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REPORT ON BUDGETARY PERFORMANCE, 1994-95

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INTRODUCTION

1. The Executive Director presents this report on budgetary performance for 1994-95 to the Executive Board for its information. The report has also been presented to the FAO Finance Committee and the United Nations Advisory Committee on Administrative and Budgetary Questions (ACABQ) in accordance with General Regulation 29(d). The figures quoted are provisional since the biennial accounts had not been audited at the time of drafting this paper. However, no significant variations are expected.
2. This report contains three parts: the first deals with the availability of resources, the second with performance relating to operations of the Programme, including reports on the utilization of the Emergency Logistics Authorization (ELA) and other allocations, and the third covers programme support and administrative (PSA) expenditure.
3. The biennium started with a projection of availability of resources which was considered optimistic by the CFA at its Thirty-sixth Session (autumn 1993). The Executive Director therefore undertook to implement the budget most cautiously. The estimates of cash contributions under the regular Pledge as well as the recovery of support costs from IEFR and PRO were revised downwards to be more realistic. Accordingly, the PSA allotment for the first year was reduced substantially.
4. On the basis of the performance of the first year, reported to the CFA in spring 1995, the estimates of operations for the biennium were revised to 2.953 billion dollars (from the original 3.902 billion dollars). The actual level of operation in terms of availability of resources was 2.845 billion dollars. With several cost-reduction measures, the PSA allotment was reduced to 197 million dollars (93.1 percent of the budget). Further measures, such as keeping vacant posts unfilled and using funds to hire temporary staff, generated additional savings, so that actual PSA expenditures were contained at 182 million dollars, or 92.3 percent of the allotment. Although the severe reduction in expenditures could have some detrimental effects that were not immediately evident during the biennium, the Executive Director has been able to operate WFP for these two years at 86 percent of the approved PSA budget.

AVAILABILITY OF RESOURCES

5. The original estimate of availability of resources for 1994-95, contained in document CFA: 36/5 approved by the CFA at its Thirty-sixth Session, was 3.902 billion dollars (net of support cost recovery from PRO and IEFR contributions). The estimate was revised in 1995, in the course of the preparation of the 1996-97 budget, contained in document CFA: 40/4 approved by the CFA at its Fortieth Session, to 2.953 billion dollars. The estimated actual availability of resources during the biennium was 2.845 billion dollars, as shown in the table below.



CONTRIBUTIONS - CASH AND COMMODITIES 1994-95 (in million dollars)

Sources	Estimated availability		Actual availability	Variance
	Original	Revised ¹		Actual versus revised
Regular	1 284	801	850	49
PROs	1 000	547	517	-30
IEFR (including IRA)	1 060	1 131	1 067	-64
SEO	200	188	160	-28
Bilateral	320	245	221	-24
Others ²	38	41	30	-11
Total	3 902	2 953	2 845	-108

¹ As revised in 1995.

² Includes non-food items, special operations, Junior Professional Officers.

6. Resources available under the regular programme were 48.5 million dollars more than revised estimates. The net variance, however, was 35 million dollars when adjusted for under-realization of support costs (13.5 million dollars). The primary reasons for this variance were the availability of more commodities (two million dollars) and more cash resources from donors for the purchase of commodities (20 million dollars); additional cash contributions from donors related to previous periods (11.6 million dollars); significantly higher interest earned due to better interest rates and higher than anticipated cash holdings (11.6 million dollars), other miscellaneous income (3.3 million dollars) including higher than estimated contributions from recipient governments towards local operating costs; and gains in foreign exchange. The main effect of the additional availability of resources was that there was an operating surplus at the end of the biennium.
7. The original estimated volume of availability and delivery of commodities for the biennium was nine million tons. The estimates were revised in 1995 to 6.04 million tons. Actual delivery was 6.23 million tons. The original estimates were based on the performance of the preceding biennium, 1992-93. Actual deliveries in 1994-95 were, however, less, primarily because of decreasing regular commodity pledges (by one million tons), lower requirements for emergencies and protracted relief (by 0.6 million tons), and significantly reduced delivery under bilateral operations (by 1.4 million tons).



CONTRIBUTIONS - COMMODITIES (in million metric tons)

Programme	Original estimate (document CFA: 36/5)	Revised estimate (document CFA: 40/4)	Actual deliveries
Regular	3.0	1.96	2.04
PRO	2.0	1.35	1.32
IEFR	2.0	2.20	2.31
Bilateral and others	2.0	0.53	0.56
Total	9.0	6.04	6.23

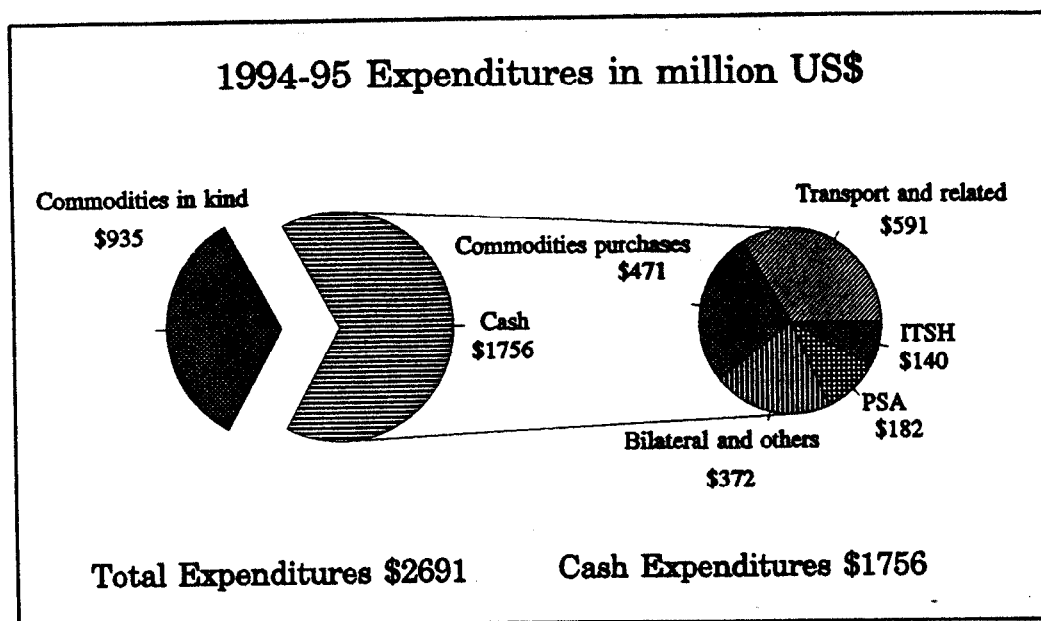
OPERATIONAL EXPENDITURE

8. The value of WFP's operations in terms of expenditure, including PSA, in the 1994-95 biennium amounted to 2.691 billion dollars - 1.5 billion in 1994 and 1.191 billion in 1995, as illustrated in the table below. The breakdown of expenditure by programme and category is given in Annex I. The figure below illustrates types of expenditures.

OPERATIONS AND PSA EXPENDITURE (in million dollars)

	1994	1995	Total
Development	312	341	653
PRO	263	187	450
Emergency	610	424	1 034
Bilateral and others	228	144	372
PSA	87	95	182
Total	1 500	1 191	2 691





9. The main highlights of the operations are discussed below.

Development projects

10. Thirty-three new development projects and expansions were approved by the CFA or by the Executive Director under her delegated authority for a total value of 496 million dollars. Total expenditures during the period amounted to 653 million dollars, of which 527 million were for commodities and 126 million was for cash expenditures. A rigorous effort was made during the biennium to de-earmark the undelivered value of non-performing projects. This action, and a resolution to reduce new projects in the light of availability of resources, brought the undelivered value of projects at the end of the biennium to 644 million dollars - a reduction of 53 percent from the value at the beginning of the biennium.

Protracted refugee and displaced person operations (PROs)

11. Thirty new operations and expansions of PROs were approved by the CFA or by the Executive Director under her delegated authority for a total value of 700 million dollars. Total expenditures amounted to 450 million dollars, of which 294 million were for commodities and 157 million for cash expenditures.



Emergency operations

12. Sixty-eight emergency operations were approved by the Executive Director, or jointly by the Executive Director and the Director-General of FAO, for a total value of 1,523 million dollars. Expenditure during the biennium amounted to 1,034 million dollars, of which 586 million were for commodities and 448 million for cash expenditures.

Bilateral and other operations

13. WFP provided bilateral services and participated in special emergency operations, operated the specific programme for Junior Professional Officers (JPOs), procured non-food items and undertook other operations. The total value of these activities in 1994-95 amounted to 372 million dollars.

OPERATIONAL INITIATIVES

14. The reduction of costs as well as the generation of revenue were major themes during discussion of the Strategic Financial Plan (SFP) for 1994-95. Accordingly, budget proposals for the biennium included several initiatives accruing 53 million dollars in savings, of which 10.4 million were to be in operations accruing to WFP regular resources, 38.4 million in operations accruing to donors, and a 4.2-million reduction in PSA.

COST SAVINGS (in million dollars)			
1994-95	Items	Original estimates	Actual
Operations (WFP)	Interest on Imprest Accounts	0.8	0.4
	Better cash management	1.0	n.a.
	Transport and logistics	5.2	6.6
	Partial self-insurance	0.5	1.0
	Overland transport and ITSH	2.9	0.4
Subtotal		10.4	8.4
Operations (donors)	Transport & logistics	5.5	1.2
	Partial self-insurance	0.8	2.3
	Overland transport and ITSH	31.6	31.7
	Reduction in commodity losses	0.5	n.a.
Subtotal		38.4	35.2
PSA		4.2	5.3
Total		53.0	48.9



15. Although not all the planned cost savings on individual items were achieved, an overall 92 percent cost saving was realized. During the biennium, the Secretariat was very much governed by the principle of "cost consciousness": the commitment to reduce costs and to achieve maximum savings CFA Members were kept informed on progress through interim reporting. Achievements are shown in the above table.
16. Overall cost savings on operations accruing to WFP regular resources amounted to 8.4 million dollars. Major items were transport, logistics and insurance. A decrease in these costs was realized through better programming, coupled with the introduction of a new self-insurance plan.
17. Although savings earned could not be precisely quantified, improvements have certainly been made in cash management by implementation of systems and procedures to better forecast and monitor investment of funds.
18. Initiatives which aimed at reducing operational costs to donors included action on transport, insurance and ITSH. Adoption of a more aggressive approach in reviewing and revising the ITSH rate and of improved planning in overland transport resulted in a total saving of 35.2 million dollars.
19. Cost reductions in the PSA amounted to 5.3 million dollars, accrued mainly through substitution of international officer posts with national officer posts, and through a reduction in conference-servicing costs and technical support costs. Savings were realized by assuming more direct control over conference servicing and document processing, such as in-house translation and printing of documents, and use of local interpreters. In so doing, standards of service were improved. In a similar vein, negotiations with the Programme's suppliers of technical support services (FAO and other United Nations organizations) led to savings, primarily through the increased recruitment of experts at the national/regional level, better planning of duration of missions and adoption of less costly travel arrangements.

SPECIAL ALLOCATIONS

Emergency Logistics Authorization

20. There was no need to use ELA in 1994-95. However, there was an outstanding balance of 1.395 million dollars in the beginning of 1994. This balance was refunded to regular resources at the end of the biennium.

Financial Management Improvement Programme (FMIP)

21. FMIP was initiated in 1995. As requested during the Thirty-eighth Session of the CFA, the Executive Director allocated 2.5 million dollars from regular resources to meet initial capital investment requirements. In addition, 700,000 dollars were used from the 1994-95 PSA to meet recurrent costs. In line with a decision taken at the Fortieth Session of the CFA, an additional amount of three million dollars was allocated from regular resources at the end of 1995. In total, WFP has allocated



6.2 million dollars from its resources, responding to the Members' view that a good part of FMIP requirements should be met from WFP resources. (In addition, donors have contributed more than five million dollars in 1995 towards FMIP.)

PROGRAMME SUPPORT AND ADMINISTRATIVE EXPENDITURE

22. The CFA, at its Thirty-sixth Session, approved a total PSA budget of 230.6 million dollars. That amount was based on the exchange rate of 1,210 Italian lira to one United States dollar, but the rate subsequently approved by the FAO Conference was 1,665 Italian lira to one United States dollar. The recosted budget thus amounted to 211.3 million dollars and all subsequent references in the text of the document are made to this figure.
23. The Executive Director made a commitment to the CFA that the PSA expenditure would be kept within available resources. The PSA budget, therefore, was treated as a ceiling of authority rather than a floor. Accordingly, the budget allotment for the first year was reduced to 93.2 million dollars, or by eight percent, from an estimated 101.4 million dollars for 1994. In June 1994 the Executive Director outlined a number of initiatives that would be taken in order to address the problem of a very tight financial situation confronting WFP. These included: a 25 percent reduction in travel and other expenses, a five percent freeze on staff, a reduction in temporary assistance and careful planning of overtime work requirements. A prioritization of new posts, as well as a time-lag in recruitment, associated with each category of staff, also resulted in a substantial reduction in the budget.
24. Other measures to contain the budget included a thorough review of country office staffing, aimed at reducing posts and the use of emergency funds to meet the cost of staff and of other local operating costs directly related to emergency activities, a new travel policy oriented towards less costly air fares, increased in-house translating and printing capacity and improvement within the telecommunication systems. With these cost reductions, the Programme was able to live, although with difficulty, within its means: the actual PSA expenditure in 1994 was 86.7 million dollars against an allotment of 93.2 million dollars. Although the portion of the PSA pertaining to 1995 was allotted in full, the cost-reduction measures initiated in 1994 had an effect on 1995 expenditure in that actual expenditure was 95 million dollars against an allotment of 110 million dollars.
25. During the biennium, the uncertainty of availability of resources continued to put pressure on the Programme to reduce costs. As a result, the budget was revised at the end of 1994 to 196.8 million dollars for the biennium. Total PSA expenditure (actual and accrued) in 1994-95 amounted to 181.7 million dollars as shown in the table below, and an additional 14.4 million of expenditure was funded from extra-budgetary sources. The PSA represented 6.7 percent of the total value of operations. Approved budget and associated expenditures are given in detail in Annex II.
26. The level of actual expenditure of 181.7 million dollars against a revised budget of 196.8 million dollars should be viewed together with the realization of support costs



expected to fund such expenditures. The amount of support costs realized was 42 million dollars compared to an estimated 55.4 million, a shortfall of 13.4 million.

BUDGET SUMMARY BY APPROPRIATION LINES (in million dollars)

Appropriation lines	Approved budget	Recosted budget	Allotted budget	1994 expenditure	1995 expenditure	1994-95 expenditure
Headquarters	106.8	92.1	88.1	38.6	45.3	83.9
Country offices	106.4	103.7	96.8	42.9	43.5	86.4
Services provided by FAO	16.2	13.9	8.9	3.8	3.1	6.9
Services provided by the United Nations and other organizations	3.9	3.9	2.7	1.5	1.0	2.5
Unallocated contingencies	0.4	0.4	0.4			—
Adjustments arising from currency fluctuations			(0.1)	(0.1)	2.1	2.0
Less phasing-in effect	(3.1)	(2.6)				
Total	230.6	211.4	196.8	86.7	95.0	181.7

27. As reported on previous occasions, the Executive Director took severe measures to make certain that WFP remained within the estimated level of available resources. As the level of resources to be available was uncertain, budget allocations had to be made in a very cautious manner. In view of the fact that some donors were able to contribute additional funds to meet direct costs of emergency operations but had difficulty in meeting support costs, a thorough review of country office staffing was undertaken to ascertain the staff working directly for emergencies. Some of those posts were funded from contributions made for emergencies, resulting in savings under PSA. The review of country office staff also identified some posts that could be left vacant for the biennium. Hence, significant savings were achieved in country office staff costs.
28. Under-expenditures at headquarters pertained to staff costs, travel, communications and training. The gradual application of a phasing-in policy for new staff with a strict control over the utilization of funds from vacant posts led to savings in staff costs. A significant under-expenditure in travel primarily resulted from the adoption of a policy of using least costly travel fares. Savings in the cost of communications were achieved by improvement in management and services after the installation of the new telephone system and the use of e-mail. There were savings in the training budget as well, because of the availability of specific additional contributions to conduct some of the training, mainly related to the management of emergencies, in country offices.
29. There was some over-expenditure in some line items compared to the recosted budget - Management Information System, and other operating costs. The first item



reflected mainly the additional amount spent on equipment. Over-expenditure in other operating costs had two elements: a) the payment of rent for the New York office (which in the past used to be included in Chapter III of the budget under the United Nations) and the Geneva office (new office facility); b) expenditures associated with the move of WFP offices to the second tower vacated by FAO, for which the CFA had given a separate authorization to spend up to one million dollars from within the PSA budget. Over-expenditures in these lines were covered by under-expenditures in other lines within the chapter in accordance with the Financial Regulations.

30. Under Chapter II, services provided by FAO, significant savings were made in technical services and document processing. The main savings in services provided by other United Nations organizations under Chapter III resulted from the fact that the rent and other services provided by the United Nations to WFP's North America office were paid as a part of headquarters costs.
31. An analysis of budget by major programmes discloses that while actual expenditures for support services were very close to the revised budget, there were substantial variances under "Direction, policy and Resources", and "Operations". Two main reasons for the favourable variances under Direction, Policy and Resources were the savings in conference services and document processing and savings in the cost of technical support services for evaluation. The major variances under Operations were due to the savings in the cost of technical support services and the savings in Country Offices staff costs.

BUDGET SUMMARY BY MAJOR PROGRAMME (*in million dollars*)

	Approved budget	Re-costed budget	Allotted Budget	1994-95 expenditure
Direction, policy and resources	38.5	33.4	27.4	24.7
- Executive direction	12.4	10.7	10.1	8.4
- Policy and public affairs	19.7	17.4	12.3	11.6
- Resource management	6.4	5.3	5.0	4.7
Operations	149.2	140.5	130.6	116.8
- Operations management	1.3	1.2	1.4	1.7
- Development operations	13.0	11.7	9.7	7.5
- Emergency operations	2.2	1.9	1.9	2.3
- Transport and logistic operations	9.7	8.0	7.2	6.4
- Regional bureaux operations	16.6	14.0	13.6	12.5
- Country office operations	106.4	103.7	96.8	86.4
Support services	45.6	39.7	38.5	38.2
- Finance and information systems	20.9	18.0	17.6	17.4
- Personnel and administration services	24.7	21.7	20.9	20.8
Unallocated contingency	0.4	0.4	0.4	
Adjustments			(0.1)	2.0
Less phasing-in effect	(3.1)	(2.6)		
Total	230.6	211.4	196.9	181.7



ANNEX I

OPERATIONAL COMMITMENT AND EXPENDITURE (in thousand dollars)

	Value of undelivered project commitment at 1.1.1994	Value of commitments for new projects		Budget adjustments	Expenditures	Balance of value of undelivered project commitment at 31.12.1995
		1994	1995	1994-95	1994-95	
Development and quick-action projects						
Commodities in kind	1 005 015	174 404	175 493	-329 444	430 985	594 483
Commodity purchases	0	10 578	2 032	11 150	95 525	-71 765
Transport and related costs	215 021	61 467	65 136	-95 345	109 772	136 507
ITSH subsidy	10 200	7 232	3	-15 594	16 853	-15 032
Subtotal	1 230 236	253 681	242 664	-429 233	653 135	644 213
Protracted refugee and displaced person operations						
Commodities in kind	378 151	66 329	144 902	-21 444	158 385	409 553
Commodity purchases	0	70 090	102 646	-24 192	135 455	13 149
Transport and related costs	116 343	60 701	109 415	-50 235	148 300	127 224
ITSH subsidy	56 431	53 091	86 989	-37 017	8 692	150 002
Subtotal	550 925	256 211	443 952	-101 818	450 832	699 438
Emergency operations						
Commodities in kind	1 096 527	179 051	179 425	-58 636	345 787	1 050 578
Commodity purchases	0	262 366	163 783	-16 659	240 344	168 966
Transport and related costs	107 653	254 451	247 684	-34 529	333 602	241 663
ITSH subsidy	111 203	161 965	74 300	-47 719	114 297	185 458
Subtotal	1 315 383	857 863	665 192	-157 733	1 034 030	1 646 665
Total operational commitment/expenditure	3 096 544	1 367 745	1 351 808	-688 784	2 137 997	2 969 316
Bilateral and other operations					371 660	
PSA					181 773	
Total					2 691 430	



ANNEX II

**PROGRAMME SUPPORT AND ADMINISTRATION -
BUDGET AND EXPENDITURE (in thousand dollars)**

	Approved budget	Recosted budget	Allotted budget	1994 expenditures	1995 expenditures	1994-95 expenditure s
Chapter I.A: Headquarters						
Staff costs (including overtime)	82 130	67 356	61 959	26 713	32 026	58 739
Consultants (including travel)	1 148	1 148	1 141	594	773	1 367
Travel	3 175	3 175	2 908	1 091	1 267	2 358
Meetings	3 112	3 112	3 122	1 774	1 207	2 981
Management Information System	4 251	4 251	4 357	2 147	2 606	4 753
Communications	3 729	3 729	3 351	1 659	1 390	3 049
Public information	1 446	1 446	1 449	697	693	1 390
Training	3 000	3 000	2 650	757	1 450	2 207
Contributions to other organizations	403	403	452	245	234	479
Other operating costs	4 424	4 424	6 761	2 961	3 588	6 549
Total Chapter I.A	106 818	92 044	88 150	38 635	45 234	83 869
Chapter I.B: Country offices						
Staff costs, of which:						
- International professional	56 680	52 521	49 789	22 329	21 828	44 157
- Local	26 755	27 536	25 724	11 511	11 820	23 337
Sub-total country office staff costs	83 435	80 057	75 513	33 840	33 648	67 494
Other local operating costs	22 945	22 945	21 250	9 309	9 922	19 231
Total Chapter I.B	106 380	103 002	96 763	43 149	43 570	86 725
Total Chapter I	213 198	195 046	184 913	81 784	88 804	170 594
Chapter II: Services provided by FAO						
Technical support	7 687	6 832	5 564	2 343	1 313	3 656
Legal advisory services	82	73	73	38	33	69
Budgetary services	100	82	82	66	12	78
Internal audit	404	336	336	122	196	318
Documents	4 302	3 723	210	141	68	209
Personnel services	1 043	752	752	376	338	714
Financial services	1 493	1 213	1 213	597	545	1 142
Computer services	222	189	189	54	54	108
Maintenance and general operating costs	930	729	729	356	328	684
Favourable staff cost variance (undistributed)			-255	-255	167	-68
Total Chapter II	16 263	13 929	8 893	3 836	3 054	6 890



**PROGRAMME SUPPORT AND ADMINISTRATION -
BUDGET AND EXPENDITURE (in thousand dollars)**

	Approved budget	Recosted budget	Allotted budget	1994 expenditures	1995 expenditures	1994-95 expenditures
Chapter III: Services provided by the United Nations and other organizations						
Total Chapter III	3 893	3 893	2 747	1 531	1 009	2 540
Chapter IV: Unallocated contingencies						
Total Chapter IV	400	400	400			
Adjustments arising from currency fluctuations			-105	-106	2 154	2 049
Total	233 754	213 932	196 847	86 753	95 021	181 774
Less phasing-in effect	-3 120	-2 559				
Grand total	230 634	211 373	196 847	86 753	95 021	181 774



