the COAG prescriptions. [para. 42]	Significant	Immediate effect
➢ I recommend the following for monetised funds held in trust: - Existing discrepancies should be investigated until fully resolved. - Thereon, reconciliation between assets and liabilities should be performed on a regular basis. - As prescribed by the Executive Director's Circular, local external auditors should be appointed to audit these funds on an annual basis. [para. 43]	Significant	Immediate effect
➢ I recommend that a review be conducted with the objective of streamlining the chart of accounts. [para. 48]	Significant	Immediate effect
➢ I recommend that items still outstanding be cleared as soon as possible and that a monthly reconciliation be carried out thereafter. The prompt issuance of the Directive on "Policies and Procedures for Demurrage and Despatch" is further recommended. [para. 49]	Significant	Immediate effect
➢ I recommend that, once finalised, this document [detailed plan of action for the issuance of accounting procedures for insurance accounts, the clearance of all outstanding items and the reconciliation to be performed] be reviewed by OEDA and that progress be regularly reviewed thereafter. [para. 52]	Significant	Immediate effect
➢ I reiterate my previous recommendation to obtain accurate information on UNDP local staff accrued liabilities for appropriate disclosure in the 2002–2003 financial statements. [para. 53]	Merits attention	For the 2002–2003 biennium closure
➢ I recommend that the WFP record both its income and expenditure on an accrual basis. [para. 64]	Fundamental	For the 2004–2005 biennium at the latest
➢ I recommend that a comprehensive document on PSA expenditures be presented to the Executive Board for its review as soon as possible or, at least, well in advance of the 2004–2005 biennium budget preparation. [para. 68]	Significant	In 2003

Review of the Treasury management

➢ I recommend that the Investment Committee include more members with professional and practical treasury experience. [para. 91]	Significant	Before the end of 2002
➢ To make it a more valuable tool, I recommend that efforts be made to adopt the Investment Committee's annual work plan prior to the commencement of the year. [para. 95]	Merits attention	From the 2003 plan onwards
➢ I recommend that the preparation of the Investment Committee's meetings be improved to allow for the distribution of the provisional agenda and the documentation in a timely manner. [para. 96]	Merits attention	Immediate effect
➢ I recommend the prompt issuance of the Investment Committee's meeting minutes in line with the Rule of Procedures mentioned above. [para. 97]	Merits attention	Immediate effect
➢ Since the Executive Director's Circular does not contain any provisions relating to the submissions date of the Investment Committee's annual report nor to its content, I recommend that such be included. [para. 98]	Merits attention	Before the end of 2002
➢ I recommend that, depending on the outcome of the review of banking arrangements, such a Request for Proposal for cash management services be issued in compliance with Financial Rule 112.17. [para. 110]	Fundamental	Before mid–2003
➢ I recommend that, as part of the banking overall strategy mentioned above, the WFP continue the extension of Zero Balance Accounts. [para. 111]	Significant	Before the end of 2002
➢ Since the returns for the funds invested into the money market fund operated by the current Custodian were lower than the ones achieved by the IMs, I recommend that the level of these funds be kept to a minimum and that a competitive process be organized for this service. Since the previous tender was organized five years ago, I recommend that a new competitive process be organized for custodial services in the near future. [para. 114]	Fundamental	Before mid–2003
➢ I recommend that the Circular on investments be made more comprehensive by addressing, in particular, issues relating to the benchmark and the investment instrument quality. [para.128]	Significant	Before the end of 2002
➢ Considering that the FAO will not be in the position to implement, in the near future, the less risky strategy it had contemplated for the past four years, I recommend that the WFP take over, from the FAO, the management of its long-term assets as soon as possible. [para. 145]	Fundamental	As soon as possible
➢ I recommend that future actuarial valuations and asset/liability studies be planned well in advance to allow time for selecting an actuary through competitive bidding and including the results in the financial statements to be submitted for audit. [para. 151]	Fundamental	For the 2002–2003 biennium
➢ I recommend the following regarding foreign exchange: - An exhaustive study on the extent and implications of receipts and disbursements in currencies other than the US Dollar should be prepared and discussed by the Investment Committee. - The outcome should be formalised in an amendment to the existing policy and should be communicated to the Executive Board for information. [para. 163]	Fundamental	Study be finalised before the end of the 2002–2003 biennium

Review of the decentralisation process

➢ I recommend that, for any future establishments of Regional Offices or Bureaux, a comparative study always be conducted and kept on records. [para. 176]	Significant	Future ROs or RB
➢ I recommend the following: - A new agreement (or an amendment to the agreement concluded for the RO) should be concluded for ODY. It should notably detail the form of the present Government's contribution (rent-free premises) and indicate precisely who should pay for utilities, maintenance and repairs. - As far as the CO is concerned, once the WFP has defined its overall policy, a new agreement should be concluded. In the meantime, the situation regarding the arrears should be addressed. [para. 186]	Significant	Negotiation to be initiated in 2002
➢ I recommend that the WFP renegotiate its agreement for ODB to bring its contribution more in line with the actual costs incurred by the RB. [para. 191]	Significant	Negotiation to be initiated in 2002
➢ I recommend that prompt action be taken by all RB in order to ensure compliance with the Directive issued on 16 April 1997 for the management and control of inventory. [para. 195]	Significant	Immediate effect
➢ I recommend that it [new Directive on RB, RO and CO roles and functions] be finalised as soon as possible. [para. 201]	Merits attention	Before the end of 2002

Follow-up review of the implementation of the FMIP

➢ I recommend that the work on outstanding migration issues be pursued until all the discrepancies are fully explained, all items duly reconciled and all missing documentation duly filed. On the basis of precise estimates of the workload, deadlines should be established, closely monitored and progress regularly reviewed by OEDA. [para. 227]	Fundamental	Before the end of 2002
➢ Since this review [segregation of duties] was closely related to the one of authorised users by transaction code mentioned above, I recommend that they be completed as soon as possible. [para. 236]	Fundamental	Before the end of 2002
➢ In view of the potential risks of fraud, especially in the field, I still recommend that “vendor” master data management be centralised as soon as possible, at least at the level of the RB for all the COs in their respective area. [para. 238]	Fundamental	Before the end of 2002
➢ I recommend that a procedure be established to review batch input sessions on a regular basis. Likewise, I recommend that a similar procedure be established for the regular review of “parked” transactions or documents. [para. 240]	Significant	Before the end of 2002
➢ Since the WFP is in agreement with the suggested improvements [to the COAG-SAPInt], I recommend that they be implemented as soon as possible. [para. 242]	Significant	Before the end of 2002
➢ My recommendations for COMPAS are as follows: - The shortcomings reported for training should be addressed and documentation should be translated into other languages (Spanish and French at least) as soon as possible. - Long-term improvements should be considered on the basis of the experience of the COs, which have used it since its inception. [para. 248]	Significant	Before the end of 2002
➢ My recommendations for COAG-SAPInt are as follows: - The shortcomings reported for training should be addressed and documentation should be translated into other languages (Spanish and French at least) as soon as possible. - Priority should be given to the rollout of SAP to, at least, all large COs on the basis of adequate connectivity and training. [para. 252]	Significant	Before the end of 2002

FIRST PART: FINANCIAL MATTERS

FORMAT OF THE 2000–2001 FINANCIAL STATEMENTS

9. As detailed in Note 3 to the financial statements, several changes were made to the format of Statements I and II for the 2000–2001 biennium. During the financial period, the new WFP Information Net Global Systems (WINGS) were implemented as a result of which certain transactions and balances were no longer grouped or classified in the same way as in the past. In addition, other changes were made either to follow better the applicable accounting standards or to disclose information related to new policies. I concur with all the changes made, which are commented on in more detail in the paragraphs that follow.

STATEMENT I: COMMODITY CONTRIBUTIONS

Change in the Classification of Commodities

10. Compared to the audited biennial accounts for 1998–1999, the following change was introduced in the presentation of the 2000–2001 financial statements.

- As far as the income is concerned, the line “Commodity contributions”, which used to include Contributions in Kind (CIK) as well as Cash in Lieu of Commodities (CLC) and Commodities for Sale (CMS), had its title changed to “Commodity contributions in kind” and only included CIK. Both CLC and CMS have now been disclosed under the line “Other contributions”.
- On the expenditure side, the commodity expenditure, which was previously reported in one single line entitled “Operational costs in commodities”, was now split into two lines respectively entitled “Commodities in kind” and “Commodities purchased”. The first line was the exact counterpart of the income line “Commodity contributions” while the second line aggregated all commodities purchased, whatever the funding (CLC or CMS).

The amounts for 1998–1999 were reclassified accordingly, in order to enable a comparison with the ones disclosed for 2000–2001. I concur with this change that allows a better comparability between income and expenditure.

Commodity Valuation Methods

11. As stated by General Rule XIII.6 and Financial Rule 104.2, the valuation of commodity in kind shall be based on one of the following methods: (i) the Food Aid Convention (FAC) price (ii) the donor's invoice price or (iii) the world market price. In my report on the 1998–1999 biennium [paras. 63 to 66], I observed that, for a major donor that did not send invoices for emergency contributions, the commodities were valued at the estimated price based on the contractual document issued when the pledge was made. Since this

practice was in breach of the above-mentioned rules and led to discrepancies between estimated and actual value, I was of the opinion that clarifications were needed regarding the status of the document recognised as donor invoice. I also recommended that "*a more detailed procedure be issued and implemented by the Programme that includes the utilisation of more effective control to avoid the recurrence of such anomalies and the possibility to correctly adjust its records on actual costs*".

12. In the "Second Progress Report on the Implementation of the Recommendations in the 1998–1999 Audit Report of the External Auditor", which was examined by the Executive Board during its third regular session in 2001,[2] the following was announced. "*The process chosen is the transmission of an Excel spreadsheet by the WFP agent, that should disclose donor prices. The freight forwarder is now able regularly to submit worksheets showing actual commodity prices based on procurement documents from donors. Procedures for implementing actual commodity prices in* [WINGS] *will be prepared. WINGS include an automation facility that will allow simpler and quicker adjustment of in-kind commodity values. This facility will allow recording of in-kind commodities received based on donor invoice prices and will automatically adjust related contributions receivable*".

13. In fact, this process of entering data provided through the WFP agent was commonly used in the case of the major donor. The data forwarded by the WFP agent was taken from documentation reflecting the internal market price to the donor, which the WFP considered to represent the donor's invoice price. However, these data were not checked by the WFP in order to have the insurance that no material errors were made when the agent entered them. It would have been useful since the Programme did not have direct access to a comprehensive database of the donor internal market prices.

14. The review conducted by my staff of a judgmental sample of transactions also disclosed, for another donor, a case of commodity in kind valued on the basis of estimated prices to be subsequently confirmed. However, the data entered into WINGS at the time of the pledge confirmation were based on these estimates, which were neither revised by the donor, nor confirmed. A donor's invoice was never submitted. The Office of Internal Audit (OEDA) pointed out a similar case of non-compliance with the rules mentioned above. In fact, as indicated by the Transport and Logistics (OT) Division's response to OEDA, "*official documentation from donors showing actualised commodity prices is not available*". The Division, also confirmed to my staff that world market prices were not used either.

15. In view of the above, **I reiterate my previous recommendation for the design and implementation of a comprehensive procedure, including a more specific definition of what constitutes a donor invoice, that complies with the General Rule XIII.6 and Financial Rule 104.2.** At the time of writing this report, my staff were informed that a working group would be formed to prepare, before the end of December 2002, a directive that would detail the procedures and identify the responsible units in order to ensure compliance with the rules mentioned above.

[2] Cf. WFP/EB.3/2001/5-A/1.

STATEMENT I: OTHER CONTRIBUTIONS

Trust Fund for Logistics Capacity Assessment and Start-up Kits

16. The Executive Director approved, on 31 October 2000, the establishment of two Trust Funds, one for the Logistics Capacity Assessment (LCA) and the other for the Start-up Kits, for US$100,000 and US$500,000, respectively. However, only one fund was created in WINGS. As per Financial Regulation 1.1 "*Trust Fund" shall mean an identifiable subdivision of the WFP Fund, established by the Executive Director in order to account for a special contribution, the purpose, scope and reporting procedures of which have been agreed with the donor*". Furthermore, Financial Regulation 10.4 states that "*in respect of each bilateral contribution accepted under Regulation 10.3 of these Regulations, the Executive Director shall establish a trust fund"*. In view of the above, my staff were of the opinion that two funds should have been created and maintained in WINGS. When the issue was brought to the attention of the Programme, it argued that only one fund was created as the same donor donated both funds and the information system allowed reporting by activity. However, the commitment was made that, in the future, a separate fund would be established for each new Trust Fund approved.

Contribution from the Friends of WFP

17. In application of the Resources and Long-Term Financing (R&LTF) policies and Article XIII–2 of the General Regulations, "*each donor shall provide cash contributions sufficient to cover the full operational and support costs of its contribution*". Following their review of a judgmental sample of transactions, my staff identified that such was not the case for the contributions from "The Friends of WFP" (Friends), a non-profit organization, which acted as a conduit, in the United States of America, for contributions from individuals and corporations to the Programme.

18. However, under General Rule XIII.4 (d), *"donors providing cash contributions which are not designated in any way or are designated to the Immediate Response Account (IRA) or to Programme Support and Administration (PSA) or related activities shall not be required to provide additional cash or services to cover the full operational ad support costs related to their contribution, provided that such contributions do not result in any additional reporting burden to the Programme."* The Programme confirmed that contributions received through Friends entailed no such additional reporting burden.

19. In fact, Friends receives contributions from two distinct sources (from individuals and from corporations), deducting a portion of the contributions it receives to cover its own administrative costs, the balance being given to the Programme. From 1998 to 2000, Friends calculated the amount it deducted to cover its administrative costs as follows:

- for contributions received from individuals, 10 percent was deducted and the remaining 90 percent was given to the Programme;
- for contributions from corporations no amounts were deducted by Friends, all funds received were given to the Programme.

In turn, the Programme deducted a 7.8 percent Indirect Support Costs (ISC) rate from contributions from both sources.

20. On 7 February 2001, in response to the growing expected number of contributions and the subsequent impact on Friends' administrative costs, the Executive Director approved the following change to the method of calculating and administering the amount taken by Friends to cover its administrative costs:

- Friends would retain 7.8 percent of all contributions (from individuals and from corporations) to cover its administrative costs. The Programme would not subject the amounts received from Friends to any further ISC deduction, hence contributions received from private sources would be charged with an administrative overhead only once.
- In order to provide a sufficient cash flow over the year, Friends would receive an advance of US$100,000 from the Programme at the beginning of each year. At the end of each year, the amount deductible by Friends to cover its administrative costs would be computed on the basis of actual contributions received. Any difference would be subsequently paid to or deducted from Friends.

21. Since the following arrangements took effect as of 1 January 2000, the 7.8 percent ISC initially levied on Friends' contributions by the Programme in 2000 (US$91,168) was returned to Friends. For 2001, total funds raised by Friends amounted to US$1,689,875.96. The amount deductible for administrative costs was, therefore, US$122,273.03 and a balance of US$22,273.03 was subsequently paid back to Friends in 2002. Accounting-wise, the administrative costs levied on Friends' contributions were accounted for initially as regular ISC income and posted to the corresponding General Ledger account "Cash for indirect support costs". In addition, the US$100,000 advance made by the Programme for 2001 was accounted for initially as a deduction to income, instead of as a receivable. Following my staff's recommendations, adjustments were made to account for both more appropriately as a deduction from Friends' contributions received and an advance, respectively.

22. **In view of the current intention of the WFP to generate more funding from the private sector, I recommend that a policy and detailed guidelines be established in this regard. Since the issue may have repercussions on ISC, as in the case of the "Friends of WFP", the Executive Board should be consulted prior to the issuance of the fore-mentioned policy.** At the time of writing this report, my staff were informed that this would be one of the issues raised in respect of the R&LTF.

Government Cash Contributions for Local Costs

23. According to Financial Regulation 4.7, "*Government of recipient countries are expected to contribute a substantial portion of the costs of WFP country offices, in kind and in cash. The extent of this contribution shall be set out in an agreement between WFP and the government concerned. On the recommendation of the Executive Director, the Board may exempt specific countries from this regulation*". In Statement I, an amount of US$3 million is disclosed under the line "Government counterpart cash contributions" (GCCC). Although it represented an increase of 29 percent compared to the US$2.4 million received in the previous biennium, it was still lower than the US$3.4 million cashed in 1996–1997. It should be noted, however, that 20 COs were closed towards the end of 1997 and many of these countries had been traditionally better payers of GCCC.

24. The review conducted my staff on how GCCC were actually handled showed that little progress had been made towards an efficient and effective management. In fact, none of the following recommendations contained in my previous report [para. 77] has been implemented so far:

- "*prompt finalisation and implementation of the basic agreement to the effect that Financial Regulations be fully enforced through adequate agreements with recipient government or explicit waivers granted by the Executive Board*;
- *contributions based on these legal obligations* [to] *be accounted for as receivable*";

- issuance of "*financial rules and instructions […] to complement Financial Regulation 4.7 and provide the Programme with clear criteria and rules of procedures with respect to applicability of GCCC and valuation methods used to establish the amounts to be claimed*".

25. According to the information included in the Second Progress Report mentioned above, "*the draft basic agreement* [was] *in the final stages of completion*" in October 2001 and my staff were even provided with a copy. However, when they raised the issue again following their 2001 field missions, they were told that it should only be "*implemented in the latter half of 2002*". In fact, the Programme began a long process of updating its basic agreement with host governments in 1999 on the basis, in particular, of other United Nations organizations' agreements. A pilot project was set up in the fourth quarter of 2001 to trial the new draft of the basic agreement in seven countries, which were selected either because the current agreement was very old or there were not any. At the time of writing this report, my staff were informed that the new basic agreement has been successfully negotiated in two countries. In two others, negotiations were still on going. For the remaining three, they had not started yet. The initial reaction from host governments was not always encouraging. However, the language in the revised basic agreement was now more conducive to constructive negotiations, while also committing host governments to the principle of contributing toward WFP's local costs.

26. Still according to the Second Progress Report, the second and third recommendations should have been addressed in a "*management paper*" to be circulated "*before the end of August 2001*". At the time of writing this report, the fore-mentioned paper had still not been circulated. As per the information given to my staff, it was "*envisaged that the paper* [would] *be presented to the Executive Board at its session in February 2003*". Following its approval, a directive would also be prepared "*to give general guidance on the new financial rules and procedures, covering the recording of GCCC contributions and to ensure correct accounting treatment*". During 2001 the official requests for payment were issued through the RB, which were requested to follow-up with the COs. A more centralised approach might have been more efficient. As to the monitoring of actual payments, it left much to be desired. Currently requested amounts and corresponding payments were being tracked on an Excel spreadsheet outside of the main system. With the introduction of WINGS, a more rigorous and thorough monitoring could be put in place. However, the WFP would have first to decide to account GCCC as a receivable, as previously recommended.

27. In view of the numerous delays encountered (this issue has been repeatedly mentioned in all my reports since the first one on the 1994–95 biennium), I urge the Programme to strictly adhere to the new February 2003 deadline. Also, my staff pointed out that GCCC was a source of funding, though minor, to the PSA Budget. Since the paper on GCCC would not be ready at the same time as the paper on the review of ISC to be examined by the Executive Board during its third regular session in October 2002, my staff recommended that the latter document should at least acknowledge, in detail, the present situation of GCCC to enable the Board to have all the facts on hand for its discussion on ISC rate. The WFP agreed with this recommendation and committed itself to inform the Board "*of the present modalities of collecting and recording GCCC in October 2002*".

STATEMENT I: INTEREST

28. In Statement I, an amount of US$88.5 million is disclosed under the line "Interest" and broken down into US$81.6 million for the General Fund and US$6.9 million for

Trust Funds. Compared to the previous biennium, an increase of US$8.4 million, or 10.5 percent, was noted. In my previous report [paras. 125 to 126], I had commented on the fact that deductions were made before allocating interest income to the Trust Funds. Since the legal basis of these deductions was, in my opinion, questionable in the absence of provisions in the Financial Regulations and Rules, I recommended that this deduction practice be stated in the Financial Regulations, should the practice be continued.

29. In fact, the WFP has decided to put an end to this practice for the 2000–2001 biennium as the new information system can calculate the interest rate and make allocations. I concur with the change, also applicable to Special Accounts. The change, however, was not formalised into a new accounting instruction, to replace the former one, which has become obsolete. Furthermore, my staff noted that interest was not computed any longer on the basis of "*the average interest rate earned on US dollar investments during the period as reported by (FAO) Treasury*" as previously prescribed, but directly calculated by WINGS using the average interest earned on all cash accounts. In view of the above, **I recommend that a new accounting instruction on the computation of interest be promptly issued.**

STATEMENT I: CURRENCY EXCHANGE ADJUSTMENTS

30. In Statement I, a loss of US$4.4 million is disclosed under the line “Currency exchange adjustments” for the General Fund. In the previous biennia, there was a gain of US$1.6 million for the 1998–1999 biennium, a loss of US$7.2 million for the 1996–1997 biennium and a gain of US$1 million for the 1994–1995 biennium. The 2000–2001 loss was mainly due to the strengthening of the US Dollar against 142 out of the 181 currencies used during the whole biennium. As explained in Note 2–D to the financial statements, the reporting under the General Fund was only due to the fact that for projects, all the currency exchange adjustments were posted directly to their respective accounts and not reported separately under the line “Currency exchange adjustments”. The only exception to this accounting practice was, however, related to the currency exchange adjustments that arose at the time of the payment between the amount posted and the amount actually paid. Since it was not feasible to identify, at that stage, the individual projects concerned, the currency exchange differences, if any, were charged to the General Fund.

STATEMENT I: EXPENDITURE

Different Types of Transactions

31. As detailed in Note 2–E to the financial statements, expenditure for the 2000–2001 biennium consisted of the following three different types of transactions:

- Disbursements made during the biennium;
- Unpaid vendor accounts for goods and services received during the biennium; and
- Outstanding obligations backed up by legal commitments, such as contracts or purchase orders.

32. Since the last two types of transactions have not led to disbursements yet, the counterpart liabilities are disclosed in the balance sheet. As detailed in Note 11 to the financial statements, unpaid vendor accounts are disclosed under the line “Accounts payable”, while outstanding obligations are disclosed under the line “Outstanding

Obligations". It should be noted, however, that this represented a change compared to the previous biennium since, as disclosed in Note 12 to the financial statements, unpaid vendor accounts used to be combined with outstanding obligations in the legacy systems.

Changes in the Classification of Expenditure

33. As detailed in Note 2–E to the financial statements, expenditure was classified under the three following major cost categories:

- Direct Operational Costs (DOC) were composed of the following: cost of commodities, ocean transport and related costs, Landside Transport, Storage and Handling (LTSH) and Other Direct Operational Costs (ODOC).
- Direct Support Costs (DSC) regrouped costs directly linked to the provision of support to an operation, which would not be incurred, should that activity cease. They included staff and general non-staff costs, travel, consultants, office expenses and other services, equipment and vehicles, office rental and other DSC.
- The ISC or PSA costs represented costs incurred in staffing and operating the WFP Headquarters, RB, ROs, COs and Liaison Offices that could not be attributed directly to any programme category or activity.

34. Certain types of costs, which had been classified as DSC in previous biennia, were classified as ODOC in the current biennium. As a result, actual expenditures in the current biennium were reported using these new cost categories. Expenditure for all Special Accounts and other General Fund, which used to be classified under ISC, was reclassified as DSC. These reclassifications are duly acknowledged in Note 2-E and Note 7 to the financial statements.

STATEMENT I: REPROGRAMMING AND REFUND OF UNUSED FUND BALANCES

35. The amounts of US$102.2 million and US$4.2 million are disclosed under the lines "Reprogramming of unused fund balances" and "Refund of unused fund balances" in Statement I, respectively. Details on the reprogramming and refund are given in Note 15 to the financial statements. The reprogramming and refund carried out during the 2000–2001 biennium was the continuation of the clean-up exercise initiated in 1998–1999. As already pointed out in my previous report [paras. 59 to 60], this work would eventually have repercussions on the level of the cash balances and, therefore, on the level of interest income, which accounted for a substantial portion of the General Fund. It should be noted, however, that the decrease of the cash balance was a slow process for the following reasons:

- For the US$80 million corresponding to unidentified prior-1996 contributions that the Executive Board agreed to reprogram during its third regular session in 2000, expenditures were obligated in late 2000 but most of the disbursements against these obligations were made in 2001.
- Out of the total of US$4.2 million of unused fund balances refunded to donors, only US$1.8 million led to a cash disbursement. The balance of US$2.4 million was not disbursed but reclassified, at their request, to the respective donors' general account in their Trust Fund.

STATEMENT II: CASH AND SHORT-TERM INVESTMENTS

Comparison with Previous Biennia

36. In Statement II, an amount of US$819.6 million is disclosed under the line "Cash and short-term investments". Compared to the amount as at the end of the 1998–1999 biennium, this represented a small decrease of US$9.2 million or 1.1 percent. As detailed in Note 8 to the financial statements, short-term investments, managed externally, represented the largest portion (US$684 million or 83.5 percent) and an increase of 5.4 percent was noted compared to the situation as at 31 December 1999. For the rest, a decrease of US$87.7 million, or 58.1 percent, was noted, on the one hand, for Headquarters bank accounts, which was a positive indication. On the other hand, field bank accounts increased by US$43.7 million, or 152.2 percent. Accounts for monetised funds represented, however, the bulk of the field accounts with US$57.3 million, or 79.1 percent, compared to only US$10.4 million as at 31 December 1999.

37. As recapitulated in table 2 that follows, the slight decrease noted for the 2000–2001 biennium reversed the previous trend of steady increase since 31 December 1993, which was mainly the result of net increases in cash from operating and financing activities. It should be noted that, without the US$106 million loan from a major contributor received in December 2000, the cash assets as at 31 December 2001 would have been below the level as at the 31 December 1997.

TABLE 2: VARIATION OF CASH FLOW FOR THE PERIOD 1994–2000 (IN US$ million)

	2000–2001	1998–1999	1996–1997	1994–1995
Excess/(shortage) of income over expenditure	112.0	(35.8)	223.0	161.3
(Increase)/decrease in other accounts receivable	(44.3)	(2.3)	(17.3)	11.8
Increase/(decrease) in monetised funds held in trust	46.9	9.1		
Increase/(decrease) in outstanding obligations	18.6	34.9	2.3	24.4
Increase/(decrease) in accounts payable	42.4	51.6	1.8	(1.7)
Increase/(decrease) in provisions	(140.1)	38.3	(46.1)	(72.0)
Increase/(decrease) in staff benefits fund	1.9	64.1		
Less: Interest income	(88.5)	(80.1)	(73.8)	(54.3)
Net cash from operating activities	(51.2)	79.8	89.9	69.5
(Increase)/decrease in investments	(66.1)	(19.3)	0.0	0.0
Increase/(decrease) in loans	106.0	(2.5)	0.0	(11.0)
Add interest income	88.5	80.1	73.8	54.3
Net cash from investing and financing activities	128.4	58.3	73.8	43.3
Reprogramming of unused balances	(102.2)	(48.2)		
Refund of unused balances	(4.2)	(2.3)		
Savings on cancellation of prior period obligations	4.3	4.4	1.0	4.7
Provisions for prior after service medical fund		(44.8)		
Contributions for the Immediate Response Account	15.6			
Net cash from other sources	(86.5)	(90.9)	1.0	4.7
Net increase/(decrease) in cash assets	(9.2)	47.2	164.7	117.5
Cash and term assets at beginning of period	828.8	781.6	616.9	499.4
Cash and term assets at end of period	819.6	828.8	781.6	616.9

Bankruptcy

38. One bank located in Eastern Europe was declared bankrupt and its license was revoked by order on 1 March 2001. In application of the accounting principle of prudence, my staff recommended and the Programme agreed to provide a provision for 100 percent of the bank balance (US$132,805.28).

Bank Reconciliation

39. In my report on the 1998–1999 biennium [paras. 120 to 122], I recommended that "*the rules governing the reconciliation of bank statements be strictly adhered to*". Although improvements were noted for the 2000–2001 biennium, the reconciliation was still not done in a timely manner. For the Headquarters bank accounts as at the end of 2001, three accounts only were reconciled within the month following the receipt of the bank statement, 14 within two months and ten within three months. These delays did not shorten in 2002. As at 28 May 2002, the status of bank reconciliation in WINGS showed that the average delay for the reconciliation of bank accounts was 65 days or more than two months. My staff also noticed that six out of the seven investment accounts have not been reconciled since 31 December 2001. According to the Finance Manual, the bank statements must be reconciled with the cash books at least once a month (a decision not to reconcile more often than once a quarter may be decided by the Finance Division—FS). **I recommend that all efforts be made to shorten the delays currently encountered in the bank reconciliation process.** At the time of writing this report, the WFP was confident that delays would be reduced since they were, in particular, due to the learning process of WINGS bank reconciliation.

40. Concerning the CO bank accounts, out of a sample of 32 bank accounts, five were not supported, at the beginning of my staff's review, by the year-end reconciliation file. Furthermore, they noted, for seven accounts, a discrepancy between the balance as per the cashbook form (the reconciliation done by the CO) and the balance in WINGS as at 31 December 2001. Upon their request, adjustments were made for these bank accounts, for which differences were subsequently explained.

Monitoring of Field Bank Accounts

41. For all bank accounts opened in the name of the WFP, external confirmation of the number, types and balances of the accounts opened were sought directly from the different banking establishments concerned. On the basis of a representative judgmental sample of the responses obtained (122 or 45 percent of all CO bank accounts), a reconciliation was made with the list of field accounts maintained by the Field Support Branch (FSF). For the 17 accounts not mentioned in the FSF list, the following explanations were given:

- It turned out that five bank accounts were not WFP bank accounts when the banks concerned were asked for reconfirmation. They had, in fact, been opened notably by WFP's staff association and mistaken for WFP accounts.
- One account was, in fact, an internal bank account and one old bank account had been closed by the WFP but was still reported as active by the bank concerned.
- Three accounts were not considered as bank accounts by the WFP because they were used for investment of monetised funds.
- Four bank accounts opened to hold petty cash funds had not been reported to FSF, contrary to the prescriptions of Section 573.2 of the CO Accounting Guide (COAG).
- Three savings accounts had not been authorised by FSF, contrary to the prescriptions of Section 542.6 of the COAG.

42. In my report on the 1998–1999 biennium [para. 121], the development of a "*database to enhance a proper control and efficient data maintenance for the country office bank accounts*", operational in June 2000, was announced. In view of the above, the quality of the information kept at Headquarters was still to be improved. **I recommend that FSF reconcile on a regular basis its list of CO accounts with the COs concerned. Furthermore, I recommend that COs be reminded of the COAG prescriptions.**

Monetised Funds Held in Trust

43. As previously mentioned, bank accounts for monetised funds are reported under the line "Cash and short-term investments" for US$57.3 million. Since these funds were only entrusted to the WFP, corresponding liabilities are disclosed under the line "Monetised funds held in trust". As disclosed in Note 8 to the financial statements, a difference was noted between assets (US$57,335,846) and liabilities (US$57,319,202) amount. My staff reviewed the monetised funds for the four COs where the highest differences between assets and liabilities existed (over US$150,000). They noted that, in contradiction with the Executive Director's Circular issued in 1995, these funds had not been audited on an annual basis. For one of the COs, there have been no audits since 31 December 1996. **I recommend the following:**

- **Existing discrepancies should be investigated until fully resolved.**
- **Thereon, reconciliation between assets and liabilities should be performed on a regular basis.**
- **As prescribed by the Executive Director's Circular, local external auditors should be appointed to audit these funds on an annual basis.**

STATEMENT II: CONTRIBUTIONS RECEIVABLE

Comparison with Previous Biennium

44. An amount of US$1,644.9 million is disclosed under the line "Contributions receivable" and broken down into the different programme categories and other funds. Compared to the 1998–1999 biennium, an increase of US$612 million, or 59.3 percent, was noted. As detailed in Note 5 to the financial statements, outstanding contributions amounted to US$1,032.9 million as at 1 January 2000 but new contributions were confirmed during the biennium for an amount of US$3,809.1 million. Total receipts for the biennium amounted to US$3,197.1 million.

Provision for Contributions Receivable

45. A provision of US$11.11 million against the potential non-recovery of expenditure associated with the major donor overland costs was created in the legacy systems in the 2000 closure period. The balance of the account was migrated to the WINGS corresponding account. However, the provision was subsequently reversed on the grounds that the on-going discussions with the donor indicated that the amounts at stake could be recovered. While they welcomed the information, my staff were, however, of the opinion that, in application of the accounting principle of prudence, the provision should be reinstated and only cleared when the amounts would be recovered, as expected. The provision was indeed reinstated for 2000 and increased by US$4.2 million for 2001 to reach US$15.3 million at the end of the biennium, as disclosed in Note 5 to the financial statements.

STATEMENT II: OTHER ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Other Accounts Receivable

46. As disclosed in Statement II, other accounts receivable amounted to US$91.4 million as at 31 December 2001. Compared to the previous biennium, it had more than doubled. As detailed in Notes 10 and 19 to the financial statement, this increase was mainly due to the following:

- establishment of a DSC advance facility for US$13.4 million to record advances to projects not fully funded as at the end of the biennium; and
- reclassification of advances to vendors, mostly transporters, previously charged directly to expenditures, for US$21.1 million.

Accounts Payable

47. As at 31 December 2001, accounts payable amounted to US$119.3 million, compared to US$76.9 million for the previous biennium. The bulk of the increase was due to the following two changes introduced for the 2000–2001 biennium:

- As for other accounts receivable, the establishment of the DSC advance facility led to the addition of a new type of payable in the General Fund.
- As previously mentioned, unpaid vendor accounts, which used to be combined with outstanding obligations, were now disclosed under accounts payable for US$25.5 million.

Number of Accounts

48. Following their review of the chart of accounts, my staff noted that 89 General Ledger accounts were set up for other accounts receivable. However, 16 of them, or 18 percent, were not used and, therefore, ended up with a nil balance as at 31 December 2001. For accounts payable, they noted that 170 accounts were set up but 72, or 42 percent, were not used. At the time of writing this report, my staff were informed that many were expected to be used in the future. **I recommend that a review be conducted with the objective of streamlining the chart of accounts.**

Despatch and Demurrage Accounts

49. In my previous report [para. 140], I had recommended that outstanding amounts for despatch and demurrage, dating back more than five years for some of them, be cleared. Little progress was made in this area since the analysis of despatch and demurrage accounts was still on going at the time of writing this report. Therefore, **I recommend that items still outstanding be cleared as soon as possible and that a monthly reconciliation be carried out thereafter. The prompt issuance of the Directive on “Policies and Procedures for Demurrage and Despatch” is further recommended.**

Insurance Accounts

50. In my previous report [paras. 141 to 143], I had pointed out several areas of improvement needed for insurance accounts. In view of the numerous outstanding items for the insurance recoveries payable to donors, in particular, I considered that the clearing of all insurance accounts and the reporting to donors or the Executive Board was a matter

of urgency, for which I recommended "*rapid and effective measures*". Action was indeed taken during the 2000–2001 biennium, as a result of which, the following was noted:

- The bulk of the US$1.6 million in suspense accounts, which represented withheld amounts and recoveries, was identified and cleared. At the time of writing this report, only a balance of US$124,166.97 was outstanding.
- The corresponding shipping instructions of all the unsettled claims were progressively identified. Hence, the Accounts Branch (FSA) was able to report to the Resources and External Division (RE) US$9.9 million on 10 May 2000 and US$20.59 million on 31 August 2001, showing the details per donor of these recoveries. In turn RE, was able to inform the donors concerned and request them on their preferred manner of disposition. At the time of writing this report, however, the bulk of these amounts still had to be disposed of, either through refund to the donors, reprogramming or transfer to the IRA.

51. As already pointed out by OEDA, the cleaning-up of all insurance accounts was, however, not completed prior to the migration from the legacy to the new systems. Regarding claims against transporters, unidentified credit transactions totalling US$2.3 million still have to be cleared against specific claims. Also, my staff noted unsettled claims dating back from as early as 1994. For amounts withheld from transporters, there remained old postings dating back from 1997 to 1999, which have not yet been cleared. Furthermore, the accounting solution for the insurance related transactions (detailed recording of premium, claims, etc.) was not provided in the original design of the business requirements for the new information systems. A temporary solution for recording insurance related transactions in WINGS was, therefore, put in place.

52. In my opinion, the insurance accounts remain an area of concern. I appreciate that the Division, FS agreed to all OEDA recommendations made in May 2002, which were as follows: "*A viable accounting solution for the Self-Insurance Account in the WINGS environment must be found and implemented urgently. All Self-Insurance related accounts* [should be] *immediately reconciled and WINGS should be the source for reporting self--insurance activities.*" However, my staff did not see much progress made towards the implementation of these recommendations at the time of their own review. They asked, therefore, to be provided with a detailed plan of actions indicating notably the time frame for the issuance of accounting procedures, the clearance of all outstanding items and the reconciliation to be performed. At the time of writing this report, they were informed that the detailed planning was being prepared. **I recommend that, once finalised, this document be reviewed by OEDA and that progress be regularly reviewed thereafter.**

Staff-Benefit Funds

53. In my previous report [para. 149], I recommended that the liabilities related to the field staff managed by the United Nations Development Programme (UNDP) be evaluated and disclosed. The issue was followed up by the WFP in the course of the biennium and it received a copy of the UNDP's actuarial valuation report as at 31 December 2001. Since it did not contain, however, any information on the valuation of liabilities of participating agencies, no disclosure of WFP's liabilities could be made for the 2000–2001 biennium. At the time of writing this report, my staff were informed that the matter would be pursued with the following options to be further explored. The WFP would either provide the UNDP's Actuary with information on the staff concerned or ask its own Actuary to carry out the evaluation. **I reiterate my previous recommendation to obtain accurate information on UNDP local staff accrued liabilities for appropriate disclosure in the 2002–2003 financial statements.**

STATEMENT II: PROGRAMME SUPPORT AND ADMINISTRATION (PSA)

PSA Costs and Recovery Mechanism

54. As detailed in Note 2–E to the financial statements, PSA or ISC costs are the costs incurred in staffing and operating the WFP Headquarters, field and Liaison Offices "*that cannot be attributed directly to any programme category or activity*". For the 2000–2001 biennium, these costs are disclosed, in Statement I, under the line "Programme support and administrative" for an amount of US$229.6 million, compared to US$247.9 for the previous biennium. However, as already mentioned and detailed in Note 7 to the financial statements, expenditures for all Special Accounts and other General Fund, which used to be classified under ISC, were reclassified as DSC in 2000–2001 biennium. Without them, PSA expenditure for the 1998–99 biennium amounted to US$230.9 million.

55. As per the R&LTF policies adopted in 1995, the full cost recovery principle calls for PSA costs to be covered by GCCC and ISC levied on contributions to operational costs at pre-determined rates approved by the Executive Board. Under WFP's revised R&LTF policies, a single rate of 7.8 percent was introduced in January 2000 in line with the Executive Board's decision taken during its first regular session in 1999. As disclosed, in Statement I, under the line "Transfer of indirect support cost contributions to General Fund" and detailed in Note 6 to the financial statements, an amount of US$188.5 million was generated for the 2000–2001 biennium and transferred to fund PSA costs.

56. As already mentioned, an amount of US$3 million was generated from GCCC. In addition, as provided for under Financial Regulation 9.9 pertaining to PSA costs, unliquidated obligations at the end of the 12–month period beyond the end of the biennium were cancelled and the balance was recorded as savings under the General Fund. For the 2000–2001 biennium and as detailed in Note 22 to the financial statements, these savings on 1998–1999 obligations amounted to US$4.3 million disclosed, in Statement I, under the line "Savings on cancellation of prior period obligations".

57. In total, the funding generated from ISC income, GCCC and savings on prior period obligations (for a total amount of US$195.8 million) fell short of the US$229.6 million of PSA expenditure. Nevertheless, as detailed in the paragraphs that follow, this shortfall was mainly due to the use of different accounting policies to record PSA income and expenditure, respectively.

Different Accounting Policies for PSA Income and Expenditure

58. There are two principal accounting methods of keeping track of an organization's income and expense: cash method and accrual method (also called cash basis and accrual basis). The basic difference between the two methods is the timing of income and expense recording.

- If you use the cash method, income is counted when cash[3] is actually received and expenses are counted when actually paid.
- Under the accrual method, transactions are recorded when they happen regardless of when the money is actually received or paid. Therefore, income is recorded when it is

[3] The word "cash" is not meant literally: it also covers payments by check, credit card, etc.

earned, not when it is received. Similarly, expenses are recorded when the obligation arises, not when they are paid.

59. For financial reporting in accordance with Generally Accepted Accounting Principles (GAAP), the accrual basis of accounting must be used. Accrual basis accounting is also one of the basic underlying concepts recognised by the International Accounting Standards (IAS) and the United Nations Accounting Standards (UNAS)[4]. In this regard, UNAS 4 states the following: "*going concern, consistency and accrual are fundamental accounting assumptions, which are described below as they apply in the United Nations system. [...]Accrual - The accrual basis of accounting for revenue in each financial period means that income is recognized when it is due and not when it is received. Accrual of expenditure in each financial period means that costs are recognized when obligations arise or liabilities are incurred and not when payments are made*."

60. In line with the overall accrual basis concept, UNAS 32 prescribe the following for income from assessed contributions: "Income from assessed contributions based on legislative resolutions represents a legal obligation of contributors to the organization as from the date when it becomes due payable. Such income shall be accordingly recognized as at that date. Based on its policy the organization may make a provision for delays in the collection of the outstanding contributions. The policy regarding provision for delays in the collection of the outstanding contributions shall be stated in the notes to the financial statements."

61. Given, however, the specific nature of some resources, other accounting principles may apply on a derogatory basis. Such is notably the case for voluntary contributions, for which UNAS 33 prescribes the following: "*Voluntary contributions formally pledged represent a good-faith commitment of the contributor for the period and/or programme to which they relate. Such income should accordingly be recognized in that period. However, in the interests of prudent financial management, provision may be made as appropriate where the collection of the income so recognized is considered doubtful. In specific cases, where the pledge is deemed uncollectible, write-off action will be required. Alternatively, the income may be recognized only when funds are received*."

62. For expenditure, the accrual basis is the rule. The UNAS 37 states that "expenditure for a financial period is the sum of the disbursements and valid unliquidated obligations made against the appropriation/allocation of the period." Obligations are defined by UNAS 38 as follows: "Obligations are amounts of orders placed, contracts awarded, services received and other transactions which involve a charge against the resources of the current financial period and which will require payment during the same or a future period."

63. For the WFP, as indicated in Note 2–E to the financial statements, "all income, other than interest, is recognised when received. Interest income and all expenditure are recognised on accrual basis". Therefore, PSA income was recorded on a cash basis while PSA expenditure was recorded on an accrual basis. As a result, while the US$229.6 million of PSA expenditure mentioned above were indeed related to the 2000–2001 biennium, the US$188.5 million of ISC income and US$3 million of GCCC did not represent the true 2000–2001 income. In the case of the former and as indicated in the "Preliminary Review of the Indirect Support Cost Rate", which was examined by the Executive Board during its annual session in 2002[5], the true 2000–2001 ISC income amounted to US$201 million. On the one hand, an amount of US$32.5 million, relating to prior-period ISC, was received in

[4] Cf. Revision V dated 12 September 2001.

[5] Cf. WFP/EB.A/2002/6-A/1.

2000–2001 only and, therefore, included in application of the cash basis principle. On the other hand, an amount of US$45 million of 2000–2001 ISC income was only received in early 2002 and not included in application of the same principle.

64. Because of the timing difference created by the application of two different accounting methods, the financial statements for a given biennium do not permit, therefore, a straightforward comparison between the ISC income and the PSA expenditure. As a result, no direct judgement can be made on the appropriateness of the ISC rate levied on the contributions. A uniform method of accounting income and expenditure would eliminate such a difficulty. The preferred method would be, of course, to use the accrual basis for both income and expenditure in line with the standards mentioned above. Now that the WFP is equipped with adequate information systems, which was not the case in the past, I am of the opinion that it could safely record its income on an accrual basis. As a consequence, contributions would cease to be recorded when actually paid but would be accounted for when earned. **I recommend that WFP record both its income and expenditure on an accrual basis.** At the time of writing this report, my staff were informed that the Programme was in agreement with this recommendation. As part of its review of the current accounting conventions for income recognition, it was currently exploring ways of identifying the appropriate time when contributions could be considered as earned and accrued accordingly.

PSA Expenditure

65. In my previous report [paras. 105 to 111] I commented on the fact that, for field offices, delineation between PSA and DSC expenditures was neither clear nor backed by a consistent set of guidelines. Most ROs were funded when they were created with DSC only and later were given PSA allotments as well. One of the main and lasting emergency operations was never given any PSA allotments although a fully staffed CO was running it from its inception.

66. For the 2000–2001 biennium, most of the ROs were funded on PSA for their staffing and operating expenses, although the one for the Balkans cluster remained funded out of DSC only. The same applied to the RB for Eastern Europe when it was established on 16 July 2001. For 2002, the DSC funding continued, with the exception, though, of the Regional Director post funded on PSA. For the other newly established RB, my staff noted that they were funded on PSA. In the case of the one for Asia, however, in addition to the 30 PSA approved staffing, two more professional posts (one Regional Programme Advisor and one Liaison Officer) were funded under DSC relating to operations in two Asian countries.

67. Also it was decided that, for the 2000–2001 biennium, each CO would receive, as a minimum, PSA funds for one international professional, two National Officers (NOs) and three general service staff, plus US$55,000 per year for local operating expenses. In fact, most of the COs got this so-called “1–2–3 US$55,000” minimum PSA funding, with the notable exception of one CO, though, only funded through DSC. As already acknowledged by the Programme, this minimum PSA funding proved to be insufficient especially for COs without any emergency operations and, therefore, limited DSC allotments. As a result, some COs had no choice other than to charge some of their PSA-related expenses like rental and utilities costs to DSC or ODOC.

68. In spite of the improvements made, I am of the opinion that the Programme should define, in a more precise and realistic manner, the expenditures that are of PSA nature. Since PSA costs are mainly funded through the ISC income levied on contributions, the nature and extent of PSA expenditures should be reviewed by the Executive Board. **I**

recommend that a comprehensive document on PSA expenditures be presented to the Executive Board for its review as soon as possible or, at least, well in advance of the 2004–2005 biennium budget preparation.

Recovery Rate

69. At the time the Executive Board adopted the 7.8 percent ISC rate, it also decided that this "single rate principle [would] be subject to review through the normal budget setting process and be able to be discontinued by decision of the Executive Board". At the time of writing this report, the Board had not been able to review the 7.8 percent ISC rate, which continued to be applied for the 2002–2003 biennium. It was provided, though, with the preliminary document mentioned and would examine a more comprehensive document during its third regular session in October 2002. At the time of writing this report, the document had still not been finalised but my staff were provided, on 6 June 2002, with the annotated outline.

70. It should be noted, however, that as disclosed in Note 2–E to the financial statements, the 7.8 percent rate was not the only one applied. For bilateral contributions and Trust Funds, variable rates of ISC ranging from 3 percent to 7.8 percent of direct costs were levied upon receipt of the contributions. And in some cases (like the one of the "Friends of WFP" mentioned above), the ISC was waived by the Executive Director pursuant to General Rule XIII.4(f).

71. In my opinion, in order to be able to review the current ISC rate, the Executive Board should be provided with the following in addition to the information on the nature and extent of expenditures that will be charged as PSA costs mentioned above:

- detailed information on the level and types of future contributions, for which the standard rate of 7.8 percent would either be reduced or waived completely; and
- a good indication of the other sources of PSA funding, namely GCCC and savings on prior-period obligations. For the former, as mentioned above, the WFP should only be in the position to define its policy in 2003 but committed to provide some information to the Executive Board in October 2002. For the latter, in view of the fact that the implementation of WINGS enabled a more reliable computation of outstanding obligations at the end of the biennium, a decrease in the amount of cancelled outstanding obligations could be expected in my staff's opinion.

SECOND PART: MANAGEMENT MATTERS

REVIEW OF THE TREASURY MANAGEMENT

Background Information

72. Prior to January 1999, WFP's treasury operations were handled by the FAO. The Memorandum of Understanding (MOU) concluded on 10 October 1996 defined the extent and nature of banking and investment management services provided by the latter. The MOU called, however, for the WFP to design its own investment policy, which would serve as the guiding principles for FAO placement of WFP funds. On 1 January 1997, the Executive Director's Circular entitled "Investment Management Policy" set out the principles of investing funds donated and/or entrusted to the WFP and the Director, FS, issued procedural guidelines.

73. While the primary objective of WFP policy was the "*preservation of the value of resources, in US Dollars terms*", it aimed, however, at increasing the overall yield on investments by expanding the list of eligible instruments used by the FAO at the time. The establishment of two committees was initially intended for the formulation and implementation of the investment strategy: an Investment Advisory Committee and an Internal Investment Review Group (IIRG). However, only the latter was set up since the WFP decided to pursue the utilisation of the FAO Advisory Committee on Investment (ACI) in lieu of having its own committee.

74. The WFP investment management policy was reviewed by the FAO ACI on 18 May 1998 together with the report written by a consultant on FAO's investment activities. The ACI endorsed all the consultant's recommendations, which were that the WFP would:

- assume responsibility of its short term assets (together with the responsibility of all its Headquarters bank accounts previously managed by the FAO);
- form an Investment Committee (IC) with external members;
- appoint a consulting firm to advise the IC and the staff working on cash assets; and
- conduct a review with the objective of investing those assets not needed for short-term liquidity in longer terms and split these assets among up to four external Investment Managers (IMs). In the meantime, assets were to be transferred to a commingled short-term investment fund operated by the Custodian.

75. In order to replace the FAO treasury services, which would be discontinued as of 1 January 1999, the Executive Director approved, on 28 October 1998, the establishment of a WFP Treasury Unit. The Executive Director also approved the hiring of the same consulting firm as the FAO for the provision of investment advisory services. On

30 September 1999 a new Circular relating to "Investment Management Policy" was issued. Within the general objective of the "*preservation of the value of resources, in US Dollar terms*", the principal considerations for investment management were defined as follows, in order of priority: "*(i) security of principal, (ii) liquidity and (iii) rate of return*".

Objectives, Scope and Method of the Audit

76. The audit examined all the changes that occurred since the WFP took over the Treasury functions from the FAO as of 1 January 1999 up to date with two objectives in mind. It aimed at determining whether the WFP managed its cash in line with the rules, regulations and policies issued (first objective) and in the most cost-effective way by matching its inflow with its outflow, minimising the need to borrow, if any, and maximising the daily investable surplus (second objective).

77. The Audit Guide 203 entitled "Cash Management in United Nations Organizations" adopted by the Panel of United Nations External Auditors was used as audit guidelines. Observations were based on the review of the following documents:

- all relevant circulars, directives, procedures and meeting minutes issued;
- correspondence and agreements with the FAO and the International Fund for Agricultural Development (IFAD) on treasury matters; and
- all relevant contracts concluded and reports produced.

Furthermore, observations were also based on various public material related to cash management, as well as other United Nations organizations experience.

Organizational Arrangements

⇨ *Treasury Unit*

Approved Staffing and Staffing Situation

78. The approved staffing for the newly established Treasury Unit consisted of two professional posts (one P-5 for the Chief, Treasury and one P-3 for the Treasury Officer) and four general service posts (one G-5 Accounting Clerk and three G-4 Administrative Clerks). All the posts were filled as of November 1999.

79. For the 2000–2001 biennium, the number and types of approved posts remained the same with the exception of the Treasury Officer post being upgraded to P-4. The initial PSA allotment for the biennium also included an amount of US$91,000 for non-staff costs (notably for overtime and consultancy). Additional PSA allotments for the purchase of an electronic treasury system (US$270,000) and for the consultant fees relating to outsourced investment management services were subsequently granted. A consultant was contracted on 1 March 2001 notably for the monitoring of the IMs. An additional consultant was contracted on 1 November 2001 for a five-month period.

80. For the 2002–2003 biennium, the number of approved posts was increased to seven with the addition of another G-5 post, while an amount of US$59,500 was provided for non-staff costs. The new G-5 post was filled on 7 January 2002. An additional post was approved, on 19 April 2002, for the monitoring of the investments but still not filled at the time of writing this report. Furthermore, it would be funded by the investment income and not through PSA.

81. As far as the position of Chief, Treasury was concerned, my staff noted that the incumbent was on sick leave for more than seven months (18 May 2001 to 8 January 2002) and was transferred to another FS Unit upon his return. In his absence, the Treasury Officer (P-3 subsequently promoted to P-4) was made Officer-in-Charge and a temporary replacement for the Treasury Officer position was recruited. The vacancy for the Chief, Treasury was advertised in early January 2002 and the selection was in its final stage at the time of writing this report.

82. In my opinion, the staffing situation calls for the following observations:

- The staff rotation has been relatively low, which was a good point. Still on the positive side, some of the staff training requirements have been recently addressed with the participation of three staff members in treasury seminars. Furthermore, the absence of formal training before 2001 was compensated for by hands-on training and coaching of staff in best treasury management practice.
- While the Officer-in-Charge proved perfectly capable to handle the interim, the absence of a Chief, Treasury created an additional constraint at the time when many pressing issues had to be addressed. The WFP took over the Treasury functions from the FAO when, notably, WINGS was being developed. The observations made in the paragraphs that follow have, therefore, to be appreciated in the overall context.

Additional Human Resources for the Treasury Manual

83. In addition to the established posts mentioned above, additional human resources were obtained through a Reimbursable Loan Agreement (RLA) concluded on 30 December 1999 with a private firm. The lending employer was to make available to the WFP the services of seven employees for a two-month period (January and February 2000) in order to review possible treasury management tools available on the market, examine the adequacy and security of the current computer hardware and software in use by the Treasury Unit and produce a Treasury manual at an all inclusive cost of US$100,000 (US$80,000 lump sum plus US$20,000 for operational expenses). The WFP implemented the firm’s recommendations on the enhancement of systems security and used the results of the review to shortlist vendors when a Request for Proposal (RFP) was issued, in 2001, for an integrated treasury solution (Cf. below). However, while the Treasury manual was expected to be completed by the end of February 2000, it was still not finalised at the time of writing this report.

84. According to the information my staff were provided with, such a situation resulted from the following:

- To start with, the idea of a Treasury manual was thought of in November 1999 only, and not when the WFP took over the treasury functions from the FAO in January 1999.
- Then the Programme was slow to react to the deficiencies on the draft manual. Even though verbal comments were made earlier, it was only on 3 April 2000 (or more than one month after the initial deadline) that a letter was sent to the private firm to express WFP's disappointment on the draft of the first three sections of the manual.
- The complete draft finally provided in mid-2001 still did not meet WFP’s expectations. As a result, an amendment to the initial RLA was signed by both parties on 28 November and 12 December 2001. It acknowledged that the manual eventually developed gave “*a high level view of the WFP treasury procedures*” while the Programme was expecting “*a more detailed description of the day-to-day treasury operations*”. To cover the cost of preparing these additional procedures, the firm

agreed to forego the balance of the agreed fees in the amount of US$25,000. In return, the WFP considered that its counterpart had completed its assignment and paid the outstanding amount of US$16,700.

- On 5 December 2001, another RLA was concluded with another firm to engage the services of two of its staff to complete the Treasury manual. For this assignment the WFP agreed to reimburse the firm a total of US$20,025 plus related expenses estimated at US$4,100.

85. As a result of these delays, the Treasury Unit was still not equipped with a comprehensive operating manual more than three years after its establishment. It was argued, however, that although the Treasury manual has not been completed, this has not prevented the WFP from immediately putting in place, even as early as 2000, best business practices in cash management.

⇨ *Investment Advisory Services*

86. As already mentioned, the Executive Director approved, on 28 October 1998, the hiring of the same consulting firm as the FAO for the provision of investment advisory services. However, no agreements were concluded directly with the firm. The contractual arrangements were, in fact, defined by the agreement signed by the FAO and the firm on 19 February 1999. For an annual fee of US$24,000 for a 12-month period beginning 1 February 1999, the consulting firm was hired to provide the following services to both the FAO and the WFP:

- "*access to investment and financial data drawn from* [its] *investment and financial research databases;*
- *access to detailed data, including analysis and exhibits on capital markets; policies, financial statements and performance of comparable institutions and investors; managers, partnerships and special investments of all kinds;*
- *a variety of written research reports and working papers on key investment and financial issues;* [and]
- *up to 36 hours of consulting time to be used for miscellaneous consultation and inquiries, brief reports on asset allocation and attendance at quarterly meetings in Rome.*"

87. The two organizations agreed that they would equally share the fees, which was the case for three consecutive periods. Considering, however, its increased need for advice on investment matters, the WFP concluded, on 25 February 2002, a separate agreement with the firm. For an annual fee of US$24,000, the following services would be provided:

- "*access [...] to proprietary databases on capital markets, investment managers and partnerships, and comparative peer performance; quarterly and annual surveys of investment and financial data* [and] *a variety of research reports and working papers on investment and financial issues;* [and]
- *four and a half business days of consulting time to be used for miscellaneous consultation and inquiries, brief reports with respect to potential issues with managers or issues regarding allocation asset and attendance at up to one meeting with the WFP per year.* "

Besides, "at WFP's request additional consulting services will be provided and billed at [...] standard fees [and] quarterly investment performance measurement reports will be provided [and] billed quarterly".

➪ WFP Investment Committee

Membership

88. When initially established through the Executive Director's Circular dated 30 September 1999, the membership of the WFP IC was comprised as follows of:

- the Deputy Executive Director to serve as chairperson of the Committee;
- three senior WFP staff members to serve in their personal capacity;
- two external members appointed by the Executive Director; and
- ex-officio members that include the Director, FS; an Observer from OEDA; the Chief, Treasury who would act as Secretary and other ad hoc members as the Chairperson may co-opt onto the IC as needed.

89. It took one year to appoint the first external member (the IFAD’s Treasurer on 29 September 2000) and almost two years (a representative from the consulting firm on 6 June 2001) to appoint the second one. It should be noted, though, that the IFAD's Treasurer, or his Assistant, always attended the IC meetings prior to this official appointment.

90. The membership of the IC was modified as follows by the Executive Director's Circular dated 1 August 2001:

- There would be five permanent members: three to serve in their personal capacity plus the Deputy Executive Director as chairperson and the Assistant Executive Director, Administration as vice-chairperson.
- Two alternate members were appointed to participate as members in the absence of any permanent members acting in their personal capacity.
- The ex-officio members were reduced to three only with the Director, FS, a Representative from OEDA and the Chief, Treasury who would act as Secretary.

Subsequently, two new Executive Director's Circulars dated 4 September 2001 and 21 May 2002, respectively, were issued to replace members who had either left the Programme or changed capacity.

91. Although I acknowledge that the WFP endeavoured to designate members who had both interest and knowledge in the field of investments, **I recommend that the Investment Committee include more members with professional and practical treasury experience**. While considering that, in its present composition, the IC had been responsive to the needs of the Programme, the WFP agreed to keep the issue under review. At the time of writing this report, it had already initiated discussions with the FAO on the possibility of the participation of its Treasurer in WFP Committee, and vice-versa. Furthermore, the IC was now inviting all its members, including alternates, to its meetings to increase their exposure to investment issues.

92. As per Article 8.04 of the investment management service agreements concluded on 2 February 2000 a representative of each IM “*shall be available to attend meetings of WFP’s Investment Committee at least once a year*”. In fact, none of the IMs was requested to attend any IC meetings in 2000 and only two attended in 2001. Informal meetings were also held between IMs and some IC members, though. Starting in 2002, the WFP decided to invite IMs individually to present their respective investment strategy, performance and economic outlook. At the time of writing this report, two IMs had attended the first (18 February 2002) and second quarterly meeting, respectively.

Frequency of Meetings

93. As per the Executive Director's Circular dated 30 September 1999, the IC was to meet "*quarterly or as necessary*". As recapitulated in table 3 that follows, such a rule was not adhered to in 2000 since the Committee only met formally once during the first and third quarters. However, for 2001 and 2002 up to-date, the IC held, at least, one meeting each quarter.

TABLE 3: FREQUENCY OF THE IC MEETINGS

	1999	2000	2001	2002
1st quarter	N/A	30 March (No 2)	25/29 Jan. (informal) 2 February (No 4) 7 March (No 5)	21 Feb. and 11 Mar. (No 10)
2nd quarter	N/A		22 June (No 6)	19 April (No 11)
3rd quarter	N/A	10 Aug. (informal) 30 Oct. (No 3)	25 July (No 7) 2 August (No 8)	30 July (No 12)
4th quarter	5/6 Oct. (No 1)		8 and 19 Nov. (No 9)	

Functions of the Committee

94. As per the Executive Director's Circular mentioned above, the primary functions of the IC were to make "*recommendations to the Executive Director for approval on:*

(i) Investment management policy and guidelines [...];

(ii) Overall investment strategy with reference to diversification by type of investment and currency appropriate to internal liquidity and market conditions;

(iii) Selection and termination of external managers, a global custodian, external IC members and other advisors."

Additional functions of the IC were also to "review the performance and composition of the portfolio, monitor the performance of the external managers to ensure compliance with the investment guidelines" and review other cash management functions such foreign exchange exposure and transactions, banking relationships and electronic banking systems. The review of the IC agenda and minutes showed that, starting in 2001, not only did the frequency of IC meetings increased, but also the quality of the IC meetings improved with all the issues mentioned above being discussed in addition to investment issues.

Rules of Procedure

95. As per the Executive Director's Circular mentioned above, the IC was to "*establish its own Rules of Procedure*". However, it was only at the 10 August 2000 meeting that the OEDA's Representative reminded the IC that it had not defined its rules yet. The rules were eventually adopted at the IC's sixth meeting on 22 June 2001, which was more than 18 months after the first IC meeting. As per Rule IV the Committee should, "*as far as possible, plan its work on an annual basis*". No annual work plans were prepared for 2000 and 2001. For 2002, a draft was submitted at the 10th IC meeting on 11 March 2002 and the final work plan was approved at the 11th IC meeting on 19 April 2002. **To make it a more valuable tool, I recommend that efforts be made to adopt the Investment Committee's annual work plan prior to the commencement of the year.**

96. Still according to Rule IV, a provisional agenda for each meeting, taking into account the annual plan of work, should "*be circulated to all members of the Committee at least one week in advance of the meeting*". Likewise "*the documentation relating to items on the*

provisional agenda" should be submitted to the members "*normally one week before the beginning of a meeting*". As recapitulated in table 4 that follows, this rule was not always adhered to. In five instances (three times for regular meetings and twice for special meetings), members were given less than three days only to acquaint themselves with the issues to be discussed. **I recommend that the preparation of the Investment Committee's meetings be improved to allow for the distribution of the provisional agenda and the documentation in a timely manner.**

TABLE 4: CIRCULATION OF THE AGENDA AND DOCUMENTATION FOR IC MEETINGS

IC meeting No	Date of the meeting	Date of circulation of the agenda and documentation	Time in advance
1	5/6 October 1999–R	27 September 1999	9 days
2	30 March 2000–R	27 March 2000	3 days
3	30 October 2000–R	27 October 2000	3 days
4	2 February 2001–R	22 January 2001	11 days
5	7 March 2001–S	5 March 2001	2 days
6	22 June 2001–R	19 June 2001	3 days
7	25 July 2001–S	23 July 2001	2 days
8	2 August 2001–R	1 August 2001	1 day
9	8 November 2001–R	31 October 2001	8 days
10	8 February 2002–R (initial date) 21 February 2002–R 11 March 2002–R	7 February 2002 19 February 2002 8 March 2002	1 day 2 days 3 days
11	19 April 2002–R	15 April 2002	4 days
12	30 July 2002–R	19 July 2002	11 days

R: Regular meeting—S: Special meeting

97. As per Rule VII, the minutes of the meetings should "*be circulated to members and ex-officio members within five business days after the meeting* [closed]". Since my staff could not be provided with nearly all of the transmittal slips of the 2000 and 2001 minutes, they could not ascertain whether the rule had been indeed adhered to. They, therefore, recommended that all the transmittal slips be kept on records at the Treasury Unit in accordance with paragraph 7 of the Executive Director's Circular that states that "*the Chief, Treasury who will act as Secretary to the IC, prepares submissions and maintains records of all decisions and activities*". For 2002, the minutes were issued as follows: on 8 March for the 21 February meeting, on 15 April for the 11 March meeting and on 26 April for the 19 April meeting. My staff noted that the quality of the minutes improved over time with the inclusion, in particular, of a brief summary of the decisions and a list of follow-up actions. **I recommend the prompt issuance of the Investment Committee's meeting minutes in line with the Rule of Procedures mentioned above.**

Annual Report of the Investment Committee

98. The Executive Director's Circular states that the IC should "*prepare an annual report for the ED*". Since the IC first convened in September 1999 only, the first "annual" report covered the period from September 1999 to December 2000. It was initially examined by the IC during its 7 March 2001 meeting and eventually submitted to the Executive Director on 26 July 2001. Prior to that, an abbreviated version entitled "Cash Management Report"

was submitted to the Executive Board during its annual 2001 session as a follow-up to a request made at the third regular session in 2000[6]. **Since the Executive Director's Circular does not contain any provisions relating to the submission date of the Investment Committee's annual report nor to its content, I recommend that such be included.** In my opinion, the annual report should not be submitted later than 31 March following the end of the year to which it relates and should focus on the activities of the IC. My staff were, however, informed that the 15 April would become the rule for the submission date in order to allow for the closure of the accounts. At the time of writing this report, the annual report for 2001 had not been submitted yet. It was scheduled for review by the IC at the 30 July meeting.

⇨ *FAO Advisory Committee on Investments (ACI)*

99. As previously mentioned, the WFP decided, in 1997, to pursue the utilisation of the FAO ACI in lieu of having its own Advisory Committee. The decision was confirmed, on 30 September 1999, by the Executive Director's Circular, which states that "*as a suitable framework [...] already in place*", the WFP would seek the advice of the FAO ACI. In my opinion, the suitability of such a framework could be questioned. As pointed out in my FAO 1998–1999 report [paras. 65 to 67], the ACI, which was meant to meet twice a year, had only met once in recent years. Furthermore, the committee members had little opportunity to follow up on the implementation of their recommendations since the minutes of the ACI were transmitted to them usually months after the meeting. In addition, the external committee members received no additional information in between annual meetings. I recommended that consideration be given to reinforce the role of the ACI by reviewing its terms of reference, re-examining its composition and limiting its membership to external members only and issuing the minutes in a timely manner.

100. As mentioned in the "Progress Report on the implementation of the External Auditor's recommendations" that was examined by the Finance Committee during its 97th Session in September 2001[7], the following actions were subsequently taken:

- ➢ The terms of reference for the ACI were reviewed and submitted to the FAO Director-General for his approval.
- ➢ Membership of the ACI was limited to the following external members appointed by the Director-General: three Representatives from the Bank for International Settlements, the European Bank for Reconstruction and Development and the International Monetary Fund, respectively, plus the FAO's consultant.

101. I noted these improvements, but I was still concerned that, as per the revised terms of reference, the frequency of the meetings had not been increased. In fact, the ACI would only be required "*to meet each year to review the annual report on investments and make recommendations to the Director-General*". At the 28th Session on 24 May 2002, the possibility of holding an additional meeting was discussed. However, since the external members pointed out the difficulties in coming to Rome more than once a year, it was decided that an additional meeting should be discussed on a case-by-case basis and organized through conference call or videoconference.

102. Regarding the timely distribution of the meeting minutes, the ones of the 27th Session of the ACI held on 25 May 2001 were distributed to the Committee members in June 2001.

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[6] Cf. WFP/EB.A/2001/5-E/1.

[7] Cf. FC97/12 document.

However, my staff noted that the minutes of the 28th Session of the ACI held on 24 May 2002 were only sent to the Director-General for approval on 25 June 2002 and approved on 10 July 2002. It should be noted, though, that the WFP circulated its draft report on its agenda items to ACI members on 3 June 2002. In fact, both organizations prepared their respective agenda items and chaired the meetings when their items were being discussed. The minutes that were prepared by each organization were subsequently consolidated into one document for distribution to the ACI members. In view of the above, I recommended to the FAO [para. 213 of my report on the 2000–2001 biennium] that the ACI meet twice a year, by teleconference and that informal consultations be encouraged in between. Minutes should be prepared in all cases, even for informal consultations, and promptly issued, as previously recommended.

Cash Forecasts

103. Preparing cash forecasts should be one of the important tasks of the Treasury Unit since it permits optimising bank balance management and limits the liquidity risk by ensuring the availability of funds for operational requirements. Furthermore, it is closely connected to investments since only an accurate cash forecast can tell which "*monies not required immediately may be invested*" as provided by Financial Regulation 11.2. However, in the absence of an automated generation of cash reports, cash management functions were still supported by a large amount of internal and external data put together manually. It should be noted that four different electronic banking systems were utilised to transmit payments and receive bank balances and transactions on a daily basis. An electronic investment reporting system from the Custodian was also used to keep track of portfolio balances and income reporting.

104. The manual collection of data from different sources was not only time-consuming but also led to poor forecasting. The comparison made by my staff for the period January to October 2000 showed that variance between both forecast and actual cash inflows and between forecast and actual cash outflows exceeded +/- 25 percent. While the variance was lower than for the previous biennium, this was still an area for improvement. My staff noted that WINGS had the capability of producing reports of cash forecasts by currency. However, their production was put on hold because of more pressing issues.

105. Furthermore, since it was considered that WINGS was lacking the necessary functionalities to support all the treasury activities, a RFP was issued, on 25 October 2001, to seven companies, for the provision on an integrated treasury solution. Three valid offers were received by the 27 November 2001 deadline. After the review of the proposals, however, the WFP decided to fully implement first the functionalities already existing in WINGS and to postpone the decision on the new integrated solution until a gap analysis was performed between the RFP requirements and the various SAP Treasury modules.

Banking Arrangements

⇨ *Headquarters Banking Arrangements*

106. As at the end of the 1998–1999 biennium, 26 Headquarters bank accounts were opened in nine different banks. With the exception of six accounts opened with the Custodian for the external IMs, no other changes took place in the 2000–2001 biennium. With the Euro changeover on 1 January 2002, three bank accounts denominated in European currencies were, however, closed down at the end of 2001, bringing, therefore, the total number of bank accounts to 23. At the time of writing this report, the WFP was reviewing its existing banking structure and arrangements. The review was not limited to Headquarters but also

had the objective of formulating the most cost-effective and efficient banking arrangements for the field.

107. Once such a strategy would be defined, all banking services should be obtained through competitive bidding. In line with Financial Rule 112.17, the process should involve the issuance of solicitation documents (either invitations to bid or requests for quotations or proposals) to at least three reputable financial institutions. In the past, no competition had been organized, from time to time, for the provision of banking services by the FAO when it managed WFP Headquarters accounts. The only competitive process that took place at the time was the one organized directly by the WFP for the provision of cash management services (pooling of accounts, foreign exchange transactions and receipts and disbursements) in February 1998.

108. Since the WFP took over the Treasury functions on 1 January 1999, one formal competitive process took place for the provision of corporate banking services. An RFP was issued on 13 June 2000 in order to find a replacement to the existing bank for receiving the contributions from the largest donor and for direct payments to transporters on its shipments. Out of the six short-listed banks invited to bid, five sent valid proposals and one was eventually chosen.

109. For the selection of a bank service provider for payroll payments, a Request for Quote (RFQ) instead of a competitive bidding through an RFP was organized. On 27 September 2001, the Director, Management Services Division (MS) waived such a requirement. The following justifications were given: "*Considering the implementation timeline of the payroll system and the time needed to reconfigure WINGS to comply with the payment formats, swift action is being prompted. In addition, the time required for submitting a formal Request for Proposal surpasses the available time left until payroll implementation date*".

110. The decision memorandum approved by the Director, MS mentioned also the following: "Banking arrangements will be reviewed after one year. Depending on the outcome of this review, initiate a Request for Proposal for Cash Management Services that will encompass all relevant banking services such as payroll and supplier payments, cash consolidation and foreign exchange both at the country offices, regional bureaux and HQ level." **I recommend that, depending on the outcome of the review of banking arrangements, such a Request for Proposal for cash management services be issued in compliance with Financial Rule 112.17.**

⇨ *Field Banking Arrangements*

111. At the field level, there were, as at December 2001, 248 field bank accounts, of which 64 were monetisation bank accounts. The Programme operated some cash concentration accounts in the form of Zero Balances Accounts (ZBA) but only in five COs, with, furthermore, three different banks, which further limited the cash concentration. I considered such limited use of the ZBA accounts regrettable. Initiated in four pilot COs in February 1997 in accordance with the Director, FS Memorandum dated 20 August 1996, the positive appreciation expressed on the system and the advantages it entailed in terms of cash concentration should have led, in my opinion, to a wider use. At the time of writing this report, my staff were informed that 19 existing CO bank accounts would be consolidated in two ZBAs before the end of the year 2002. Furthermore, the COs concerned would be provided with an electronic banking system. **I recommend that, as part of the banking overall strategy mentioned above, the WFP continue the extension of Zero Balance Accounts.**

⇨ *Custodian Arrangements*

112. The present Custodian of WFP's cash assets was initially chosen as the Custodian of FAO long-term investments (which included WFP long-term investments managed by the FAO) in 1997. Such was the consequence of the decision to segregate the managing function and the custodial function of these long-term investments, both entrusted previously to one firm. This firm kept the managing function while a Custodian was selected after a competitive process. The contract with the latter was concluded on 7 April 1997 by the FAO.

113. Following the FAO ACI recommendation, in November 1998, the Custodian was asked by the WFP not only to ensure the custody of its short term assets but also to temporarily invest them into a money market fund it operated until the appointment of the IMs. A Master Custody Agreement was concluded to that effect on 30 November 1998. In my opinion, these arrangements raised the following issues:

- Since the external IMs were appointed in February 2000 only, the "temporary investment", which increased gradually from January 1999 following the maturity dates of the fixed term deposits previously held, lasted more than a year. Furthermore, since a fixed amount of US$600 million was transferred to the IMs, the balance of the funds still remained invested by the Custodian on its money market fund. While the amount averaged to US$40 million for 2000, it reached a peak in December 2000 when a contribution of US$164 million was received from a major contributor. Since then, it gradually decreased but still represented US$33.6 million as at 31 December 2001.
- A net return of 5.53 percent was obtained for the period from October 1999 to January 2000. For the period from February to December 2000, the returns achieved (6.23 percent net of fees) were lower than the ones achieved by the IMs (6.58 percent). The same applied to 2001: 4.16 percent compared to 5.94 percent for the Ims.
- The firm was chosen by the FAO as Custodian of WFP's assets, in 1997, through a tender. However, no competitive process was organized when the firm was given the additional mandate of Manager of WFP's short-term assets.

114. Since the returns for the funds invested into the money market fund operated by the current Custodian were lower than the ones achieved by the IMs, [**I recommend that the level of these funds be kept to a minimum and that a competitive process be organized for this service.]** Since the previous tender was organized five years ago, **I recommend that a new competitive process be organized for custodial services in the near future.** At the time of writing this report, my staff were informed of the WFP's intention to issue an RFP for custodial services by mid 2003.

Investment Managers

⇨ *Selection Process*

115. Once the decision to externalise the investment management functions was taken in line with the FAO ACI recommendation, the following steps were followed in view of the selection of these managers:

- To start with, the consulting firm appointed to provide advisory investment services was asked to pre-select some IMs. Out of the 33 potential managers contacted, in January 1999, (18 based in Europe and 15 based in the United States of America) and 31 replies received, it recommended that the WFP interview ten of them with a view of selecting eventually a minimum of four to a maximum of six managers.

- During its meeting on 25 March 1999, the IIRG recommended the establishment of a Technical Committee to consider the report prepared by the consulting firm and to recommend an interview strategy for selecting the IMs. The Technical Committee consisting of two WFP staff members (the Chief, Treasury Unit and a Procurement Officer) and two external members (one from the FAO and one from the IFAD) first convened on 26 April 1999. It recommended that an Interview Panel consisting of three WFP staff members and one representative of the consulting firm would visit the ten managers short-listed by the consulting firm. On the basis of these visits, six to eight managers would be invited to Rome to make a presentation.

116. The procedure outlined above, for which the FAO ACI had provided guidance, was approved by the Executive Director, on 3 June 1999, at the same time as the waiver of the requirement for formal competitive bidding prescribed by Financial Rule 12.5. The Executive Director also authorised the IC to act as the Purchasing and Contracts Committee for the final evaluation of the IMs. The interviews took place in the managers' offices over the period from 15 to 23 July 1999. Six managers were invited to make a presentation to the newly established IC on 5 and 6 October 1999. Eventually, the IC recommended that five be hired (four US-based and one European based). The Executive Director endorsed the recommendation on 25 October 1999 and the contracts were concluded on 2 February 2000.

117. In my opinion, the selection process called for the following comments:

- Although no formal competitive process was organized, the approach and procedure followed were indeed in the spirit of competition.
- The deadline initially set proved unrealistic. While the whole process was expected to be completed by 1 July 1999, it took, in fact, seven more months. Too much time elapsed between the completion of the reports of the visits and the IC meeting. Delays were also encountered in finalising the contracts.
- The FAO ACI discussed the selection of WFP investment managers during its 25th Session on 28 May 1999. However, since the Committee only met once a year, its advice could not be sought again prior to the final selection. As already recommended, the frequency of its meeting should be reviewed since an external opinion would have been valuable given the importance of WFP funds.

118. It should be further noted that the whole process took place prior to the issuance of the Non-Food Procurement Manual that came into effect on 1 January 2000 and introduced new ground rules. As a result, any future selection of investment managers would have to be done through a formal mode of solicitation. It would involve the Headquarters Non-Food Purchase Contracts Committee, which would make the recommendation to the Executive Director (and not the IC).

⇨ *Investment Management Service Agreements*

Rationale for Investing US$600 million

119. All the five agreements that came into effect on 2 February 2000 for three consecutive years follow the same layout. Each firm was appointed by the WFP to “*act as its investment manager*” for an asset portfolio consisting “*entirely of cash denominated in US Dollars in the amount of US$120 million held in a custody account with the Custodian*” as per Attachment I. As per Financial regulation 11.2, “*monies not required immediately may be invested by the Executive Director, bearing in mind the need for safety, liquidity and profitability*”. My staff questioned the rationale for investing US$600 million since, as

mentioned above, a substantial balance of funds still remained invested by the Custodian on its money market fund up to this date with lower returns. Furthermore, my staff were told that the matter was discussed with the IC, whose purposes are notably, according to Executive Director's Circular, to make recommendation to the Executive Director for approval on the "*overall investment strategy*". However, they could not ascertain the extent of these discussions, which were not reflected in the IC meeting minutes.

120. The document entitled "Cash and Investment Management: Level of Financial Investment and Investment Policy", which was examined by the Executive Board during its first regular session in 2002[8], mentioned in paragraph 7 that "*the level of investment was established through a three-step process:*

- ***Step 1:*** *Determine the level of cash required as working capital for operations.*
- ***Step 2:*** *Estimate the amount of cash not immediately required for operations that was likely to be available after making provision for Step 1.*
- ***Step 3:*** *Aggregate cash not immediately required for operations and a portion of operating cash that could be invested on a short-term basis without jeopardising WFP's operations.*"

The three steps are described in the subsequent paragraphs of the document.

121. According to paragraph 9 of the document mentioned above, the first step was carried out through "*a trend analysis of monthly cash receipts and disbursements during the previous four years and an analysis of the time gap between confirmation and receipt of contributions*". While my staff considered that a trend analysis could provide valuable information, they were of the opinion that the level of cash required as working capital for operations should also be defined on the basis of current criteria. The full implementation of WINGS on January 2002 would undoubtedly result in changing patterns for receipts and disbursements. The fact for instance that the WFP took over the payroll functions for its staff from the FAO had an impact on the cash balances.

122. In view of the above, my staff recommended that basic criteria such as average time span for settlement of suppliers and other accounts payable, collection of contributions, recovery of accounts receivable, etc. be formally set and documented and serve as a basis for the computation of the level of cash required as working capital for operations. Additional criteria such as time lag between obligations and disbursements and between the closing of projects and the reprogramming or refunds of unspent contributions should also be taken into account. These criteria should be regularly revised on the basis of statistics compiled for actual time spans or time lags. Last but not least, my staff recommended that the whole three-step process of determining the level of cash for investments be examined by the IC.

123. At the time of writing this report, my staff were informed that all of the above would be taken into account for the cash analysis to be provided to the Executive Board during its next regular session in October 2002, in response to the Board's (and the Advisory Committee for Administrative and Budgetary Question—ACABQ) concerns[9]. Furthermore, the WFP indicated its intention to revisit the three-step process of determining the level of cash for investments and present it to the IC.

[8] Cf. WFP/EB.1/2002/4-A/1 document.

[9] Cf. WFP/EB.1/2002/(A, B)/2.

Investment Guidelines

124. As per Article 3 of the agreements concluded, the managers were granted "*full power and discretionary authority to invest and reinvest the assets constituting the Asset Portfolio*" in accordance notably with the Investment Guidelines and the Investment Policy, which constituted Attachment II and III to the agreements, respectively. My staff noted that there were no records in the IC minutes of discussions on the Investment Guidelines. According to the Executive Director's Circular, the IC has to "*review the operational procedures and guidelines for investment management*" (paragraph 5) and "*ensure that the appropriate operational guidelines are prepared and approved in line with* [the investment management] *policy*" (paragraph 13). In fact, the IC, which first met on 5 and 6 October 1999 to discuss the selection of the IMs, had its second meeting on 30 March 2000, only. At the time, the agreements were already concluded.

125. My staff also noted that the Investment Guidelines included provisions on issues not addressed previously by the Circular. For instance, the latter did not include any indications on the benchmark to be used to measure the performance of the IMs. As per Article 3 of the Investment Guidelines, it would be the "*JP Morgan US Dollar three month cash Index plus 0.75 percent, net of investment management fees*". My staff further noted, however, that the questionnaire initially sent by the consulting firm to the 33 potential managers mentioned a different benchmark, namely "*LIBID* [London Interbank Bid] + *75 BPS net of fees annually*". Furthermore, they questioned the choice of such a benchmark (return from three-month bank deposit plus 0.75 percent) whereas WFP's investment management policy allows for investments up to five years with an average duration of the investment management portfolio not exceeding two years.

126. In fact, my staff were not the only ones to question such a benchmark. At the meeting of the IC that convened on 7 March 2001, one member noted that there was inconsistency between the benchmark and the investment strategy established for the IMs. The issue was raised also by the FAO ACI notably. Following extensive consultations, the recommendation was eventually made by the IC during its 10th meeting to reduce the current benchmark by 25 basis points. The Executive Director endorsed the recommendation on 22 March 2002 and the IMs were notified accordingly. At its 28th Session on 24 May 2002, the ACI considered that the change had been rightly made.

127. My staff also noted the following:

- As far as eligible instruments were concerned, the list authorised by the Circular has been expanded in the Investment Guidelines to include "*purchase agreements (Repos), government agency and instrumentality issues* [and] *Custodian's Short Term Investment Fund*".
- Regarding the instrument quality, the Investment Guidelines define the minimum quality requirement for money market instruments to be "*not less than either A2 or P2 for Standard and Poor's and Moody's, respectively*", while the Circular was silent on that issue.
- Article 8 of the Investment Guidelines imposes some restrictions that were not provided for in the Circular. For instance, "*except for securities issued by the US Government and its Agencies, no more than 5 percent of the market value of the asset portfolio shall be invested in securities of any one issuing entity at the time of purchase*". Likewise, "*non-US Dollar government issues are limited to issues of sovereigns, government agencies and supranational agencies and shall at no time exceed a maximum of 40 percent of the Asset Portfolio, in the aggregate*". A clause whereby "*investments in corporations, which produce, manufacture or distribute land*

mines and other anti-personnel arms or parts thereof shall be prohibited" has also been included in the Investment Guidelines.

128. When the above differences between the Investment Guidelines and the Circular were brought to the attention of the WFP by my staff, WFP's view was that there were no inconsistencies between both documents since they were not on the same level. The objective of the Circular was to set out corporate and broad parameters whereas the Guidelines defined specific rules to be followed by the IMs. While I acknowledge that both documents are not at the same level and that the Guidelines have to be, by nature, more detailed than the Circular, I am of the opinion that some issues like the benchmark and the instrument quality should be addressed at the level of the Circular itself considering their importance. **I recommend that the Circular on investments be made more comprehensive by addressing, in particular, issues relating to the benchmark and the investment instrument quality.** At the time of writing this report, my staff were informed that the IC would review the IMs service agreement before the end of their three-year contract and examine, at the time, the investment guidelines and the corresponding benchmark.

⇨ *Implementation of the Agreements*

Investment Authority

129. In order to exercise their investment authority granted by Article 3 of the Agreements, the managers could notably "decide on the holding of cash and placing of deposits [and] buy, hold, sell and effect transactions in eligible instruments as defined in the Investment Guidelines". In the event of a downgrading of an issue below the minimum quality, Article 6 of the Investment Guidelines imposes, however, that the manager "shall contact WFP prior to the sale thereof". In view of the discretionary authority given to the IMs, the involvement, on two occasions as detailed below, of the WFP in the decision process of selling or holding assets was questionable.

- The first one occurred on 25/29 January 2001. Informed by one of the IMs that some bonds had been downgraded below the minimum quality allowed in the Guidelines, the WFP required that the IC meet "*to make a decision as to either hold or sell*". Although the Representative from OEDA questioned such role of the IC, the Committee did get involved and recommended that the bonds be sold.
- The second one took place at the end of September 2001 following the downgrading of other bonds. In that case, the Division, FS was the one to make the decision to sell.

130. On both occasions, the involvement of the WFP was justified on the grounds of Article 6 of the Investment Guidelines mentioned above. I acknowledge that the wording of this clause is ambiguous since it does not indicate why the managers should contact the WFP. However, I cannot agree with the interpretation that WFP's authorisation has to be sought prior to the sale of assets, which, in any case, did not comply anymore with the minimum quality requirements. Such an active involvement was in contradiction with the discretionary authority granted to the managers in the agreements and to the principle stated in paragraph 6 of the Executive Director's Circular as follows: "*the external managers shall be responsible for making all investment decisions regarding the assets under its management, including the decisions to buy, sell and hold securities*". At the time of writing this report, my staff were informed that the Investment Guidelines would be amended to remove any ambiguities and incorporate a provision on the maximum holding period and criteria for tolerable risks prior to the sale of the security.

Performance for 2000 and 2001

131. In 2000, the four US-based managers followed similar strategies focusing on corporate, mortgages and assets backed whereas the IM based in Europe followed a different strategy by investing in sovereign mostly cash/equivalent issues. It did not have the worst return by choosing this strategy. However, it did not exceed the benchmark set for the period at 6.97 percent (or 7.6 percent on an annual basis). In fact, none of the IMs attained the benchmark. As at 31 December 2000, the US$600 million investment portfolio had a market value of US$639.5 million after fees, which amounted to US$994,152. Altogether, the 11–month net return of the portfolio amounted to 6.58 percent. Although higher than the return achieved by the Custodian money market account during the same period (6.23 percent net of fees), it was lower than the benchmark. Being the first year of investment operations, the transactions costs incurred for the initial purchase of the securities had, however, to be considered.

132. In 2001, all the US-based managers exceeded the benchmark, which was set at 5.69 percent. This was not the case, however, for the fifth IM based in Europe. Altogether, the returns after fees reached 5.94 percent, which was still over the benchmark. Since US$5 million was withdrawn from each IM in December 2001, the US$575 million investment portfolio had a market value of US$625.8 million as at 31 December 2001.

⇨ *Investment Management Monitoring*

133. The monitoring of the IMs was, in my opinion, an area of concern. The WFP's initial intention was to outsource the monitoring to the IFAD. However, as detailed in the paragraphs that follow, no agreements were finally concluded. In this absence, it was in the first semester of 2001 only that some interim measures were finally taken with the issuance of investment management monitoring procedures and the appointment of a consultant to carry out the essential monitoring functions. Prior to that date, my staff were told that the Chief, Treasury performed some monitoring functions. Since they were not documented, my staff could not determine, however, their extent.

Discussions with IFAD for Monitoring Services

134. The idea of outsourcing the monitoring of investment managers resulted from an IFAD's initiative. On 7 June 1999, the IFAD's Treasurer contacted the WFP to examine the possibility of combining forces in the investment area. A similar approach, in line with the United Nations concept of “common services” was made towards the FAO. The IFAD's two-fold suggestions were as follows:

- The pooling of investments into one single portfolio was suggested in order to take advantage of the lower fee structure it would create.
- A combined approach to monitoring the performance of investments outsourced to external managers was also suggested to reduce staff and overhead costs. The IFAD proposed to have its existing Investment Section, which was composed of two Professionals and two General Service staff, reinforced by two from the FAO and the WFP (one staff member each).

135. Like the FAO, the WFP was interested in the second proposal with the preference, however, for the payment of a fee rather than the outposting of one staff member. On its second meeting that took place on 30 March 2000, the IC requested that the matter be followed up. A draft agreement was prepared by the IFAD on 31 July 2000. During its third meeting on 30 October 2000, the IC examined the revised draft agreement together with the cost benefit analysis it had requested. It endorsed the recommendation to

outsource the investment management monitoring to the IFAD and expressed its desire to have the final agreement signed by the end of December 2000, should the Executive Director approve the recommendation.

136. As a final element in the decision making process, the Executive Director requested, on 2 January 2001, access to audit information on IFAD Investment Section. The information provided disclosed that both IFAD internal and external auditors had pointed out several deficiencies and made specific recommendations, which were still to be implemented for most of them. The "Report of the President on IFAD's Investment Policy", which contained the report from the Expert Group who did an evaluation of the IFAD Treasury was also provided to the WFP on 9 November 2001. On the monitoring aspects, it confirmed the concerns voiced previously by the internal and external auditors. In the meantime, the IFAD retracted from providing investment-monitoring services to the WFP following notably the concerns expressed, during its 72nd meeting in April 2001, by the IFAD Audit Committee "*not convinced that the costs, benefits and risks of such an agreement had been fully appraised*".

137. While I commend the initiative to set up United Nations "common services", I regret that the access to audit information on IFAD Investment Section was not requested earlier, since it would have saved time. In 1999 the Technical Committee created by the IIRG for preparing the final selection of IMs recommended to subscribe to ancillary services of the Custodian for performance measurement and investment policy monitoring. Considering how the monitoring of IMs has been conducted since they were hired, it is regretful that this solution had not been given more attention at the time.

Investment Management Monitoring Procedures

138. As announced in the second meeting of the IC that took place on 30 March 2000 (or two months after the appointment of the IMs), "*a formal investment management monitoring procedure was not in place*" yet. The only concrete action taken at that stage was the installation of the Custodian's information system at the Treasury Unit. The Chief Treasury, was therefore instructed by the IC to "*prepare a system of monitoring the performance of the investment managers and submit a simplified report to the Committee*" while following-up on the arrangements with IFAD.

139. At the time of the third meeting of the IC on 30 October 2000, no progress had been made yet. As per the meeting minutes, "the Director, FS, noted that currently there were no procedures in place to monitor the activities of the investment managers while the final decision on outsourcing [was] being worked [out]". Consequently, "the Chairman [of the IC] indicated that monitoring procedures, no matter how basic, should immediately be put in place by the Chief, Treasury Unit". Such was reiterated at the 5th meeting of the IC on 7 March 2001.

140. It was finally during its sixth meeting on 22 June 2001 that the IC adopted "the paper setting out in-house procedures for monitoring the performance of Investment Managers and their compliance with WFP's Investment Guidelines pending the completion of negotiation with IFAD". While these procedures were a progress, they could not be considered satisfactory. Firstly, they were meant to be temporary pending the completion of negotiations with the IFAD. Secondly, the procedures relied heavily on the IMs' statements and reports, while the Treasury Unit did not have the necessary tools to crosscheck the information contained thereto. For instance, since it could not directly check credit ratings, it could not determine, unless the IMs signalled it, whether securities were in line with the minimum quality requirements.

Appointment of One Consultant

141. The issuance of the long-awaited investment management monitoring procedures was rendered possible by the appointment, on 1 March 2001, of a consultant in the Treasury Unit. His initial appointment for a three-month period was subsequently extended five times up to 31 August 2002. His daily honorarium of US$110 for the first three months and US$150 thereafter was financed on the budget originally planned for outsourced investment management services. While this alternative solution has enabled basic monitoring of the IMs to be carried out, I regret that it was only implemented on 1 March 2001 or more than a year after the appointment of the IMs.

142. In November 2001, when the envisaged agreement with the IFAD was no longer an option, the possibility of having the Treasury Unit perform the investment monitoring was re-examined together with the outsourcing to another public or private organization. Both options were reviewed by the IC, which eventually recommended the former with the reinforcing of the Treasury staffing in accordance. The Executive Director endorsed the recommendation and approved, on 19 April 2002, the creation of an additional Professional post for the Treasury Unit. At the time of writing this report, my staff were informed that a candidate had been selected and that the recruitment process would be finalised soon. My staff were also informed that, in late 2001, the option of using the Custodian's services for investment monitoring was re-examined. During its 28th Session on 24 May 2002, the ACI endorsed the WFP's proposal to use the Custodian's electronic alert system that daily checks compliance of IMs to WFP's investment guidelines.

Long-Term Investments

⇨ *Long-term Investments for Staff-related Schemes*

Separation Payments Scheme and Compensation Plan Reserve Fund

143. The Separation Payments Scheme (SPS) covers separation entitlements to WFP's General Service staff at Headquarters while the Compensation Plan Reserve Fund (CPRF) provides compensation in case of death, injury or illness attributable to the performance of official duties. The accrued liabilities for the two schemes are funded by long-term investments held by the FAO, which, for historical reasons, has been managing both funds not only for its own staff but also for the one of the WFP. As recalled in my FAO 1998-1999 report [paras. 60 to 64], the managing function and the custodial function of these long-term investments were separated in 1997, which I considered a positive move since these functions should be clearly segregated.

144. I also considered the FAO's intention to entrust its long-term assets to two fund managers to be a very sensible solution, which should be implemented as early as possible through a competitive selection process. At the time of writing my FAO 1998–1999 report, the decision had not been implemented yet because of staffing problems notably. While I did acknowledge that the current manager had, overall, exceeded its benchmark in 1999 and 2000, I still reiterated my previous recommendation to review the existing arrangements through a competitive process. I also added the following: "*The diversification, which had also been recommended by the ACI, would minimise the risks of having all long-term assets with the same manager implementing its own strategy, which might not be successful under all market conditions. It might also lead to a further reduction of the present fees*".

145. At the time of writing this report, the decision by the FAO to entrust the long-term funds to two managers had still not been implemented. As a result, the funds remained by the same manager throughout the 2000–01 biennium. Because of its notably concentrated growth style, it had achieved very poor returns in 2001. As at 31 December 2001, the total book value of WFP investments for the SPS and the CPRF amounted to US$19.1 million (compared to US$19.4 million as at 31 December 1999). It was recorded in WFP's books of accounts as "investments held by FAO" to mirror the payable to the WFP disclosed in the FAO's books of accounts. **Considering that the FAO will not be in the position to implement, in the near future, the less risky strategy it had contemplated for the past four years, I recommend that the WFP take over, from the FAO, the management of its long-term assets as soon as possible.** At the time of writing this report, my staff were informed that discussions had been initiated with the FAO and concrete steps taken for WFP's take over of the management of these funds.

After-Service Medical Fund

146. Until the 1998–1999 biennium, the after-service medical costs were being paid and recorded as expenses as they were disbursed. During its third regular session in 1999, the Executive Board decided to:

- provide for the accrued liabilities for after-service medical costs valued, on the basis on the actuarial review commissioned by the FAO, at US$44.8 million as at 31 December 1997;
- fund the accrued liabilities from the unearmarked balance of the General Fund; and
- provide for the current service costs for after-service medical coverage for 1998 and subsequent years from the biennial budget of the Programme.

The funds set aside were commingled with other funds externally managed pending their investment in a manner more consistent with the maturity duration of the liabilities. However, at the time of writing this report, this "temporary" arrangement was still in place.

147. As shown by the following sequence of events, delays were encountered at several stages in the process:

- To start with, it was on 26 July 2000 only (or more than nine months after the Board's decision) that the approval of the Executive Director was requested for the hiring of an IM for the After-Service Medical Fund (ASMF) through a competitive process limited, however, to the five existing Ims.
- At the informal IC meeting that took place on 10 August 2000, the Representative of the OEDA pointed out that "*with the introduction of the new Non-Food Procurement Manual (effective 1 January 2000), the ED decision memo* [mentioned above] *required to be amended. Basically the Investment Committee would act as the Formal Evaluation panel, not a contracts committee and would make a recommendation to the HQ Purchase and Contracts Committee*".
- During its third meeting on 30 October 2000, the IC was informed that "*an RFP to provide investment management services for the* [ASMF] *had not been issued because investment guidelines for the "balance fund" required further investigation*". In fact, it was only on 28 February 2001 that the WFP required the assistance of the consulting firm in preparing a RFP. At the time of writing this report, the RFP had still not been issued yet, since the WFP was still awaiting the results of the asset/liability study mentioned in the following paragraphs.

Actuarial Review

148. In principle the accrued staff-related liabilities should be reported at their actuarial value supported by a recent actuarial review. Such was, however, not the case in the WFP 1998-99 accounts. Since the actuarial review, commissioned by the FAO, had not been completed at the time of the WFP accounts' closure, the liabilities were shown at their actuarial value, as determined by the actuarial valuation as at 31 December 1997, plus the excess of investments over accrued liabilities. In fact, the results of the actuarial review as at 31 December 1999 were officially received by the WFP in April 2001 only. They showed an increase of WFP's share of US$25.5 million over the 1997 valuation for after-service medical liabilities only. Since the WFP was not convinced by the explanations it received, on 6 September 2001, the Executive Director approved to:

- defer the funding of the additional liability;
- seek FAO's agreement for WFP to get involved in the next actuarial valuation; and
- require an asset/liability study on the US$44.8 million.

149. On 19 September 2001, the WFP asked the FAO to "*fully participate in the next actuarial valuation*". In its reply dated 26 November 2001, the FAO proposed that since the WFP had chosen to retain the funds "*in investments of its own rather than putting* [them] *at the disposal of the joint scheme*", it may be appropriate that each organization now proceed with its own actuarial valuations and investments. On 20 December 2001, the WFP confirmed to the FAO that it would "*go ahead with a separate actuarial valuation of WFP's personnel related long-term liabilities*".

150. On the basis of a waiver of formal competitive bidding approved by the Director, MS on 21 November 2001, the WFP requested, on 12 December 2001, a firm "*to provide a costed proposal to perform an actuarial valuation including an asset/liability study for the following funds: After Service Medical Benefits; Staff Compensation Scheme* [and] *Staff Compensation Plan.*" The waiver was justified on the grounds of urgency and of the firm's familiarity with both the FAO and WFP, being the current FAO's Actuary. The WFP wanted to have the outcome of both the actuarial valuation and the asset/liability study in time for disclosure in the 2000–2001 financial statements and for the Executive Board session in October 2002, respectively.

151. Following the receipt of the proposal dated 20 December 2001, a letter of intent was sent to the firm on 7 January 2002. Subsequently, in February 2002, two contracts were signed with the firm, one for the actuarial valuation and one for the asset/liability study. Both contracts were for all three funds. Since no deadlines for the submission of the actuarial study were included in the letter of intent, my staff recommended that they be included in the contract to be signed. They further recommended that the deadlines be set in such a way to enable the inclusion of the results (at least preliminary if not final) in the 2000-2001 financial statements, which should be submitted not later than 31 March 2002 as per Financial Regulation 13.3. The recommendation was duly implemented. However, since the actuarial valuation report was not finalised yet, the financial statements I was provided with on 2 April 2002 were still based on the old actuarial valuation. The actuarial valuation was completed on 5 July 2002 and the results were duly reflected in the final financial statements**.** In view of the above, **I recommend that future actuarial valuations and asset/liability studies be planned well in advance to allow time for selecting an actuary through competitive bidding and including the results in the financial statements to be submitted for audit.**

➯ *Long-Term Loan*

152. In December 2000, a major donor and the WFP agreed on the following scheme to facilitate the provision of food assistance to a large emergency operation:

- The donor made a directed multilateral contribution in cash of US$164.1 million to the WFP covering all costs in accordance with WFP's R&LTF policies (US$106 million for commodities and US$58.1 for the related costs). The funds were received in December 2000 and temporarily invested in the money market fund managed by the Custodian.
- The WFP entered into a loan contract for the provision of 500,000 MT of rice (valued at US$212 per MT) from the donor's agricultural agency. As per the contract concluded on 20 December 2000, the WFP would repay the loan, either in kind or in cash, over 20 years beginning in 2012. For the period until payments of the loan principal would commence, the interest would be at the rate of 2 percent per year. It would increase to 3 percent thereafter.

153. The WFP decided to repay the loan in cash in US Dollars. In order to do so, it was required to invest the necessary funds to guarantee the payment of the interest and principal on the loan. The US$106 million were eventually invested in an asset mix of US Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS[10]) in a volume necessary to pay back the long term loan (in principal and in interest) and other short-term investments (for the remaining part). Although such a technique could not be considered unusual and complicated (STRIPS being a mature market), it took more than eight months and four meetings of the IC to reach a decision from the moment the funds were received. It was on 29 August 2001 only that a decision memorandum was presented to the Executive Director who approved it on 3 September 2001. Considering that discussions with the donor were, in fact, initiated as early as February 2000, a more proactive approach could have been expected.

154. The delays encountered in the decision process had a cost. In May 2001, the STRIPS market value necessary to ensure the total loan payment was US$60.66 million, while in July 2001, the amount was US$62.65 million. Finally, the WFP purchased it for US$66,288,383.13 plus a commission of US$16,572.10. The remainder of US$39,695,044.77 was transferred to one of the five IMs. According to the explanations provided to the Executive Director, on 2 April 2002, these delays were due to the following three factors: the complex nature of the repayment, the time taken by Chief, Treasury to present the investment alternatives to the IC and the difficulty in scheduling an IC due to lack of quorum. My staff also noted that it was on 3 July 2001 only that a Special Account was established, in accordance with Financial Regulation 5.1. Its purpose was to record all transactions related to the loan including interest income and expenditure. My staff were explained that the establishment of the Special Account was protracted due to long negotiation and consultation with the donor concerned.

[10] The US Treasury created these securities by separating (stripping) an eligible security into two components: principal and interest, which are sold separately. Stripped securities allow final investors to improve performance of their bond portfolio because of their greater sensitivity to interest rate movement. This offers them greater leverage than on a conventional Treasury Bond. Stripped securities also allow elimination of the interest rate risk linked to reinvestment of a conventional security.

Foreign Exchange Issues

⇨ *Applicable Rules and Regulations*

155. As per Financial Regulation 13.2 the biennial “financial statements shall be presented in United States Dollars”. However, “accounting records may also be kept in such other currencies as the Executive Director may deem necessary”. Such are indeed necessary since General Rule XIII.9 allows cash contributions to be paid in any convertible currencies. Furthermore, in exceptional circumstances, “developing countries may, with the agreement of the Executive Director, make cash contributions in non-convertible currencies”.

156. As per Financial Regulation 13.1 the biennial “financial statements shall be prepared in accordance with the United Nations Common Accounting Standards [UNAS] except when the nature of WFP’s operation requires different internationally accepted accounting standards”. For the conversion of other currencies in US Dollars, the WFP, in fact, applies the UNAS. These are, however, not prescriptive since they allow the choice between three different rates for the recording of transactions that occur in a currency other than the currency of account. As per UNAS 27, the rate to be applied can either be: “(i) the United Nations operational rate of exchange, (ii) the budget rate of exchange or other rate of exchange approved by the legislative authority of the organization, or the actual rate of exchange yielded at the time of the transaction”. However, “the United Nations operational rate of exchange [UNORE] should be the benchmark rate of exchange for the determination of exchange gains and losses”.

157. As reflected in its Financial Regulations, the WFP chose to use the UNORE:

- As far as contributions are concerned, Financial Rule 104.3 states the following: “*Pledges and contributions in cash in currencies other than United States Dollars are recorded in the equivalent of United States Dollars converted at the prevailing United Nations rate of exchange at the date of the pledge or contribution received. Any amount resulting from the possible difference between the rate used to record the pledge and the rate of exchange used at the date the contribution is received and accounted for shall be recorded against the contribution in order to align pledge and contribution to the amount effectively received and converted.*
- For expenditure, Financial Rule 112.4 prescribes the following: “*In the case of charges in currencies other than the United States Dollar, obligations and expenditures shall be recorded at the prevailing United Nations operational rate of exchange. Differences between that rate and the rate actually applied to a payment shall be charged to gains or losses on exchange. (See also Rule 113.5).*”

158. Financial Rule 113.5 adds the following precision: “Conversion of records into other currencies shall be in accordance with the following:

a) Where records have been authorised to be kept in currencies other than the United States Dollar, they shall be converted into United States Dollars at the United Nations operational rate of exchange in effect on the date of the transaction or on the date of the report, as appropriate.

b) Where there is a conversion of United States Dollars into local currency, or vice versa, the actual amounts obtained shall be taken into account; any difference between that amount and the amount which would have been obtained at the operational rate of exchange under (a) above shall be recorded in the accounts as a loss or gain in exchange.

c) For project accounts, losses and gains on exchange shall be charged or credited to the account of the project concerned, when feasible. For administrative budget accounts, losses or gains shall be charged or credited to miscellaneous income. For trust funds and special accounts, losses or gains shall be charged or credited to the relevant trust fund or special account."

⇨ *Currency Management Policy and Foreign Exchange Instruments*

159. According to paragraph 11 of the Investment Management Policy issued on 30 September 1999 WFP's "*currency management policy is:*

(a) only that portion of a particular currency, which represents, at the time of analysis, an excess over the projected operational requirements during the subsequent twelve months may be sold;

(b) conversely, a currency, other than US Dollar may only be purchased if there is a demonstrated need for that currency."

160. Paragraph 12 of the same document states the following in regard to the foreign exchange instruments allowed. "*Generally, WFP will conduct its foreign exchange transaction on the spot market. However, derivative instruments, such as forward contracts and options, may be used to reduce foreign exchange risks on current and certain future obligations. That is, WFP may hedge against the risk of changes in foreign currency value for the following transactions/assets/liabilities:*

(a) contributions paid or to be received

(b) future investment maturities

(c) Italian lira budgeted administrative costs

(d) non US$ balances

The forward contracts will be limited to the above expressed purposes and have a maximum time frame of one year. WFP will not utilise derivatives products for trading or speculative purposes."

161. In 2000, the WFP received an equivalent of US$350 million in non-US Dollar currencies. The bulk of it was received in Japanese Yen (33 percent) and Euro (25 percent). As at 31 December 2000, non-US Dollar cash level amounted to the equivalent of US$65.2 million compared to US$50.5 million at the end of 1999. With regard to the approved cash level, the IC "annual" report covering the period September 1999 to December 2000 recalls that according to the currency management policy "*only the portion of the currency that is in excess of the 12 months projected operational requirements may be sold*". The report does not indicate, however, how and by who this portion was determined and my staff could not be provided with such information. The report adds the following: "*As foreign currencies are exposed to frequent fluctuations, it is best practice to hedge maturing obligations and acquire the currency when needed rather than keeping these in low interest earning bank accounts*". On the basis of the information my staff were provided with, the equivalent of less than US$75 million was hedged and only one bank was used for foreign exchange hedging contracts.

162. In 2001, the WFP implemented new arrangements for all non-US$ contributions whereby donors were asked to channel their remittances to a given bank account. These non-US Dollar receipts were automatically converted to US Dollars at the spot rate at the time of receipt to eliminate the risk exposure. The result of this decision was that in the

second quarter of 2001, non-US Dollar holdings dropped by 44 percent from the last quarter. In mid-2001, all donors with the exception of two large contributors agreed to remit their non-US Dollar cash contributions to the designated account. In my opinion, these new arrangements raised the following issues:

- Firstly, they diverged from the currency management policy, which only allowed for the sale of the portion of the currency that was in excess of the 12 month projected operational requirements. Only formalised by a memorandum addressed by the Director, FS to the Director, RE, on 9 February 2001, they would have required, prior to their implementation, an amendment to the existing policy approved by the Executive Director after consultation of the IC
- Secondly, these new arrangements did not eliminate the foreign exchange exposure that will still exist on the expenditure side.

163. In view of the above, I recommend the following:

- **An exhaustive study on the extent and implications of receipts and disbursements in currencies other than the US Dollar should be prepared and discussed by the Investment Committee**
- **The outcome should be formalised in an amendment to the existing policy and should be communicated to the Executive Board for information.**

At the time of writing this report, my staff were informed that extensive discussions and consultations on these issues started in 2001. Now that more pressing matters had been dealt with (payroll implementation in January 2002 and 2000–2001 biennium accounts closure), a currency management study and a comprehensive policy on foreign exchange would be finalised.

Overall Conclusion

164. As previously indicated, the review of WFP's Treasury management aimed at determining whether the Programme managed its cash in line with the rules, regulations and policies issued (first objective) and in the most cost-effective way by matching its inflow with its outflow, minimising the need to borrow, if any, and maximising the daily investable surplus (second objective). In my opinion, the funds donated and/or entrusted to the WFP have been prudently managed. When not immediately needed, they were invested with the general objective of the "*preservation of the value of resources, in US Dollar terms*", and due consideration given to, in order of priority: "*(i) security of principal, (ii) liquidity and (iii) rate of return*", as prescribed by the Executive Director's Circular.

165. In order to do so, the WFP has progressively put in place the necessary organizational arrangements and instruments. Delays were regretted in some instances (issuance of the Treasury manual, IM monitoring, in particular). Considering, however, the numerous items on the Programme's agenda at the time (development of WINGS and implementation of the decentralisation process, notably) and the limited staff resources available, a lot has been achieved in the three years and an half since the WFP took over the Treasury functions from the FAO on 1 January 1999. With a Treasury Unit strengthened (new Chief and additional Officer for the investment monitoring to be hired soon), the WFP should be in the position to adopt a more proactive approach and move forward on the outstanding issues, which would be in my opinion, in the following order of priority:

- take-over of the management of long-term assets from the FAO;
- improving cash forecast accuracy by implementing all WINGS functionalities in order to maximise investable surplus;

- streamlining field banking arrangements and reviewing all Treasury related services through competitive process; and
- establishment of a comprehensive policy regarding foreign exchange.

REVIEW OF THE DECENTRALISATION PROCESS

Background Information

166. In 1997, the WFP implemented a series of organizational change decisions taken by the Executive Director in February 1997[11]. The key objectives of these decisions were to decentralize operations to the field, increasing delegated authority to COs and assigning normative role to Headquarters. The ROs were created and staffed to provide technical and administrative support to COs regrouped in clusters. The RB at Headquarters were re-organized and two of them were moved to the field. From 1998 to early 2000, my staff carried out a review of the implementation of this decentralisation process. All the ROs established at the time were visited with the exception of one reviewed by OEDA. The results of the review were reported in my report of the 1998–1999 biennium [paras. 150 to 159].

167. On 25 October 2000, the Executive Director announced the implementation of a new and last phase of the decentralisation process, which would consist of the out-posting of the remaining RB still in Rome. As a result, the Operations Department (OD) was restructured, in September 2001. Most of the ROs existing at the time were closed down and seven RB, all located in the field with the exception of the one for Eastern Europe, were established.

- The former RB for Africa (OSA) was split into three RB: one for West Africa in Dakar, Senegal (ODD), one for Central Africa in Yaounde, Cameroon (ODY) and one for Eastern and Southern Africa in Kampala, Uganda (ODK).
- The former RB for Asia and Eastern Europe (OAE) was split into two RB: one for Asia in Bangkok, Thailand (ODB) and for Eastern Europe in Rome (ODR).
- The former RB for the Middle East and North Africa remained based in Cairo, Egypt. However, its geographic coverage was modified as a result of the establishment of ODB and ODR. Its name was changed from ODM to ODC.
- No changes were made to the RB for Latin America and the Caribbean already based in Managua, Nicaragua apart from its name: ODM instead of OLC.

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[11] Cf. Executive Director (ED) Circular 97/018 dated 21 February 1997 consisting of the following two documents:

"Implementing Organizational Change", dated 24 February 1997; and

"Preparing WFP for the Future: An Organization to Meet our Mandate" previously circulated in July 1996.

Objectives, Scope and Method of the Audit

168. The review of this last phase of the decentralisation process was conducted by my staff, in the second semester of 2001 and the first semester of 2002, with the following objectives:

- to examine the process by which the location and geographical coverage of the new RB were determined, the RB established, the former ROs dismantled and their respective staff reassigned;
- to determine what impact the last phase of the decentralisation process had in costs;
- to find out if the original goals assigned to the decentralisation process were indeed achieved, namely: has there been "*a very significant shift of personnel and decision-making authority to the field*"? Does the organization support the field managers "*by ensuring that they have the staff, training and systems they need to handle their responsibilities*"?[12]

169. In order to do so, External Audit missions were scheduled in late 2001 and early 2002 to review the establishment and operations of the five newly established RB. It was also considered essential to collect the views of the ones most concerned by the process, namely the managers in the field. This was the purpose of the questionnaire, which was sent on 27 March 2002 to all the Country Directors (CDs) of the Latin America and Caribbean region (ODM) and of the Mediterranean, Middle East and Central Asia region (ODC). It was decided deliberately to limit the survey to these two regions only, on the grounds that sufficient time had passed since the outposting of the RB in late 1998 to enable the benefit of hindsight. The rate of response to the questionnaire was quite high with 20 replies received out of 23 CDs surveyed, or 87 percent. All the 11 CDs of the ODM region replied. For the ODC region, nine replies were received out of 12 CDs surveyed.

170. The questionnaire was divided into the following five sections:

- The focus of Section I was on electronic connectivity, which was an important aspect to support the decentralisation process.
- Section II contained questions that were related to the restructuring of the OD: outposting of the RB; creation and suppression of the ROs and roles and major functions of each level in the field.
- Section III dealt with the empowerment of the COs: grade of CD posts; delegations of authority; financial and human resources; guidelines and procedures; information; training and accountability.
- Section IV related to the performance of the ROs, RB and Headquarters in support of the field.
- Section V concluded with the accomplishments of the decentralisation process so far and the challenges for the future.

The synthesised results of the survey on connectivity aspects are reported in the section relating to the implementation of the FMIP. For the rest, the synthesised results are reported in an annex to the present report.

[12] The quotations are from the ED Circular 97/018 dated 21 February 1997 mentioned above.

Establishment of the New Regional Bureaux

⇨ *Choice of the Host Cities for the New Regional Bureaux*

171. In September 1998, the WFP decided to experiment with the out-posting from Rome of two RB: OLC in Managua, Nicaragua and OMN in Cairo, Egypt. In paragraph 157 of my report on the 1998–1999 biennium, I indicated that "*the decision to transfer the other two (OSA and OAE) still in Rome has been postponed so far*" but would be "*considered as a possibility in light of developments at the time of preparation of the 2002–2003 budget*". Since I was of the opinion that "*two years after the decision to decentralize two Bureaux, the time* [had] *come to assess the present situation*", I recommended that "*a proper evaluation of the advantages and inconveniences of the transfers already made and their financial and staff consequences be implemented*".

172. In the first "Progress Report on the Implementation of Recommendations in the 1998-1999 Audit Report of the External Auditor"[13], the following response was given. "*The impact of the transfer of regional bureaux outside Headquarters is being carefully assessed and discussed in consultation with the consultants who conducted the study on "Making Decentralisation Work*". However, no formal evaluation was conducted as recommended. The work done by the consultants focused on procedures and responsibilities and did not analyse the impact in terms of staff and other costs.

173. In the "Status Report on WFP's Decentralisation Initiative" presented to the Executive Board during its third regular session in 2001[14], it was indicated that the experience of the "*two pilot field-based*" RB "*proved very positive and paved the way for relocating the remaining Regional Bureaux to the field in 2001*". This statement was not supported by a complete evaluation of the pilot experience conducted for OLC and OMN. The WFP argued that the final phase of the decentralisation was carried out only after obtaining a consensus on the benefits reaped after having decentralized OLC and OMN. It further argued that the greatest benefit of all was the achievement of the original objective "*of placing senior decision makers as close as possible to the beneficiaries*", as stated in the Status Report mentioned above. I am of the opinion, however, that a full evaluation would have proved very useful, especially in view of the results of the survey conducted by my staff.

174. In the Second Progress Report, which was examined by the Executive Board during its third regular session in 2001[15], the following information was given. "*The decentralisation of the Africa and Asia regional bureaux was conducted after a thorough analysis of staffing changes and in the context of the PSA budget preparation process. The location of the host cities was chosen after a careful analysis of many criteria such as security, costs and logistics.*" As detailed in the paragraphs that follow, the extent of the analysis conducted varied, in fact, from one RB to another.

175. In the case of the RB for Asia, the decision to locate it in Bangkok was announced by the Executive Director as early as 25 October 2000, at the same time as the last phase of the decentralisation process. Two other cities were initially considered but no in-depth comparison study was conducted. In fact, since Bangkok already hosted the WFP RO for East and South-East Asia as well as the regional offices of other United Nations

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[13] Cf. WFP/EB.3/2000/4-B/1.

[14] Cf. WFP/EB.3/2001/11-B.

[15] Cf. WFP/EB.3/2001/5-A/1.

organizations, it was considered as the obvious choice. The same applied to the location of the RB for Eastern Europe. The fact that it would be based in Rome was also announced on 25 October 2000. Two other cities were initially considered but Rome was the least costly since it offered, in particular, the advantage of making use of existing facilities.

176. In the case of Africa, the Executive Director's announcement dated 25 October 2000 only indicated that there would be three RB and that "*decisions* [would] *be soon taken on their exact geographic coverage and locations*". The choice of Dakar and Yaounde, respectively for West Africa and Central Africa was made in early 2001 and in fact a few options were considered (two other cities in the case of the former and one in the case of the latter). On the other hand, numerous studies were conducted for the choice of the host city for the RB for Eastern and Southern Africa. The city of Kampala, Uganda, was eventually chosen on the basis of the following four criteria, each assigned a respective weight: security (50 percent), logistics (30 percent), financial considerations and living conditions (10 percent each). Since my staff noted that all options considered were not always fully documented, **I recommend that, for any future establishments of Regional Offices or Bureaux, a comparative study always be conducted and kept on records**.

➪ *Geographical Coverage of the New Regional Bureaux*

177. As recapitulated in table 5 that follows, the number of COs covered by the new RB ranged, at the time of the review, from nine (ODR) to 15 (ODK) with, however, a RO in the case of the latter. With the objective of an average of 12 COs per RB, the new coverage was based on an empirical approach, taking into consideration the experience of the previous bureaux, the volume of operations and the homogeneity of the problems encountered.

TABLE 5: NUMBER OF COS COVERED BY EACH NEW RB AT THE TIME OF THE REVIEW

Name of the RB	ODB	ODD	ODK	ODR	ODY
Location of the RB	Bangkok	Dakar	Kampala	Rome	Yaounde
Number of COs covered	13	12	15	9	10 with operations in Gabon

178. For instance, it was acknowledged that the country coverage of the former OAE Bureau was disproportionately large, in terms of resource utilisation, compared to the other RB. Furthermore, with the decision to place the RB for Asia in Bangkok, it was no longer practical to cover the countries of Eastern Europe, hence the creation of a separate RB for them. It also made sense to transfer Pakistan and Central Asia to the ODC region considering the socio-political background of these countries.

179. In the case of Africa, it was acknowledged from the beginning that having only one RB for the whole continent was impossible notably because of its size and the difficulties existing with transport and telecommunications. My staff were explained that the split of the former OSA Bureau into the three following RB was made with the objective of an average of 12 COs per RB:

- ➢ The RB for West Africa (ODD) covering Burkina Faso, Cape Verde, Gambia, Guinea, Guinea Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Sierra Leone and Senegal.

- The RB for Central Africa (ODY) covering Angola, Benin, Cameroon, Central Africa Republic, Chad, Democratic Republic of Congo, Ghana, Republic of Congo and Sao Tome/Principe.
- The RB for East and Southern Africa (ODK) initially covering ten stand-alone countries (Burundi, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Somalia, Sudan, Tanzania and Uganda) and five COs regrouped into the Southern African cluster (Lesotho, Madagascar, Malawi, Mozambique and Zambia). The subsequent addition of Zimbabwe and Swaziland brought the number of COs covered to 17.

180. In my staff's opinion, the respective coverage of the three RB called for the following comments:

- ODD covered the COs formerly included in the West Africa and Sahel clusters, with the exception, however, of Benin and Ghana. Since these two countries were considered as Western African countries and constituted the entry ports for Burkina Faso and Niger, their exclusion was questionable. Chad was not included either, although it faced the same typical desert-related problems as other Western African countries (Niger and Mali for instance).
- ODY covered the countries formerly covered by the Central Africa cluster plus Angola, which used to be a stand-alone country. As mentioned above, it also included Benin, Chad and Ghana, which was questionable for Benin and Ghana. For Chad, however, its inclusion could be explained by logistics, as the food pipeline for Chad came from Douala, Cameroon.
- ODK regrouped the COs formerly covered by four clusters offices (Addis Ababa, Great Lakes, Horn of Africa and Southern Africa clusters) plus Sudan, which used to be a stand-alone country. Because of this large coverage, the RO based in Maputo, Mozambique was maintained. The possibility of having two RB for the area, instead of one RB with an RO, should have been investigated. Furthermore, the recent establishment of a WFP office in Johannesburg, South Africa (logistical and information management centre to coordinate the movement of food aid to nearly 13 million people in the region threatened by starvation) should lead to a re-examination of the present set up.

181. When these observations were brought to the attention of the Programme, the following justifications were given:

- The attribution of Benin and Ghana, and even Chad, to ODD rather than ODY was considered but not implemented due to the imbalance in terms of coverage it would have created (15 COs for ODD and only seven for ODY).
- Likewise the option of dividing the former OSA Bureau into four RB was examined but it was rejected because, in particular, it could not have been achieved within the staff-neutral overall objective assigned. However, the present set-up was being currently reviewed in line with the following statement made in the "Status Report on WFP's Decentralisation Initiative" mentioned above: "*The management of change in any dynamic organization such as WFP will never finish. For example, the locations and country divisions of the RB may have to change as operational, political and security realities change*".

At the time of writing this report, my staff were informed that the configuration of all of the African Bureaux was being reviewed in the light of the extensive developments that have occurred and were likely to occur as a result of the Southern African expanded operations.

182. The average of 12 countries was considered manageable by the RB. However, it should be pointed out that, for most of them, their actual coverage went beyond the countries where the WFP currently had an office and/or operations. Contingency plans have, in fact, to be made for other countries where food aid intervention was likely. This prospective attitude, which was duly reflected for most of the RB in the "Results based work plan for 2002" can be commended. On the other hand, the RB had also to plan for the eventual closure of some of their COs, because food aid intervention was no longer either needed or possible for security reasons. In fact, at the time of writing this report, the coverage of ODR had been reduced to six COs with the closure of the Kosovo and Macedonia offices. Likewise, the CO in East Timor was also closed down reducing slightly the coverage of ODB.

⇨ *Governments' Contributions*

183. As recalled in the "Status Report on WFP's Decentralisation Initiative" mentioned above, the last phase of the decentralisation process was undertaken within existing budget approvals. In order to achieve the overall objective of cost neutrality, the existence of rent-free premises was an important criterion in the selection of the host cities for the new RB since the WFP enjoyed such a privilege for its Headquarters. It was, in particular, for this reason that the RB for Eastern Europe was based in Rome. For the others, and as detailed in the paragraphs that follow, rent-free premises were obtained for ODD and ODY only. For ODK and ODB, the Government's contribution was limited respectively to 50 percent and 32 percent of rental costs.

184. As per the agreement concluded on 8 August 2001 with the Government of Senegal (GOS) for the establishment of ODD, a five-story building was put at the disposal of the WFP, free of charge, for an unlimited duration. At the time of our visit, the RB occupied three and a half floors (about 400 m^2 each) while the CO for Senegal occupied the rest. All maintenance and repairs costs were at the charge of the Programme. Apart from the rent-free premises, the agreement concluded with the GOS for the RB did not provide for any other contributions in kind or cash. The same applied to the old agreement concluded in 1969 for the CO, which should be revised once an overall policy is defined as mentioned above.

185. For Yaounde, no agreements were concluded with the Government of Cameroon (GOC) for the establishment of ODY. The only existing agreements were related to the CO and the former RO, concluded on 3 April 1968 and 23 December 1999, respectively.

- The former agreement, which did not provide for any contributions, was probably amended to include provisions for GCC/GCCC, but my staff could not be provided with the amendment. What was certain, however, was that, at the time of the negotiations for the establishment of the RO, arrears owed by the GOC for its contributions to WFP local operating costs amounted to the equivalent of US$671,691 for the period 1994 to 1998. Part of it was paid in 2000 for an amount of FCFA 170 million equivalent to US$240,000. Furthermore, on 16 July 2001, the GOC requested that the remaining arrears be written-off and that the GCCC now be set up at FCFA 30 million (equivalent to US$42,000). No response had been made at the time of our review and the situation was still the same at the time of writing this report.
- The latter agreement concluded for the establishment of the RO, indicated that the GOC would put at the disposal of the Programme the premises suitable for its needs and that a separate agreement would be concluded to define the terms of the national counterpart. In fact, no other agreements had been concluded and the WFP was just informed in a letter dated 26 November 1999 that two floors of the building also

occupied by another United Nations organization would be put at its disposal. They were used to host both the CO and the RO. On 27 September 2001, the GOC informed the WFP that it could now use the entire building since the other United Nations organization would be hosted somewhere else. However, since all the space was needed by the newly established RB, the CO moved out and occupied office space rented from a private owner from 10 July 2001 for a monthly charge of FCFA650,000 (equivalent to US$833).

186. In view of the above, I recommend the following:

- **A new agreement (or an amendment to the agreement concluded for the RO) should be concluded for ODY. It should notably detail the form of the present Government's contribution (rent-free premises) and indicate precisely who should pay for utilities, maintenance and repairs.**
- **As far as the CO is concerned, once the WFP has defined its overall policy, a new agreement should be concluded. In the meantime, the situation regarding the arrears should be addressed.**

187. The agreement concluded with the Government of Uganda (GOU) for the establishment of ODK was still in draft form at the time of my staff's visit although the RB had been established more than six months before. The following was envisaged by the draft. The GOU would grant, free of charge, a piece of land in Kampala, suitable for the construction of permanent offices for the WFP. In the interim, a contribution to the cost of temporary accommodation of no less than fifty percent of the total monthly rent of office space would be made. In spite of the fact that the agreement had not been signed yet, the GOU had already paid, in January 2002, its contribution to the rental costs for the period September to November 2001 for an amount of Ugandese Shillings (UGX) 31 million (equivalent to US$18,345 or US$6,115 per month).

188. At the time of my staff's visit, the RB shared, with the CO, the premises previously occupied by the former Great Lakes cluster office. In addition to the 2,600m² initially rented for a cost of US$26,000 per month, 560m² were added to cater for the increased needs of the RB for a cost of US$5,600 per month. The breakdown of costs between the CO and the RB was not, in my staff's opinion, fair since the latter only paid for the additional space of 560m² and should be adjusted to take into account the actual space occupied. In the new building planned for the future, a total area of 4,460m² would be available at a total rental cost of US$491,800, which would be shared by the RB and CO on the basis of the actual space occupied. On the basis of the present GOU's contribution mentioned above, an amount of US$418,420 would be charged to the Programme. Since the agreement concluded in April 1967 for the CO did not provide for any GCC/GCCC, a new agreement should be signed once the WFP has defined its overall policy.

189. Although the WFP resumed its operations in Thailand in 1997, no agreement was concluded with the Government of the Kingdom of Thailand (GKT) at the time. The negotiation for an agreement started in 1999, only, with the establishment of a RO for the East and South East Asia cluster. The process proved to be long and cumbersome since both parties took a long time to arrive at a mutually acceptable agreement. It took the form of an exchange of letters between the GKT Ministry of the Foreign Affairs and the WFP on 2 and 17 April 2001, respectively. In the meantime the decision to outpost the RB for Asia in Bangkok was announced on 25 October 2000. However, the WFP considered it inappropriate to restart another round of negotiations for a new agreement only to change the status of WFP office from an RO to a RB. For the reasons detailed below, such a decision was, in my opinion, questionable since the change went beyond the status of the office.

190. As per the letter sent on 2 April 2001 by the Ministry of the Foreign Affairs, the GKT "agrees to grant to the WFP, free of charge, from 1 October 2000 and during the life of [the] Agreement, the use and occupancy of premises suitable for the operation of its Regional Office". The letter further adds that "the description of such premises, including the terms and conditions of their grant and use, shall be subject to an arrangement to be agreed by the Ministry of Agriculture and Cooperatives of the Kingdom of Thailand and the WFP". The agreement was, however, only formalised in a letter sent by the Ministry of Agriculture and Cooperatives on 10 September 2001. In the meantime, the WFP had entered into an agreement for the lease of 844 m^2 of office space located in a new building (Wave Place). The total costs per month amounted to US$7,381 for the whole space (electricity included) or US$8.75 per m^2.

191. In its letter dated 10 September 2001 mentioned above, the Ministry of Agriculture and Cooperatives acknowledged the fact that the WFP has already entered into a lease agreement for the Wave Place building and committed itself to "*cover for 270.21 m² of the lease at the Lease and Service Use rate of Bht97,275.60 per month with effect from June 2001 until termination by either party*". Since the GKT's commitment was related to the former RO, its current contribution only covered around 32 percent of the full rental costs (utilities included) of the Wave Place building. As a result, the cost of renting additional space for the RB remained at the charge of the WFP for a monthly amount of US$5,172, or over US$62,000 for a year. In view of the above, **I recommend that the WFP renegotiate its agreement for ODB to bring its contribution more in line with the actual costs incurred by the RB.**

⇨ *Physical Set-up and Inventory Control and Management*

192. For the three RB located in Africa, the premises put at the disposal of the WFP (ODD and ODY) or temporarily rented (ODK) had to be refurbished/restructured to cater for the needs of the Programme in terms of safety and security, office set up and equipment and connectivity. A special budget for the period March to December 2001 was established for a total amount of US$3,796,300 including US$500,000 of termination indemnities to be paid to local staff of the ROs to be closed. It also included costs relating to improvements to be made to the ODC and ODB Bureaux for US$103,900 each. Funding was provided under the additional PSA contributions under Section 416 (b) of the 1949 American Agricultural Act and assigned as follows: US$3,078,552.95 for 2001 and US$717,447.05 for 2002.

193. According to the expenditure charged to the cost centre established for the last phase of the decentralisation process, the overall budget proved to be more than sufficient since 10 percent was not spent. As recapitulated in table 6 that follows, it was only for staff, consultant and travel costs that actual expenditures were much higher than planned (plus 126 percent) but that resulted from deliberate decisions to fund, in particular, decentralisation retreat/workshop and WINGS support missions to the RB. Rental costs for ODK were in line with the budget, while all other costs ended up to be less than expected especially for office restructuring and equipment (minus 26 percent).

TABLE 6: COMPARISON BETWEEN BUDGET AND ACTUAL COSTS (TERMINATION INDEMNITIES EXCLUDED) IN US$

	Budget	Actual 2001	Actual 2002	Actual 2001–2002	Difference in US$	Difference in %
Office restructuring & equipment	1 586 000	1 064 548.42	105 306 39	1 169 854.81	-416 145.19	-26%
TC/IT costs	1 036 700	745 491.16	247 401 75	992 892.91	-43 807.09	-4%
Staff, consultant and travel costs	159 000	358 190.71	1 878 72	360 069.43	201 069.43	126%
Rental	264 600	260 517.34		260 517.34	-4 082.66	-2%
Safety and security	150 000	76 720.18	35 827 31	112 547.49	-37 452.51	-25%
Vehicles	100 000	75 196.15	1 363 00	76 559.15	-23 440.85	-23%
Others		7 97		7.97	7.97	-
Total	**3 296 300**	**2 580 671.93**	**391 777.17**	2 972 449.10	**-323 850.90**	**-10%**

194. All the newly established RB were operational on or before the 1 September 2001 deadline. While the swift move had to be commended, the field visits conducted by my staff disclosed, however, that it was often made to the detriment of inventory control and management. The following was especially noted:

- Since ODY moved in to the premises previously occupied by the CO for Cameroon and the RO for Central Africa, the Directors concerned agreed that all their inventory items would be transferred to the RB, except for some vehicles and computers kept by the CO so it could continue its operations. The decision made sense since it avoided dismantling equipment and paying for removal expenses. However, no physical count was conducted in order to determine the closing/opening inventory of the respective offices and inform Headquarters of the transfers.
- Both for ODK and ODB, no inventory was conducted when the RO was closed down and the RB established. Furthermore, my staff could not be provided with the 2001 year-end inventory that should have been conducted. If the spot checks carried out on the basis of the mid-year inventory did not reveal any items missing, my staff noted, in the case of ODB, that several items, which were received after the mid-year inventory, were not recorded and not duly labelled.

195. In most cases, the Regional Directors (RDs) explained that the setting-up of the new office, the lack of resources and more immediate priorities were the reasons for the deficiencies noted. **I recommend that prompt action be taken by all RB in order to ensure compliance with the Directive issued on 16 April 1997 for the management and control of inventory.**

Staffing Issues

⇨ *Re-assignment Process for the International Staff*

196. The mid-2001 reassignment process, which was initiated in November 2000, concerned more than 300 international staff considered for transfer. Out of this total, more than one fourth was directly related to the last phase of the decentralisation process. As indicated in the "Status Report on WFP's Decentralisation Initiative" mentioned above, a total of 31 professional staff posts previously at Headquarters were moved to the field. Furthermore, the closure of nearly all of the ROs led to the abolition of five existing posts and the reassignment of 50 others.

197. Considering the complex staffing issues to be resolved, I am of the opinion that the professional staff reassignment directly related to the last phase of the decentralisation process was handled in a timely and efficient manner. Very few vacancies were noted in the newly established RB at the time of their establishment. Furthermore, the reassignment of former Regional Managers (RMs) and Officers was conducted without any major difficulties, although the WFP ascertained that no priority was given to them to occupy posts in the newly established RB. It should be noted, however, that the upgrading of selected senior staff posts (mostly CD posts) decided by the Executive Director in late 2000 and 2001, in line with the Executive Board approval granted at the third regular session in 1999, facilitated the process.

⇨ *Transfer or Separation of Local Staff*

198. For all the ROs that were to be closed down in host cities where no RB would be established, RMs were encouraged to find alternative sources of employment with the CO, if existing, or other United Nations and non-United Nations organizations. As mentioned above, an amount of US$500,000 was budgeted for termination indemnities. In fact, only an amount of US$205,632.56 (or 41 percent of the budgeted amount) was paid for termination indemnities of local staff as detailed in table 7 that follows.

TABLE 7: COMPARISON BETWEEN ACTUAL AND BUDGETED TERMINATION INDEMNITIES IN US$

	Actual 2001	Actual 2002	Actual 2001–2002
Former RO Kenya	17 506.20		17 506.20
Former RO Uganda	3 083.44		3 083.44
UNDP–IOV August 2001		3 259.15	3 259.15
Total local staff–National Officers	20 589.64	**3 259.15**	**23 848.79**
Former RO Ivory Coast	35 423.07		35 423.07
Former RO Kenya	98 870.50		98 870.50
Former RO Uganda	244.73		244.73
Former RO Burkina-Faso		36 428.60	36 428.60
UNDP–IOV August 2001		10 816.87	10 816.87
Total local staff–General Service	134 538.30	**47 245.47**	**181 783.77**
Total actual expenditures	155 127.94	**50 504.62**	**205 632.56**

⇨ *Staffing Comparison*

199. As recalled in the document entitled “A Decade of Change”, which was presented to the Executive Board during its first regular session in 2002, the last phase of the decentralisation process was supposed to be “staff-neutral”. Based on the information obtained from the different RB reviewed, my staff tried to ascertain if this objective was indeed met. They, therefore, compared the approved staffing of the former ROs and RB at Headquarters with the one of the newly RB in the field.

200. As recapitulated in table 8 that follows, the last phase of the decentralisation led to an overall reduction of 28 approved posts mostly financed through the PSA. In order to get a better idea of the savings achieved, the following should, however, be noted:

- The comparison was made on the basis of approved staffing and not occupied posts and the existing vacancies in the former ROs and RB were not deducted.
- Most of the posts abolished were at the local level at a much lower payroll cost. The savings achieved because of the reduction in the number of posts would, therefore, be partly offset by a higher overall payroll cost. As recommended in the paragraphs that follow, a more thorough analysis would have to be conducted to determine the extent of actual savings.

TABLE 8: OVERALL STAFFING COMPARISON

Grade	Net Africa	Net ODR	Net ODB	Net total new RB
Directors D1-D2	-1	-0.45	-1.55	-3
Professionals P2-P5	-3	-2.30	+1.3	-4
International General Service staff	+8	-	+3	+11
National Officers	+3	-	+3	+6
Local General Service staff	-23	-6.25	-8.75	-38
Grand Total	**-16**	**-9**	**-3**	**-28**

Functioning of the New Regional Bureaux

⇨ *Roles and Functions of Each Level*

201. At the time of writing this report, the breakdown of roles and functions between the RB, ROs or cluster office and the COs was still defined by the OD Directive entitled "Guidelines for model structure, unit definitions, distribution and allocation of functions, functional statements, workflow and delegation of authority for the OD Bureaux" issued on 10 November 2000. A new Directive, taking into account the last phase of the decentralisation process, was announced but still not issued at the time of writing this report. **Therefore, I recommend that it be finalised as soon as possible.** My staff noted, however, that the terms of reference for the RB Liaison Officers were issued on 21 November 2001.

⇨ *Coexistence of a Regional Bureau and Country Office in the Same Country*

202. My staff noted that the Executive Director's Circular entitled "Title of WFP Representative" dated 10 October 2001 had the merit of clarifying the respective status of the RD and CD for countries where the programme had both an RB and a CO. As far as the day-to-day functioning was concerned, various situations were observed in the countries where this situation existed. In fact, it was only in Senegal that my staff noted a complete separation of functions between the RB and the CO. As previously mentioned, both offices were sharing the same premises but the only common service, provided by the RB to the CO, was related to Information and Communication Technology (ICT). Except for during the first months of activity of the RB, when it did not have any bank accounts yet and was understaffed in matters of finance and administration, the CO did not provide any services to the RB. My staff considered the situation satisfactory since the respective staff knew

exactly to whom to report. They also noted that the RB did not treat the CO any differently than the COs in its region.

203. The reverse situation was found in Kampala. Since the Great Lakes RO was closed down, the functions previously carried out by the Great Lakes Support Unit were integrated into ODK since there was still an ongoing regional operation (Protracted relief and Recovery Operation - PRRO 10062 for the Great Lakes). To manage it, the RB decided to merge its own resources with the ones of the CO for logistics, procurement, human resources, administration and ICT. My staff noted that this situation brought a confusion of responsibilities between the CO and the RB. They were, however, informed that such was seen as an interim measure and that an evaluation of the PRRO would come up with recommendations for the future.

204. The situation found in Cameroon was somewhere in between. At the time of my staff's visit, the CO had moved out to different premises to the ones occupied by the newly established RB. However, the CO was not in a position to carry out its own management without the support of the RB. As previously mentioned nearly all its inventory items had been left behind to be used by the RB. The absence of separate imprest accounts, the insufficient number of international staff, the problems of connectivity in the new CO building led the CD to delegate the administrative and financial management to the RD, on the basis of a rather informal arrangement. Following my staff's recommendation, a complete separation of the CO and RB was progressively achieved.

⇨ *Relationship between the Regional Bureaux and the Country Offices*

205. For Africa, the relationship between the RB and the COs was found to be as follows:

- For ODD, communication was mainly done through E-mail but telephone remained the second most important way of communicating. The means of communications were considered as rather satisfactory even if it was felt that there was an urgent need to increase the band width of the V-SAT to support the current needs for voice and data and the planned requirement of video conferencing. Meetings were reduced in number but considered very important to ensure a common regional approach. On-line communication was considered perfectly suitable for daily exchanges but regional meetings allowed more in-depth discussions. At the time of my staff's visit, two regional meetings had taken place with the participation of all CDs.
- No connectivity problems were noted for ODK since all the countries in the area benefited from a good ICT infrastructure. E-mail was widely used, as well as telephone and fax. Travel between the different COs and Kampala was easy. Nevertheless, ODK expressed no intention to organize frequent meetings with its CDs. At the time of my staff's visit, only one meeting had been organized in December 2001.
- As far as ODY was concerned, the RB communicated with the COs of its area mainly by E-mails and telephone, through a combination of land, V-SAT and mobile telephone systems. Problems were, however, encountered with many receiving countries' communication systems. In order to overcome these difficulties, it was felt that the best solution would be to install V-SAT in all the COs. The ODY considered its mandate to provide strategic, policy and overall management guidance, direction and feedback. These were complemented with visits to the COs on appraisal, assessment missions and technical missions.

206. It was in Asia, that my staff found that the relationship with the COs had been the most formalised. The CDs formed the “Board of Directors”, which was chaired by the RD and co-chaired by its Deputy. ODB considered its mandate to be pro-active and demand-driven. CDs were expected to forward requests to ODB for support and subsequently assess the support actually provided. Furthermore, the RD and its Deputy would make a “Country Management Review” of each CO every two years to examine notably WFP’s activity in the given country. At the time of my staff's visit, the “Board of Directors”, which was meant to meet three times in the initial two-year period, was scheduled to meet in June 2002. The last meeting had taken place shortly after the establishment of the RB in August 2001. On an individual basis, all CDs had visited the RB, except India and Sri Lanka. On the other hand, the RD or his Deputy had visited seven out of the 12 countries in their area. When these observations were brought to the attention of the Programme by my staff, the commitment was made, with which I concur, to learn from and replicate any best practices of the different ways each RB relates to its COs.

Evaluation of the Decentralisation Process

207. In paragraph 159 of my report on the 1998–1999 biennium, I concluded the review of the decentralisation process with the view that “*two and a half years after its inception, the impact of this reform should have been evaluated*”. Therefore, I recommended that such an evaluation be carried out and “*include a precise assessment of the evolution of the financial costs and savings, with data such as the number of posts created in the field and suppressed at Headquarters, the administrative cost of the Regional Offices and the global cost of decentralisation*”.

208. At first, the WFP responded positively to my recommendation. In the first “Progress Report on the Implementation of Recommendations in the 1998–1999 Audit Report of the External Auditor”[16], the following was indicated: “*An evaluation of the Organizational Change Initiative begun in 1997 has been planned for the mid–2001. It will include an assessment of the costs of advantages of decentralising operational decision-making to the field. The terms of reference of this evaluation will be established by the Change Management Oversight Committee. Proposals will be sought from a short list of management consulting firms. The report will be presented to the Executive Board in due course.*”

209. The following was, however, indicated in the Second Progress Report[17], which was examined by the Executive Board during its third regular session in 2001: “*Bearing in mind that the bureaux decentralization and WINGS project will be completed in the second half of 2001, the Secretariat decided it was not yet the appropriate time to undertake an immediate evaluation. Instead the Secretariat is presenting to the Board at its February 2002 session a report on the decade of change, and has a plan for the progressive evaluation, from 2002 onwards, of all aspects of the initiative*.”

210. In addition to the report on the decade of change mentioned above, the Executive Board was also provided during its first regular session in 2002 with an information note on the “Assessment of organizational change in the World Food Programme”[18]. The last paragraph of this document indicates that “*a formal evaluation of the change process for WFP will be implemented through a series of focused and targeted assessments of specific*

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[16] Cf. WFP/EB.3/2000/4-B/1.

[17] Cf. WFP/EB.3/2001/5-A/1.

[18] Cf. WFP/EB.1/2002/INF/13.

initiatives or components of the organizational change initiative. One of the first will be an assessment of decentralization, with the relevant report being presented to the Board in May 2003". While I regret that no assessment was carried out earlier prior to the launching of the last phase of the decentralisation, I have taken note of the commitment made.

211. In my opinion, the evaluation to be carried out should include, as previously recommended, a precise assessment of the evolution of the financial costs and savings, if any. The comparisons my staff made, in terms of number of posts created in the RB and suppressed both at Headquarters and in the former ROs, should be expanded to take into account the unit cost of the posts concerned in order to determine the overall impact on staff costs. Furthermore, the same comparison should be made for ODC and ODM. As far as other costs were concerned, my staff has already determined that rental costs would be higher than previously because of the non-existence of rent-free premises for all the new RB. The impact on other costs such as telecommunications and travel should also be examined. At the time of writing this report, the WFP reaffirmed its commitment to carry out an assessment of the decentralisation process and noted the suggestions mentioned above.

FOLLOW-UP REVIEW OF THE IMPLEMENTATION OF THE FMIP

Background Information

212. Formally approved by the Executive Director in February 1996, the FMIP was conceived as a collection of integrated long, medium and short term activities, aimed at improving overall financial management at both Headquarters and field level. In my report on the 1998–1999 accounts [paras. 175 to 199], I reported on the results of the audit conducted by my staff, which focused on the replacement of the information systems accounting for two thirds of the total budget. The issue of cost and funding was also examined.

213. The new information systems were to be composed of eight distinct components regrouped into two overall projects. On the one hand, three support systems for procurement, finance and human resources (HR)/payroll constituted the "Strategic Integrated Management Support System" (SIMSS) project. On the other hand, the "Operations and Strategic Integrated Systems" (OASIS) project regrouped the following five business systems:

- the Resource Mobilisation System (RMS) to follow-up on all stages of donor contributions;
- the Project Planning and Management System (PPMS) to manage project from design, to closure;
- the Programming and Allocating of Resources Information System (PARIS) to allocate and monitor project resources;
- the Logistics Management System (LMS) for freight costing and management of transport, shipping and insurance activities; and
- the Commodity Monitoring, Processing and Analysis System (COMPAS) to track commodities from arrival at port, through inland transportation to its final destination.

214. With the exception of the RMS and COMPAS, all other systems used the SAP R/3 software implemented by IBM. At the time of writing my 1998–1999 report, only

COMPAS was fully operational, covering 26 countries only though. The RMS has been in use at Headquarters since February 1999 but a number of unresolved issues remained.

Objectives, Scope and Method of the Audit

215. For the 2000–2001 biennium, a follow-up review was conducted in order to examine the changes that took place in terms of project implementation, cost and funding since my previous report. Furthermore, since all the SAP components of WINGS, except payroll, went live in January 2001, I hired the service of two specialists, one data migration specialist and one SAP specialist. The mandate of the former was to review the data migration from the legacy systems (General Ledger: Millennium—GL:M and WFP Information System—WIS) to SAP, with the objective of identifying risks that could have an impact on the 2000–2001 financial statements. The latter was asked to conduct a SAP review, which focused on system security, segregation of duties and other controls implemented to ensure the integrity of financial data. Last but not least, as already mentioned, the synthesised results of the survey on connectivity aspects are reported in this section.

SAP Implementation

⇨ *Go-live Date*

216. In my previous report, I had commented on the fact that the go-live date for the SAP implementation had been changed four times from the initial January 2000 date. At the time of writing my 1998–1999 report, the go-live date was set for 2 October 2000, which I did not consider realistic mainly owing to concerns over the data clean-up progress and the incomplete data migration strategy. I recommended, therefore, that it be established in line with the completeness of all system introduction activities.

217. The non-feasibility of the October 2000 go-live was acknowledged by the WFP as early as late August/ early September 2000. The meeting minutes of the 23rd session of the FMIP Steering Committee held on 5 September 2000 indicated that "*based upon current plans and constraints [...], the system (excluding HR/payroll)* [could not] *be brought to the "ready go-live" stage before early November*". The "FMIP Monthly Snap" for October 2000 subsequently announced that the go-live date had been shifted to January 2001 for all SAP modules except HR/payroll and travel.

218. The official cut-off date for new transactions to be entered into SAP was 8 January 2001 but wide access for all Headquarters Units and the two out-posted RB was not available until 31 January 2001. As announced in the SAP Bulletin No 32, it was as of 28 February 2001 only that all Headquarters payments were processed through SAP. As a result, the legacy systems were maintained to record transactions relating to the 2001 transition period plus any additional accounting entries and adjustments needed for the closure of the interim accounts for 2000. Since the closure was directly related to the second phase of the migration (Cf. infra), it was, in fact, on 14 September and 5 October 2001, respectively, that my staff were provided with the interim financial statements for 2000 and notes thereto for their review.

219. At the time of writing this report, the rollout of SAP to the field was still limited. The newly four out-posted RB were connected on 1 September 2001 and 12 COs were given access on January 2002. As for payroll, the revised April 2001 target was successively postponed to June, July and August 2001. At the 36th session of the FMIP Steering Committee held on 21 May 2001, it was announced that the first SAP pay would only be possible for November 2001. Since it did not make sense to switch to a new payroll system

that late in the biennium and with the forthcoming Euro conversion, it was decided to have the first SAP pay in January 2002. The deadline was met. However, as detailed below, the delays encountered had a significant financial impact. The travel management module was operational on 29 April 2002.

⇨ *Data Migration*

220. As detailed in Note 3 to the financial statements, the migration of financial and other information from the legacy systems to SAP was performed in several stages:

- Phase 1, which was performed during the period from 4 to 8 January 2001, only concerned essential data (such as contribution receivables and part of the funded allotments) needed for business continuity in the new system while waiting for the completion of the closure in the legacy systems and data clean-up.
- Phase 2, which took place during the second week of August 2001, involved the transfer of balance sheets accounts as well as fund and projects balances theoretically as at 31 December 2000 but with the inclusion of the legacy systems transactions posted during the 2001 transition period.
- In addition, post migration related activities were done after August 2001 in order to correct some transactions that were not fully migrated due to unfinished data clean up or refinancing of some projects.

221. The data migration process was reviewed extensively by OEDA in April/May 2002. As a result, the review conducted by the specialist I hired relied on this work and he concurred with its results. Although the review did not identify any major weaknesses that could have had an impact on the financial statements for the 2000–2001 biennium, the following shortcomings, previously pointed out by OEDA, were noted.

Management of the Migration Project

222. The management of the Migration Project was initially entrusted to a consultant. However, with the exception of the overall migration strategy paper, no significant progress was achieved under his management. Significant improvements were, in fact, only made in December 2000 when his contract was terminated and the project management was subsequently restructured as follows:

- The FMIP Director formally established a migration team consisting of migration focal points from all business units, which reported directly to her.
- Clear reporting lines were also established from the focal points in each business unit who reported to the FMIP Director who, in turn, reported to the FMIP Steering Committee.
- The Issue Resolution process was set up to facilitate decision-making.
- A Bulletin, which allowed clearer and more effective communication and documentation of changes in the overall migration strategy and procedures, was regularly issued.

My staff noted, however, that changes to the initial strategy document were reflected in various documents while the initial migration strategy document should have been completed and updated regularly to give a comprehensive view of the actual implementation. Some supporting documentation could not be located.

Migration Strategy

223. For the strategy itself, the choice was made to migrate only a limited amount of historical data. Since only balances were migrated for most of the business areas (contributions, funds, projects, allocations), users would have to revert to the SAP Business Warehouse (BW), where historical data was stored for complete information. Each business unit also retained its own back up files of historical documentation downloaded from the legacy system into spreadsheets. In the context of high staff turnover, which often leads to high levels of knowledge loss, the migration of some historical data might have proved to be more effective in the long run. In WFP's opinion, the potential positive impact did not justify the added complexity that such a migration would have entailed.

224. Likewise, as the legacy systems were known to be not fully reliable and no reconciliation was ever performed between GL:M and WIS, a step-by-step migration per business area might have been a wiser approach. It would have entailed additional costs since temporary interfaces would have had to be set up, but it would have made corrections easier since any correction in a business area was not immediately passed on to another. In WFP's opinion, though, this would have added unnecessary complexity and costs.

Data Clean-up and Migration

225. Migrating data is a highly complex operation since both technical and operational issues have to be addressed simultaneously. In the case of the WFP, it was rendered even more complicated by the extensive data cleaning that had to be performed. As acknowledged when the approval of additional funding to address this issue was sought from the Executive Director in May 2001 (Cf. infra), the extent of the clean-up had been underestimated. As indicated at the 34th session of the FMIP Steering Committee held on 11 April 2001, part of the difficulties encountered were due to the “sins of the past” namely areas such as, for instance, contributions receivable, field suspense and bank accounts, insurance accounts, despatch and demurrage, closed projects and fund balances. In the past, there had been, in fact, very few systematic efforts to clean and reconcile data, in spite of regular reminders issued by my staff. Furthermore, given the information available from the legacy systems, historical records did not always prove adequate for recording details in SAP. This led to a time-consuming “polishing” of records to get them into an acceptable format for uploading.

226. As a result, and as previously mentioned, data cleaning was still going on at the time of the review while, as per best practices, it should have been completed prior to the migration and only clean data should have been migrated. The WFP argued, that while it would have been good practice to migrate fully clean data, in fact this was not possible. The programme took, therefore, the conscious decision to migrate when the level of residual data clean up was such that the remaining analysis could safely be done in the new system. In my opinion, this decision had, in particular, the following consequences:

- Contributions receivables were mainly migrated before the review by RE and FS to determine their validity.
- Closed projects with a negative balance were migrated, whereas the outstanding balance should have been dealt with prior to the migration.
- An amount of US$243.8 million of negative receivable balances was migrated largely arising from the assignment of separate funds for contribution receivables and receipts pertaining to the same contributions, respectively.

- The reconciliation of migrated contributions at the project level was not completed. Likewise, the cleaning up of all insurance accounts was also not completed as already indicated [para. 51].
- Unexplained differences existed for CO receivable and the reconciliation of 304 CO accounts was still pending.
- The migration of fund balances of the four programme categories resulted in a net unexplained discrepancy of US$63,841 between the legacy systems closing balance and SAP opening balance.

227. At the time of writing this report, the review of contributions receivable and closed projects was completed. For the former, adjusting entries were in process. For the latter, a report was being prepared to be examined by the Executive Board at its October 2002 session and discussions were taking place with donors on the possible utilisation of closed project balances, including the possibility of offsetting negative balances from existing surpluses against other contributions. Furthermore, the amount of negative receivables was reduced to US$2 million after review. For the rest, **I recommend that the work on outstanding migration issues be pursued until all the discrepancies are fully explained, all items duly reconciled and all missing documentation duly filed. On the basis of precise estimates of the workload, deadlines should be established, closely monitored and progress regularly reviewed by OEDA.**

228. In view of the above, I am of the opinion that the implementation planning proved to be unrealistic in view of the complexity of data cleaning and migration. As these aspects were of crucial importance, given the low control levels of the legacy systems, and since there was no particular operational urgency, it would have been better to postpone the SAP go-live date to ensure enough time was given to fully prepare the data to be uploaded into SAP. The WFP argued that, in its opinion, the decision to go live in January 2001 was taken after much consideration of all of the benefits and risks involved in going live at that time, including the outstanding amount of unclean data. The Programme further argued that, through the follow-up data cleaning work and a detailed closure planning, it was able to submit the 2000–2001 financial statements in time for audit.

⇨ *SAP Review*

229. The review of SAP conducted by a specialist in late May/early June 2002 did not disclose any significant malfunctioning of the system. The level of business controls was considered satisfactory but most of these controls were, however, very reliant on manual procedures. The administration of the system, in general, was also carried out in a satisfactory manner. However, the following shortcomings were identified:

- non-optimisation of logical security parameters within the SAP system;
- too many authorisations for specific critical transactions;
- significant violation of segregation of duties;
- outstanding items for clearing accounts;
- deficiencies in the batch input and parked items monitoring;
- absence of reconciliation between RMS and SAP; and
- inadequacy of the present COAG-SAPInt software used by the COs not connected to SAP yet.

As detailed in the paragraphs that follow, the Programme acted very promptly to rectify most of the deficiencies.

System Security

230. In terms of system security, SAP is designed to restrict all access, unless the system administrator specifically permits given users to have access to specific data or/and specific functions (called authorisation objects). In order to do so, it is considered good practice to combine data and functions into a set of profiles. Each user can then be assigned one or more profiles, each profile containing one or more authorisation objects, each authorisation object with given values (such as display or update authorisations). In the case of the WFP, this best practice had been followed and procedures duly defined for proper user maintenance.

231. Furthermore, the following shortcomings, noted during the review, were all rectified when brought to the attention of the Programme:

- The number of “super users” (users with SAP super standard profiles that allow them to perform almost all functions within the system) was reduced and the consultant super profile (assigned to 11 users at the time of our review), was deleted since such a profile was only needed at the development stage.
- The number of users allowed to execute powerful system transactions (like “delete all users” or “perform ABAP/4[19] programmes”) was reviewed. Furthermore, most of these powerful transactions were either blocked or only assigned to an emergency profile.
- In addition, a review of the authorised users by transaction code was initiated since a large number of users was noted for several high-risk transactions like the creation of “customers”, “vendors”, fund centres, bank data and General Ledger master records**,** the posting of invoices and the running of payments.

232. Experience has also shown that the greatest risk to a system like SAP R/3 was not external, but from disgruntled employees and former employees. The review disclosed that the SAP Administrator was duly informed by the Division, HR of any terminations of contracts before their normal end date. It also disclosed that, for staff on short-term contracts, SAP user access was never granted beyond the contract expiry date. Moreover, the SAP Administrator performed a check of users who had not logged into SAP for three months. These users were blocked from the system and an E-mail was sent to each of them. At the time of the review, there were 62 inactive users who had not logged on since 1 March 2002. They all had been duly blocked with only one exception.

233. Still in terms of system security, several recommendations were made to tighten access control in line with prescribed best practice. For instance, the time that a user could be idle before being automatically logged off the system was reduced from three hours (standard setting) to one hour. Likewise the number of simultaneous log-ins for one user on different computers was reduced from 25 (standard setting) to two only.

234. The following two recommendations were, however, not implemented. Regarding the locking of users after three invalid log-on attempts (rather than six as currently set up), the WFP argued that to do this under the existing level of staff resources (only one staff

[19] ABAP/4 is a SAP-proprietary, fourth-generation programming language with syntax that vaguely resembles Pascal. It can be used, in particular, to develop data interface programme, to develop custom reports and even to modify the functions supplied by SAP.

involved) would lead to an increase in the number of requests for unlocking, further causing delay in response time, which would impact field users in particular. It agreed, however, to close the session after three failed attempts and to monitor all closure of sessions due to wrong passwords in order to provide a basis for risk assessment in the future. The WFP did not agree either with the reduction in the number of days (from the current 120 to at least 60) for passwords' validity. It was argued that the reduction would entail a greater risk that users would keep their passwords in a written form if they had to change it more frequently. My staff also recommended that the WFP review its entire password management beyond the mere access to SAP to define a common approach (at the time of the review, no change of password was required for access to the network and to E-mail). At the time of writing this report, my staff were informed that the Programme was in the process of implementing its new information security policy that requires a password change every 90 days.

Segregation of Duties

235. To keep adequate internal controls with a system like SAP, the golden rule to follow is to segregate duties. For instance, the staff member who issues a purchase order should not be allowed to post the invoice received and run the corresponding payment. In a large organization like the WFP, there should not be any exceptions to the segregation of duties rule, at least for Headquarters since strict adherence to the rule might prove to be more difficult in small COs once they would be connected. The review disclosed significant violations, which are recapitulated in table 9 that follows. For instance, 106 users could create a vendor, enter an invoice and run a payment at the time of the review.

TABLE 9: VIOLATION OF SEGREGATION OF DUTIES RULE

Combination of transaction codes tested	Description	Number of users
XK01+ME21+MR28(0,FM) +MB01+MR1M+F110	Vendor Master Data creation Create Purchase Order (PO) Release PO (release codes 0+FM[20]) Goods Receipt Vendor invoice/PO Payment run	16
XK01+ME21+MR28(FB) +MB01+MR1M+F110	Vendor Master Data creation Create Purchase Order Release PO (release codes FB) Goods Receipt Vendor invoice/PO Payment run	14
XK01+F43+F110	Vendor Master Data creation Enter vendor invoice Payment run	106
XK01+F43+F53	Vendor Master Data creation Enter vendor invoice Post outgoing payment	4
MR1M+F110	Vendor invoice/PO Payment run	119
F43+F110	Enter vendor invoice Payment run	115
F43+F-53	Enter vendor invoice Post outgoing payment	6

[20] In SAP, all purchasing documents like Purchase Requisitions (PRs) and Purchases Orders (POs) are subject to a release procedure. When a document is created, a release strategy, which defines which release points are needed to release (approve) the document, is automatically assigned. The aim of this procedure is to replace written authorisation with electronic signatures, while maintaining the dual control principle. Twenty-six release codes were customised for the WFP with, in particular, "0" for forward approval; "FM" for field manager and "FB" for field buyer.

MR1M+F53	Vendor invoice/PO Post outgoing payment	3
FM5I+FM2I+FM3I+FS01	Create Fund Create Fund centre Create Commitment item Creation of G/L Master record	17

236. In view of the risks of fraud this situation created, a detailed review of the segregation of duties was recommended and initiated. **Since this review was closely related to the one of authorised users by transaction code mentioned above, I recommend that they be completed as soon as possible.** At the time of writing this report, my staff were informed that the Programme had already adopted the following business rules. The transaction of the payment run (F110) would be allocated only to accounting/disbursement officers at Headquarters and in field offices whereas the transaction to enter invoices (F–43) will only be carried out by accounting/disbursement clerks. Additional rules to address the need to reduce the business risks highlighted in this report would be finalised by the end of August 2002.

237. The violations noted were rendered more numerous because of the fact that a sensitive function like "vendor" master data management (creation, modification or deletion of WFP suppliers) was not centralised. Suppliers could, in fact, be created by about 700 users, both in Headquarters and in the field, at the time of the review. As a result, the following risks existed. A supplier could be created twice (or several times) in the system by different WFP entities, which could lead to problems during clearing or invoicing processes. Moreover, the large access to vendor master data increased the risks of fraud. The centralisation of "vendor" master data management was, therefore, recommended.

238. The Programme agreed with the recommendation that the ideal control for the maintenance of the vendor master data was to centralise it. It added that the issue had been under discussion but it was believed that it would require further experience as the rollout to COs was not completed yet and further evaluation of its implications in terms of staffing resources, changes to existing business processes and timeliness. For the time being, the Programme intended to nominate two principal vendor creators plus two alternates for the vendor creation functionality (XK01) for each Headquarters' division, RB and CO online. This would reduce the number of users from 700 to approximately 110. Once the bulk of vendor creation would be complete, the situation would be reviewed. **In view of the potential risks of fraud, especially in the field, I still recommend that "vendor" master data management be centralised as soon as possible, at least at the level of the RB for all the COs in their respective area.**

Controls on the Integrity of Financial Data

239. As far as clearing accounts were concerned, a relatively high number of outstanding items relating to the 2000–2001 biennium was noted for the Goods Receipt/Invoice Receipt clearing account (713 open items for a total amount of US$12.6 million) and for the Treasury clearing account (119 open items for a total amount of US$1.2 million). As recommended, these items were analysed and cleared for most of them.

240. A batch job is a programme that can be scheduled to run at a later time to, in particular, balance the system load of processing large volumes of data. At the time of the review, the existence of a significant number of batch input sessions either with an error status or not processed at all was noted. Likewise, some transactions also relating to the 2000–2001 biennium had been "parked" and not processed. The recommendation to review them in order to determine their validity was immediately implemented. As already agreed by the Programme, **I recommend that a procedure be established to review batch input**

sessions on a regular basis. Likewise, I recommend that a similar procedure be established for the regular review of "parked" transactions or documents.

241. As detailed in my previous report [para. 185], the RMS was developed, using Lotus Notes environment, to keep track of contributions from the moment they were pledged until they were confirmed. Data regarding confirmed contributions were subsequently registered into SAP through an interface. In the absence of a regular reconciliation between RMS and SAP, the risk of inaccurate data or incomplete data was pointed out. The WFP agreed with the recommendation to carry out a monthly reconciliation.

242. At the time of the review, only 12 COs, which represented, however, about 60 percent of field expenditure for 2001, had been given direct access to SAP. All others were using the COAG to SAP Interface (COAG-SAPInt) to record the financial transactions processed at the country level. The electronic transaction files were transferred on a monthly basis to Headquarters to be downloaded to SAP. A high level of rejects, which were mainly due to incorrect entries in COAG-SAPInt, was noted (almost 30 percent for the last download) and had to be manually analysed and recycled. In order to improve the reliability of efficiency of the process, the implementation of a higher level of controls in COAG-SAPInt database was recommended. Data regarding, for instance, G/L funds and cost centre codes could be downloaded from SAP to COAG-SAPInt. The corresponding fields in COAG-SAPInt should be available for selection only by a pull-down menu. This would facilitate the data input by users while diminishing the risks of wrong entries. In addition, some cross-reference checks could be established between certain SAP elements (G/L account, cost centre, etc.). **Since the WFP is in agreement with the suggested improvements, I recommend that they be implemented as soon as possible.**

Results of the Survey on Connectivity

⇨ *Access to Electronic Mail and Internet*

243. Connectivity is an important element of the decentralisation process. Experience has shown that transferring decision-making to the field can only be achieved if improved telecommunications allow direct access to the corporate information system. All the COs that replied to the survey had access to electronic mail and most were using Lotus Notes. The CDs were satisfied with the access with, however, three exceptions (one CO for ODM and two for ODC) that the WFP committed to address when the problems were brought to its attention.

244. All the COs, except two, had access to Internet. For the two that did not, budget constraints were the reason for the non-connection given the high rates charged by the local service providers. For the COs connected, access was through the WFP Enhanced Telecommunications Network (ETnet) in one case only. For the rest, it was through local service providers. In nearly 30 percent of the countries, only the main office had access, the non-connection of the sub-offices being due to absence of local service providers or high costs. Problems with access and speed were reported by four COs, mostly located in ODC region. As a result, the downloading of documents from Headquarters was reported to be problematic. The WFP recognised that it was an issue, which would need to be addressed but pointed out the high costs involved with providing high-speed, reliable and permanent connectivity.

245. As mentioned in the "Status Report on WFP's Decentralisation Initiative" mentioned above, the Lotus Notes based System for Project Approval (SPA) was made available to all COs over the Intranet but only on a read-only basis. Use of this facility varied greatly among the COs surveyed but was altogether limited. Only three CDs or their staff accessed

it at least once a week. One indicated that it was accessed two or three times a month while three others reported a frequency of less than once a month. Seven CDs reported no access to the system at all. The limited functionalities of the system on a read-only basis were pointed out by one CD who included it should include options such as search, edit and copy. At the time of writing this report, my staff were informed that a new version of SPA, which allows for read-and-write access from the field, had been developed and was being tested.

246. In the case of ODM, the limited use of the system was explained by the fact that six out of 11 COs had already approved Country Programmes. Furthermore, most of the countries had Development projects only with a life span of four to five years. It was acknowledged that if SPA was installed in the COs it could help. However, the real problems , according to one CD, were to do with the fact that Headquarters technical divisions staff "*that should provide their comments to the document at least two days in advance* [of the Programme Review Committee—PRC] *never comply with this rule*". They tended to "*post their comments minutes before the meeting or during the meeting*", which notably increased "*the length of the teleconference of the PRC*". According to the WFP, the problems mentioned above were not common for all the RB and the procedure was usually followed.

⇨ *Access to the Commodity Movement Tracking and Analysis System (COMPAS)*

247. The COMPAS was installed in 15 of the COs concerned with the survey. For the COs where COMPAS was operational, four CDs commented on the shortcoming of the training received. For ODM, two CDs indicated that training was too brief to meet the requirements and master all the functionalities of the system. For ODC, two CDs reported the need of more training, notably on reports. While the CDs in ODC declared that they were satisfied with the documentation provided, the fact that it was only in English (and not in Spanish) was reported as a major problem by three CDs in Latin America. Only ten out of 15 CDs, or 67 percent, declared that they were satisfied with COMPAS. For the others, two indicated that the installation was too recent to pass a judgement yet. The problems mentioned by the ones not satisfied had to do notably with reporting.

248. In view of the above, my recommendations for COMPAS are as follows:

- **The shortcomings reported for training should be addressed and documentation should be translated into other languages (Spanish and French at least) as soon as possible.**
- **Long-term improvements should be considered on the basis of the experience of the COs, which have used it since its inception.**

At the time of writing this report, my staff were informed of WFP's intention to create capacity at the RB's level for them to do their own training, tailored to their specific regional needs. Furthermore, the imminent finalisation and roll-out of COMPAS version 2.0 would be matched by the provision of translations for the new user guide. My staff were further informed of other ongoing developments in the area of COMPAS integration into SAP.

⇨ *Use of COAG-SAPInt*

249. In the absence of direct access to SAP, all the COs concerned by the survey were using COAG-SAPInt to record the financial transactions processed at the country level. Numerous problems were reported. To start with, 12 CDs out of 20, or 60 percent, reported being dissatisfied with the training received, if any. Dissatisfaction was, however, greater

in the ODM region (eight out 11, or 73 percent) than in the ODC region (four out of nine, or 44 percent). For ODM, two CDs indicated that no training was provided while another indicated that training was organized on the initiative of the CO and not on the one of the RB or Headquarters. Four CDs pointed out the very brief duration of the training. The same problems were reported for ODC but on a smaller scale: no training at all in one CO, incompetence of the trainer in another and insufficient training in the remaining two.

250. The deficiencies reported in the training were unfortunately not compensated, in most cases, by adequate documentation. Ten CDs reported problems in this area as well. The unavailability of documentation in local language, its incompleteness and imprecision were pointed out. The following suggestions for improvement were made: inclusion of examples in the instructions, update of General Ledger codes to be distributed, monthly update of the release procedure to be posted on the Bulletin Board.

251. In total only seven CDs declared that they were satisfied with COAG-SAPInt, which was notably described by others as being "*very rigid*", "*not user-friendly*" and "*time-consuming*". The main problem, however, was that the COs did not gain anything from the system only suitable for reporting to Headquarters. Especially, COAG-SAPInt did not have a specific function allowing issuance of reports by accounting codes, thus giving an updated status of expenditures and balances available for each code at any time. Such control had, therefore, to be performed separately by the COs through additional records in Excel spreadsheets for instance.

252. In view of the above, my recommendations for COAG-SAPInt are as follows:

- **The shortcomings reported for training should be addressed and documentation should be translated into other languages (Spanish and French at least) as soon as possible.**
- **Priority should be given to the rollout of SAP to, at least, all large COs on the basis of adequate connectivity and training.**

At the time of writing this report, the WFP confirmed its intention to roll out SAP in as many COs as possible. In the meantime, the problems reported would be addressed.

FMIP Cost and Funding

⇨ *Background Information on the FMIP Cost and Funding*

253. In February 1996 when the Executive Director approved the implementation plan, the total cost of the FMIP was estimated at US$28.5 million. It was then officially increased to US$32 million, in December 1997, the main reason being a longer implementation period (four years rather than three as first planned), and consequently higher costs for the maintenance of the legacy systems. At the end of the 1996–1997 biennium, the FMIP was facing a shortfall of funds of US$15.6 million, partly and temporarily financed by a US$10 million advance from the General Fund, approved by the Executive Board during its third regular session in 1997.

254. For the 1998–1999 biennium, the following decisions were taken. On 20 July 1998, while approving the establishment of a Special Account for the FMIP with retroactive effect, the Executive Director also approved the increase of the budget ceiling from US$32 million to US$37 million. During its May 1999 annual session, the Executive Board decided on the conversion of the US$10 million advance from the General Fund into a grant, and a further grant from the General Fund to cover the non-funded balance up to the agreed FMIP ceiling of US$37 million. An amount of US$16.3 million was, therefore,

transferred from the General Fund at the end of 1999. Furthermore, an amount of US$2.3 million of expenditures initially charged to the FMIP were charged back to the General Fund since these expenditures were, in fact, of a PSA nature. The US$2.3 million transfer did not have any impact on the overall cost ceiling since it was decided to treat it as a contingency.

⇨ *Changes Occurred during the 2000–2001 Biennium*

255. As detailed in my previous report [para. 179], an amendment to the IBM initial contract was signed on 11 October 1999 to include the provision of a SAP payroll system for a fixed price of US$960,000. The difficulties encountered in adapting an off-the-shelf commercial package to very complex United Nations personnel rules and regulations (particularly for entitlements) led to several postponements of the initial April 2000 go-live. In early 2001, IBM advised the WFP that they could no longer carry the additional costs and requested a change to the fixed price contract to provide for a cost sharing mechanism. They estimated the further cost over-run to complete the HR/payroll project by 30 June 2001 to be in the order of US$3.8 million.

256. After several rounds of negotiations, the final proposal was that the WFP would pay for the following:

- US$2.5 million as a share of the cost over-run for the period January to June 2001; and
- 50 percent of the time and material costs for the IBM consultants working on the HR/payroll systems from 1 July 2001 onwards. At current IBM staffing level, this 50 percent share was estimated at US$17,250 per day.

The Executive Director approved, on 26 February 2001, the increased costs to implement the HR/payroll systems with the condition, however, that the existing FMIP budget should try to accommodate the US$2.5 million.

257. This was indeed the case with the FMIP contingency line covering the lump sum of US$2.5 million. However, on 1 July 2001, the project entered the time and material shared costs period, which was expected to last until the first pay from the new system in January 2002. The corresponding cost for the WFP was estimated to be around US$3 million. On 30 August 2001, the Executive Director approved that they be funded by the additional PSA 416 (b) contributions and that the FMIP budget ceiling be increased accordingly to US$40 million.

258. Two other increases of the FMIP ceiling budget proved necessary in late 2001 and early 2002:

- The first one, for an amount of US$2.6 million, was needed to provide for the costs relating to the full implementation of the HR/payroll systems according to the original project scope. In fact, several key functionalities, which were not essential for the payroll system to start in January 2002, would have to be implemented in the course of 2002 for the long term and sound operation of the system. The US$2.6 million increase was covered though an allotment of additional 416 (b)"PSA contributions.
- The second one, for an amount of US$0.7 million, was related to the transfer to the FMIP Special Account of allotments under additional 416(b) PSA to finance the future integrated treasury solution.

259. As recapitulated in table 10 that follows, the FMIP budget ceiling has been increased five times over the past six years to reach US$43.3 million, or a 51.9 percent increase compared to the initial US$28.5 million ceiling.

TABLE 10: SUCCESSIVE INCREASES TO THE FMIP BUDGET CEILING

Date	Increase	Budget ceiling	Cumulative increase in %
February 1996	initial budget ceiling	US$28.5 million	-
December 1997	+ US$3.5 million	US$32 million	+ 12.3%
July 1998	+ US$5 million	US$37 million	+ 29.8%
August 2001	+ US$3 million	US$40 million	+ 40.4%
December 2001	+ US$2.6 million	US$42.6 million	+ 49.5%
January 2002	+ US$0.7 million	US$43.3 million	+ 51.9%

260. To get an overall picture of the FMIP costs, I am, however, of the opinion that the following amounts funded under additional 416(b) PSA should also be added:

- US$2.85 million allocated to the SAP Transition Project as follows. An initial amount of US$950,000 was allocated, in August 2000, to provide support to SAP users during the initial critical months of system use and to enable the WFP to assess the long-term impact on staff resource requirements. An additional amount of US$1.9 million was allocated, in May 2001, to address data cleaning and preparation for migration, field roll out, help desk enhancements, extended reporting requirements and establishment of a SAP Business Warehouse; and
- US$834,000 allocated, in December 2000, to the continuation of the legacy system WIS and GL:M.

With the inclusion of these amounts, the FMIP overall costs would amount to US$46,984,000 or a 64.9 percent increase compared to the initial US$28.5 million ceiling. As detailed in table 11 that follows, the bulk of the FMIP overall costs was represented by the WINGS project, which amounted to US$32.58 million, or nearly 70 percent of the total.

TABLE 11: BREAKDOWN OF TOTAL FMIP COSTS BY PROJECT COMPONENT

Project components	in US$ million	in %
Development of WINGS (software, IP costs and back-up staff)	32.58	69.3%
SAP transition project	2.85	6.1%
Infrastructure (hardware and connectivity costs)	6.10	13.0%
Data warehouse and document management	0.80	1.7%
Legacy systems operation	1.83	3.9%
Other applications (COMPAS, RMS, COAG-SAPInt, Treasury solution)	1.82	3.9%
Operational improvements	1.00	2.1%
Total	**46.98**	**100.0%**

Overall Conclusion

261. I would like to note with satisfaction the successful introduction of the new corporate information system WINGS. Compared to the initial plan, there were delays and additional costs but these are incumbent to the implementation of integrated software in any given organization because of the complexity of such a project and the dynamic nature of the

information and communication technology industry. In fact, compared to other United Nations organizations, the delays encountered (11 months compared to the initial January 2000 go-live date) and the additional costs incurred (+65 percent compared to the initial February 1996 budget) have been contained, especially given the fact that the scope of the project was amplified to include a payroll package.

262. In view of the recent implementation of the payroll part of the project and the absence of impact on the 2000–2001 financial statements (first SAP payroll in January 2002), it was not included in the review conducted. I am not, therefore, in the position to comment on it. For the rest, I am of the opinion that the WFP has achieved its original objective of improving its overall financial management. The new integrated system now allows a single data entry and its simultaneous diffusion to enable dynamic information sharing, efficient budget monitoring and reporting to donors.

263. The actual implementation of WINGS did not constitute, however, the end of the project. In fact, the WFP has now entered a new, and equally critical, phase consisting first of completing the rollout of the system to the COs (including the development of a strategy for the ones that could not have a direct access) and then moving the system into a maintenance mode. At that final stage, production support and user ownership and support are the two areas that must be addressed. The production support team must continually work to optimise the system usage and manage all revisions, upgrades and new releases, as well as the periodic back-up process. Regarding user ownership and support, experience has shown that, in an integrated system such as WINGS, in which all business processes are linked and interdependent, the long-term success depends upon the users themselves, not just on technical experts. At the time of writing this report, my staff were informed of the Programme’s plans to address these two issues.

THIRD PART: OTHER MATTERS

Ex Gratia Payments

264. As provided by Financial Regulation 12.3, "*the Executive Director may make such ex gratia payments as the Executive Director deems necessary in the interest of WFP. The Executive Director shall report all such payments to the Board with the financial statements*". Upon their request, my staff were provided, on 30 April 2002, with a statement listing 17 *ex gratia* payments made during the biennium for a total amount of US$197,702.90 (US$83,866.52 paid in 2000 and US$113,836.38 paid in 2001).

265. The review conducted by my staff disclosed, however, the following for *ex gratia* payments made in 2001:

- On the one hand, an amount of US$250,000 was omitted from the statement provided while duly recorded in WFP's books of accounts. Since the amount was paid to the beneficiaries of a staff member deceased, in addition to the amount recoverable from the insurance, it indeed qualified as an *ex gratia* payment.
- On the other hand, payments made for a total amount of US$45,651.08 were reported as *ex gratia* payments, both in the statement provided and in WFP's books of accounts, while they corresponded to legal liabilities (compensation of international-recruited staff members for loss of, or damage to, personal effects). Upon my staff's request, these were duly reclassified.

As a result, the correct amount of *ex gratia* payments to be reported to the Executive Board for the 2000–2001 biennium, in line with Financial Regulation 12.3 mentioned above, should be US$402,051.82.

Write-Off

266. As provided by Financial Regulation 12.4, "*the Executive Director may, after full investigation, authorize the writing-off of losses of cash, commodities and other asset, provided that a statement of all amounts written off shall be submitted to the External Auditor with the financial statements*". I was indeed provided with such a statement, on 30 April 2002, which listed ten items written-off for a total amount of US$8,841,027.92 (US$1,326,342.46 for 2000 and US$7,514,685.46 for 2001).

267. For 2000, the largest item written-off (US$1,880,001.91) corresponded to a receivable from the host Government, which was no longer deemed to be collectible. The WFP had, in fact, requested the host Government to reimburse various Headquarters related expenses dating back from 1994 to 1998 for a total amount of over US$9 million, including those relating to the move to the present location. However, part of these expenses were not considered refundable by the host Government since they related to hardware items of the Computer Centre and modification works in the old location and the corresponding receivable was, therefore, written-off. The balance of US$7.2 million was to be paid in three instalments in 2000, 2001 and 2002. At the time of writing this report, only the one for 2002 was still outstanding.

268. Still for 2000, it should be noted that the amount written off mentioned above was partly compensated by credit amounts written off following the data cleaning and data migration, respectively. For the former, income for an amount of US$502,668.85 was generated through the write-off of old COs' suspense accounts and long outstanding bank reconciling items notably. The amount was disclosed under the line "Prior period adjustments" in Statement I. For the latter, a net discrepancy of US$63,841 existed between the closing balances in the legacy systems and the opening balances in WINGS. It was subsequently written-off and disclosed as an income under the line "Transfers between funds and accounts" in Statement I.

269. For 2001, the amount of US$7,514,685.46 corresponded to the write-off of contributions receivable, out of which US$2,690,636.36 was relating to post-1996 contributions and US$4,824,049.10 to pre-1996 contributions. Regarding the latter, my staff noted that, in total, seven contributions receivable were written-off while approval had only been granted for four of them for a total amount of US$4,808,586.10. The undue write-off of the three others was, therefore, reversed for US$15,463. As a result, the amount of write-off for the 2000–2001 biennium was reduced to US$8,825,564.92.

Cases of Fraud or Presumptive Fraud

270. Pursuant to item 6 (c) (i) of the Additional Terms of Reference Governing External Audit, my staff requested information pertaining to cases of fraud or presumptive fraud known to the Programme for the 2000–01 biennium. On 30 April 2002, they were provided with a list of 11 cases that had all occurred in the field with, however, four cases pertaining to one Country Office only. The review of the cases conducted by my staff showed that these cases amounted to US$586,701 in total, out of which US$397,128, or 68 percent, was subsequently recovered. Two cases of misappropriation of funds, through a forged cheque and forged WFP letterhead, accounted for nearly two thirds of the whole amount. In total, ten staff members plus other individuals (bank staff in particular in one case) were involved. In my opinion, appropriate actions and sanctions (from letters of reprimand to the non-renewal of contracts) where taken, where applicable. In addition, controls were reinforced to prevent the recurrence of similar cases.

Action Taken in Response to Previous Reports

271. As indicated in the introduction, comments on actions taken in response to recommendations contained in previous reports have usually been incorporated in the section where they belong. For those that were not covered previously I consider that, in general, appropriate action has been taken. For more details, reference is made to the "Final Report on the Implementation of Recommendations in the 1998–1999 Audit Report".

ACKNOWLEDGEMENTS

272. I wish to record my appreciation of the cooperation and assistance extended by the Executive Director and WFP staff during the audit.

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

August 2002

ANNEX

REVIEW OF THE DECENTRALISATION PROCESS—RESULTS OF THE SURVEY CONDUCTED

1. The present annex reports the results of the survey conducted regarding the decentralisation process. The survey was based on a questionnaire, which was sent, on 27 March 2002, to all the Country Directors (CDs) of the Latin America and Caribbean region (ODM) and of the Mediterranean, Middle East and Central Asia region (ODC). It was decided deliberately to limit the survey to these two regions only, on the grounds that sufficient time had passed since the outposting of the Regional Bureaux (RB) in late 1998 to enable the benefit of hindsight.

2. The questionnaire was divided into the following five sections. Only the results on the last four sections are, however, reported in the annex since the ones on Section I are included in the main report:

   - The focus of Section I was on electronic connectivity, which is an important aspect to support the decentralisation process.
   - Section II contained questions that were related to the restructuring of the Operations Department (OD): outposting of the RB; creation and suppression of the Regional Offices (ROs) and roles and major functions of each level in the field.
   - Section III dealt with the empowerment of the Country Offices (COs): grade of CD posts; delegations of authority; financial and human resources; guidelines and procedures; information; training and accountability.
   - Section IV related to the performance of the ROs, RB and Headquarters in support of the field.
   - Section V concluded with the accomplishments of the decentralisation process so far and the challenges for the future.

3. The rate of response to the questionnaire was quite high with 20 replies received out of 23 CDs surveyed, or 87 percent. All the 11 CDs of the ODM region replied. For the ODC region, nine replies were received out of 12 CDs surveyed. The present document, which reports the synthesised results of these replies, reflects the personal views of the CDs surveyed. It also incorporates the comments of WFP's management on these views. These comments have been incorporated in the section where they belong. In addition, a general comment has been included at the end of the document. I wish to record my staff's appreciation of the cooperation and assistance extended by the CDs who dedicated time, out of their busy schedule, to complete the questionnaire.

SECTION II: RESTRUCTURING OF THE OPERATIONS DEPARTMENT (OD)

Outposting of the Regional Bureaux

4. For ODM, only six CDs, or 55 percent, considered the location of the RB adequate for the region. For the five others, the shortcomings of the present location were numerous: "*Managua (Nicaragua) is out of the way, very difficult to access and does not constitute an adequate place for backstopping the COs in terms of spare parts, equipment, etc. It also*

costs more to get there and takes longer to arrive." Whereas, as summarised by one CD, "*a Bureau should be located in a more accessible location, with good media presence, with good communication facilities, and other facilities for Bureau staff members' families such as: education, health, etc. Furthermore the Bureau should be located where there are other UN regional offices or regional governing bodies, to facilitate the frequent meeting with them to plan joint regional interventions on common issues.*" For these reasons, Panama was considered by three CDs to be a better location.

5. Furthermore, two CDs pointed out the risks of confusions between the CO and RB and came up with the same following suggestion:

- *For a better performance of the RB and in order to guarantee balanced assistance to all the COs in the region, the RB office should preferably be located in a country where no regular operations exist.*
- *It would be preferable to locate the RB in a country, which does not have WFP activities, as the position of the RD is easily confused by the Government and the international community with the position of the CD.*

6. For ODC, only two CDs, or 22 percent, considered that the location of the RB in Cairo was not adequate for the region. One argued that the RB should have stayed in Rome, while the other indicated that with the extension of the region to cover such countries as Afghanistan, "*Cairo is no longer pivotal.*"

7. As far as the coverage of the respective Bureaux was concerned, all the CDs concerned were unanimous to consider the one of ODC adequate. For ODM, two CDs did not for the following reasons:

- *The RB is supposed to cover 11 countries, spread out throughout Latin America and the Caribbean. If we imagine that the RB needs to actually visit these countries, it is practically impossible, or at a pace that does not justify the decentralisation (can be done from Rome).*
- *The coverage (11 countries) is too extensive. The RB does not have appropriate staff resources and budget to provide adequate and continuous support to all the countries. Apart from the "formal" coverage, the RB has also the responsibility to attend important events or emergencies in the countries where there is no CO's presence.*

8. In the "Status Report on WFP's Decentralisation Initiative" presented to the Executive Board (EB) at its third regular session in 2001[21], it was indicated that the experience of the "*two pilot field-based*" RB "*proved very positive and paved the way for relocating the remaining Regional Bureaux to the field in 2001*". Only 11 CDs (seven for ODM and four for ODC), or 55 percent, shared this very positive appreciation and indicated notably the following as the most beneficial consequences:

- *The fact of being close to the governments, WFP has been able to respond quickly and influence policies in favour of the poorest, which are WFP target.*
- *Closest presence to field operation, effective support to CO in mobilisation of resources and advocacy for the region.*
- *Excellent and timely support of technical nature.*
- *The knowledge and awareness among regional staff of the issues in their areas of competence has improved, both the issues at CO level and their comparative views on*

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[21] Cf. WFP/EB.3/2001/11-B.

what works and does not work between COs. The autonomy of the CO is very much respected and can be because there is better communication and therefore trust.

- *For us the most beneficial consequence, is the direct attention, which we receive on our requests. RB is totally dedicated to its COs [...] and does not get submerged in a Headquarters culture, where top management has to be served as well.*

9. Among those who did not consider the outposting "very positive", four of them, or 20 percent, saw some advantages and drawbacks:

- *There are pro's and con's to centralised systems or decentralized systems. I would say that there may be a greater concentration by the RB on the COs because of outposting. However, the RB has just as much difficulty communicating with certain units in Rome that the CO has. Before, staff from the RB could directly go and see someone in another unit in HQ and solve a problem quickly. So, I find the term "very positive" a bit too optimistic.*
- *It was positive but not very positive. In the beginning it was poorly staffed as most of the more senior people remained in Rome and the concept of "desk officers" was eliminated (most desk officers in HQ used to be experienced staff and some even former CD).*
- *Although the Regional Bureau has got closer to the Country Offices, the advantages are not quite clear. There are still many procedures centralised at Headquarters and for that reason, decisions for resources allocation, disbursements, etc. are still or even more delayed. Seriously, I consider that the decision-making process should be decentralized.*
- *I am a firm believer of decentralisation and in this respect the outposting of the RB was necessary. However, this move was not accompanied with an adequate liaison structure in HQ and insufficient resources at RB level.*

10. For five CDs, or 25 percent, however, the appreciation was clearly negative:

- *The relocation of the RB from Rome to the field has been ill advised. RB being out of Rome cannot address many of the issues as counterpart units still remained in Rome. The Regional Directors are frequently travelling to Rome leaving the subordinates staff in-charge who cannot deliver. Sometimes the intervention by the Officer-in-Charge proved counter productive and slowed down the process. The out posting has made Headquarters incomplete and Bureaux ineffective.*
- *CO receives documentation/requests from Headquarter divisions for info/action. Later-on, the same info/request is forwarded by the RB without any explanation or summary of main points, and ignoring that some requests are not relevant for a given CO. Deadlines get tighter because RB needs time to consolidate all Country Offices' response. There is duplication of efforts and some confusion as to who is responsible for what. RB is not (yet) ready to ensure quality control of documents.*
- *It constituted just another layer without any tangible added value. Whenever you have a problem you receive an answer more quickly from HQ than from the Bureau which most of the time has to refer your query to HQ as well.*
- *RB constitutes another layer in practical terms. Most important issues continue to be solved at HQ level, RB often playing the role of main box. From CO point of view and given modern communication not much difference is felt whether CO counterparts are located in HQ or RB.*

- *Tendency to duplicate efforts. Authority (who has it, and who uses it, who does not have to use it but does etc), confusion in roles and mandate. Exaggeration in reporting requests (overburden of COs) to a variety of levels and sections. An additional bureaucratic level, on top of everything.*

⇨ *WFP Management's Comments*

11. In paragraph 4 you mention the views expressed by various CDs that the locations of the RBs were not considered adequate. They mentioned issues of easier accessibility, good communications, media coverage, etc. As already referred to in the Status Report on Decentralization presented to the EB's October 2001 session, organizational change is an ongoing process, and the need to relocate offices may arise from time to time based on the changing operational, security or political realities in the field. This is precisely the case for ODM. At the time Nicaragua was chosen as the seat for the Latin America and Caribbean region, it was considered desirable to locate it in an office with a substantial WFP operational presence, with systems and capacity in place already, and Nicaragua was the focus of the central America emergency. Over the years, the operations have scaled down, and we are presently looking into the possibility of relocating the RB, given exactly the reasons you mention.

12. Paragraphs 4 and 5 mention the issue brought up by some CDs that the RB should preferably be located in a country where there is no WFP CO to avoid any possible confusion of roles and responsibilities of the RB versus the CO, especially vis-à-vis the host government. However, this is not the case everywhere. That is, we do have RBs coexisting with COs in the same host country, where the relationship works very smoothly, as observed also by the External Auditors themselves in recent missions.

13. In paragraph 6, there is a specific reference to the ODC RB no longer being in a pivotal location. However, Cairo has excellent transport connections, connectivity and communication conditions.

14. Paragraph 7 mentions that the ODM RB cannot cover very effectively all the (11) COs in its region. It may be argued, however, that while the volume of resources may not necessarily be an indicator of complexity of operation, it is also the case that the national implementing capacities of most countries in that region are amongst the highest in WFP's portfolio, with Haiti being the only LDC with very some implementing capacity problems. Thus, the need for extensive backstopping from the ODM RB is relative.

15. Paragraphs 8 to 10 mention that, notwithstanding some positive comments from most of the CDs, some did not think that the experience of pilot testing the decentralization of the ODC and ODM RBs *"proved very successful and paved the way for relocating the remaining RBs to the field."* The final phase of decentralization was only carried out because there was a consensus and full buy-in from the Executive Staff of the tremendous benefits reaped after having decentralized the OLC and OMN RBs. By far the greatest benefit of all was the achievement of the ED's original objective *"of placing senior decision makers as close as possible to the beneficiaries"*, as was stated in the EB.3/2001 status report. The report further stated that *"undisputedly, by embracing its decentralization process, WFP has been very consistent and supportive of the spirit of the Secretary General's call in 1997 for a broad and far reaching reform process throughout the United Nations. By completing the decentralization of its RBs to the field, it has consolidated its transformation into a truly field based organization whose development and humanitarian missions have brought it close to the people it serves"*. So, notwithstanding some of the teething problems expected in any major organizational

change as relocating RBs, we should not lose sight of this ultimate objective of why WFP decided to decentralize in the first place.

16. Please note that the RBs were decentralized with many new delegations of authority to them and the CDs, which did not exist before decentralization. These are all iterated in the Status Report on Decentralization, which was tabled at EB.3/2001. However, authorities like resource allocation have remained in HQ, and rather the RBs continue to give inputs.

Creation and Suppression of the Regional Offices

17. A new organizational concept for the field was introduced in late 1996, based on clusters of COs with ROs. Those who were already working for the WFP when the creation of the ROs was announced in 1996[22] were asked what did they think of it at the time. A majority of the CDs concerned indicated that they considered the change positive because it would make the Programme more reactive with decision-making closer to the field. Five CDs declared, however, that they were at least sceptic if not opposed to the idea. Two of them, probably with more seniority, indicated the following:

- *Old wine in new bottles! This idea was experimented before under a different name "Regional Director of Operations?". This died a natural death with individual Country Directors declaring their independence. It was buried with the appointment of WFP Representatives.*
- *At that time, I did not think it was a good idea as something similar had been tried several years before and that did not work out very well.*

18. On 25 October 2000, the Executive Director (ED) announced the out-posting of the two remaining RB still in Rome. It was considered that this "*sufficiently streamlined and manageable geographic coverage*" would enable the WFP "*to operate without the present regional cluster system*", with, however, a few exceptions. In fact, ten out of the 13 ROs existing at the time were closed down in late 2001. Only the Islamabad and Maputo ROs were "*maintained for operational and technical support purposes, while the Lima cluster* [would] *function as a resource mobilisation/advocacy office for Latin America*".

19. About the dismantling of all the ROs, most of the CDs felt it was a good decision, which would eliminate an unnecessary layer (argument given seven times). One felt that the decision was "*a very hasty decision. Some things were not working as expected, but in my opinion it had more to do with [...] the organizational structure of the clusters and their links with the RB [...] and that there was a confusion between cluster and country office. The cluster manager should not have been the CD at the same time.*" Two were more critical:

- *The organization has lost so much resources and efforts to create the ROs and that when they just became operational the decision to close was announced. Such decisions might be perceived as luck of coherence not only within WFP but also from "external" observers (as hosting Government or donors).*
- *Why were they created in the first place? [...] I felt that some decisions were taken without thorough evaluation of the past and looking at what other agencies do, and take what is successful.*

[22] Cf. ED Memorandum entitled "Preparing WFP for the Future: Regional Offices" dated 15 November 1996.

20. Still on the issue of the dismantling of the ROs, six CDs, or 30 percent, did not consider that the restructuring of the RB justified that all the ROs be closed down, while 12 CDs, or 60 percent approved the suppression of the ROs. For the specific cases of the ROs maintained, there was no consensus for the one based in Islamabad, Pakistan. Five of the CDs, or 56 percent, in the region considered it made sense to maintain it and three, or 33 percent, thought otherwise. In the case of the Lima cluster, eight CDs, or 73 percent, were of the opinion that it did not make sense to maintain it "*to function as a resource mobilisation/advocacy office for Latin America*".

- Three argued that this should be the function of the RB and one added that it "*should be consistent with the decision of dismantling clusters and consequently concentrate the Regional Office in Managua including all other capacities among them, resource mobilisation/advocacy office for Latin America. The same happens with the information officer who is outposted in Colombia.*"
- One pointed out that "*the main activities* [were] *in central America and the Caribbean. The Lima office* [was] *too far away to really respond to the need, and it* [was] *therefore not very cost benefit positive.*"
- Another considered it was "a *conceptual mistake*" for the following reasons. "*First of all, there is no real description of meaningful functions to this office, and no clear objectives. [...] There is a very limited scope for mobilising resources in the region and if it can be done, it is more at the level of the COs themselves, by the CD. But even then, it should not be called "resource mobilisation" as it is confused with what the REE/REA people do in Rome. If any, it should be called "fund raising and advocacy". And again, much better done inside each country by those who know the country's reality and are able to speak up on behalf of their poor people.*"

⇨ WFP Management's Comments

21. Paragraphs 17 to 20 refer to comments re the creation and dismantling of the Cluster Offices or ROs. As mentioned before, organizational change is an ongoing process. In 1996 moving from a totally Rome-based system to full decentralization of RBs to the field without the added support of the ROs would have been very difficult. Now that the systems and capacity have been consolidated in the RBs, it is possible to streamline the structure by phasing out the Clusters. In fact, this is what the last phase of decentralization in September 2001 tried to achieve, whereby 10 out of the 13 Clusters were phased out, and the only 3 maintained were done so for essentially added support at the operational level.

Role and Major Functions of Each Level

22. The OD Directive entitled "Guidelines for model structure, unit definitions, distribution and allocation of functions, functional statements, workflow and delegation of authority for the OD Bureaux" was issued on 10 November 2000[23]. It was judged "complete" by 10 CDs but only one CD considered it "user-friendly". On the negative side, six CDs found it "complicated" and four "incomplete". One added that it was "*too descriptive and with limited clear distinction of roles and tasks* [and] *too broad to be useful*".

23. A large majority (14 CDs, or 70 percent) agreed with the respective roles assigned to the RB, ROs (when existing) and the COs as per the directive mentioned above. The same applied to the breakdown of functions between the RB, ROs and the COs as defined by the directive (15 CDs, or 75 percent in agreement). Only one CD was not in agreement with

[23] Cf. OD Directive 2000/004 dated 10 November 2000.

both the respective roles and the breakdown of functions. The remaining CDs did not express any opinion either because they considered it was too early to pass judgement or because they were not familiar with the directive concerned. In addition, those in agreement gave the following comments:

- *Yes, but tasks of CO/CD needs better focus on effective management of WFP resources and accountability of resources. Above all, the CD is a (food aid) generalist and for important matters such as food security, he/she must rely on specialised (national or consultant) expertise. In the case of RB and CO, one particular function is completely out of control from the field, again because the process has not been yet decentralized: "monitor donor contributions and follow-up on clearances of authorisation of project DSC between RE, ODP, FS and OEDB.*
- *RB and CO are self sufficient and adequate. The roles of the clusters should be assigned to the RB or CO."*
- *From my point of view, the directive should be revised in order to reallocate responsibilities to Regional Bureaux or Country Offices.*
- *The problem is of the generic nature of roles and functions. The guidelines fail to give direction, which is the most important in my understanding.*
- *A number of those roles remain theoretical because the decision process has not been yet delegated to the field (as for example for RB: "allocation of resources for the region", or for CO: "ensure resourcing of and external support for the substantive work).*
- *Problem is that the rules are not being followed.*

⇨ *WFP Management's Comments*

24. OD does plan to revise within 2002 the directive mentioned in paragraphs 22 and 23 regarding the roles and responsibilities in decentralization. It will be revised to take into account the changes since the last phase of decentralization in September 2001. We appreciate the positive comments relayed to you by most CDs regarding the completeness of the current directive, as well as some of the constructive criticisms as to how it could be improved.

SECTION III: EMPOWERMENT OF COUNTRY OFFICES (COS)

Grade of Country Director (CD) Posts

25. In 2000, the Executive Director, recognising that many WFP managers were under-graded in relation to their responsibilities and to the relative grades of counterparts in other United Nations (UN) organizations, sought and received the EB's approval to upgrade some existing posts, notably in the field. On 15 December 2000, she approved the upgrade of several CD posts: two from D-1 to D-2; six from P-5 to D-1; ten from P-4 to P-5 and one from P-3 to P-4.

26. The CDs were asked if they considered the grade of their post to be in line with the post's responsibilities and the respective grades of their counterparts in other United Nations organizations, respectively. For both points, the replies were "yes" for 11 CDs, or 55 percent and "no" for nine CDs, or 45 percent. There were, however, more positive replies for ODM (seven "yes" and four "no") than for ODC (four "yes" and

five "no"). For the CDs who replied "no", their post was at P-4 level for two of them and at P-5 level for the remaining seven. For those who indicated the grade that would be more in line with the post's responsibilities, D-1 level was the answer given.

⇨ *WFP Management's Comments*

27. Paragraphs 25 and 26 refer to the ED's decision to upgrade various CD posts in December 2000, and such exercise was based on the nature of the job, the resources managed, and the complexity of operations from a logistic, political and strategic standpoint, and other factors. Therefore, the grade was determined based on the scope of the responsibilities of the CD. Unfortunately, not all CD posts required a D-1.

Delegations of Authority

⇨ *Programmatic Activities*

28. According to the OD Directive 2000/004 dated 10 November 2000 mentioned above, one of the CD's major functions is to "*manage all programmatic activities of the country*", which is defined as follows. "*Under this delegation of authority, has responsibility for initial analysis, design of projects and programmes [...]; preparation of quality documents; following documents through the approval process; revision of documents to reflect input [...] including PRC comments; after approval, implementation, monitoring, follow-up and eventual evaluation.*" For each one of them, the CDs were asked if they considered the present delegated authority adequate to fully and effectively perform their responsibilities. As shown by the table that follows, the replies were largely positive. The proportion of positive replies was, however, lower for "follow-up" and "revision of documents", respectively.

	BEFORE APPROVAL			
Initial analysis	18	YES	1	NO
Design of projects and programmes	17	YES	2	NO
Preparation of quality documents	16	YES	3	NO
Follow-up of documents through the approval process	10	YES	9	NO
Revision of documents to reflect input	11	YES	8	NO
	AFTER APPROVAL			
Project implementation	17	YES	3	NO
Project monitoring	18	YES	2	NO
Project reporting	18	YES	2	NO

29. The following comments were notably added:

- *In general during the "preparation of quality documents" we have enough leeway to fully discharge our responsibilities. Nevertheless regarding the "revision of documents to reflect input" it is possible that once all official clearances have been obtained, the final result is (considerably) different from what we presented as there is no consistent search of CO clearance of edited and translated documents. Also on another subject, the preparation process (in particular for Country Programmes) is* *extremely lengthy and utilises too many resources. Please compare to UNDP, UNFPA, etc.*

- *I don't think it is necessary for the CO to follow up during the approval process. I think this should be an RB activity.*
- *The process of the revision and approval of documents is shared between Region and HQ. In case of divergences with the field, HQ's view prevails.*
- *We do not always have the technical capacity mainly in the preparation phase. However this capacity is available in the RB and is often offered as a service. However, there is also still a very authoritarian role assumed by WFP Rome through the PRC, where our colleagues have all power to do and undo projects, thus creating the feeling that there are even more hands on in the preparation of a project, and more people to please and to respond to. A clear non decentralized function by the OD colleagues.*
- *I think the delegation is correct, the problem is that the means to perform under the delegated authority are still lacking, for example the CO has no access to WINGS information in order to see the situation of the projects: resources allocated, called forward, balance on commitments. All has to be done by the Bureau* [that] *is the one having access.*
- *Increased responsibility has to come with consideration given to the quality and level of resources needed, country specific, for fully and effectively perform. At present, the systems are so inflexible and mechanic, in terms of resource allocation and staff reassignment, that the CD has no possibility whatsoever to make his or her voice heard in this respect. HQ has become increasingly "deaf" to specific requirements that definitely vary from country to country. Small, LDC countries with no emergency programme are the worst off. There is an absence of strategic thinking in HQ in relation to development programmes, even if the FAAD policy was adopted by the EB in May 1999.*
- *An effective project's implementation requires access to information related to allocation of resources and funds. Otherwise, no consistent planning of activities might be effected. For the time being, the monitoring of donors contributions and the allocation of any resources are entirely managed at HQ level, not only in the term of decision making but also in terms of information sharing. The recommendation would be to have the RB fully involved in the overall process and the information regularly shared and consulted with the COs.*

30. The CDs were also asked if they considered the present delegated authority adequate to play "*a key role in mobilising resources at the field level and advocating for the hungry poor at every appropriate opportunity*" as requested. The replies were "yes" for 12 CDs, or 60 percent and "no" for 6 CDs, or 30 percent (two did not answer). There were, however, more positive replies for ODC (seven "yes" and two who did not answer) than for ODM (five "yes" and six "no"). The following comments were added, mostly by ODM CDs:

- *Delegated authority, yes. But resources to really play a meaningful advocacy role are not there.*
- *It should be noted that the CO has a double role in this area: 1) to advocate for the country's needs with the donor country representative (key function) in order to influence favourably decisions made by donor countries with WFP at the HQ level. [...]; and 2) the actual "resource mobilisation" [...] and there, there is little that can be done as very limited funds are entrusted to the embassies to support local*

initiatives. Some success can be obtained with private companies, but normally, these donations are insignificant compared to what Rome is actually mobilising, within existing negotiation agreements with donor countries. Those efforts that produce locally generated resources should be called "fund raising" to avoid confusion. In most cases, it has also been observed that these additional funds (cash or kind) are best used as NFIs to support WFP or GOV activities. A key element here is the WFP ISC: if these resources, are not of the same nature as the one WFP actually mobilises, and for which there exist clear rules and procedures (mainly the ISC concept), and are normally very small, in most cases, it is almost impossible to attach to these few funds the exigency of the payment of 7.8 percent ISC. This will turn down any small contribution and furthermore, the local embassies have themselves a limited delegated authority when they make small donations to the country and they are not allowed to pay for ISC kind of expenses. Therefore, the only thing WFP has to instruct to its CO, is to ensure the full local cost recovery for those, normally small amounts.

- *The authority is not really delegated. In practice, the CO is involved in the preliminary negotiation process with the potential donor, while the final decision lies with Rome (RE and ED for the waiver). Straightjacket rules and RE's formal position discourage the CO to actively pursue with the resources mobilisation, principally in the situations when the local donation might be available immediately and when the time is a decisive factor. Furthermore, the information on "Donors profile" placed in the WFPgo is not accessible to the field managers (restricted access with password). It happened also [...] that at the time when the COs were actively approaching local donors to get contributions for the operation, RE had not even sent a letter to donors capitals requesting such assistance, thus placing the CDs in a very uncomfortable position in relation to the local embassies.*
- *The roles among Headquarters, the Regional Office and the Country Office are not clear. Once the Country Office manages to mobilise resources problems for the registration arise, thus, discourage mobilisation resources efforts particularly when trying to mobilise national resources, that is, receptor country of WFP assistance.*
- *There are too many bureaucratic rules and levels to go through before local mobilisation of resources can be used at the CO level. And the percentage taken by HQ does never benefit the CO and the local resources do not accept that.*
- *Mobilisation of resources through the private sector, is an area not very clear, WFP does not have a strategy to approach the private sector at country level. Other funds mobilised at local level are those from government as local contributions towards local operating costs. These are 50 percent of the actual running costs. However these funds should be remitted to HQ and never come back to the country office (only the 55,000 dollars per annum for PSA). This fact, discourages CD efforts to obtain these payments from governments. If these funds were left in the country, governments would appreciate it since in the long run it returns to them.*

⇨ Operations

31. In 1997, the delegated authority to approve "Immediate Response" Emergency Operations (EMOPs) up to US$ 200,000 (total budget of the EMOP) was granted to CDs[24]. For ODM, four CDs reported having used this delegated authority in their present capacity (only once for three of them and three times for the remaining one). For ODC, only one

[24] Cf. OD Directive 97/002 dated 12 May 1997.

CD reported having used it once. The final report entitled “Making Decentralisation Work” submitted by the International Resources Group (IRG) on 20 June 2000 recommended that the delegated authority be increased to US$500,000 for CDs in Least Developed Countries (LDCs) and Low Income Food Deficit Countries (LIFDCs). A total of 18 CDs agreed with the recommendation. The two who disagreed gave the following reasons:

- *“I think it has nothing to do with the country’s classification, but with the magnitude of the emergency and the need for WFP to be able to provide an Immediate Response to all those affected by the emergency. For instance, the IRA should allow, let us say, for an emergency response of at least six weeks to all the affected population. The IRG could then define these parameters and foresee a margin of IRA approval up to $500,000 depending on the magnitude.*
- *IRG delegation is too restrictive and extremely difficult to use. It’s a delegation without authority. There are too many approval processes that I tend to think they are meant not to facilitate but to hinder the use of the delegation. As some one said about the golden rule “ he who has the gold makes the rule.*”

⇨ Procurement

32. In 1999, the food procurement delegated authority was set as follows for CDs[25]:

- up to US$200,000 for competitive purchases (tendering) for duly approved EMOPs;
- up to US$100,000 for direct purchases (waiving competition) for duly approved EMOPs.

Ten CDs considered the delegated authority adequate but seven thought otherwise (five for ODM and two for ODC). The following suggestion was given: “*I believe that the delegated procurement authority for EMOPs should be given at no condition, and in the same amount as the IRA’ delegated authority.*”

33. In 1999, the non-food procurement delegated authority was set as follows for CDs[26]:

- for competitive purchases and contracts (tendering): up to US$200,000 for CDs of standalone countries, but only up to US$100,000 for CODs of non-standalone countries;
- for direct purchases and contracts (waiving competition): up to US$100,000 for CDs of standalone countries (not authorised for CDs of non-standalone countries).

All CDs except one considered the delegated authority adequate. The same applied to the delegated authority granted to CDs, in 1997, to dispose of inventory items up to US$200,000[27].

⇨ Transport and Logistics

34. As per the Transport and Logistics Manual issued in October 1998, CDs may authorise:

- expenses of up to US$10,000 per consignment to safeguard commodities, including cargo in transit. This includes, but is not restricted to, reconditioning, repacking and fumigation;

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[25] Cf. ED Directive 99/001 dated 8 July 1999.

[26] Cf. ED Directive 99/004 dated 11 November 1999.

[27] Cf. Management Services Division Directive MS97/008/003-4 dated 16 April 1997.

- sale or destruction of damaged cargo where its sound value does not exceed US$10,000 per consignment.

Nearly all CDs considered the delegated authorities adequate. Only three thought otherwise for the first one and two for the second one.

⇨ *Human Resources*

35. On 29 June 1998, a new “Human Resources Delegation Framework” was put in place in order to delegate authority to managers for the recruitment and administration of personnel. Asked if they considered the present delegated authority adequate for the recruitment and administration of personnel at field level, the CDs gave the following answers:

For national staff:	17	YES	3	NO
For international staff:	10	YES	7	NO

36. The following areas for improvement were identified, especially for international staff:

- *For local staff: area of post classification and promotion of local staff.*
- *The local personnel is still managed under UNDP rules and regulations. The MAPs for the local personnel (second level review) has to be reviewed by a committee with UNDP participation [...]. Principally in large offices, the WFP staff [are] almost completely unknown by UNDP. This is totally against WFP’s decentralisation process and is largely contested by our local staff. The organization has to set up its own rules and procedures for the management of the local staff, who represents in most of the countries the key personnel for WFP, due to very limited numbers of international staff. The second level MAP review for local staff should be performed by the RB.*
- *Contracting of international consultants is too cumbersome.*
- *In reality, the CD is not properly consulted or heard in relation to international staff, even if the process provides for CD’s participation. The results are very unsatisfactory.*
- *If the programme or project has the resources and/or international posts approved, the delegated authority for recruitment of international staff at field level should be given to the Country Director as long as the required budget is available. The Country Office in close coordination with the Regional Bureau will carry out this delegated action.*
- *Current delegation of authority not adequate in reassignment of international staff that is conducted without consulting the country office.*
- *Also CO has no authority for reclassification of post nor promotions.*
- *The delegation is half way. Country Office is not always consulted on the assignment of staff. In case of new recruitment the CO is hardly allowed to play any role. Besides, lack of training has not enabled the CO to undertake staff management effectively.*

⇨ *WFP Management’s Comments*

37. We appreciate the generally positive and constructive comments by most CDs re the appropriate levels of delegated authority in paragraphs 28 to 34. These will be helpful when OD updates the current decentralization directive, as well as any possible future

revisions to the present delegated authorities. These issues related to delegated authority should constantly be reviewed and updated as needs arise. Issues specifically mentioned in paragraph 29 re improving the PRC process and rollout of WINGS to more COs are currently already being positively addressed by the Programme.

Financial and Human Resources

⇨ *Allotments*

38. Asked if they considered their overall post allotments (Programme Support and Administration—PSA, Direct Support Costs—DSC and other sources, if any) sufficient to meet the needs of your country's operations for 2000 and 2001, respectively, the CDs gave the following answers:

For 2000	13	YES	5	NO
For 2001	12	YES	8	NO

39. The following comments were notably made by CDs with no international staff:

- *With scaling down of office resources for development, DSC in 2001 could no longer permit funding of a second international position in the office. Existing international programme officer had to be transferred and replaced by a UNV. While the CD is away there is no international staff to be OIC and to handle issues that require tact, experience and adequate exposure.*
- *For the future, an establishment of additional international post (apart from the CD) would be necessary, due to the important volume of the programme and recurrent emergencies in the country.*
- *This office and any office of WFP needs another international staff member to facilitate exposure to WFP world wide experience rather than national staff having only new exposure with the turn over of the CD. As CD I use the Regional Office heavily for this very purpose of bringing in international standards and WFP policy backed practices.*

40. For the 2000–2001 biennium, it was decided that each field office would receive, as a minimum, PSA funds for one international Professional, two National officers and three General Service staff, plus US$55,000 for local operating expenses in addition to the allotments for DSC. As already acknowledged elsewhere, the so-called "1–2–3 US$55,000" minimum PSA funding proved to be inadequate especially for COs without any emergency operations and, therefore, limited DSC allotments. Asked if their PSA allotments were sufficient to pay for all related expenses for 2000 and 2001, respectively, the CDs replied as follows:

For 2000	7	YES	11	NO
For 2001	8	YES	11	NO

41. Those who replied "no" were forced to charge some PSA-related expenditure to non-PSA allotments (DSC or (Other) Direct Operational Costs—ODOC/DOC, as expressed in the following comments:

- *The appropriate level should have been US$90,000. We had to charge the little PRRO-DSC we had some US$30,000. The allocations for communication, travel and security [...] were not sufficient at all.*
- *This is not easy to reply to! After considerable thought and calculation we come to the conclusion that PSA is not sufficient as we had to spend from DSC costs that would have been normally spent under PSA (i.e. two thirds of our rent).*
- *DSC funds will go to cover for the running cost of the office including the cost of the only one international staff that has been put under DSC.*
- *Another factor affecting our very reduced budget (PSA and DSC) is that the CO should share the costs of the Bureau staff visits when the CO requests their services. This is due to the fact that the Bureau has a very reduced budget.*
- *The PSA is fixed at $55,000 so nobody got more than this. [...] Moving to the new UN house has increased our rent and related expenses quite considerably and the PSA does pay only about 50 percent of these rent charges. This CO generates local funds from services rendered to the GOV (trust funds management) and these allow us to fund all the rest of our activities.*
- *Generally the PSA's US$55,000 is enough to cover basic office's expenditures as rent, some charges (electricity, phones, connectivity), running costs of vehicles. Any additional investments as refurbishing or replacement of equipment, and also missions or security costs cannot be afforded by this modest PSA budget. In those cases, usually, the DSC is being used. A PSA budget of US$100,000 per year would in principle allow covering all office's current expenditures.*
- *We paid US$71,000 from DSC in 2001 strictly for office management and fortunately obtained additional PSA for security hardware items, information technology, advocacy and for the new office accommodation and move [...].*
- *Appropriate PSA allotment for 2002 would be US$80,000, it was not obtained for 2002.*

⇨ *Imprest Accounts*

42. Among the COs concerned with the survey, 15 did not have any imprest accounts and had their expenditure paid through the UN Development programme (UNDP). This was due mostly to the low volume of operations. For those with an imprest account, the level was considered adequate with two exceptions (both in ODM region).

Guidelines and Procedures

43. The CDs were asked to give an opinion on the guidelines and procedures they had at their disposal. As shown in the following table that recapitulates their responses, the ones regarding procurement (non-food and food) got the highest number of positive appreciation, followed by the ones for transport and logistics, programme design and accounting and finance. Dramatic improvements were needed, on the contrary, for the guidelines and procedures on human resources and, to a lesser extent, budgeting.

Programme Design			
9	Updated	1	Obsolete
8	Complete	6	Incomplete
4	User-friendly	6	Complicated
21	Total positive	13	Total negative
Food Procurement			
13	Updated		Obsolete
10	Complete	1	Incomplete
6	User-friendly	1	Complicated
29	Total positive	2	Total negative
Transport and Logistics			
11	Updated	1	Obsolete
8	Complete	4	Incomplete
6	User-friendly	1	Complicated
25	Total positive	6	Total negative
Human Resources Management			
6	Updated	5	Obsolete
4	Complete	10	Incomplete
2	User-friendly	5	Complicated
12	Total positive	20	Total negative

Budgeting			
8	Updated	1	Obsolete
7	Complete	6	Incomplete
1	User-friendly	10	Complicated
16	Total positive	17	Total negative
Non-Food Procurement			
14	Updated		Obsolete
11	Complete	2	Incomplete
5	User-friendly	1	Complicated
30	Total positive	3	Total negative
General Administration			
6	Updated	7	Obsolete
5	Complete	9	Incomplete
2	User-friendly	3	Complicated
13	Total positive	19	Total negative
Accounting and Finance			
10	Updated	1	Obsolete
6	Complete	6	Incomplete
3	User-friendly	8	Complicated
19	Total positive	15	Total negative

44. In the “Status Report on WFP’s Decentralisation Initiative” mentioned above the following was indicated: “There is an urgent need to update, maintain and above all coordinate the linkages between WFP’s now numerous existing normative tools and guidelines, as well as to finalise new guidelines in gap areas such as food needs assessment and contingency planning. At the same time, however, there must be caution against overburdening field-based managers with too much normative guidance.” Asked about their opinion on this issue, five CDs, or 25 percent, indicated feeling overburdened with too much normative guidance. Furthermore, they observed that it was “changed frequently” and that “it was not obvious where to find it” especially for new staff since there was “no introductory training”. One even commented that “we have reached a point where we [might] soon need a focal point/legal mind in each RB or CO to deal with norms”. For the majority, however, there was too much normative guidance in some areas and too little in others. Administration, finance and monetisation were the areas considered inadequately covered by most.

⇨ *WFP Management’s Comments*

45. Paragraph 43 mentions the important need to update guidelines on HR procedures. In fact, HR will soon be launching a comprehensive HR strategy to strengthen WFP’s personnel management, and the need for new guidelines may arise as part of this review. However, in general, HR is to be commended on the very thorough work they have carried

out in their recent launch of their online HR Manual on WFPgo. It goes a very long way to clarifying most HR related issues, and cross-reference with the FAO Manual as well.

46. Paragraph 44 mentions the issue of some COs feeling overburdened with too much guidance, and when new guidance is issued, it is not clear where to find it. This is being addressed in the redesign of the PDM, which will be launched very soon. The new PDM will have a feature, which will alert the user which guidance is newly issued. Therefore, there can also be less reliance on information posted on the Lotus Notes bulletin boards or other areas, thus avoiding the need to cross-reference between various different applications.

Information

47. Asked if they considered themselves sufficiently informed of facts and decisions directly related to their CO, 12 CDs replied “yes”, or 60 percent, and six “no” (two did not answer the question). The following comments were made:

- *A number of publications/memos, which are circulating at HQs do not reach the CO. They are not all on the WFPgo.*
- *In particular, we are poorly informed of financial and budgeting issues.*
- *We have to constantly work to get information in several fields concerning decisions going to the RB and not to the CO. All the things of minor importance gets to us though! In double once from HQ and once again or twice again from RO.*
- *It is not only a matter of being informed but of the timeliness of information. I feel there is still a large amount of things going on in Rome that are not shared with us. They may not be country specific but still do relate directly to the CO. For instance all decisions on relations with donors, decisions on funding, outcomes of working groups, plans for establishment of WINGS. On the other hand, there is also an enormous amount of information that Managua is not sharing with us (mostly those more political decisions that we do need to know, more so, if we are also supposed to carry our Representative functions). As we do meet now twice a year, and we get the copies of the minutes of ODM staff meeting, there is some information being shared. For obvious reasons, the minutes of the ODM weekly meetings are just summaries and do not allow for a more in depth understanding. One way information flow can be improved is by having weekly conference calls with all the ODM CDs. [...] Also, an important aspect of information, is to be able to participate in discussions, providing our opinions so that decisions take these into account. I feel there is not sufficient consultation being done and if it is done, not always do our perspective count. I often feel that policy decisions are being taken by colleagues who have no field experience at all and do not know what they are really talking about or the terrible implications of their proposals (which then are adopted!)*

48. Asked if they considered themselves sufficiently informed of the events of significance happening in, respectively, their region, other regions and at Headquarters and that may have an impact, even remotely, on their CO, the CDs responded as recapitulated in the table that follows.

For the region:	16	YES	3	NO
For other regions:	7	YES	13	NO
For Headquarters:	10	YES	10	NO

As confirmed by their comments, the CDs felt insufficiently informed about what was happening in other regions and, to a lesser extent, at Headquarters:

- *We get little info from other regions if not through personal contacts.*
- *We have very little information on what is happening in other regions and only rarely hear about what is happening in HQ.*
- *With the decentralisation, things tend to be worked out by region, very few opportunities to share experience with other regions and with Headquarters.*
- *Email communication is the most effective and low cost system to be informed. Correspondence or reports from other regions should be shared directly with CO (not through Bureaux), HQ Divisions staff should exchange information frequently with CO, but CO should read email and disseminate to all the staff. Liaison Officers should be more active in sharing information of HQ happenings.*
- *There should be a register of what is being written at HQ during the week, Then we could request a copy, if of interest to us. We should all have access to the Agenda of the ED, like most people at HQ have. My whole staff has access to my daily schedule.*

⇨ *WFP Management's Comments*

49. Paragraphs 47 to 48 refer to the general problems as perceived by some CDs of lack of information or communication on different issues, mainly decisions at HQ. This topic of how to improve communications in a decentralized WFP was the main subject of discussion at the May 2002 post-EB RDs meeting. In fact, some of the same observations were brought up. However, we have already made progress and improvement in this area. For example, as far as COs being more aware of what other RBs and HQ units are doing, all CDs receive the quarterly management reports and annual work plans produced by all OD Divisions and RBs. The notes for the record of weekly OD management meetings and fortnightly RDs meetings are circulated to all RBs and CDs. It is very positive to note the tremendous efforts each RB invests in trying to keep their COs informed and feeling part of a regional team—efforts such as regional meetings, conference calls, missions, etc.

Training

50. To the question "do you think you have received adequate training to handle your responsibilities as CD" the majority (11 or 55 percent) replied "no". The areas for which they would like to receive additional training were identified notably as follows: Human Resources (HR) management (mentioned six times with notably the area of performance appraisal); finance (mentioned six times also with a focus on the use of the new systems: COAG-SAPInt and SAP R/3 in the future); resources mobilisation (mentioned three times); public speaking and media relations (mentioned three times). The following comments were also notably added:

- *There is no training program per se to become CD. Personally, I feel very lost with the many changes that have taken place lately.*
- *Ad-hoc training for staff who takes up CD post as first time should regularly be provided, particular areas of attention : finance, personnel, handling media interviews.*
- *I learned from the experience. WFP does not have a specific training package for WFP CD or for whoever is to take on important managerial functions. This is linked to the absence of any proactive career development plan and in the end, the entire*

organization pays the price. Before being appointed CD, we must have had 1) specific training in all aspects related to the office management, in all our WFP business processes. 2) specific training in human resources management, in working with media, drafting, in dealing with donors, in diplomacy. 3) we need to be fully assessed on past and present performance and on our managerial and leadership capacity. Our MAPs have to be taken into account and so our training requirements and, WFP should have a way to not consider some of us for senior managerial positions if it is determined that this is not our strength (some managerial skills can not improve, even after considerable training) 4) short term assignments in deputy positions to test our managerial capacity and as on the job training.

51. Shortcomings were also pointed out by the CDs on their staff training. Twelve of them (or 60 percent) considered that it was inadequate. More or less, the same areas as above were identified for additional training: HR, finance, use of computer systems plus languages. The following was also mentioned:

- *We need much more training on project and results-based management, on how to construct a logical framework, how to design a project, how to define a monitoring plan, how to do participatory planning, on adult education, on determining food security, on managing macro and micro economic themes, on understanding concepts of human development, on governance, on democracy.*
- *The programming staff (Programme Coordinators) need urgent training in project, programme design and formulation as well as in monitoring and evaluation. Local programming staff need the same to some extent with emphasis on Monitoring and & Evaluation (M&E) systems.*
- *This is more of a timing problem and it would be useful to organize training in a systematic way prior to a staff member taking up an assignment, especially newly recruited staff, and not months/years after that.*
- *In some instances, it is more the problem of the performance level and capabilities of national and international staff. Not everything can be solved by training.*
- *Some have received several training but at times it looks like wasted investments by the organization. Staff should have the right profile for the job. No amount of training can adequately compensate for a background that does not mesh with the post occupied.*

⇨ *WFP Management's Comments*

52. Paragraphs 50 and 51 mention the issue of training for CDs and staff. Earlier in 2002, the AED/OD also came up with the same recommendation that a simple induction program be designed by OD and HR for all new WFP staff. An extra focus will be placed, however, on the training needs of CDs, particularly in technical subject areas. Otherwise, HR does carry out a corporate management training for all new CDs and which concentrates on strengthening general management practices.

Accountability

53. In a decentralized environment, experience has shown that accountability is the result of the following pre-conditions:

- clearly defined common goals and specific objectives.
- a clear definition of tasks to be performed and a clear attribution of these tasks to individuals.

- clearly defined standards, guidelines and procedures to perform these tasks.
- sufficient delegated authority, budget and other resources for the individuals to perform the tasks assigned to them.
- the willingness and ability of management to enforce accountability based on predetermined expected results, which include the distribution of rewards or sanction, if needed.

Asked if they considered that these pre-conditions were met in order for them to be fully accountable, the CDs replied as follows.

Clearly defined common goals and specific objectives	16	YES	2	NO
Clearly defined and allocated tasks	16	YES	3	NO
Clearly defined standards, guidelines and procedures	11	YES	7	NO
Sufficient delegated authority, budget and other resources	8	YES	10	NO
Willingness and ability of management to enforce accountability	13	YES	4	NO

54. The following comments were notably added:

- *There is a need to clarify the roles of the RB vis-à-vis CO particularly the roles of desk officers/programme coordinators/advisors in RB. Very often the CO ends up assuming a huge amount of work in the name of decentralisation and delegation of authority while the role of RB is uncertain.*
- *Although the tasks may be clearly defined and allocated, it is often difficult to adhere to these and staff is asked to drop all what they are doing to respond to an emergency. In our work, we are very dependent on external factors that permanently interfere with our planned tasks.*
- *There is sufficient delegated authority. Nevertheless, in the last few years, resources have considerably decline (budget and food) which affects the fulfilment of programs, projects, objectives and goals. This is due to the fact that we have to frequently reduce the execution of approved projects for they have received fewer resources than the ones originally foreseen.*
- *I don't believe we have the budgets to undertake all of the things we are supposed to do. There are many things that we are supposed to pay from DSC, which we cannot, at this point, pay for. Do not have the HR to manage the office in an adequate way. I am forced to work in the evening at home and part of the weekends.*
- *Under the current PSA, DSC and to some extent ODOC it is impossible to be held accountable. DSC and ODOC are directly tied to the quantity of food you succeed to move in the country. These quantities depend on the pledges HQ/RE is able to obtain. As DSC is just an advance in the CO budget, the CD cannot be held accountable of overspending resulting in inability to mobilise sufficient food resources by HQ.*
- *Resources are the key element to be able to accept accountability at full extent. If a project/programme has been approved for the country for the provision of x tons and x funds, and at the end WFP is not able to respond due to lack of food in quantity, quality or when needed, the same with other resources, then the CD and its staff cannot be held accountable, in spite of being clear in the objectives, in knowing the guidelines and procedures, and being willing to implement the programmes as planned.*

55. To the question "do you consider yourself fully accountable for the responsibilities assigned to you as CD" 18 CDs replied "yes" and only one "no" (no answer from the remaining one). The following was added:

- *But, having access to WINGS and other systems would make it easier, would reduce the amount of emails and phone calls, before deciding on something to be approved or done.*
- *Yes, I fully assume this responsibility as long as I get all the means to act in an accountable way, that there is true delegated authority and that funding is made available on time, and that I can take some calculated risks without being punished for. Often, we are obliged to provide a response to an unexpected situation and then report on it later on.*

56. The majority (11, or 55 percent) of CDs declared themselves satisfied with the way their Management Appraisal of Performance (MAP) was conducted. The following changes were suggested to improve the system.

- *The process is too lengthy and the format is badly designed. The supervisors do not accord much importance to the exercise. [...] Suggestions: The format should be redesigned, There should be one assessment only. A directive should be issued placing part of the responsibility on the supervisor for MAP completion.*
- *Distance between CO and regional office makes difficult a personal and timely discussion of the MAP. Bi-annual meetings (and travels, if necessary) should be scheduled to discuss MAP twice a year (mid-term review and final review). Signed copy with feedback should be transmitted to the staff member.*
- *I consider the MAP process a very subjective way of performance evaluation. In a multicultural environment, this cannot function. This is a general statement.*
- *The MAP has not been taken seriously – and when it is not taken seriously by your superiors you lose interest in trying to push for a qualitative feed back to the work you perform.*
- *I do not believe in the MAP process. We should just have a competitive system where all the posts are advertised an people compete to get them.*
- *My "supervisors" do not really supervise me and thus have no means to really assess my performance, in depth, as I would like it to happen. [...] If the concept of the RB is to be maintained, then the whole idea of the MAP should change. [...] I would be willing to participate in a working group on this subject but now, I do not have too many ideas. The only thing I can say is that it is not serious and is not, as it is supposed to be, a staff management tool for CDs.*

⇨ WFP Management's Comments

57. The generally positive comments in paragraphs 53 to 55 expressed by almost all CDs re their accountability to the Programme is well noted. The only area which many of them felt needed strengthening was the need for more budget/resources in order to carry out their delegated authority. Perhaps given the context of many COs in both ODM and ODC still relying most heavily on DEV resources, and given the continuing decline of donations to that portfolio, it is not entirely unreasonable to expect such a general comment. However, we are currently trying to address the issue of how to strengthen the capacity of precisely such small to medium volume mainly DEV-DSC COs, precisely so that they can manage more effectively all the competing requirements expected of them. This should also be a

resourcing policy issue; i.e., how to finance operations of Country Offices that are purely development activities.

SECTION IV: PERFORMANCE OF THE REGIONAL OFFICES, BUREAUX AND HEADQUARTERS

Performance of the Regional (or Cluster) Offices

58. In the "Status Report on WFP's Decentralisation Initiative" mentioned above, it was indicated that the ROs "provided much needed technical programme support and managerial guidance to their neighbouring countries, above all where there were regional and cross-border relief operations". CDs concerned were asked what was their own experience and if, indeed, they were provided with "much needed technical programme support and managerial guidance". The replies given indicated mixed experience with seven "yes" and six "no". As indicated by one CD, "the level of support depended in most of the cases of the experience carried by a senior officer in a determinate area and his willingness to assist effectively the CO. For example, a good level of support was provided usually for logistics and finance, while for the HR and the programme, the support was very limited for the above mentioned reasons".

59. The ED Memorandum dated 15 November 1996, which announced the establishment of the first RO indicated the following: "*We will be vigilant against creating an additional layer of unproductive bureaucracy*". In principle, the RO was supposed to provide "*guidance, supervision and technical assistance*", while the CO remained the operational level. As reflected in the replies received, this was not always the case. Only six CDs indicated that, in their own experience, the RO indeed limited itself to an advisory and supervisory role, while seven CDs reported otherwise. The following comments were notably added:

- One CD mentioned the "lack of clear advisory role, and interference with the operations modifying and changing project proposals presented by CO without knowledge of the real situation in the country".
- Another pointed out problems encountered with overland transport managed by the RO: "*I am not involved in the selection of transporters, nor the revision of their proposals. I start to deal with them when we encounter problems!*"

Other comments were as follows:

- *RO tend to impose their views and take decision on behalf of the CD, Flow of info, mainly consists in Region/HQs requesting info to COs (examples are revision of documents, statistics, reports and many others).*
- *Micro-management is inevitable in practice. Unnecessary queries, reports etc. are requested. As to supervision, the adviser/programme coordinator, often junior to the CD, cannot avoid acting as de-facto supervisor. There is probably a need to stress the role of the programme coordinator, which should be that of a "facilitator".*

60. As a rule the Regional Manager (RM) in charge of the RO was also the COD of the cluster country. The CDs concerned were asked if this "double responsibility" created a difference of treatment between the COs of the cluster. Their replies are recapitulated in the table that follows.

The CO where the RO is based tends to be privileged	9	YES	1	NO
The CO where the RO is based tends to be neglected	1	YES	6	NO
The CO is treated like any other COs in the cluster	3	YES	5	NO

The following comments were given:

- *In general the involvement of the Cluster in all areas of the CO was constant and as a rule. The cluster programme, finance, logistics, ICT Officers, managed totally the CO matters. This was mainly due to the fact that the Cluster Manager and the Country Director were the same person, and both offices share the premises, and never a clear separation was implemented. Duplication of efforts was not really true, since simply there was more staff and different functions were assigned to each.*
- *Issue solved by appointing a director for the country hosting RB.*

Performance of the Regional Bureaux

61. One of the roles of the RB is to "*provide strategic, policy and overall management guidance, direction, feedback, feed forward and support*"[28]. On a scale from 0 (for non-existent) to 5 (very good), the CDs were asked to rate the guidance, direction, feedback, feed forward and support provided by the RB in general. Their replies are recapitulated in the table that follows.

ODC	**0 None**	**1 Very poor**	**2 Poor**	**3 Average**	**4 Good**	**5 Very good**
Guidance	1			3	2	2
Direction	1			3	3	2
Feedback		1	1	2	5	
Feed forward		1		4	4	
Support		1		1	6	1

ODM	**0 None**	**1 Very poor**	**2 Poor**	**3 Average**	**4 Good**	**5 Very good**
Guidance		1	2	1	6	1
Direction		1		6	4	
Feedback			3	4	2	2
Feed forward			3	6		2
Support		1	1	4	3	2

[28] Cf. Cf. OD Directive 2000/004.

62. For ODC, the following comments were made on the reasons for the deficiencies noted:

- *The CO received requested technical support. However in one area, VAM, the quality of assistance was extremely poor. The CO had to recruit a consultant to support VAM from the RB.*
- *There were serious shortcomings in follow-up to budget revisions of projects and some RM became absent in the process of migrating data into SAP with the result that the project run short of commodities.*
- *The Regional Director was preoccupied with Afghan operations, meetings of the EB, meetings of the Executive Staff etc and his subordinate staff was not capable enough to provide any feedback let alone provide guidance to the Country Office.*
- *Overloaded programme staff.*

63. For ODM, the following comments were made on the reasons for the deficiencies noted:

- *Because this role (feedback and feed forward) was almost totally delegated to the Cluster Office, who in turn could not provide much valid guidance due to the fact that the technical staff was almost new in the programme or in these function.*
- *Mainly workload and lack of proactive strategic vision. Too much energy devoted to maintenance work and to responding to all kind of demands from Rome (and then forwarded to the CO). And by the way, this is one of the main characteristic that I perceive of the RB: it is a one way relationship, still very authoritarian and somehow "repressive" (sorry for the strong word). The CO are permanently bothered with many reports to produce not only for the RB (in many case, the RB is Rome's messenger) but also for Rome and Managua is somehow the timekeeper of this reporting. I must say, I am often a bit delayed and then we get reminders and nasty ones sometime. A large amount of our work consists in responding to e-mails from Rome and Managua.*
- *Very little resources given to the RB—Also the division of roles and functions chosen by the RB (by theme and not by country, in the case of programming, logistics, pipeline etc) do not allow an effective follow-up of countries. There does not seem to be a clear analysis of the countries of the region and of the region as a whole and there is not evident strategy, with priorities, for the region, although there is an action plan.*

64. Still on a scale from 0 (for non-existent) to 5 (very good), the CDs were also asked to rate the "services" provided for specific areas. Their replies are recapitulated in the table that follows.

ODC	**0 None**	**1 Very poor**	**2 Poor**	**3 Average**	**4 Good**	**5 Very good**
EMOPs & PRROs		1		3	2	1
Development	1			1	5	
Commodity pipeline			3	2	3	1
Procurement	2		1	2	1	
Logistics	2	1	1	3	2	
Human resources	1		2	3	2	1
Information technology	2	1		3	1	2
Finance & adm.		2		4	2	1

ODM	**0 None**	**1 Very poor**	**2 Poor**	**3 Average**	**4 Good**	**5 Very good**
EMOPs & PRROs				3	5	2
Development		1	3	3	3	1
Commodity pipeline		1	3	2	2	2
Procurement			1	3	5	1
Logistics				3	4	4
Human resources		1	2	2	4	2
Information technology		2	1	4	4	
Finance & adm.			3	4	3	1

65. For ODC, the following comments were made on the reasons for the deficiencies noted:

- *The technical staff assigned are at various level of knowledge and experience.*
- *Higher calibre staff and better services provided at RB would yield better performance in Cos.*
- *The staff is new and his/her inputs are more than confusing. It will take some time before we feel any benefit.*

66. For ODM, the following comments were made on the reasons for the deficiencies noted:

- *Technical staff in these areas, was new in WFP or in these functions. However, they learned by doing and the CO found delivering a good programme with less and less mistakes every time.*
- *Insufficient and poor technical capacity (most of the good technical people are still in Rome!) and insufficient funding for this purpose.*
- *Finance and administration are the least decentralized, then we have to rely on HQ rather than RO.*
- *Insufficient RB staff experience with operations in the field or with WFP in general. In some cases there is no appropriate understanding from the side of the technical staff of their role as "advisers". As a result they tend to act as "decision makers" in the name of the CO.*
- *Information Technology: The support has been very poor. After almost four years of decentralisation, the RB has not been able to corporately organize one single training meeting for interchanging information of the staff in charge of ICT in their respective countries.*
- *Commodity Pipeline Management: The role of the Regional Office is very passive and does not provide in time notification on available resources. Access to WINGS through the Regional Office is very poor and delayed.*
- *Finance and administration: One of the first services that should be provided is institutional training so that the staff in charge can carry out their duties. The finance unit has not carried out corporately any training in this area. Training has been ad hoc and upon request of* [the CO].

67. In the "Status Report on WFP's Decentralisation Initiative" mentioned above, the following was indicated: "More emphasis must be placed on the key role of the regional

programme advisers. [...] Thus, rather than simply being filled by generalists, these posts will, to the extent possible, be filled by officers able to offer real value-added technical and programme support to the country offices in specialised areas such as nutrition, gender, vulnerability analysis and mapping (VAM), monitoring and evaluation, school feeding, contingency planning and needs assessment." All the CDs agreed with the statement. Some added the following comments:

- *If they are found and recruited based on technical ground and experience.*
- *This should not be interpreted to take over the functions of the Country Office. RB should focus on the technical part of the operation and guidance on policy matters.*
- *The problem is that once the Programme Advisers are trained, gain experience on these areas, they are moved to be CDs, and then new PA should be trained, or learn by doing in detriment to country office programmes. Generalists cannot deliver functions such as Nutrition, VAM, and other programmatic issues. Field staff in the areas of, HR, RE, FS, OT and programme Advisors, should be considered as specialists, and not moved from one field to another without long training. Logistics people in general are not good programme managers due to the lack of knowledge on development programmes, project cycles.*
- *This expresses the ideal world, but not yet reality.*

⇨ *WFP Management's Comments*

68. Paragraphs 58 to 67 address the very important issue of roles and responsibilities of the Cluster Offices vis-à-vis those of the COs. Although most of the Clusters have now been disbanded and there is instead a direct reporting relationship between COs and their respective RB, the comments expressed are constructive and will help toward the revision of the OD decentralisation directive. It is very important to ensure that the COs remain the driving force on operational issues, whilst the RBs and HQ provide merely the support the COs require in order to implement the operations.

Performance of the Liaison Officers at Headquarters

69. As per the Terms of Reference issued on 21 November 2001 for the RB Liaison Officers, two main functions have been assigned to them[29]:

- "*to ensure that operational interests and field experience are taken into consideration in the various (mainly Rome based) fora, such as working groups, task forces, deliberations, meetings with EB members and donors, especially when it is not practical or possible for the Regional Bureaux to participate directly by teleconference or other means in the same fora*"; *and*
- to be "*the representatives and spokespersons of the Regional Bureaux in Rome and keep the Regional Bureaux and Country Offices informed of all developments of relevance to them, especially concerning policy/programme formulation and implementation*".

70. To the question "did the Liaison Officer indeed ensure that operational interests and field experience are taken into consideration in the various (mainly Rome based) fora", 10 CDs, or 50 percent) replied "no" and nine "yes". They also gave the following comments:

[29] Cf. OD Memoranda entitled "Terms of Reference - Regional Bureaux Liaison Officers" dated 21 November 2001.

- *Much depends on the personality of LO. In any case very little feedback if received by CO as to activities/ achievements of LO.*
- *The Liaison Officer does not have enough for this function nor does he/she not have time to follow-up on requests of individual CO. In any case, Liaison Officers should primarily provide assistance for the RB. The Liaison Officer should not be involved in "micro-management" or "quality control of documents" as it is now the case.*
- *Often HQs is skipping consultation with region/CO by addressing questions/issues to Liaison Officer. Liaison officer although consulted should not be in a position to take decision on behalf of CD or Regional Director. To make the decentralisation more effective this figure should not exist and HQs should directly liaise with regional office/Cos.*
- *There are so many fora, working groups, task forces, deliberations that the only LO cannot be present in all. LO are still being considered by some Divisions in HQ as messengers to the Bureau and Country Offices and some country offices do the same. Direct contact of HQ Division and Bureaux/CO should be the rule but of course, keeping informed at all times the LO on matters that she should or could follow up.*
- *As said in other parts of this questionnaire, I am not yet totally convinced, from the last 4 years of decentralisation, that there is a clear and evident added value to having the RB actually located in the region, except for the visibility and the political gain. Not for operational purposes. Therefore, if Rome is to remain the strategic centre for decisions and policy, then the Liaison has to be a strong professional, and not only a messenger or a mailbox.*
- *Once more, insufficient resources allocated to the Liaison officers and the support staff that is needed at HQ level to perform the above duties. On the contrary, resources have been reduced: a post was cut in ODM, there is no possibility of replacing the Liaison officer with an experienced ODM field person when the Liaison officer goes on leave.*
- *LO role not clearly defined to be a supporter to the COs only defined or implemented to be the spokesperson and LO for the RD.*

71. To the question "do you consider that your CO is indeed informed by the Liaison Officer *of all developments of relevance to* [it] *especially concerning policy/programme formulation and implementatio*n", 13 CDs, or 65 percent, replied "no" and seven "yes". The following was notably suggested to improve the flow of information.

- *The present Liaison Officer has almost never communicated with the CO. A previous officer often kept us informed of various issues. Maybe priorities have changed due to the Afghan crisis?*
- *The profile of liaison officers will gain at being reviewed to include not only field experience, but also liaison/public affairs skills. Liaison officer positions should also be upgraded, at least at P-5 level to ensure authority and efficiency in presenting/defending the RB/CO's interests, meeting with the EB/donor members, etc.*
- *Liaison Officers should disseminate information directly to the Country Offices and not through the Regional Office (the RD usually is away and important information is unknown or known too late). LO should always, make short summaries on all meetings where they participate and distribute it to the CDs. This keeps us aware of happenings in HQ, new policies under preparation, events coming up, etc.*

➪ *WFP Management's Comments*

72. The roles and responsibilities of the RB LOs referred to in paragraphs 69 to 71 is still an issue which will need further clarification. It would be accurate to state that the RBs definitely find the LOs extremely useful, however, it is interesting to note that most COs in ODM and ODC did not find this to be the case. This issue seems to merit further review and eventual clarification.

Performance of the Headquarters' Divisions

73. In the "Status Report on WFP's Decentralisation Initiative" mentioned above, the following was indicated: "It is important to identify the normative technical services that need to maintain a corporate profile and that cannot be decentralized completely (e.g. nutrition and need assessment) so that WFP does not disperse its normative focuses too widely". To the question "has the WFP reached the right balance between the services that need to remain centralised and those that need to be decentralized?", nine CDs replied "no" and eight "yes".

74. The following comments were notably added:

- *All HR and Finance functions should remain centralised. Logistics functions could also remain centralised leaving a number of regional logistics officers in case of need (Regional EMOPs for instance).*
- *On paper right balance has been made. However they are several areas including personnel management that the COs are yet to be in charge.*
- *Although personnel/finance/logistic and other specialised areas have been decentralized the action/decision is still in HQ. Staff of specialised services in HQ has not been reduced as consequence of decentralisation. Other services such as Resources, Policy, Transport etc. could be transferred to the field. Total number of regular international staff in HQ is higher of total number of staff in the field. This percentage should be reversed.*
- *SP should be centralised to maintain the WFP vision, some functions of HR and FS should remain in HQ, but what is happening is that the functions have been decentralized but the staff has been kept in HQ while the staff needed in the field is most of the time only one s/m to cover all functions of each area. However SP staff should have real field experience (not short visits of few weeks), to be able to produce policies that are workable at field level.*
- *Presently centralised, which could be decentralized at least at the RB level: mobilisation and effective acceptance/use of locally mobilised resources, monitor of donors contributions, allocation of food and non-food resources and budget. Should remain centralised: HR resources management for international staff, shipping, international tenders.*
- *There still are many centralised services, for instance, fund administration in general are centralised at HQ. They should be decentralized to the Regional Office. The same happens with services of resource mobilisation.*
- *Resource Mobilisation for the Middle East could be decentralized to a certain extent. Technical-administrative follow up is still required at HQ.*
- *It is important that WFP defines an added value to the decentralized RB. We all need to be clear what this is to achieve and not to reproduce a mini HQ but in the field. I think the RB is very much taken by administrative and maintenance activities and*

easily duplicates Rome' work. With E-mail , and since most of our relations with the RB happen through e mail, there is a virtual RB that can be anywhere in the world. I would maybe suggest that following areas are key for a RB: information and relation with the media, fundraising and advocacy, and VAM to support information. Maybe we should think of inverting the roles and have a strong regional "ambassador" put in the region and keep all the technical staff and the RD in Rome.

- *In view of the complexity of WFP's operations, the question of whether or not the Operations Department should have been decentralized in the first place must be asked again.*

75. According to the document entitled "A decade of change: renewal and transformation of the WFP, 1992–2002" which was presented to the EB at its first 2002 Regular Session[30,] the two main tasks of Headquarters, in a decentralized organization, are to provide:

- "*strategic and normative guidance to ensure global coherence in WFP policy*";
- "*customer-oriented, flexible and efficient services in such areas as budgeting, human resources, financial management, procurement and logistics*".

76. Asked if Headquarters indeed provide "strategic and normative guidance to ensure global coherence in WFP policy", all CDs except one replied "yes". The following comment was added: "In fact, the problem is not so much that WFP does not provide strategic and normative guidance, the problem is more about the discrepancy that exists between the directives and policies adopted by the Executive Board regarding our dual role in emergency and development, and the absolute priority given by HQs to emergency operations to the detriment of development activities. I would say that no real corporate effort has been made within HQ to examine what this really entails in terms of attitudes, priorities, strategic plans, and resource allocation to ensure that we win the battle and demonstrate that are able to be an effective partner in development."

[30] Cf. Paras. 219 to 221 of WFP/EB.1/2002.9.

77. Asked if Headquarters indeed provide "customer-oriented, flexible and efficient services" in specific areas, the CDs replied as recapitulated in the table that follows.

					Sub-areas where improvement is needed
Strategy and Policy	16	YES	2	NO	SP staff should have good field experience Nutrition studies are not customer oriented (staff, government, beneficiaries)
Resources Mobilisation	8	YES	12	NO	No guidelines, strategy provided by HQ, sharing experience with other country would help. Not much guidance on donations received locally, nothing on how to mobilise from private sector. Should ask COs for updates before sending generic documents to donors. No info on the actions carried out at HQ with donor countries
Budgeting	10	YES	7	NO	Decisions on PSA, DSC without consultation. Huge security issues and no answer from Budget. Unclear instructions too late in the year. System is inflexible.
Programming	11	YES	5	NO	Too many rules that change constantly, not adapted to reality of the countries, not flexible, and sometimes managed directly from HQ where CO opinions are disregarded.
Transport & Logistics	16	YES	2	NO	Only efficient for emergencies. For development, government run their own logistics and transport. HQ should pay for superintendent services.
Procurement	14	YES	5	NO	Regulations are strict and often difficult to adapt to country realities. Local procurement with non WFP funds. Less bureaucratic, quicker response. Delays.
Human Resources	8	YES	10	NO	Missing personal contact and special care for personal issues and guidelines for career development. Staff counselling—people approach Rather slow in reply to request No career planning or counselling; constant changes in personnel make it difficult to know to whom one has to address
Information technology	12	YES	8	NO	ITC for security Enormous delays in equipment. Limited info provided to countries on how to take advantage of computer resources. Few institutional training is provided to WFP LAN Administrators in the country Offices. No clear instructions from Rome, limited services
Finance	11	YES	8	NO	Present difficulties might be linked to transition to the new system. Manual in Spanish needed. Finance is communicating well with us about their needs but not OURS. There is lack of training. There are delays in the flow of information concerning inquiries on disbursement authorisations, codes to charge expenses, etc. SAP system needs improvement.
Oversight & Evaluation	13	YES	4	NO	Evaluations are done only when CPs are coming to an end. Projects are no longer evaluated, neither EMOPs. Improve planning

➪ *WFP's Comments*

78. The various comments by some CDs in paragraph 74 on what they perceive as being the roles and responsibilities that remain centralised (such as HR, finance and transport functions) versus decentralized (such as resource mobilisation) are noted. However, if the current authorities already delegated to the field in the former areas were suddenly rescinded, we are sure the result would be very negative, particularly at the level of effective programme delivery to the beneficiaries. For instance, if CDs did not have the financial and logistics authorities they currently have, operations would move very slow. Furthermore, RE issued a directive in June 2002 on the issue of resource mobilisation in a decentralized WFP. And more efforts will be made in this area, since the key role of the CDs in local mobilisation of resources is clearly recognised. A balance must be achieved, however, to ensure that we work in tandem with our donors, as many of them are not as yet decentralized.

79. In general, the CDs' comments provided in this section will be very useful for the updating of OD's decentralisation directive.

SECTION V: ACCOMPLISHMENTS AND CHALLENGES OF THE DECENTRALISATION PROCESS

Accomplishments

80. One of the original goals of the decentralisation was to create "*a very significant shift of personnel and decision-making authority to the field*". Asked if this shift indeed took place since the decentralisation process was launched five years ago, 12 CDs, or 60 percent, replied "yes" and six "no". The following comments were added by the ones who replied "no".

- *I see no difference between now and the past, except the physical location.*
- *Major and politically important operations, where WFP's visibility and interests are at stake, continue to be micro-managed from HQ.*
- *We still need to refer to HQ for daily major questions.*
- *"Real" decisions are taken at HQ level such as budget, use of funds, personnel, food movement and others. Shift of personnel has not been consistent with the decentralisation, staff at HQ is still large compared with field. It seems like more people have been recruited to be posted in the field but few transferred from HQ. Decentralisation should not be seen as a "Region", "Operation" decentralisation but all services should be involved in the exercise and personnel transferred.*
- *Yes for the significant shift of personnel to the field, most welcomed! No for the increased decision-making authority to the field. Again the question of resources comes into the picture.*
- *The most important areas (finance and resources) to ensure an effective decision-making authority in the field have not been yet decentralized. As far as the personnel is concerned, there was a very significant shift of personnel to the field, however this personnel, principally at the intermediate or technical level is not fully committed to the principles of the decentralisation.*

81. Regarding the impact of decentralisation at field level, CDs were asked if they agreed or not with the statements listed in the following table.

Delegation of authority to the field has been increased.	16	YES	1	NO
More senior and specialised staff is working in the field.	13	YES	4	NO
Field managers are more accountable for their work.	14	YES	5	NO
Field managers have greater career opportunities.	12	YES	4	NO
The job of COD has been made more interesting.	14	YES	3	NO
COs have a broader understanding of the food security and food aid situation in their country.	12	YES	6	NO
COs have a more active advocacy role.	12	YES	4	NO
COs have more influence on the policy making of the host government.	10	YES	6	NO
The delays for finalising programme and project documents have been reduced.	7	YES	11	NO
The quality of programme and project documents has been improved.	8	YES	9	NO
The response to sudden emergencies has been made timelier.	14	YES	2	NO
The implementation of projects has been made more effective.	9	YES	9	NO
Transport and logistics activities within the country have been made more cost-effective.	12	YES	3	NO
There is a better control on locally spent expenditures.	13	YES	5	NO
WFP's profile has been enhanced locally.	14	YES	3	NO

82. The following comments were notably made.

- *I don't think that decentralisation has had an effect, positive or negative, on "policy making of the host government". I am not in a position to say that the "quality of programme and project documents has been improved".*
- *Advocacy vis-à-vis donors has increased but media role continues to be closely controlled by HQ and Regional Public Affairs officer who often has never visited the country where press release or media event is to take place.*
- *RB is a layer: PRC for instance continues to be held in Rome, reports sent to RB, forwarded to CO etc. Quality of documents, management etc. have improved but not necessarily as a result of decentralisation. Upgrading of posts and appointment of more senior managers was a long-standing issue that had to be addressed with or without decentralisation.*
- *WFP has gained importance in front of the Government, UN Agencies, Donors and public in general due to the timely and effective response when food has been the key element needed. Also WFP knowledge in food security matters, in vulnerability analysis, and in targeting women as the key element in poverty reduction, has been one of the success of decentralisation.*
- *Project documents reflect more honestly what they will be about during implementation, which has not necessarily improved the write up of the document.*
- *I find it difficult to answer this question. How can we say that the fact that a CD plays a greater role in advocacy or that he/she has a greater understanding of the food security situation of the country is due to decentralisation? It could just be that the CD has the necessary profile for the job.*

83. For WFP as a whole, CDs were asked if they agreed or not with the statements listed in the following table.

The WFP has an enhanced awareness of local realities.	13	YES	4	NO
Decision-making has been made timelier.	14	YES	4	NO
Communication within the organization has improved.	9	YES	8	NO
Procedures and processes have been streamlined.	11	YES	8	NO
Projects are implemented in a more timely fashion.	9	YES	8	NO
Projects are implemented in a more cost effective way.	10	YES	7	NO
WFP work force is more mobile and diverse.	12	YES	5	NO
Managers have a broader exposure to different work settings and posts.	15	YES	3	NO
Public awareness of the WFP has been increased.	15	YES	3	NO
The WFP has truly become a decentralized organization.	10	YES	8	NO

84. The following comments were notably made.

- *It is too early to assess the impact of decentralisation. What we see in ODC is physical location of staff in Cairo rather than in Rome. The physical move has yet to result in improved efficiency of the Bureau or the CO.*
- *All the above achievements are not necessarily due to the decentralisation. They could be largely due to upgrading of communication, adjustments to new reality, reforms of UN system to work in a more integrated manner at the field level etc.*
- *Agree on all above areas, however, more and better can be done to make decentralisation more effective and truly.*
- *The factor impeding to be real effective has been the lack of resources when needed, and in the amount programmed.*
- *We have additional layers of bureaucracy and unless the necessary steps are taken to avoid them and to give real decisional power to RB (in terms of programming and resource allocation) we run the risk to become a very inefficient organization.*
- *I think the sense of having to contribute has improved among country directors. Before the demands and complaints about no response might have taken more of the energy of CDs.*
- *Increased participation of women within WFP.*

⇨ *WFP Management's Comments*

85. It is good to note in paragraphs 80 to 84 that most CDs conclude that decentralisation has generally made a positive impact on the way WFP does its work.

Challenges

86. In the “Status Report on WFP’s Decentralisation Initiative” mentioned above, the following was indicated: “WFP must be vigilant that the decentralisation to the field of six regional bureaux will not result in a creep towards the surfacing of six separate, miniature WFPs. Rather, each regional bureau should work hand in hand toward achieving the goals of one WFP through a standard and consistent approach.”. The majority of CDs

(12, or 60 percent) did not consider that there was a risk for the RB to become a "separate miniature WFP". Five thought otherwise. The following comments were notably made.

- *Rather the opposite, I am afraid there will be a WFP without taking the particularities of Latin America into account. Hunger originates from social injustice here more than in other regions and the weighing of resource allocation is totally ignoring this fact both in taking into account that WFP support costs and RAM allocation.*
- *Regional Directors should spend longer periods in HQ, or communication systems should be improved. They should be participating actively in HQ meetings, they should be directing policies from the field. They should be participating in UN, donor Governments, and other meetings where resources are being discussed, or when important governments (donors) decisions are being analysed. Sometimes this is allowed, but no funds are made available for travel, which reduces their participation. Most of the funds for this purpose are centralised in HQ.*
- *The message on the role of RB must be fully understood not only by the top management of the Bureau but by every single staff member.*
- *There is also a potential tendency from WFP Rome to consider RB as separate miniature WFP, in the sense that numerous requests for information on CO's operations are being sent directly to the RB. RB is asked to request the information from the CO and to compile it, thus reducing the role of RB to another post box. This has also an implication on the deadline: the time the request gets finally to the CO reduces the deadline to few or even one day, because the RB needs also time to compile the info for Rome.*
- *No risk of RB becoming an independent entity despite its greater autonomy.*
- *It has to be somewhat 'miniature' or self-autonomous to operate efficiently. To prevent this situation there is a reluctance to delegate more than the minimum. This is where the balance is difficult to strike, if not impossible.*
- *There has been still indispensable need to HQ support in many respects.*

87. In the "Status Report on WFP's Decentralisation Initiative" mentioned above the following was indicated also: "*WFP will have to ensure that the physical separation of its senior managers, dispersed throughout the world, will not result in a total loss of face-to-face contact. Not all decision-making can be effected through reports, e-mail or even audio-visual conferencing. Regular opportunities must, therefore, be scheduled for face-to-face meetings, workshops and retreats, which will nurture collegiality and team building". Asked if there was a risk of "total loss of face-to-face contact*", ten CDs, or 50 percent, replied "no" and nine "yes". The following was added:

- The possibility for quick reaction and interaction have been lost. Some of the FAO staff are being brought back to Rome. We may end up doing the same. The value added of this decentralisation has yet to be proved.
- There will always be a degree of loss of face-to-face interaction. It would be interesting to conduct a cost-benefit analysis to determine the costs incurred to prevent total loss of face-to-face (in terms of air tickets, DSA, Video-conferences, telephone calls, including consequences on management guidance etc. due to frequent absence of RD, actual delegated authority to the deputy RD etc.) versus added value of the decentralisation of RB.
- This is something that comes with decentralisation. For a CD there is no reason to travel to HQ any longer, most of the Senior Staff (ADG/D2s) are still in Rome and

exchange of ideas with them is not possible any longer. On the other hand, the advantages of decentralisation outweigh this disadvantage in my mind.

- CD should visit RO and HQ regularly once a year, Appropriate schedule should be prepared to update him/her new policies/regulations and meet new staff.
- *In my opinion, the RD should be posted at HQ with frequent missions to the region. Leaving the Deputy RD at the field to conduct day-to-day operations.*

88. The CDs were asked how many meetings, workshops and retreats they had attended during the past year and if they provided had sufficient opportunities to "*nurture collegiality and team building*". Almost all CDs (18, or 90 percent) replied that it was the case. They were also asked how many times their CO was visited by senior Officers of the RB and Headquarters and if they considered these visits appropriate in frequency and duration. Twelve CDs, or 60 percent, thought so while six gave a negative reply. Asked what they would consider appropriate, the ones who replied "no" indicated that the RD should visit each CO at least once, if not twice a year. The Senior Programme Adviser should also visit each CO at least once a year.

Additional Comments Made

89. The following comments were notably made in Section VI of the questionnaire.

- *From my standpoint decentralisation has been highly positive, as it has transferred the centre of gravity from HQ to the regional bureau and to the field. However, delegation of authority is still constrained by bureaucratic impediments. So many checks are exercised making the delegation difficult to use if not meaningless. Genuine flexibility is needed in the area of human resource management and admin & finance areas.*
- *WFP is a field organization, consequently the decision to decentralize Bureaux to the field has been good. However decentralisation to be effective needs to be accompanied with proper and qualified staff, funds, and training. Our Bureau, being the pioneer in the decentralisation process, was not equipped with any of this at the initial stage. Little by little was equipped and at present we could say that we are meeting the objectives of decentralisation. However HQ Division staff is not yet applying the decentralisation process and still manages many of our operations, but the accountability at the end is expected to be on the CDs hands. Decentralisation is mainly to empower Country Directors once they have the tools to perform adequately, but sometimes Bureau staff is being empowered and not CO staff. In other words, if this process is not watched carefully, Bureaux could become another HQ at smaller scale.*
- *This is my first CD post. What I think is working is decentralized accountability of which the end results go to Rome. What is disappointing, is the lack of local accountability systems, in logistics, accounting, programme planning, etc. Each office is apparently inventing their own and there is little attention from HQ as long as the COMPAS and COAG-SAPInt get filled in. This does not alleviate the CDs accountability load at all.*
- *In general I consider that WFP is suffering from the difficulties in going from a centralised system to a decentralized system, with the tradition of hierarchy built in the system. Nothing strange in that but a hard process which has to be strengthened before there are too many duplications and people loose the sight of what is the most important in the work instead of responding to a variety of demands out of sight with the objectives of the WFP. That too many people are trying to cling to their chairs and*

want to be bosses is a problem that will never be solved in our live time in a system like this. But many new and young competent people might leave the organization for these reasons.

- *One thing that can be improved/rationalised is the very large amount of (bureaucratic) work that is demanded by Rome/HQ's in the form of reports and questionnaires. We estimate that during certain periods more than half our time is spent servicing HQ's: this defeats the decentralisation objective of being closer to beneficiaries. There should be a way to keep bureaucratic work as short and limited as possible by requiring supervisor approval before sending new requirements to the field.*
- *Upon decentralisation, I immediately applied for a field post. I think decentralisation also works for me because I know people I need to know at various levels and places, having started in a global post within WFP.*

⇨ *WFP Management's General Comment*

90. It has indeed been a challenge to implement decentralization in such a short time, and given the resources available. One of the original goals of the process was to create "*a very significant shift of personnel and decision-making authority to the field*". Against this yardstick, then, the initiative has so far been successful—over 60 percent of Country Directors agreed this had been accomplished. Overall, most of them expressed positive feedback about the general direction of decentralisation. Naturally, as in any major organizational change process, there were some shortcomings in the process. For example, the need for additional training was expressed. What also comes through very clearly is the need for very frequent communications and updates on any major organizational changes to all COs. There were also teething problems in implementing the initial aspects of the decentralisation, as WFP evolves into a new organizational culture.

91. While noting the generally positive response of the CDs, WFP also recognizes the shortcomings indicated by the survey, and the work that remains to be done. In such a dynamic organization like WFP, change is constant. WFP is thus focusing both on the immediate support needs of Country Offices, as well as the medium and longer-term initiatives of decentralisation, including:

- streamlining of delegated authority, especially in the field of resources mobilisation and human resources;
- WINGS roll-out (due to be completed by end 2002), which will help ensure real-time financial and operational information to all country offices;
- further training of WFP field staff, especially Country Directors;
- updated field-friendly operational guidelines;
- implementing the Results-Based Management Initiatives; and
- strengthening and clarifying communication/information flow between Country Offices, Regional Offices, and Headquarters.

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 Counterpart Cash Contributions
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