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Programme
Alimentaire
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World
Food
Programme

Programa
Mundial
de Alimentos

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REPORT ON BUDGETARY PERFORMANCE, 1998–1999

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Note to the Executive Board

This document is submitted for information to the Executive Board.

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

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Executive Summary



The Executive Director presents this budgetary performance report for the 1998-99 biennium to the Executive Board for information. The report has been presented to the United Nations Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the FAO Finance Committee in accordance with Article XIV.4 of WFP's General Regulations.

This report has been modified in accordance with the recommendations made by the ACABQ in its report on WFP's Report on Budgetary Performance, 1996-97. Specifically, the report now includes more data comparing the 1998-99 budgetary performance with the performance reported in the previous biennium. In addition, the comparative statistical material has been refined to indicate more accurately the performance of the programmes in terms of tonnage delivered and expenditure incurred during the period. Finally, the report shows more clearly the differentiation between commodities delivered (in tonnage and related value) and expenditures in cash, including cash in lieu of commodities (CLC).

The first section of the report gives an overview of WFP's overall budgetary performance for 1998-99. The second section details the performance of WFP's operational budget for the period. The third section discusses the performance of WFP's support budget for 1998-99, which includes Direct Support Costs (DSC) and Indirect Support Costs (ISC). The Programme Support and Administration (PSA) budget is discussed under this section. Finally, the report contains four annexes: Annex I presents the bases for measuring WFP's operations; Annex II gives an account of expenditure and commitments for operational activities; Annex III provides a breakdown of PSA expenditures by budget line; and Annex IV gives an account of the major operational initiatives carried out during the biennium.

Draft Decision



The Executive Board:

Takes note of the Report of the Budgetary Performance, 1998-99 (WFP/EB.3/2000/4-A/1), and welcomes the revised format that provides more succinct and comparative data.



The 1998–99 Biennium at a Glance

Figure 1

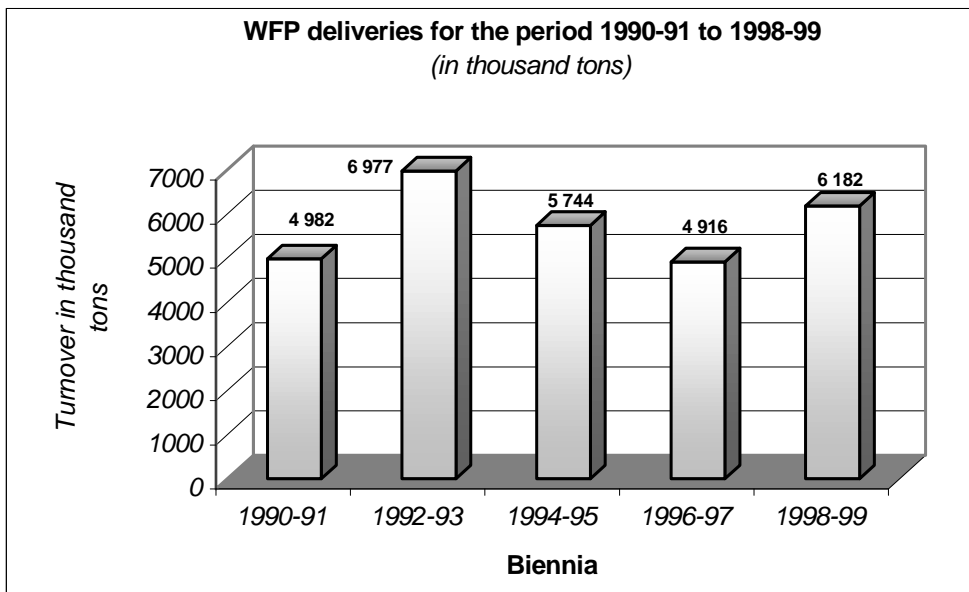


Figure 2

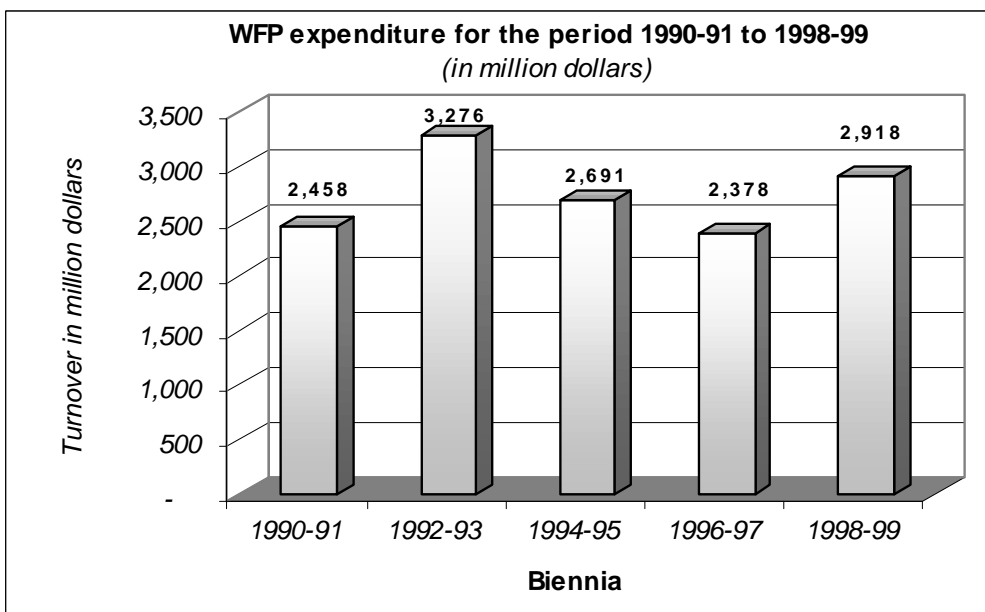


Figure 3

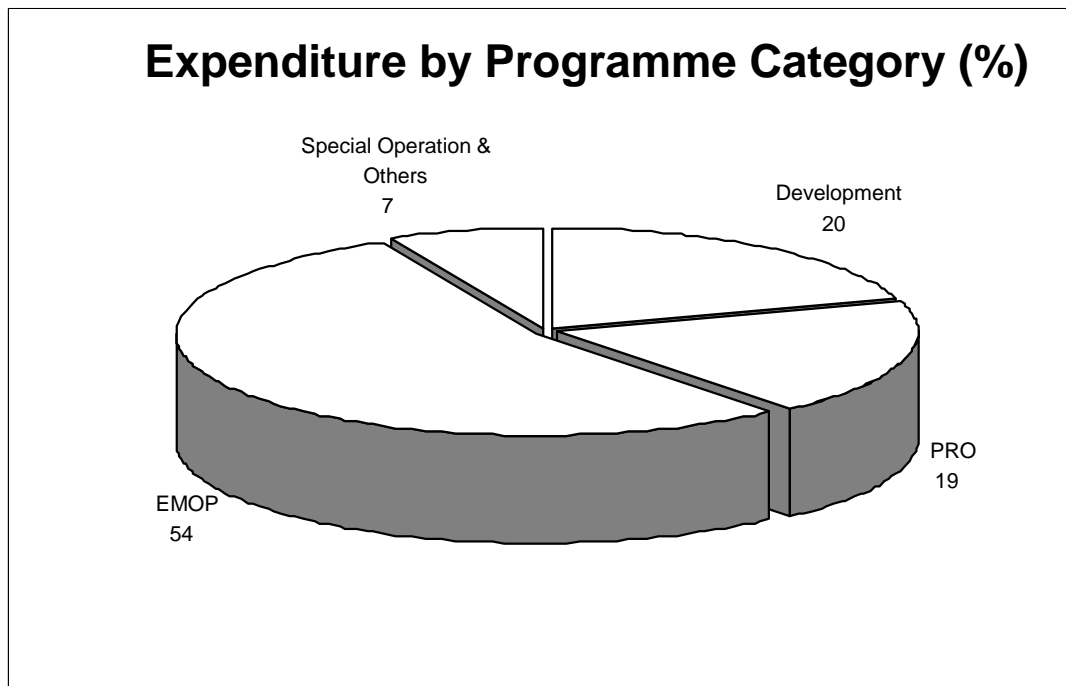


Figure 4

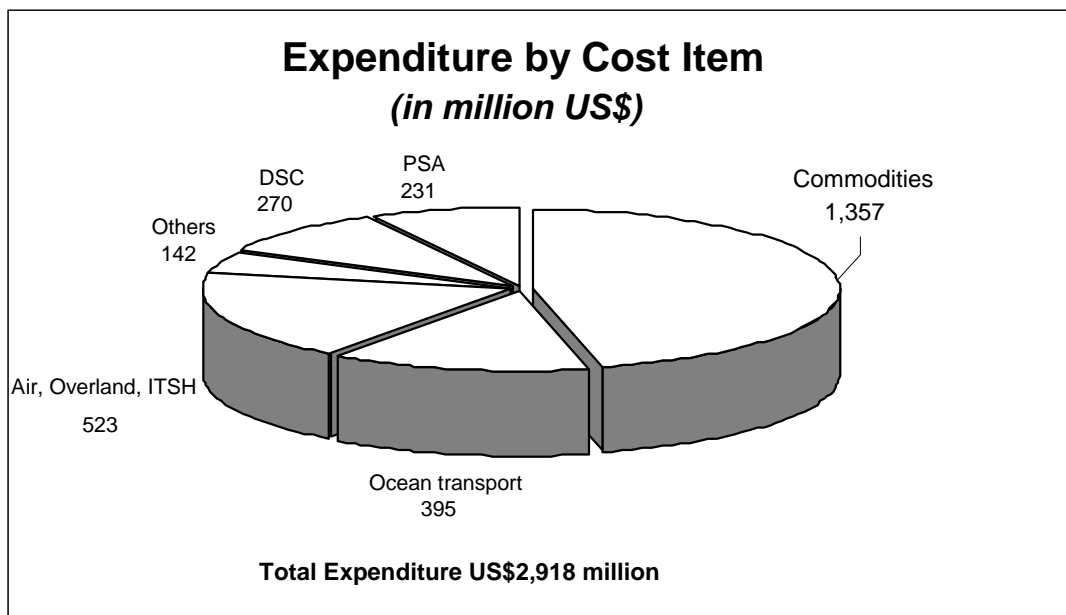


Figure 5

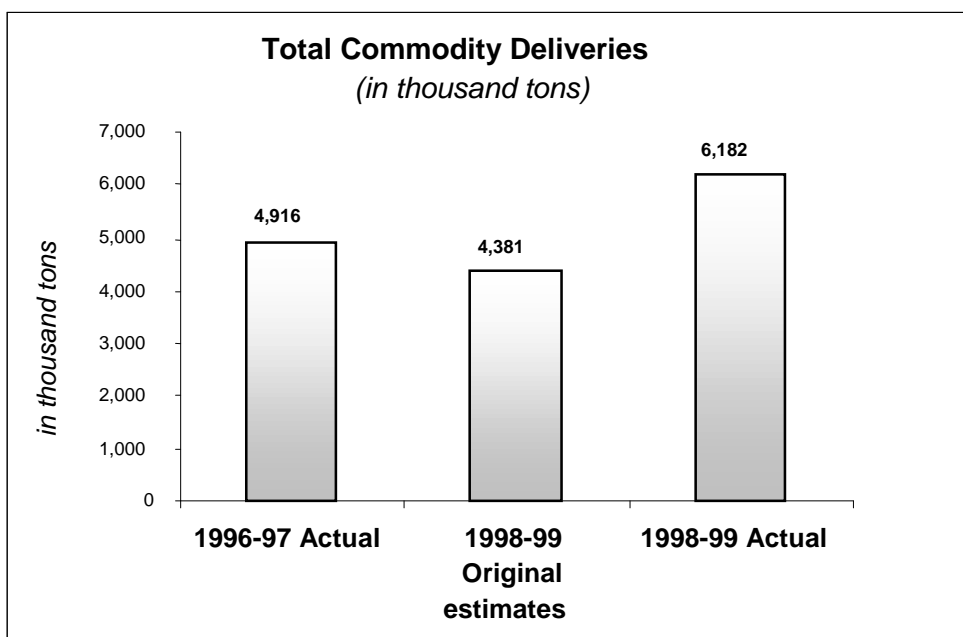
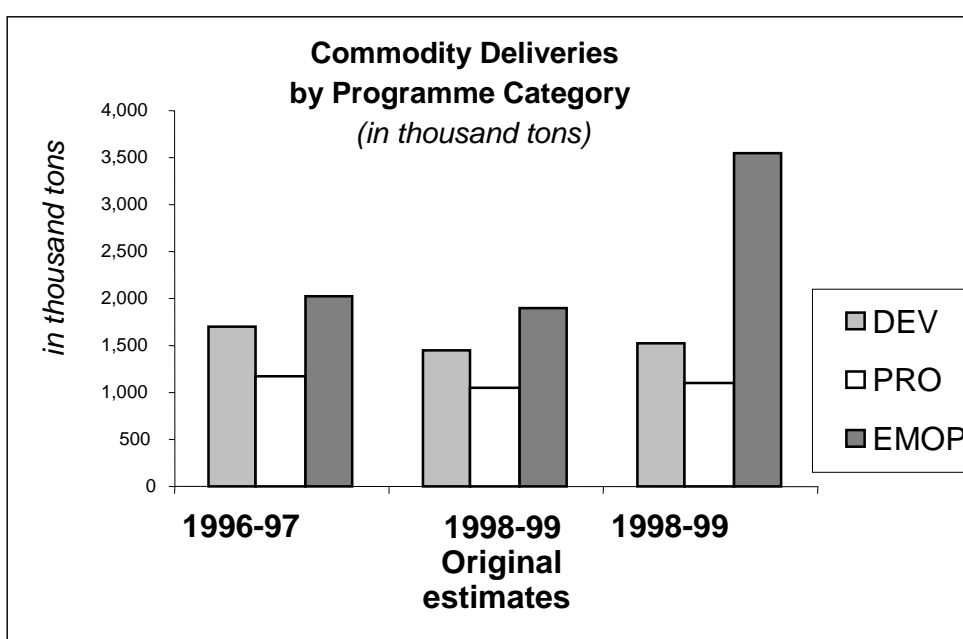


Figure 6



Overview of WFP's 1998-99 Budgetary Performance

1. The 1998-99 biennium witnessed a significant increase in the number of countries suffering emergencies and the number of people needing humanitarian assistance. From devastating floods in Asia, to Hurricane Mitch in Latin America and the Caribbean, to civil wars in Angola, Kosovo, East Timor, Sudan and Sierra Leone, requirements for WFP assistance were substantially higher than those envisioned in the original WFP 1998-99 Budget.
2. Fortunately, WFP's donors responded generously to those needs, making WFP's performance in 1998-99 the highest in the Programme's history in terms of beneficiaries reached, and the second highest in terms of food delivered.
3. This overview section is intended to give the reader a global view of WFP's budgetary performance during 1998-99. It first describes how WFP's operations are measured. It then briefly summarizes the original 1998-99 budget, and outlines the Programme's performance in terms of both volume (tonnage) and value (expenditures).

HOW WFP'S OPERATIONS ARE MEASURED

4. The totality of WFP's operations, ranging from a donor's pledge to the distribution of food to beneficiaries, tends to be a lengthy process. It consists of several bases, of which at least four are used to measure WFP's level of operations. These are: a) the resource base; b) the shipment base; c) the delivery base; and d) the distribution base.
 - The **resource** base measures the volume of resources that becomes available during the biennium. Such volume includes balances of confirmed contributions from the prior period that are not yet received, and confirmed contributions for the current period. Contributions received in advance are subtracted from this total, resulting in resources available for calling forward.
 - The **shipment** base measures the volume of commodities that is shipped or purchased from the point of origin. Such volume consists of commodities called forward - Shipping Instructions (SI) issued - but not shipped in the previous period, and commodities called forward in the current period SI, less any outstanding shipment or purchase in the current period.
 - The **delivery** base is the measurement of volume of commodities that reached recipient countries. This measurement includes the arrival of shipments and/or receipt of purchases effected in the preceding period, as well as the arrival of shipments and/or receipt of commodities purchased locally during the current biennium.



- The **distribution** base reflects the total volume delivered, plus the balance of in-country stocks, to show the total level of availability for distribution to beneficiaries. This level is adjusted for any post-c.i.f. losses.
5. WFP's 1998-99 Budget was based on the **delivery** base. However, for planning purposes, WFP uses the availability of resources as the primary determinant of the level of operations. The assumption is made that, if resources are available, they will be called forward and delivered. A further assumption is made that carry-over stocks coming into the biennium are roughly equivalent to stocks carried over into the following biennium. When these assumptions do not hold true, there will be differences between the amounts reflected as the revised availability of resources (which were the projections included for 1998-99 in the 2000-01 Budget) and the actual tonnage delivered and the associated expenditures.
 6. Annex I gives the details of these operational bases by programme category.

THE ORIGINAL 1998-99 BUDGET PROPOSAL

7. The original 1998-99 WFP Budget was approved by the Executive Board at its Third Regular Session in October 1997 (document WFP/EB.3/97/4-A). It was a consolidated budget proposal that projected food aid deliveries based on three scenarios: a low level of 3.618 million tons, a medium level of 4.381 million tons, and a high level of 4.990 million tons. The Board reviewed the projections of resources likely to be available to WFP and endorsed the programme of work based on the medium-level scenario. It also approved the concept of a flexible PSA budget.
8. The approved biennial operational budget of 4.381 million tons of food was equivalent to US\$2.491 billion in expenditure, based on the estimated composition of the food basket, commodity and freight rates, and other variables. Of this amount, US\$2.286 billion was for food, transport, delivery and other direct costs, and US\$205.1 million for the corresponding PSA component. The latter amount was re-costed at US\$203.6 million to reflect the lira-dollar exchange rate set by the FAO Conference in November 1997.

VOLUME OF OPERATIONS – PROJECTED VERSUS ACTUAL

9. As a result of the substantial additional contribution to WFP from its largest donor during the biennium, as well as of increased contributions from a number of other donors, the actual volume of tonnage delivered by the Programme in 1998-99 amounted to 6.182 million tons of food, an increase of 1.8 million tons, or 41.1 percent, over the estimated tonnage included in the 1998-99 budget. This tonnage level also represented an increase of 25.8 percent over 1996-97 actual deliveries.
10. Table 1 shows the volume of operations by major programme category in comparative terms. It shows that:
 - Confirmed contributions increased by nearly 54 percent over the original estimated availability.
 - Development deliveries were 6.7 percent above the original estimates, while those in the Protracted Relief Operations (PRO) category were only slightly higher than the original estimates. However, both levels were below actual 1996-97 deliveries.



- Emergency Operations (EMOP) deliveries accounted for nearly the entire increase, with actual deliveries exceeding the original budget estimates by 87 percent and actual 1996-97 deliveries by 75 percent.

TABLE 1: VOLUME OF OPERATIONS:
PROJECTED VERSUS ACTUAL, 1998-99
(in thousand tons)

Programme category	1996-97 ¹		1998-99				
	Actual shipped	Actual delivered	Original estimated deliveries ²	Revised estimated availability ³	Actual confirmed contributions	Actual shipped	Actual delivered
Development	1 697	1 711	1 441	1 517	1 589	1 585	1 537
PRO	1 181	1 173	1 040	1 229	1 311	1 071	1 090
EMOP	2 007	2 032	1 900	3 938	3 834	3 616	3 555
Total	4 885	4 916	4 381	6 684	6 734	6 272	6 182

¹ Report on Budgetary Performance, 1996-97 (WFP/EB.3/98/4-C).

² WFP Budget, 1998-99 (WFP/EB.3/97/4-A).

³ WFP Budget, 2000-01 (WFP/EB.3/99/3-A).

11. Of the 6.272 million tons shipped in the biennium, approximately 5.434 million tons, or 86.6 percent, was attributable to 1998 and 1999 confirmed pledges, with the balance attributable to prior-year pledges.

VALUE OF OPERATIONS—PROJECTED VERSUS ACTUAL

12. Against the increase in volume outlined above, actual expenditures for the 1998-99 biennium increased by 17.1 percent above the original budget estimates, and by 22.7 percent above the actual 1996-97 expenditure level.
13. Table 2 shows the projected value of WFP's operations by programme category for 1998-99 and in comparison to 1996-97 actual values.



TABLE 2: VALUE OF OPERATIONS:
PROJECTED VERSUS ACTUAL, 1998-99
(in million US\$)¹

Programme category	1996-97	1998-99			
	Actual expenditure	Original budget	Revised budget	Actual confirmed contributions ²	Actual expenditure
Development	688	651	630	614	581
PRO	521	526	642	704	555
EMOP	1 006	1 117	1 838	1 816	1 580
SO	45	60	39	53	74
Others	118	137	131	93	128
Total	2 378	2 491	3 280	3 279	2 918

¹ Includes ISC income.

² Source: 1998 and 1999 Annual Reports.

14. The above table illustrates that:

- Expenditures for Development decreased by 10.8 percent from the original 1998-99 estimate and 15.6 percent from 1996-97 actual expenditures.
- Expenditures for PRO increased slightly over both the original estimates and the 1996-97 actual expenditures (5.5 percent and 6.5 percent, respectively).
- Expenditures for EMOP, on the other hand, increased by 41.5 percent over the original budget estimates and by 57 percent over the 1996-97 actual expenditures.

15. For all programme categories, 89 percent of operational expenditure went to low-income, food-deficit countries (LIFDCs), and 56 percent went to least developed countries (LDCs). Thus, the Programme achieved its goal of assisting those countries most in need of food assistance.

16. Table 3 shows expenditures by cost category for 1998-99 and in comparison to 1996-97 actual expenditures.



TABLE 3: 1998-99 REVISED BUDGET VERSUS EXPENDITURE BY COST ITEM
(in million US\$)

Cost item	1996-97	1998-99			
	Actual expenditure	Original budget	Revised budget	Actual expenditure	Actual vs. original budget (%)
Direct operational costs					
Commodities in-kind	818	762	913	906	+18.9
Commodity purchases	556	448	594	451	+1
Subtotal	1 374	1 210	1 507	1 357	+12.1
Ocean transport	221	292	480	395	+35.3
Air, Overland, ITSH	284	486	657	523	+7.6
Other	124	62	62	125	+101.6
Subtotal	2 003	2 050	2 706	2 400	+17.1
Direct support costs	141	182	267	270	+48.4
Indirect support costs/PSA	226	205	226	231	+12.7
Special accounts/General Fund	8	54	81	17	-68.5
Total	2 378	2 491	3 280	2 918	+17.1

17. Several points should be noted from this table.

- Expenditures for commodities increased by only 12.1 percent over the original estimates, and actually declined by 1.2 percent from 1996-97 levels. This occurred at the time that actual commodities shipped and locally purchased increased by 28.4 percent. The reason is that prices for wheat, maize and other major commodities were down significantly from 1996-97 prices and from the estimated prices used in preparing the original 1998-99 budget. Furthermore, nearly all the volume increase in 1998-99 was attributable to EMOPs that for the most part utilized these less expensive commodities.
- Expenditures for ocean transportation, on the other hand, increased by 35.3 percent over the original estimates, due to: 1) the increased volume of shipments; and 2) an increased use of liners versus bulk charters.
- Expenditures for air, overland and internal transport, storage and handling (ITSH) increased by 7.6 percent over the original estimates. Although these expenditures seem very large in comparison to 1996-97 actual expenditures, it is important to note that WFP de-obligated large ITSH balances during the 1996-97 biennium.
- Expenditures for other DOC were approximately at the same level as the previous biennium, but twice the amount included in the original 1998-99 budget due to the large increase in emergencies during the current biennium.
- Expenditures for DSC increased by 48.4 percent over the original 1998-99 estimates, which is consistent with the volume increase achieved during the biennium. Once again, comparisons with 1996-97 (an increase of 91.5 percent) are not relevant, since the concept of DSC was introduced only in 1996 and thus was hardly utilized during the first year of that biennium.



- Expenditures for ISC, which fund almost all of the PSA budget, increased by 12.7 percent over the original 1998-99 estimates, and by only 2.2 percent over the 1996-97 actual expenditures.
18. A review of total expenditures shows that US\$906 million, or 31 percent, was for commodities-in-kind and US\$2.012 billion, or 69 percent, was for cash expenditure. This compares to US\$817.6 million, or 34.4 percent, for commodities-in-kind in 1996-97 and US\$1.560 billion, or 65.6 percent, for cash expenditures in that period.
19. Table 4 shows contributions received during the biennium, as compared with the previous biennium.

TABLE 4: CONTRIBUTIONS RECEIVED:
PROJECTED VERSUS ACTUAL, 1998-99
(in million US\$)¹

Programme category	1996-97	1998-99		
	Actual	Original budget	Revised budget	Actual
Development	712	651	630	615
PRO	582	526	642	521
EMOP	1 134	1 117	1 838	1 498
SO	48	60	39	74
Bilateral and others	51	81	59	94
Total	2 527	2 435	3 208	2 802

¹ Includes ISC income; excludes interest income.



WFP'S 1998-99 Operational Budget

20. The WFP operational budget includes all DOC and consists of costs related to food, ocean transport, air, overland and ITSH, and other DOC such as agricultural inputs and milling. This section of the Report includes more detailed information on DOC.

TABLE 5: TOTAL DIRECT OPERATIONAL COSTS
(in million US\$)

	1996-97	1998-99		
	Actual expenditure	Original budget	Revised estimated availability	Actual expenditure
By cost component				
Commodities in-kind	818	762	913	898
Commodity purchases	556	448	594	459
Subtotal	1 374	1 210	1 507	1 357
Ocean transport	221	292	480	395
Air, overland and ITSH	284	486	657	523
Other DOC	124	62	62	125
Total	2 003	2 050	2 706	2 400
By programme category				
Development	608	549	537	482
PRO	459	463	540	456
EMOP	846	976	1 567	1 348
Special Operations	38	0	18	38
Bilateral and others	52	62	44	76
Total	2 003	2 050	2 706	2 400
(Volume of deliveries in thousand tons)	4 916	4 381	6 684	6 182

21. Table 5 above shows total DOC by cost component and programme category for 1998-99 and provides comparisons with 1996-97. Actual expenditures for this funding category increased by 17.1 percent over the original estimate and 19.8 percent over the 1996-97 actual expenditures. A more detailed discussion of these data is included under discussions of each programme category.
22. Table 6 breaks down these costs further by showing the volume of distribution both by region and programme category, and the corresponding values of these deliveries. As the table illustrates:



- The Asia and Eastern Europe Region delivered the most food in volume terms (56.8 percent), while the value of the food delivered in that region represented 41.7 percent of total DOC.
- The Africa Region delivered 34.7 percent of the total food delivered in 1998-99, while the value represented 47 percent of total DOC expenditures.
- The Latin America and Caribbean Region accounted for 5.4 percent of the total volume and 7.2 percent of the value delivered.
- The Middle East and North Africa Region accounted for 3.1 percent of the total volume and 4.1 percent of the value delivered.

TABLE 6: 1998-99 VOLUME/VALUE OF DIRECT OPERATIONAL COSTS BY REGION AND PROGRAMME CATEGORY

	Asia and Eastern Europe	Latin America and Caribbean	Middle East and North Africa	Africa	Total
Volume of shipment (in thousand tons)					
Development	853	183	132	417	1 585
PRO	298	37	48	688	1 071
EMOP	2 409	119	15	1 073	3 616
TOTAL VOLUME	3 560	339	195	2 178	6 272
% of total volume	56.8	5.4	3.1	34.7	100
Value of operations (in million US\$)					
Development	199	83	45	155	482
PRO	103	16	15	322	456
EMOP	686	58	5	599	1 348
Special Operations	6	0	15	17	38
Bilateral and others	6	15	19	36	76
TOTAL VALUE	1 000	172	99	1 129	2 400
% of total value	41.7	7.2	4.1	47.0	100

OPERATIONAL ACTIVITIES BY PROGRAMME CATEGORY

23. This section of the Report will focus on operational activities by programme category. Further details regarding operational commitments and expenditures are given in Annex II.
24. Overall, 13 Country Programmes (CPs) were prepared and submitted to the Executive Board for approval during the biennium, representing an approved resource level of US\$285.4 million and 704,539 tons. The CPs approved in 1998 were for El Salvador, Ethiopia, Guatemala, Kenya, Malawi, Mali, Niger and Senegal, with their duration



spanning from 1998 to 2003. The CPs approved in 1999 were for Benin, Burkina Faso, Lesotho, Madagascar and Uganda, with their duration covering 1999 to 2004.

Development Programme

25. A total of 71 new development projects (including activities within approved country programmes) and 67 budget revisions were approved by the Executive Board or by the Executive Director under her delegated authority during the biennium, at a total value of US\$721 million and commitments totalling 1.752 million tons.
26. Of the projects and expansions approved, 46 were in Africa, nine in Asia and Eastern Europe, 12 in Latin America and the Caribbean, and four in Middle East and North Africa.
27. As indicated in Table 7, a total of 1.537 million tons was delivered for development projects in 1998-99. This represents an increase of 6.7 percent over the original 1998-99 estimates (1.441 million tons), but is a reduction of 10.2 percent from the volume delivered in 1996-97 (1.711 million tons). The table also shows values by cost category, and again illustrates the significant decrease in the cost of commodities as compared with the 1996-97 actual costs and the original 1998-99 estimates.

TABLE 7: DIRECT OPERATIONAL COSTS
DEVELOPMENT PROGRAMME
(in million US\$)

	1996-97	1998-99		
	Actual expenditure	Original budget	Revised estimated availability	Actual expenditure
Commodities in-kind	332	327	258	216
Commodity purchases	171	111	144	147
Subtotal	503	438	402	363
Other costs				
Ocean transport	65	87	103	73
Air, overland and ITSH	31	24	32	35
Other DOC	9	0	0	11
Subtotal	105	111	135	119
Total	608	549	537	482
<i>(Volume of deliveries in thousand tons)</i>	<i>1 711</i>	<i>1 441</i>	<i>1 517</i>	<i>1 537</i>

28. Total DOC expenditures for the Development Programme during the biennium amounted to US\$482 million, of which US\$363 million (75.3 percent) was for commodities and US\$119 million (24.7 percent) was for non-food expenditures. This compares to expenditures of US\$608 million for the 1996-97 biennium, of which US\$503 million (82.7 percent) was for commodities and US\$105 million (17.3 percent) was for non-food expenditures. Development expenditures represented 20 percent of WFP Direct Operational Costs expenditures in 1998-99.
29. Commodity purchases (CLC) represented 40.5 percent of total development food expenditures, compared with 34.0 percent in 1996-97.



30. Finally, Table 8 shows the beneficiaries of the development programme by project activity. Approximately 19 million beneficiaries received development-related food assistance in each year compared to 20.7 million in 1996 and 23.8 million in 1997. The largest recipients of WFP assistance under the Development Programme in 1998-99 were Bangladesh, China, Ethiopia, India, Pakistan and Viet Nam.

TABLE 8: DEVELOPMENT PERFORMANCE IN 1998-99

	Beneficiaries (in thousands)		Shipments (in thousand tons)	Actual expenditure (in million US\$)
	1998	1999		
Agriculture and rural development				
Agricultural production	7 706	9 647	812	203
Rural infrastructure	1 068	1 472	162	51
Settlement	141	124	27	10
Subtotal	8 915	11 243	1 001	264
Development of human resources				
Mother and child health and primary schools	7 243	7 265	404	177
Literacy training and other education	2 284	985	180	41
Subtotal	9 527	8 250	584	218
Total	18 442	19 493	1 585	482

31. After adjustments to project budgets approved before 1998, the value of the balance of commitments on development projects at the end of 1999 was US\$974 million, equivalent to 1.670 million tons of commodities.

Protracted Relief Operations (PRO) Programme

32. A total of 35 new PROs and expansions were approved by the Executive Board or by the Executive Director under her delegated authority during the biennium, at a total value of US\$1.3 billion and commitments of 2.329 million tons. Twelve of the approved operations were in Africa, 15 in Asia and Eastern Europe, two in Latin America and the Caribbean, and six in the Middle East and North Africa.
33. As indicated in Table 9, a total of 1.090 million tons was delivered under this category in 1998-99. The volume of PRO deliveries was very close to the estimates included in the 1998-99 budget, and 7.1 percent lower than actual deliveries in 1996-97.



TABLE 9: DIRECT OPERATIONAL COSTS
PRO PROGRAMME
(in million US\$)

	1996-97	1998-99		
	Actual expenditure	Original budget	Revised estimated availability	Actual expenditure
Commodities in-kind	164	144	173	173
Commodity purchases	131	112	100	79
Subtotal	295	256	273	252
Other costs				
Ocean transport	58	69	103	81
Air, overland and ITSH	104	138	164	119
Other DOC	2	0	0	4
Subtotal	164	207	267	204
Total	459	463	540	456
<i>(Volume of deliveries in thousand tons)</i>	1 173	1 040	1 229	1 090

34. The table also shows that total DOC expenditures for PROs during the biennium amounted to US\$456 million, of which US\$252 million (55.3 percent) was for commodities and US\$204 million (44.7 percent) was for non-food expenditures. This compares to expenditures of US\$459 million for the 1996-97 biennium, of which US\$295 million (64.3 percent) was for commodities and US\$164 million (35.7 percent) was for non-food expenditures. PRO expenditures represented 19 percent of total WFP Direct Operational Costs in 1998-99.
35. Commodity purchases (CLC) represented 31.3 percent of total PRO food expenditures, compared with 44.4 percent in 1996-97.
36. Table 10 shows the number of beneficiaries of the PRO programme by project activity. The largest recipients of WFP assistance in the PRO category were Afghanistan, Angola, Ethiopia, Liberia and Rwanda.

TABLE 10: PRO PERFORMANCE IN 1998-99

	Beneficiaries (in thousands)		Shipments (in thousand tons)	Actual expenditure (in million US\$)
	1998	1999		
Protracted displaced persons operations	4 541	7 501	653	305
Protracted refugee operations	1 376	1 942	381	134
Man-made disasters		1 028	37	17
Total	5 917	10 471	1 071	456



37. After adjustments to project budgets approved before 1998, the value of the balance of commitments on PRO projects at the end of 1999 was US\$591 million, equivalent to 1.065 million tons of commodities.

Emergency Operations (EMOP) Programme

38. A total of 88 new emergency operations and expansions were approved by the Executive Board or by the Executive Director under her delegated authority during the biennium, at a total value of US\$2.1 billion and commitments totalling 3.967 million tons. Forty-eight of the approvals were in Africa; 22 in Asia and Eastern Europe, 14 in Latin America and the Caribbean, and four in the Middle East and North Africa.
39. As indicated in Table 11, a total of 3.555 million tons was delivered under this category in 1998-99. The volume of EMOP assistance delivered exceeded the original 1998-99 estimates by 87 percent, and actual 1996-97 deliveries by 75 percent.

TABLE 11: DIRECT OPERATIONAL COSTS EMOP PROGRAMME (in million US\$)				
	1996-97	1998-99		
	Actual expenditure	Original budget	Revised estimated availability	Actual expenditure
Commodities in-kind	324	292	482	509
Commodity purchases	252	224	350	232
Subtotal	576	516	832	741
Other costs				
Ocean transport	91	136	274	236
Air, overland and ITSH	153	324	461	343
Other DOC	26	0	0	28
Subtotal	270	460	735	607
Total	846	976	1 567	1 348
<i>(Volume of deliveries in thousand tons)</i>	<i>2 032</i>	<i>1 900</i>	<i>3 938</i>	<i>3 555</i>

40. The table also shows that total DOC expenditures for EMOP during the biennium amounted to US\$1.348 billion, of which US\$741 million (55 percent) was for commodities and US\$607 million (45 percent) for non-food expenditures. This compares to expenditures of US\$846 million for the 1996-97 biennium, of which US\$576 million (68.1 percent) was for commodities and US\$270 million (31.9 percent) was for non-food expenditures. EMOP expenditures represented 56.2 percent of total WFP Direct Operational Costs in 1998-99.
41. Commodity purchases (CLC) represented 31.3 percent of total EMOP food expenditures, compared with 43.8 percent in 1996-97.
42. Table 12 shows the number of beneficiaries of the EMOP programme by project activity. Over 50 million beneficiaries were reached each year through the EMOP funding. The largest recipients of WFP assistance in this category were Bangladesh, China, the



Democratic People's Republic of Korea, Indonesia and the Federal Republic of Yugoslavia.

TABLE 12: EMOP PERFORMANCE IN 1998-99

	Beneficiaries (in thousands)		Shipments (in thousand tons)	Actual expenditure (in million US\$)
	1998	1999		
Drought/crop failures	11 590	14 509	1 434	397
Man-made disasters	10 098	16 997	51	742
Sudden natural disasters	28 538	27 810	1 331	209
Total	50 226	59 316	3 616	1 348

43. After adjustments to project budgets approved before 1998, the value of the balance of commitments on EMOP projects at the end of 1999 was US\$619.6 million, equivalent to 862,000 tons of commodities.

Special Operations (SO) Programme

44. Special Operations are aimed at improving or equipping infrastructure to permit the speedy and efficient delivery of food aid. They cover major non-project-related activities focused on repairing, augmenting and establishing infrastructure for transport and logistics preparedness, food handling and storage, and port capacity.
45. The main WFP-assisted Special Operations during the 1998-99 biennium were initiated in Kosovo, Liberia, Sierra Leone, Sudan and Timor. Total expenditures for SOs during the biennium amounted to US\$73.9 million. Of this amount, US\$30.9 million was expended for staff and non-staff costs related to project preparation and implementation, and are reflected under DSC. The balance, or US\$37.7 million, is charged as DOC. Table 13 below provides a breakdown of how these non-staff resources were utilized.

TABLE 13: SPECIAL OPERATIONS
(in million US\$)

Air freight	23.2
Road, rail, and port equipment maintenance	9.1
Sub-contracts	2.1
Purchase of general equipment and running costs	1.1
Workshops and equipment	0.8
ITSH, tarpaulins, storage facilities and building materials	0.8
Vehicles, printing equipment, communications, misc.	0.4
Sea-freight and superintendence and insurance	0.1
Project preparation costs	0.1
Total	37.7



46. Total expenditures for Special Operations were 66 percent higher in 1998-99 than in 1996-97 (US\$44.5 million). It should be noted that the largest amount of SO expenditures went for airlift support.

Bilateral and Other Programmes

47. During the biennium, WFP continued to provide services to donors, other United Nations organizations, and NGOs for bilateral operations. Total expenditures for bilateral services and other programmes amounted to US\$80.5 million, compared with US\$39 million in 1996-97.
48. WFP also continued to rely heavily on the Junior Professional Officer (JPO) programme to bolster its capacity to implement and administer its operations. A total of US\$9.5 million was expended in 1998-99 for the JPO programme, compared with US\$7 million in 1996-97. At the end of 1999, there were 72 JPOs in the programme, 48 of whom were located in the field and 24 at headquarters.



WFP's 1998-99 Support Budget

49. Approximately one sixth of WFP's total budget in 1998-99 was composed of support costs, both direct and indirect. These costs provide for WFP support to food aid projects and programmes in the field, and for the "overhead" costs of administering the Programme.
50. The Resource and Long-term Financing policies implemented at the start of the 1996-97 biennium resulted in the creation of two cost categories to meet these costs. Direct Support Costs (DSC) are financed by a per-ton rate as established in the project budgets, and adjusted on the basis of resource availability. DSC are costs that can be directly linked with the provision of support to an operation or project and would not be incurred should that activity cease. Indirect Support Costs (ISC) are those costs that support the execution of projects and activities but cannot be tied directly to a project and thus are resourced as a percentage of combined Direct Operational Costs and Direct Support Costs. Nearly all of the Programme Support and Administration (PSA) budget is financed from ISC. The remaining PSA is financed by government cash contributions towards local operating costs (GCCC) and miscellaneous income of the General Fund.
51. For the past two biennia, WFP has been in compliance with the Harmonization of Budgets initiative, under which United Nations Funds and Programmes present their budgets in a consistent format. With respect to support budgets, WFP follows the agreed format that includes three categories of funds:
- Programme Support: Regional and Country Offices;
 - Programme Support: Headquarters; and
 - Management and Administration
52. In WFP, "Programme Support: Regional and Country Offices" consists for the most part of Direct Support Costs of projects in the field, plus the PSA used to support the country offices and the regional bureaux and cluster offices located outside headquarters. "Programme Support: Headquarters" represents the costs of support provided to WFP programmes by the Operations Department at headquarters. "Management and Administration" includes all other headquarters support costs. The combination of the last two categories adds up to total headquarters costs.



TOTAL SUPPORT COSTS

53. The combined support budget of WFP for 1998-99 is illustrated in Table 14 below.

TABLE 14: WFP SUPPORT BUDGET
(in thousand US\$)

	1996-97	1998-99		
	Actual	Original budget ¹	Revised budget ¹	Actual
I. TOTAL SUPPORT COSTS	367 500	387 491	492 600	500 340
Of which:				
A. Programme Support—regional and country offices	240 445	271 233	368 050	370 054
B. Programme Support—headquarters	40 003	34 942	32 531	34 064
Subtotal—Programme support (A + B)	280 448	306 175	400 581	404 118
C. Management and Administration	87 052	81 316	92 019	96 222
Headquarters (B + C)	127 055	116 258	124 550	130 286
II. TOTAL TURNOVER	2 378 000	2 491 000	3 279 597	2 917 500
Total Support Costs as % of Turnover	15.4	15.6	15.0	17.1
Programme Support as % of Turnover	11.8	12.3	12.2	13.9
Management and Administration as % of Turnover	3.7	3.3	2.8	3.3
Programme Support—headquarters and Management and Administration as % of Turnover	5.3	4.7	3.8	4.5

¹ Estimated PSA savings of US\$2.549 million from phasing-in effect and benefit from streamlining distributed accordingly.

54. Total support costs increased by 36 percent in dollar terms against the 1996-97 actual support costs, and by 29 percent over the original budget estimates. This increase is consistent with the overall volume increase of the Programme.

55. On a percentage of turnover basis, support costs were slightly higher in 1998-99 than in 1996-97, primarily due to the increased use of DSC for programme support in the regional and country offices.

56. It is significant to note that headquarters costs, i.e. the sum of “Programme Support: Headquarters” and “Management and Administration”, went down considerably during 1998-99 (from 5.3 percent to 4.5 percent of turnover), even with the higher volume of activity. This is due, for the most part, to the further decentralization of responsibility to regional and country offices, and to the use of DSC for programme support in those offices as indicated above.

DIRECT SUPPORT COSTS

57. Direct Support Costs increased significantly in 1998-99 compared with 1996-97.



58. Table 15 shows DSC by programme category in 1998-99, and compares 1998-99 expenditures with 1996-97 actual expenditures.

TABLE 15: DIRECT SUPPORT COSTS – BY PROGRAMME CATEGORY (in thousand US\$)				
	1996-97	1998-99		
	Actual	Original budget	Revised budget	Actual
Development	9 700	22 000	21 000	24 100
PRO	25 200	28 000	59 000	54 300
EMOP	106 400	78 000	171 000	146 700
Special Operations and others		54 400	16 000	44 400
Total	141 300	182 400	267 000	269 500
Of which:				
Staff costs	46 900			131 467
Non-staff costs	94 400			138 033

59. There are three reasons for this increase. First, the increased volume of operations in 1998-99 accounts for a good portion of the additional DSC utilized; second, DSC was not fully implemented in the 1996-97 biennium, and thus the 1996-97 amounts are understated; and third, 1996-97 DSC did not include expenditures for Special Operations and other costs that are included in the 1998-99 expenditures.
60. Table 16 shows DSC by Region. The Africa Region accounted for almost 60 percent of DSC expenditures in 1998-99. This is due to the larger number of active and complex projects/operations in the Africa Region compared with the others.

TABLE 16: DIRECT SUPPORT COSTS – BY REGION (in thousand US\$)				
	1996-97	1998-99		
	Actual	Original budget	Revised budget	Actual
Asia and Eastern Europe Region	34 000	32 300	97 000	76 275
Latin America and Caribbean Region	1 000	200	18 000	8 896
Middle East and North Africa Region	1 000	38 200	4 000	13 823
Africa Region	105 300	88 000	148 000	150 824
Other *		23 700		19 682
Total	141 300	182 400	267 000	269 500

* Not apportioned to specific Region.



PROGRAMME SUPPORT AND ADMINISTRATION (PSA)

Original PSA budget

61. The Secretariat proposed to the Executive Board a 1998-99 PSA budget of US\$216.9 million, offset by benefits and savings from the streamlining of operations amounting to US\$2.48 million, for a net proposed PSA budget of US\$214.4 million. The budget was based on a delivery scenario of 4.381 million tons. In reviewing this proposal, the Board decided to reduce the level to US\$205.1 million, thus reducing the request by US\$11.93 million. The reductions were to be achieved through savings of US\$4.5 million, and through reclassifying US\$7.43 million of costs from indirect to direct support costs. The US\$205.1 million level was to be funded from indirect support cost recoveries of US\$188 million, GCCC of US\$3 million, and miscellaneous income of US\$14 million. The budget was later re-costed to US\$203.6 million, according to the lira-dollar exchange rate set by the FAO Conference in November 1997.
62. Pursuant to the Board's decision, the US\$4.5 million in savings were achieved as follows:
- Elimination of the provision for contingency—US\$400,000
 - Reduction of provision of rent for the Geneva office—US\$75,000
 - Delay in setting up three new cluster offices—US\$1,688,000
 - Savings in staff transfers—US\$2,000,000
 - Other combined savings—US\$337,000
63. In addition, PSA costs totalling US\$7.43 million were shifted to Direct Support Costs as follows:
- Provision for rapid response—US\$750,000
 - Salaries of two staff to be funded from Insurance Account—US\$290,000
 - Gender initiatives—US\$1,000,000
 - Transfers in country office local operating costs—US\$3,000,000
 - United Nations Volunteer (UNV) salaries—US\$2,390,000

Revised PSA budget

64. As a flexible budget, the PSA underwent adjustment in order to be commensurate with the level of operations. Based on the revised estimated level of operations of 6.684 million tons for the biennium, the Executive Director increased the biennial budget to US\$230.8 million, an increase of US\$27.2 million, or 13.4 percent over the original approved budget. The upward adjustments were made pursuant to the authority granted to the Executive Director "to adjust the budget in accordance with any variation in volume of operations when such variations are more than 10 percent from the planned level." This revised level compares to actual 1996-97 PSA expenditures of US\$226.2 million, an increase of US\$4.6 million or 2.0 percent, compared to the increase of actual volume of deliveries of 25.8 percent over 1996-97.



65. Three adjustments were made to the PSA budget during the course of the biennium. The first adjustment of US\$12 million was made in August 1998 following the confirmation of additional commodities from the largest donor. The Board was informed of this adjustment by an Information Note presented at the January Board's First Regular Session in 1999. The Executive Director also adjusted the budget upwards by an additional US\$10 million in July 1999 following the confirmation of a second tranche of additional commodities by the largest donor. These two adjustments were reflected in the 2000-01 budget document. The Executive Director made a final adjustment of US\$5.2 million at the close of the biennium to meet other unfunded requirements.
66. Details of the major PSA expenditures for 1998-99 are included in the analysis of expenditure section below.

Analysis of PSA funding

67. Under the new R<F policies approved by the CFA in November 1995, the PSA budget is funded primarily from ISC recoveries. The rates of ISC recovery approved by the Executive Board for 1998 and 1999 were the same rates as those approved for 1997. Those recovery rates were:
- Development—13.9 percent
 - PRO—7.1 percent
 - EMOP—6.0 percent
 - Special Operations—11.9 percent
 - Bilateral services:
 - ◇ Procurement—4.0 percent
 - ◇ Transport—4.5 percent
 - ◇ Procurement and transport—4.3 percent
68. These rates were applied on the total value of food, transport, LTSH and the DSC components of all confirmed contributions for the related programme category.
69. As indicated in Table 17, and discussed above, WFP's original PSA budget for 1998-99 (the first column under 1998-99) assumed that the approved PSA would be financed from US\$188 million in ISC income, US\$3 million from GCCC, and US\$14 million from Miscellaneous Income.



TABLE 17: PSA FUNDING
(in million US\$)

Programme category	1996-97	1998-99		
	Actual	Original budget	Availability	ISC received
ISC				
Development	70.4	80.0	72.8	74.0
PRO	37.2	35.0	50.6	44.9
EMOP	54.3	63.0	98.0	85.1
SO	5.9	6.0	6.6	5.3
Bilateral and Others	10.2	4.0	3.5	6.4
Total	178.0	188.0	231.5	215.7
GCCC	3.5	3.0	2.4	2.4
Miscellaneous Income	44.7	14.1		12.7
Grand Total	226.2	205.1	233.9	230.8

70. The second column (Availability) illustrates the funding based upon actual confirmed contributions for 1998-99. This reflects the amounts that WFP will eventually receive against the pledges made during the biennium.
71. The third column shows the actual ISC received during the biennium. It includes carry-over ISC received from the prior biennium totalling US\$32.7 million, and reflects income earned from 1998-99 contributions shipped prior to the end of the biennium.
72. These numbers show that:
- Total ISC received amounted to US\$215.7 million, an increase of US\$37.7 million, or 21.2 percent, over actual 1996-97 ISC income.
 - Actual receipts for GCCC amounted to US\$2.4 million, compared with US\$3.5 million received in 1996-97.
 - Use of Miscellaneous Income from the General Fund to cover contributions not yet received amounted to US\$12.7 million, against a ceiling of US\$14 million approved by the Board for this purpose. This compares with the use of US\$44.7 million from the General Fund in 1996-97.

Analysis of PSA expenditure

73. Table 18 shows PSA by appropriation line for 1998-99 and in comparison with 1996-97 actual expenditures. What stands out in this table is that expenditures for “Programme support—regional and country offices” increased substantially in relation to “Programme support—headquarters.” This is due both to the continued decentralization actions undertaken during the biennium, and to the fact that a substantial portion of the additional PSA utilized during the biennium was for the regional and country offices.



TABLE 18: PSA – BY APPROPRIATION LINE
(in thousand US\$)

	1996-97	1998-99			Actual
	Actual	Original budget ¹	Recosted original budget ¹	Revised estimates	
Programme support—regional and country offices	99 145	88 833	88 830	101 050	100 554
Programme support—headquarters	40 003	34 942	34 440	32 531	34 064
Management and administration	87 052	81 316	80 330	92 019	96 222
Total	226 200	205 091	203 600	225 600	230 840
Of which:					
Staff costs	161 200	149 823	148 363	151 329	155 016
Non-staff costs	65 000	55 268	55 237	74 271	75 824

¹ Estimated savings of US\$2.549 million from phasing-in effect and benefit from streamlining distributed accordingly.

74. Table 19 summarizes the PSA budget by organizational unit. A large portion of the increased expenditure against the original budget was the increase for country office operations. These increases included expenditures for additional staff costs, plus enhancements relating to physical security upgrades, cluster office start-up costs, training, and other costs related to Gender, Vulnerability Analysis and Mapping capacity, Y2K, and other priorities. Two headquarters offices—Finance and Information Services and Management Services—also incurred higher expenditures than originally planned due to telecommunications and information systems improvements and security awareness training. Expenditures for all other organizational units were close to the original budget estimates.



TABLE 19: 1998-99 PSA BUDGET SUMMARY BY ORGANIZATIONAL UNIT
(in thousand US\$)

By major programme	Approved PSA budget	Recosted PSA budget ¹	Revised PSA Budget ²	Actual expenditure and unliquidated obligations
Direction, Policy and Resources	37 400	36 921	38 370	37 511
Executive Direction	11 812	11 649	12 347	11 755
Strategy and Policy	5 133	5 051	5 587	5 620
Resources and External Relations	20 455	20 221	20 436	20 136
Operations	126 124	125 619	133 581	134 618
Operations Management	4 292	4 277	2 245	2 273
Programming Service	2 367	2 324	2 388	2 326
Technical Support Service	3 373	3 325	5 142	6 504
Transport and Logistics	11 996	11 802	11 449	11 183
Regional Bureaux Operations	13 523	13 318	11 307	11 778
Outposted Bureaux and Country Office Operations	90 573	90 573	101 050	100 554
Support Services	42 051	41 574	51 614	56 409
Finance and Information Systems	16 566	16 391	24 646	27 591
Human Resources	11 563	11 425	12 524	10 711
Management Services	13 922	13 758	14 444	18 107
Statutory Requirements	2 065	2 035	2 035	2 302
Phasing-in effect and benefit from streamlining	(2 549)	(2 549)	-	-
Total	205 091	203 600	225 600	230 840

¹ Recosted according to the lira/dollar exchange rate approved by the FAO Conference.

² Revised by the Executive Director due to the higher projected level of operations.

75. The major initiatives undertaken through the additional PSA approved by the Executive Director were as follows:

- US\$4 million for security awareness training for all staff, and for physical security enhancements;
- US\$3 million for a satellite communications system, the Enhanced Telecommunications Network (ETNet) in selected field offices;
- US\$3 million for a targeted staff early retirement programme;
- US\$2.3 million for items originally charged to FMIP;
- US\$1.4 million for computer systems improvements;
- US\$1.3 million to improve the Programme's business processes and accountability;
- US\$1 million for support of the corporate VAM capacity within the Programme;
- US\$1 million to support gender initiatives at headquarters and in country offices;
- US\$1 million for Y2K corrective actions;
- US\$1 million for Common Premises and field office enhancements;



- US\$1 million for additional non-security-related training;
 - US\$600,000 for start-up costs of cluster offices in Bangkok and Yaoundé;
 - US\$500,000 for purchases of additional computer equipment;
 - US\$400,000 for total staff coverage under the Malicious Acts insurance policy.
76. Further details of the PSA budget by object of expenditure are provided in Annex III. Annex IV also highlights some of the operational initiatives undertaken in 1998-99.

FINANCIAL MANAGEMENT IMPROVEMENT PROGRAMME (FMIP)

77. Expenditures for FMIP activities during 1998-99 amounted to US\$16.2 million, compared with US\$5.3 million in 1996-97. These expenditures are not part of the PSA, but are reflected in the financial statements as part of Indirect Support Costs. Annex IV includes a description of FMIP activities undertaken during the biennium.



ANNEX I

MEASUREMENTS OF WFP'S OPERATIONS IN 1998-99

		DEV	PRO	EMOP	Total
<i>(Volume in thousand tons)</i>					
RESOURCE BASE					
1	Prior period pledges	21	20	51	92
2	Plus: Current period pledges (1998-99)	1 589	1 311	3 834	6 734
3	Gross current biennium pledges	1 610	1 332	3 885	6 826
4	Less: Already called forward in prior years	-1	-18	-33	-51
5	Total available for calling forward	1 609	1 314	3 852	6 775
6	Less: Net called forward (SI issued in current period)	-1 603	-1 173	-3 478	-6 254
7	Balance to be called forward in the succeeding period	6	141	373	521
SHIPMENT BASE					
6	Called forward (SI issued in current period)	1 603	1 173	3 478	6 254
8	Plus: Carry forward of prior year (SI) not shipped	53	65	157	276
9	Total available for shipment or local purchase	1 656	1 238	3 636	6 530
10	Less: Net shipped (B/L) and purchased	-1 585	-1 071	-3 616	-6 272
11	Balance to be shipped/purchased in the succeeding period	71	167	20	258
DELIVERY BASE					
10	Shipped (B/L) and purchased	1 585	1 071	3 616	6 272
12	Plus: shipments & purchases in transit from preceding period	35	47	37	119
13	Total potential arrival in country offices	1 620	1 118	3 653	6 391
14	Less: Net arrival in country offices	-1 537	-1 090	-3 555	-6 182
15	Balance in transit at end of current period	83	28	98	209
DISTRIBUTION BASE					
14	Arrival in country offices	1 537	1 090	3 555	6 182
16	Plus: In-country stocks (estimated)	170	502	295	967
17	Total available for distribution	1 707	1 592	3 850	7 149
18	Less: Post-c.i.f. losses	-17	-16	-38	-71
19	Total available for distribution to beneficiaries	1 690	1 576	3 812	7 078
20	Less: Distributed to beneficiaries	-1 531	-1 308	-2 905	-5 744
21	Balance in stock at the end of 1999	159	268	907	1 334



ANNEX II

OPERATIONAL COMMITMENTS AND EXPENDITURE
(in million US\$)

	Value of undelivered project commitment at 1.1.98	Value of commitments for new projects 1998-99	Expenditure 1998-99	Budget adjustments 1998-99	Value of undelivered project commitment at 31.12.99
Development and quick action projects					
Commodities	570.2	385.0	363.4	-29.8	562.0
Transport and related costs	136.5	78.8	73.5	-9.2	132.6
Air, Overland, ITSH	42.1	114.6	34.5	-3.5	118.7
DSC and other operational costs	40.1	51.6	35.1	-1.1	55.5
Indirect costs	89.1	90.9	74.0	-0.5	105.5
Subtotal	878.0	720.9	580.5	-44.1	974.3
Protracted Relief Operations					
Commodities	9.3	560.5	252.4	-136.4	181.0
Transport and related costs	3.1	201.6	81.5	-29.6	93.6
Air, Overland, ITSH	35.1	310.4	118.8	-31.0	195.7
DSC and other operational costs	25.1	132.9	57.8	-7.0	93.2
Indirect costs	-7.9	85.6	44.9	-5.2	27.6
Subtotal	64.7	1 291.0	555.4	-209.2	591.1
Emergency Operations					
Commodities	332.7	980.8	741.4	-405.6	166.5
Transport and related costs	130.2	374.8	236.1	-23.6	245.3
Air, overland, ITSH	144.7	452.6	343.0	-116.7	137.6
DSC and other operational costs	-17.2	204.5	174.6	-3.4	9.3
Indirect costs	24.4	123.0	85.1	-1.4	60.9
Subtotal	614.8	2 135.7	1 580.2	-550.7	619.6
Total operational Commitment/Expenditure	1 557.5	4 147.6	2 716.1	-804.0	2 185.0
Special Operations			73.9		
Special Accounts			22.4		
Trust Funds			90.0		
Programme Support and Administration			230.8		
Adjustment for ISC recovery			-215.7		
Total			2 917.5		



ANNEX III

PROGRAMME SUPPORT AND ADMINISTRATIVE EXPENDITURE:
1998-99 BUDGET AND ACTUAL
(in thousand US\$)

Appropriation/budget lines	Approved budget	Recosted budget ¹	Revised Budget ²	Actual expenditure
HEADQUARTERS COSTS				
Staff costs	81 848	80 387	83 315	80 784
Non-staff costs	33 155	33 155	39 200	47 200
Overtime	466	466	468	319
Consultants	2 664	2 664	5 187	6 872
Travel	3 113	3 113	3 204	3 220
Books and Periodicals	125	125	116	162
Information and Publications	3 007	3 007	2 691	2 270
Documentation and Meetings	1 877	1 877	2 128	3 744
Training	3 170	3 170	3 613	4 577
Communications	2 953	2 953	2 972	5 373
MIS/Computer	4 604	4 604	6 119	5 633
Other operating expenses	4 856	4 856	6 584	7 684
Services from FAO	4 720	4 720	4 393	4 717
Services from other United Nations organizations	1 600	1 600	1 725	2 629
Total Headquarters	115 003	113 542	122 515	127 984
OVERSEAS COSTS				
International staff costs	47 786	47 786	45 568	51 975
Local staff costs	22 446	22 446	22 446	22 257
Total overseas staff costs	70 232	70 232	68 014	74 232
Local operating costs	20 340	20 340	33 036	26 322
Total country offices	90 572	90 572	101 050	100 554
STATUTORY REQUIREMENTS				
External Audit	511	511	511	488
Contributions to United Nations and other organizations	1 554	1 524	1 524	1 814
Total Statutory Requirements	2 065	2 035	2 035	2 302
TOTAL	207 640	206 149	225 600	230 840
Phasing-in effect and benefit from streamlining of operations	(2 549)	(2 549)		
GRAND TOTAL	205 091	203 600	225 600	230 840

¹ Recosted according to the lira/dollar exchange rate approved by the FAO Conference.

² Revised by the Executive Director due to the higher projected level of operations.



ANNEX IV

OPERATIONAL INITIATIVES

Decentralization

1. In line with organizational change initiatives and WFP's programme of institutional and programmatic reform to bring decision-making closer to food aid recipients, three additional cluster offices were established during the 1998-99 biennium. These offices were tasked with the planning and managing of WFP's food aid operations that involve more than one country and to provide the necessary management, technical and administrative support to country offices that fall under the direction of the cluster. Further efforts to consolidate and streamline under the reform process included the continued push towards decentralization of the processing of financial information at the regional and stand-alone country office levels.

Security

2. Budgetary investment in the security of WFP staff and assets ranked high among the priorities of the 1998-99 biennium. Major initiatives during this timeframe included: the establishment of a WFP Field Security Task Force to review security and safety measures; the assignment of a security officer to UNSECOORD to ensure support and liaison; the setting-up of a Security Office at WFP headquarters; the expansion in the number of well trained security personnel in WFP field offices; a sizeable investment in security equipment to protect WFP personnel in high-risk areas; and the provision of security awareness training to all WFP staff. The security of staff in WFP's operational environment will continue to be accorded high priority in budgetary terms.

Training

3. WFP continues to place particular importance on staff training, and during the 1998-99 biennium underlined this commitment with the necessary budgetary resources. During the biennium, the main emphasis in WFP's training programme was placed on security awareness. By the end of 1999, over 5,000 staff in 78 countries participated in security awareness training workshops. Training in additional specialized training for managers was also undertaken. Staff from sister agencies and other organizations were invited to participate in these training sessions. In concert with the above, resources were provided to enhance stress counselling and support, fire and facilities safety, vehicle and driving safety and first aid.

Telecommunications

4. A number of initiatives were undertaken in 1998-99 to improve WFP's telecommunications infrastructure. Those included a further budgetary investment to enhance WFP's ETNet so that more reliable and cost-effective voice and real-time data communications could be achieved, using global satellite communications as the medium. The system connects WFP's major operation sites and facilitates the bridge with local field communications tools such as the Deep Field Mailing System (DFMS) which allows for communications to be exchanged via high-frequency radio. Equally important on the communications front were budgetary resources directed to the further implementation of the Commodity Movement Processing and Analysis System (COMPAS) which allows for the accurate tracking of food commodities from their arrival at WFP destination points to their eventual distribution to beneficiaries and to put in place Fast Information Technology and Telecommunications Emergency and Support Teams (FITTEST) in Africa and Asia.



Upgrading of Posts

5. The 1998-99 budget authorized the Executive Director to upgrade ten posts at headquarters and in the field, as shown in Table 20 below. All the points were used to upgrade posts whose functional requirements of the job outgrew the existing grade level. Five of the points were used to upgrade field posts, and five were used to upgrade headquarters posts.

Current grade	New grade	Number
P-4	P-5	1
P-3	P-4	3
P-2	P-4	2
P-2	P-3	1
G-4	G-5	1
G-3	G-4	2
Total		10

FMIP

6. At the start of the biennium, the total estimated cost of implementing FMIP stood at US\$32 million. However, in mid-1998, the estimate was amended upward to US\$37 million, where it has remained since.
7. The revised estimate is about 30 percent more than the US\$28.5 million projected at the time the Plan was approved in late 1995. The main reasons for the increase included:
- Better estimates—as individual projects progressed through the implementation cycle, better estimates were possible. Some of the major projects had also been completed and the very large contracts for the design and implementation of the finance, human resources and procurement management systems and the design of the core business systems were let on a fixed-cost basis, which helped limit cost variations.
 - Cost increases in the IT Industry—since FMIP implementation got fully under way in 1996, the average cost of consultant services in the IT industry in Europe increased by more than 50 percent. In large part this was a result of the enormous demand created by the Y2K problem, but also because many private and public organizations had embarked on similar projects to replace their dated, mainframe information systems.
 - Longer implementation period—Plan implementation was estimated to take more than four full years, rather than three, as initially planned. Lengthening the implementation period has added costs, particularly because of the need to sustain for a longer period than anticipated: i) support to the legacy systems; and ii) systems development and implementation support.
8. WFP management paid considerable attention throughout the biennium to containing FMIP costs. The efforts have been successful, particularly with the rapid IT cost escalation of the latter 1990s. However, refining estimates of cost and duration for individual projects is an ongoing process, and one that will continue until implementation is complete. Although further variations may be expected, these should be minor, as, by the end of 1999, much of the Plan work was either completed, or already contracted on fixed price terms.



📌 **FMIP Funding**

9. At the start of the biennium US\$16.4 million had been made available to FMIP through a combination of direct donor contributions and allocations from WFP regular resources. In addition, an advance of US\$10 million from the General Fund had been approved by the Executive Board in late 1997 to supplement these contributions.
10. Up to that time, FMIP funding had remained sufficiently ahead of financial commitments so as not to constrain the Plan's execution. This was vital, as procurement schedules for services and equipment were allowed to proceed, unimpeded by cash shortages. However, a more permanent funding solution was required; hence, various options for funding the balance of the shortfall were considered at the Board's Third Regular Session in October 1998. The Board subsequently requested that a proposal be developed by the Secretariat and presented for consideration early in 1999. At its Annual Session in May 1999, the Board agreed to allow the use of General Fund resources to cover the FMIP funding shortfall up to the US\$37 million Plan ceiling.
11. In July 1998 the Executive Director formally established the FMIP Special Account. Among the provisions was that interest income generated in the Account may accrue to FMIP. By the end of 1999, the interest had amounted to nearly US\$1 million and was being used to reduce the amount required from the General Fund. Also by the end of 1999, a total of US\$20.8 million had been raised from a combination of direct donor contributions, WFP resources and interest income, indicating the shortfall to be covered from the General Fund as just over US\$16 million.
12. While efforts to obtain additional direct contributions continued, during the 1998-99 period only two contributions were received, totalling US\$3.3 million. With the coverage promised through the General Fund, prospects for further contributions have clearly diminished.

📌 **Cost Reallocation**

13. Following recommendations of both the Internal and External Auditors, at the end of the 1998-99 biennium a reallocation of certain costs that had been previously attributed to FMIP was made against the PSA budget. These costs were mainly incurred in support of financial and accounting operations and providing support to information systems and, though closely related to FMIP and managed within the FMIP scope, were deemed to be closer to recurring-type activities. The net result of this reallocation was to free approximately US\$2.3 million from FMIP expenditure, which is now treated as a price contingency within the overall Plan ceiling.



ACRONYMS USED IN THE DOCUMENT

ACABQ	United Nations Advisory Committee on Administrative and Budgetary Questions
B/L	Bill of Lading
BIL	Bilateral Operation
CFA	Committee on Food Aid Policies and Programmes
CIF	Cost Insurance and Freight
COMPAS	Commodity Movement, Processing and Analysis System
CLC	Cash in lieu of Commodities
CP	Country Programme
DFMS	Deep Field Mailing System
DOC	Direct Operational Costs
DSC	Direct Support Costs
EMOP	Emergency Operation
ETNet	Enhanced Telecommunications Network
FFW	Food for work
FMIP	Financial Management Improvement Programme
FITTEST	Fast Information Technology and Telecommunications Emergency and Support Team
GCCC	Government Cash Contribution towards Local Operating Costs
ISC	Indirect Support Costs
IT	Information Technology
ITSH	Internal Transport, Storage and Handling
JIU	Joint Inspection Unit
JPO	Junior Professional Officer
LDC	Least Developed Country
LIFDC	Low-income, Food-deficit Country
LTSH	Landside Transport, Storage and Handling
MIS	Management Information System
PRO	Protracted Relief Operation
PSA	Programme Support and Administration
R<F	Resource and Long-term Financing (policies)
SFP	Strategic and Financial Plan
SI	Shipping Instructions
SO	Special Operation
UNSECOORD	Office of the United Nations Security Coordinator
UNV	United Nations Volunteer
Y2K	Year 2000

