

# **WORLD FOOD PROGRAMME**

## **COST MEASUREMENT STUDY**

**BASED UPON 1996 ACTUAL AND  
1997 BUDGETED COSTS**

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**AUGUST 1997**

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### I. INTRODUCTION

1. At its fortieth session in November 1995, the Committee on Food Aid Policies and Programmes (CFA) established procedures for financing direct and indirect support costs incurred by WFP in connection with the operation of its various programmes (CFA 40/5). These procedures were based upon the principle of full cost recovery for all operations undertaken by WFP with donors paying actual commodity and ocean transport costs, a pro-rata share of land transport, and direct support costs and indirect support costs based on differential percentage rates for each of the major programmes to be established through periodic cost measurement studies. At the same time the CFA also established the rates for indirect support costs to be used in 1996.
2. At its January 1997 session, the World Food Programme Executive Board endorsed proposals by the WFP Secretariat to update the indirect cost rates charged to donors for 1997 based upon the results of a cost measurement study conducted in 1996 (1997/EB.1/3). The Executive Board requested that a cost study be conducted in 1997 which, would also continue to assess and quantify the impact of multilateral contributions and the benefit of readiness as well as the categorization of costs of direct and indirect support services.
3. The consulting firm of David M. Griffith and Associates, Ltd. which had conducted the cost studies based upon 1994-1995 budgeted costs used to establish the indirect support rates for 1996, and the cost study based upon 1996-1997 budgeted costs which was used to establish the indirect support cost rates for use in 1997 was asked to update the study based upon actual indirect and operations costs in 1996 and budgeted indirect costs and estimated operational expenditures for 1997. The results of this study follow:

## II. SUMMARY OF FINDINGS AND RECOMMENDATIONS

4. The following rates have been computed for each of the major programmes administered by the World Food Programme. The rates were developed by dividing the total 1996 actual and 1997 budgeted cost of indirect support services financed by the Programme Support and Administration (PSA) Budget and the balances in funds accumulated from bilateral and SEO fees earned in prior periods for each of the Headquarter's organizational unit and country office by the actual direct operational and direct support cost expenditures in 1996 plus the projected operational expenditures for 1997 (commodities, ocean transport, LTSH, and direct support costs) as follows:

Actual 1996 PSA Expenditures plus 1996 Indirect  
Support Costs charged to Prior Period Fee Income<sup>1</sup>

Plus

Projected 1997 PSA Expenditures plus projected 1997  
indirect support costs to be charged to Prior Period Fee  
Income

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Actual 1996 Operational and Direct Support Expenditures

Plus

Projected 1997 Operational and Direct Support expenditures

5. Information on actual expenditures for 1996 was obtained from the 1996 Annual Accounts prepared by the Finance and Information Services Division. Information on projected operational expenditures for 1997 was obtained from the Budget Document and for 1997 PSA and SEO and Bilateral fee Income expenditures from the 1997 Budget allotments for HQ and Country Offices. The detailed calculations are shown on Exhibit A.
6. The procedures used in the 1997 cost study follow those in the 1995 and 1996 studies. The 1995 Cost Study, which was based upon actual 1994 and estimated 1995 PSA and operational expenditures was used to set the rates for 1996. The 1996 Cost Study, which was based upon the 1996-1997 PSA Budget and 1996-1997 operational expenditure estimates updated in October 1996, was used to establish rates for 1997.
7. In reviewing these rates the Secretariat and Executive Board should take into consideration the differences between WFP's financial arrangements and those of most other UN agencies and NGOs. Though most other units of the UN System

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<sup>1</sup> Expenditures charged to the balances remaining on 31 December 1995 in accounts established for income earned on charges made to bilateral, JPO and Special Emergency Operations.

have a fixed rate of 13% of operational expenditures which they charge for support services provided to development projects, this represents only part of the costs these agencies incur. In the studies done for other agencies in the system (FAO, ILO, UNIDO, UNESCO, UNOPS, UNDDSMS, IFAD, ITU, and WHO) the rates computed using the same methodology for the costs of administrative and operational support services to projects ranged from 16% to 36%. It should also be noted that these rates do not include the costs of governance, the immediate office of the chief executive officer, public affairs, and liaison offices which would increase these rates by from one to four percent depending on the organization.

8. The difference between the costs incurred by these agencies and the amount reimbursed through support cost charges is financed through each agency's Regular Budget funded primarily through contributions from member states. Similarly, most international NGOs are also able to finance part of their costs of supporting development projects from sources other than support cost fees including private donations, unrestricted governmental grants, and contributions from individual or group members.
9. Unlike the other agencies in the UN System, WFP does not have a regular budget and must finance all of the costs from the rates it charges to donors for direct and indirect support costs. Its rates must reflect the requirement for full cost recovery. WFP's rates have been developed using a transparent approach which enables donors and recipient governments to understand how all of WFP's costs are financed.
10. **Development Projects:** A rate of 16.9% of operational expenditures which compares to the 1996 rate of 14.5% and the 1997 rate of 13.9%. The increase is caused by a combination of an 12.7% decrease in operational expenditures from the original estimate in the 1996-1997 Budget and a 6.1% increase in indirect support costs as follows which is explained in detailed in Section V, paragraphs 41-46):

<b>DEVELOPMENT PROJECTS</b>	Original 1996-97 Estimate (1)	Revised 1996-97 Estimate (2)	Difference	Percent Difference
Indirect Support Costs	102,670,486	108,935,156	6,264,670	+6.1%
Operational Expenditures	736,488,660	643,000,000	(93,488,660)	-12.7%

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1) 1996 Information from Exhibit A 1996 Cost Study (see Annex A attached)

2) 1997 Information from Budget Document - Operational Expenditures excluding Indirect Costs.

11. **Emergency Operations:** A rate of 5.9% of operational expenditures which compares to the 1996 rate of 4.8% and the 1997 rate of 6.0%. The decrease is caused by a combination of a 8.6% decrease in indirect support costs and a

5.5% decrease in estimated operational expenditures over the original 1996-1997 Budget as follows which is explained in detail in Section VII, paragraphs 50-54):

<b>EMERGENCY OPERATIONS</b>	Original 1996-97 Estimate (1)	Revised 1996-97 Estimate (2)	Difference	Percent Difference
Indirect Support Costs	70,513,985	64,428,191	(6,085,794)	-8.6%
Operational Expenditures	1,165,866,776	1,101,000,000	(64,866,766)	-5.5%

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- 1) 1996 Information from Exhibit A 1996 Cost Study (see Annex A attached)  
 2) 1997 Information from Budget Document - Operational Expenditures excluding Indirect Costs.

12. **Protracted Relief Operations:** A rate of 7.0% of operational expenditures which compares to the 1996 rate of 7.2% and the 1997 rate of 7.1%. The decrease is caused by a combination of a 5.7% decrease in indirect support costs and an 4.1% decrease in estimated operational expenditures over the original 1996-1997 Budget as follows which is explained in detail in Section VI, paragraphs 47-49):

<b>PROTRACTED RELIEF OPERATIONS</b>	Original 1996-97 Estimate (1)	Revised 1996-97 Estimate (2)	Difference	Percent Difference
Indirect Support Costs	46,233,375	43,582,933	(2,650,442)	-5.7%
Operational Expenditures	651,675,962	625,000,000	(26,675,962)	-4.1%

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- 1) 1996 Information from Exhibit A 1996 Cost Study (see Annex A attached)  
 2) 1997 Information from Budget Document - Operational Expenditures excluding Indirect Costs.

13. **Special Operations:** A rate of 5.6% of operational expenditures which compares to the 1996 rate of 15.3% and the 1997 rate of 11.9%. The decrease is the result of a combination of a 58.0% increase in indirect support costs and a 174.5% increase in estimated operational expenditures over the original 1996-1997 Budget as follows which is explained in detail in Section VIII, paragraphs 55-56):

<b>SPECIAL OPERATIONS</b>	Original 1996- 97 Estimate (1)	Revised 1996-97 Estimate (2)	Difference	Percent Difference
Indirect Support Costs	3,087,673	4,879,437	1,791,764	+58.0%
Operational Expenditures	32,054,400	88,000,000	55,945,600	174.5%

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- 1) 1996 Information from Exhibit A 1996 Cost Study  
 2) 1997 Information from Budget Document - Operational Expenditures excluding Indirect Costs.

14. **Bilateral Services:** A consolidated (transport and commodity procurement) rate of 9.0% for bilateral services. This compares to the current consolidated rate of 4.3%. This rate has been computed based upon 1996 actual cost (see Exhibit C since the current nature of bilateral projects makes it difficult to develop reliable detailed projections by type of expenditure for the biennium. The substantial increase is due to the significant change in the type of services now financed through bilateral contributions. Since, by definition, these services are not part of existing WFP projects (as had been the case in most bilateral contributions in prior periods) the amount of work effort involved in making separate arrangements and tracking shipments appears to be significantly greater than had been the case under the prior system. The rates may also impacted by the smaller size of individual projects (see Section IX, paragraphs 57-59).

Bilateral Services Rates

Commodity Procurement	6.8%
Transport Services	12.8%
Combined	9.0%

15. **Cash Contribution Required for Direct and Indirect Support:** In comparing the indirect support rates for the different programmes the total cash contributions required from donors for both direct and indirect costs should be considered. In EMOP's and PRO's many of the indirect support functions are performed by personnel whose salaries are paid from direct support costs as are many of the non personal services costs such as facilities and supplies. Actual 1996 and Projected 1997 direct and indirect support costs the major programmes are as follows:

Programme	1995 Indirect Rate	1995 Direct Cost as %	1996 Direct & Indirect as %	1996 Indirect Rate	1996 Direct Cost as %	1996 Direct & Indirect as %	1997 Indirect Rate	1997 Direct Cost as %	1997 Direct & Indirect as %
Development	14.5%	1.7%	16.2%	13.9%	4.6%	18.5%	16.9%	2.2%	19.1%
EMOP	4.8%	5.4%	10.2%	6.0%	11.4%	17.4%	5.9%	5.6%	11.5%
PRO	7.2%	5.0%	12.2%	7.1%	6.6%	13.7%	7.0%	3.4%	10.4%

Note 1- 1997 Direct Support % are computed based upon 1996 actual direct support costs

16. **Readiness:** The study attempted to determine whether WFP country offices primarily involved in development incur costs which are related to being prepared to respond to an emergency should one arise or because of their existence reduce the costs incurred by emergencies for direct project support. These calculations were made in conformance with the basic concept of the WFP Cost Studies which have identified all indirect costs which could be specifically quantified using generally accepted principles of accounting to each of the major programme categories. The study was able to identify that costs equal to 0.3% of the rate proposed for development are specifically related to being ready to respond to emergencies. Data for actual 1996 and budgeted 1997 projects did not substantiate any avoidance of direct support costs due to the presence of a country office primarily involved in development.
17. Following the basic principles of the Cost Study is not the sole approach by which a value could be assigned to readiness. Though difficult to quantify using accounting principles, it may be reasonable to assume that in some disasters the existence of a WFP Office could help to save lives and reduce long term effects of deprivation by enabling food to reach victims more quickly. In addition, the ability of WFP's representatives to assist countries in designing, implementing and maintaining strategic stockpiles of food available to meet emergencies has a value which could also impact on these factors and perhaps impact on the necessity of using extraordinary measures such as airlifts when emergencies occur. An analysis of this type was outside the scope of the Cost Study (see Section XI, paragraphs 62-72).
18. **Multilateral and Directed Multilateral contributions:** The study computed, based upon the proposed financial regulations which includes in the definition of contributions to WFP appeals as multilateral, that WFP incurs incremental costs for resource mobilization, financial reporting, and programming. When converted to percentages these costs would result in incremental charges for directed contributions equal to 1.0% for Development, 0.2% for Emergency Operations and 0.4% for Protracted Relief Operations. This calculations assume that the standardized reporting concept being developed by WFP for introduction this year

will obviate the necessity of having specialized reporting for directed multilateral contributions (see Section XII, paragraphs 73-80).

19. **Categorization of Direct and Indirect Costs:** The Study was asked to look into the way in which WFP classified support costs as direct or indirect. In general, under the Resourcing and Long-term Financing Policy indirect costs include all costs included in the Programme Support and Administration (PSA) budget. In 1996-1997 this included some expenditures financed from the remaining balances of income from bilateral and SEO charges made in prior periods. All support costs including non food items for which no provision was made in the PSA budget are financed from direct support cost charges.
20. A review of actual 1996 expenditures and 1997 direct support cost budgets showed no indication that costs charged as indirect were also being charged as direct or conversely. Headquarters costs are almost exclusively financed from indirect support costs with the exception of certain desk officer and support posts directly charged to the emergency operation for which they are responsible. However, the financing of country offices varies considerably from total PSA funding for those involved exclusively in development to total direct support cost financing for those offices established only to respond to a specific emergency. This approach has an impact on the combination of direct and indirect support costs which individual project incur.
21. In addition, WFP includes in indirect costs a number of functions at HQ, country offices and in the planned regional clusters which could easily be charged as direct support services to projects and operations using rates reflecting the costs of each activity. Such an approach would have a number of advantages including reduction of indirect support cost rates, more consistent financing of functions within country offices, and additional management tools related to the introduction of market factors such as charges based upon costs of providing a service and the necessity to have sufficient service users to justify funding levels for an activity. This proposal is detailed in Section XIII paragraphs 81-99 and exhibit E.
22. **Summary:** Donors and the Secretariat will be concerned about the significant year to year variances in the indirect support cost rates. In considering the rates it must be recognized that providing relief to refugees and other victims of both natural and man made disasters is by nature volatile and extremely difficult to project from year to year. The volume of expenditures for the various major programmes which WFP administers has changed significantly from year to year and this is the primary cause of the rate fluctuations which have taken place. The current structure of differential rates is designed to insure that WFP has a reliable source of financing for its basic infrastructure which is cost related and minimizes the potential for substantial revenue shortfall or surplus within an annual period.
23. The Strategic and Financial Plan, 1998-2001 Annex II (WFP/EB.A/4-A) includes estimates which indicate a significant reduction in WFP operational activities from the 1996-1997 to the 1998-1999 Biennium. In response, WFP is planning a reduction in the PSA funding level for 1998-1999. The modifications to the indirect support cost rates combined with the reduced level of operational expenditures will result in a reduction in total indirect support income for the

1998-1999 biennium which FSB indicates will be taken into account in the preparation of the Budget.

### III. COST STUDY METHODOLOGY

24. The 1997 cost measurement study methodology follows the approach used in the 1992-1993, 1995 and 1996 WFP Cost Studies, the annual FAO study of Technical Co-operation Project Support Costs and studies performed for other agencies of the UN System (ILO, UNESCO, UNIDO, UNOPS, UNDDSMS, IFAD, WHO and ITU). The study consists of two major components:
- A survey to measure the work performed by WFP staff in country offices and at headquarters in support of operational programmes
  - A statistical distribution of costs of services provided by WFP headquarters departments which could not be measured through a work measurement survey
25. The costs in the study consist of:
- the actual PSA expenditures incurred by WFP in 1996 plus costs of indirect support services financed from Bilateral and SEO fees earned in prior periods (excluding the FMIP and Public Affairs funds)
  - the 1997 budgeted PSA expenditures as allotted to country offices and headquarters departments plus 1997 allotments from SEO and Bilateral Fees earned in prior periods fee balances

This results in total indirect support costs of US \$231,579,376 computed as follows:

#### CALCULATION OF 1996-1997 INDIRECT SUPPORT COSTS

1996 PSA Expenditures per Annual Accounts	107,385,136
1996 Expenditures from JPO fee income	23,567
1996 Expenditures from Bilateral Fee Income	1,621,027
1996 Expenditures from unexpended SEO Fee Income	1,256,914
1997 PSA Budget Allotments	115,149,103
1997 Allotment of prior period fee income	<u>6,143,629</u>
Total	231,579,376

26. **Work Measurement Survey:** In April and May of 1997 professional staff at and general service staff assigned to departments providing direct support to operational activities were asked to complete a questionnaire requesting information on the percentage of time spent performing certain major activities

including Country Programming and Planning Activities, Commodity Procurement, Ocean Transport, Land side Transport, Direct Support Services including monitoring, logistics, evaluation, etc. and indirect support services in 1996. The staff were in addition asked to distribute their time among the major WFP programme categories - Development, Emergency Operations, Protracted Relief, Special Operations as well as time spent on Bilateral services. The survey was similar to those conducted in April of 1995 and May of 1996.

27. Staff financed from all sources including direct support costs were asked to complete the survey. However, for the purposes of the cost study only staff whose salaries are financed from PSA or Bilateral, JPO and prior period SEO fee income are included. The work effort of the remaining staff has been compiled separately in connection with the analysis of direct and indirect costs.
28. A total of WFP 1,273 WFP Staff completed the survey questionnaire in 1997 or 81.6% of the total eligible as follows:

#### WFP STAFF PARTICIPATING IN 1997 WORK MEASUREMENT SURVEY

Organizational Unit	Completing Survey	Total Posts (1)	Percent Completed
<b>Headquarters</b>			
Professional/JPO	194	214	80.7%
Consultants/UNV	5	34	11.8%
General Services	<u>245</u>	<u>284</u>	86.3%
<b>TOTAL HQ</b>	<b>444</b>	<b>532</b>	<b>83.5%</b>
<b>Country Offices</b>			
Professional	326	345	94.4%
Consultant/UNV	76	109	69.7%
General Services	<u>427</u>	<u>575</u>	74.3%
<b>TOTAL FIELD</b>	<b>829</b>	<b>1,029</b>	<b>80.6%</b>
<b>TOTAL WFP</b>	<b>1,273</b>	<b>1,561</b>	<b>81.6%</b>

Note 1 - includes filled posts as at 31 December 1996 except Office of Executive Director, HR Division at HQ, GS1 to GS3 posts in country offices, and posts D-2 and above.

29. This compared to 807 staff or 82.2% of those eligible in 1996. The size of the sample was expanded to include all GS Staff at HQ and consultants, UNV's and project funded staff in the field and HQ. The number of staff completing the questionnaire far exceeds the 56% requirement for statistical reliability for total staff along with separate calculations of reliability for country offices and HQ departments. The information on all questionnaires was verified against models

reflecting commodities transported and operational expenditures for country offices and for WFP as a whole. The number of questionnaires determined to be invalid was approximately 2 ½ percent (HQ and Field).

30. For all professional staff and HQ General Service Staff and international General Service staff the work effort information provided on each questionnaire was weighted based upon the standard cost for the post occupied. For country office general service staff, average salaries were determined for each country and grade converted into US Dollars based upon information provided by the PERSYS computer files or from UNDP. For consultants, the individual monthly salary was used as shown on the records in WFP Human Resources Department or based upon standard costs for the equivalent professional grade. For UNV's an average computed by FSB for budget purposes was used.
31. The salary weighted results were converted into percentages for each category of work effort on the questionnaires for each individual and compiled for each country office and HQ organizational unit. The percentages were then applied to the 1996-1997 indirect support costs for each country office or HQ organizational unit to distribute costs among the major programme categories and activities. JPO's were not included in the calculation since their salaries are paid by their home governments, however, the information obtained was compiled separately and used to redistribute the portion of indirect support costs attributable to the JPO scheme which exceeded the 12% indirect support cost rate established by the Executive Board.
32. A sample of the survey questionnaire and instructions are appended as attachment Annex B and Annex C. The procedures followed those used in the annual FAO Work Measurement Survey and surveys undertaken at ILO, UNESCO, UNIDO, UNOPS, UNDDSMS, IFAD, ITU and WHO. The procedures also followed those used in the previous WFP surveys in 1993, 1995 and 1996. Percentages were chosen as the unit of measure rather than specific units of time (i.e. hours, days, months) in order to avoid problems with differing work days, holiday schedules, and leave policies between HQ and country offices and among country offices. Also, the use of units results in problems requiring weighting to reflect time of staff on paid leave.
33. Statistical Distributions: Some WFP HQ departments or units within departments do not provide direct services to operational projects. These units are involved in functions which support the activities of other WFP departments or country offices or support all WFP programmes on a global level. In such cases, a survey questionnaire was not considered an effective way of measuring work effort by programme or activity.
34. For each of these units a statistical measure was used to distribute costs to other WFP departments or major programmes. This followed the approach accepted by the UNDP Executive Board in the cost studies prepared for the Support Cost Successor Regime, the FAO Finance Committee in connection with the annual study of the costs of support to Technical Co-operation Projects and in the three previous WFP cost studies. Following are some examples of the statistical measures used:

Human Resources: Number of professional and general service posts including consultants JPO, and UNV's. Separate statistics were used to reflect the differing work loads of the various units within HR.

Management Services: HQ Building costs were allocated based upon usable square meters of space assigned; communications were allocated based upon number of telephone lines assigned at HQ; other HQ general services based upon number of staff in each department at HQ, and travel based upon travel expenditures in 1996.

Financial Services: Accounting functions were allocated based upon the number of accounting transactions processed through WIS and GL:M accounting systems in 1996. Separate statistics were used to reflect the differing work loads of the various units within FSF.

Financial Services: Budget functions were allocated based upon the 1996-1997 Budget and operational expenditure estimates. In addition, the budget of this unit (FSB) includes contributions to UN System organizations (ICSC, CCAQ, etc.) each of which was allocated based upon the most appropriate statistical unit as had been established in the multi-agency studies.

Financial Services: Computer HQ LAN support functions were allocated based upon the number of computer terminals connected to the LAN and ICC.

Department Heads: Costs of the offices of the heads of Operations, Resources, Finance, Management Support, Human Resources, Strategy and Policy were distributed to the units within their respective divisions based upon the number of posts authorized in the 1996-1997 Budget. The Office of the Executive Director and the Office of Inspections and Investigation were distributed based upon the number of authorized posts in all units. The external audit fee budgeted in the office of the Executive Director was allocated based upon the number of transactions processed through the accounting systems in 1996.

General Distribution: Costs of the following units were allocated to the major programme categories based upon the actual 1996 and projected 1997 operational expenditures:

Executive Board Secretariat  
North America Liaison Office  
Strategic Planning  
Public Affairs

## IV. COST STUDY RESULTS

35. Based upon the study the distribution of work effort and actual costs for 1996 and projected for 1997 is as follows:

### WORLD FOOD PROGRAMME DISTRIBUTION OF PSA RESOURCES BY PROGRAMME CATEGORY

Programme	97 Cost Study (note 2)	97 Study %	96 Study %	95 Study %
Development	108,353,557	47.4%	45.6%	45.9%
EMOP	64,304,848	28.2%	31.4%	34.6%
PRO	43,244,143	18.9%	20.5%	18.7%
Special Operation	4,858,970	2.1%	1.7%	.6%
JPO Scheme	1,827,714	.8%	.3%	.2%
Bilateral (note 1)	<u>5,801,353</u>	2.6%	.5%	Note 1
Sub Total	228,390,585	100.0%	100.0%	100.0%
Direct Services	3,140,783			
Other Funds	<u>48,008</u>			
TOTAL	231,579,376			

Note 1 - in the 1995 Cost Study the total share of indirect costs attributable to bilateral projects was 7.7% of work effort which was distributed to other major programme categories so that the results would more closely follow the Resourcing and Long Term Financing Model. In the 1996 study costs of providing partial bilateral services only are included in this category.

Note 2 - these numbers do not reflect the shift of JPO indirect support costs in excess of the 12.0% rate to other categories as shown on Exhibit A.

36. Calculation of Percentage Rates: Once the total costs for each programme were determined based upon the cost study, the results were then divided by the actual 1996 operational expenditures plus the 1997 estimates included in the Budget Document WFP/EB.33/97/4-A paragraphs 5, 10 (note 2), 11 (note 2) and 13 (note 2). Following are the results of the rate calculations reflected as a percentages of direct operational expenditures (including commodities, ocean transport, LTSH and direct support costs).

**1997 WORLD FOOD PROGRAMME COST STUDY  
INDIRECT SUPPORT COST RATES**

**Based on Actual 1996 and Projected 1997 Indirect and Operational Expenditures  
(Calculated as a percentage of total operational and direct expenditures)**

Programme	1997 Study	1996 Study	1995 Study
Development	16.9%	13.9%	14.5%
EMOP	5.9%	6.0%	4.8%
PRO	7.0%	7.1%	7.2%
Special Operation	5.6%	11.9%	15.3%
JPO Scheme (Note 1)	12.0%	12.0%	12.0%
Bilateral Transport	12.8%	4.5%	3.1%
Bilateral Procurement	6.8%	4.0%	4.7%
Bilateral Combined (note 2)	9.0%	4.3%	3.8%
<b>AVERAGE ALL PROGRAMMES</b>	<b>9.1%</b>	<b>8.6%</b>	<b>8.1%</b>

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

Note 2 - Bilateral rates are based upon 1996 actual operational expenditures

37. **1996 Actual Costs:** In addition to updating the rates computed based upon costs for the 1996-97 Biennium, the cost study terms of reference provided for a calculation of rates based upon actual indirect support costs and operational expenditures incurred during 1996. This process was complicated by the fact that 1996 was the first year in which WFP operated under the new Resourcing and Long-term Financing Policies and the process of negotiations with donors and the need to establish new systems and procedures resulted in delays in the implementation of some new projects and longer than anticipated periods to obtain approval for funding of existing operations. In addition, many of the operational expenditures incurred were for projects which had begun operation in the 1994-95 Biennium. This may have resulted in the operational expenditures (commodity procurement, ocean transport) for a shipment being recorded in 1994-95 though much of the support service was provided in 1996.
38. The level of operational expenditures in 1996 was significantly lower than anticipated though expenditures for indirect costs proceeded at only slightly less than originally projected. The combination of these factors result in actual indirect cost rates for 1996 which are significantly higher than projected for the 1996-97 Biennium. The detailed calculations are shown on Exhibit D. The results can be summarized as follows:

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

Programme	1996 Actual	1996 Approved
Development	18.3%	14.5%
EMOP	6.5%	4.8%
PRO	7.9%	7.2%
Special Operation	12.2%	15.3%
JPO Scheme (Note 1)	12.0%	12.0%
Bilateral Transport	12.8%	3.1%
Bilateral Procurement	6.8%	4.7%
Bilateral Combined	9.0%	3.8%
<b>AVERAGE</b>	<b>10.1%</b>	<b>8.1%</b>

Note 1 - Rate shown fixed by Executive Board. Support Costs in excess of this amount are distributed to other major programme categories based upon work effort indicated by JPO's participating in the work measurement survey.
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39. The purpose of the calculation of rates based upon actual indirect and operational expenditures was for WFP to be able to assure donors that the application of the rates had not resulted in an over recovery of costs and to insure the Secretariat and Executive Board that the income resulting from the application of the rates were in line with the principle of full cost recovery. In fact, due to the low rate level of operational expenditures incurred during the calendar year 1996 the rates resulted in recovering significantly less than costs incurred. This has been explained to the Executive Board in the Secretariat's report on 1996 Budgetary Performance (WFP/EB.A/97/4-B). Actual recoveries in 1996 for indirect support costs were only \$81.1 million due to the fact that expenditures for projects covered under the previous financing policies were operational in 1996.

**WFP INDIRECT COSTS INCURRED AND RECOVERABLE IN 1996**

Programme	Operational Expenses 96 (in \$000's)	96 Indirect Support Cost Rate	96 Indirect Costs Recoverable (Note 1)	96 Indirect Costs Incurred	Under (over) Recovery
Development	286,811.0	14.5%	41,587,595	52,559,431	10,971,836
Emergency	486,631.0	4.8%	23,358,288	31,438,783	8,080,495
PRO	250,131.0	7.2%	18,009,432	19,660,230	1,650,798
Special Ops	18,516.0	15.3%	2,832,948	2,276,480	(556,468)
Bilateral	37,745.0	Various	1,623,035	2,782,897	1,159,862
JPO	3,254.0	12.0%	390,480	390,480	0
Other (Note 2)	<u>2,190.0</u>		<u>0</u>	<u>0</u>	<u>0</u>
Total (note 3)	1,085,278.0		87,801,778	109,108,301	21,306,523

Note 1 - Amount shown as recoverable does not reflect actual amount received due to the fact that 1996 operational expenditures include costs incurred for projects financed under policies in place 1994-95 for which a 5% charge was paid for EMOPs and PROs.

Note 2 - Includes Quality Improvement Programme and General Fund

Note 3 - Total does not include PSA (\$110,287.0 and FMIP/Public Affairs Funds (\$3,259.0) = \$1,196,634.0.

40. The lower than anticipated levels of operational expenditure are discussed in the Budgetary Performance Report for 1996 (WFP/EB.A/4-B).

**V. DEVELOPMENT**

41. The calculations in the 1997 cost study result in an indirect support cost rate for Development Projects of 16.9% of total operational expenditures (commodity value, ocean and land side transport costs, and direct support costs including Non-food items. This is an increase of 3.0% over the rate of 13.9% computed based upon the 1996 cost study. The increase is caused primarily by a 12.7% lower estimate of operational expenditures than the projection used in the 1996-1997 adopted budget. The reasons for this adjustment have been explained in the Budgetary Performance Report for 1996 (WFP/EB.A/97/4-B). The revised projections reflects a leveling off of WFP's development expenditures at approximately the same level as in the previous biennium:

## WFP DEVELOPMENT PROGRAMME OPERATIONAL EXPENDITURES

Period	Development Expenditures (in millions of US \$) Note 1	Year to Year Change
1996-97 Projection	656.8	-4.0% (Note 3)
1996-97 Budget	736.4	+7.1%
1994-95 Actual	684.3 (Note 2)	-23.1%
1992-93 Actual	889.4	-10.3%
1990-91 Actual	991.8	

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Note 1- includes Food Aid Convention, Disaster Mitigation and Non-food Items

Note 2- includes \$12.8 million in development projects financed bilaterally

Note 3- percentage of change from 1994-1995

42. The rate was also effected by a 6.1% increase of the costs of support of development programmes of \$6.2 million, from \$102.7 million in the 1996 cost study to \$108.9 million in the 1997 cost study. The increase resulted primarily from cost increases at WFP Headquarters as follows:

### WFP COMPARISON OF INDIRECT SUPPORT COSTS DEVELOPMENT PROJECTS

Unit	1996 Study Costs	1997 Study Costs	Difference	Percent Change
Headquarters	\$38,583,789	\$44,266,812	\$5,683,023	14.7%
Country Office	62,888,458	62,669,710	(218,748)	-.3%
Agency Fees	0	1,417,035	1,417,035	New
Reallocate	442,330	0	(442,330)	Change
Bilateral				
Reallocate JPO	<u>755,909</u>	<u>581,599</u>	<u>(174,310)</u>	-23.7%
TOTAL	\$102,670,486	\$108,935,156	\$6,264,670	+6.1%

43. The increases at Headquarters are spread fairly evenly among the major HQ divisions and represent a combination of lower than anticipated salary savings, the expenditure of balances from resources generated by fees charged for projects funded prior to the implementation of the Resourcing and Long-term Financing (R&LTF) Policy on 1 January 1996 and a shift in the amount of staff work effort devoted to development activities primarily in the Operations Department due in part to changes in project funding and donor procedures.

44. In addition, in the 1995 and 1996 cost studies it was anticipated that all of the charges made by other UN agencies (FAO, ILO, WHO and UNESCO) for project design, appraisal and technical support would be charged to projects as direct

costs. In reality only 74% of such charges, which are estimated \$5.3 million for the 1996-97 Biennium, could be charged directly to projects. The remaining \$1.4 million is for technical support for development projects in general which has been included in the rate calculation

45. The cost study methodology provides that any costs of support to the JPO programme in excess of the 12.0% UN rate are reallocated to other major programme categories based upon the work effort identified by JPO's in the work measurement survey. The percentage of JPO development work effort in the 1997 survey decreased from 63.5% to 54% resulting in a decrease in the amount included in the rate. In addition, while previous rates included a share of the costs of development projects financed from bilateral activities, this is no longer appropriate now that R&LTF has been implemented.
46. Certainly donors and the Secretariat will be concerned with the projected increase in costs. However, the Executive Director has already taken a number of actions which should have a positive impact on the results of future costs studies including:
  - The closing of thirteen country offices throughout the world by the end of 1997. The primary function of these offices has been the administration of development projects and their closing will reduce the costs included in future development rates by in excess of \$1.5 million.
  - The transfer of certain functions performed by the Operations and Financial Systems Divisions from Headquarters to regional clusters in various locations throughout the world. When fully implemented this could also result in substantial savings due to the differences in GS salary levels and other operating expenses between HQ and these locations.
  - The use of national officers to manage country offices in their final year of operation and in some countries to manage continuing operations. Salary and entitlement differences result in savings of over 65% between international staff and national officers.

## **VI. PROTRACTED RELIEF OPERATIONS**

47. The calculations in the 1997 cost study result in an indirect support cost rate of for PROs of 7.0% of total operational expenditures (commodity value, ocean and land side transport costs, and direct support costs. This is a decrease of 0.1% from the rate of 7.1% computed based upon the 1996 cost study. The decrease is caused primarily by a 4.1% lower estimate of operational expenditures than the projection used in the 1996-1997 adopted budget. The reasons for this adjustment have been explained in the Budgetary Performance Report for 1996 (WFP/EB.A/97/4-B). The revised projections reflect a somewhat lower level of WFP PRO expenditures than the 1994-95 biennium:

### WFP PROTRACTED RELIEF OPERATION EXPENDITURES

Period	PRO Expenditures (in millions of US \$) (Note 1)	Year to Year Change
1996-97 Projection	625.0	-1.0% (Note 3)
1996-97 Budget	652.3	+3.2%
1994-95 Actual	632.2 (Note 2)	-15.6%
1992-93 Actual	748.9	-53.1%
1990-91 Actual	489.0	

Note 1- expenditures exclude agency fees of 4% in 1993 & 1994, and 5% in 1995

Note 2- includes \$160.5 million in PRO projects financed bilaterally and SEO's

Note 3- percentage of change from 1994-1995

48. The rate was also effected by a 5.7% decrease of the costs of support of PRO programmes of \$2.6 million, from \$46.2 million in the 1996 cost study to \$43.6 million in the 1997 cost study. The decrease resulted primarily from significant reductions in the costs allocated to PRO at country offices as follows:

### WFP COMPARISON OF INDIRECT SUPPORT COSTS FOR PROTRACTED RELIEF OPERATION

Unit	1996 Study Costs	1997 Study Costs	Difference	Percent Change
Headquarters	\$26,026,264	\$26,625,425	\$599,161	2.3%
Country Office	20,053,981	16,618,718	(3,435,263)	-17.1%
Reallocate Bilateral	(Note 1)	0	0	Change
Reallocate JPO	<u>153,131</u>	<u>338,790</u>	<u>185,659</u>	+119.4%
<b>TOTAL</b>	<b>\$46,233,376</b>	<b>\$43,582,933</b>	<b>\$(2,650,443)</b>	<b>+5.7%</b>

Note 1 - the 1996 study included a reallocation of indirect support to bilateral projects based upon the type of activity to reflect the changes anticipated due to R&LTF.

49. The reduction in country office costs relates to the termination, temporary suspension or reduction in the size of PRO projects in several countries which resulted in decreases in MTN's of food distributed and reduced work effort in country offices. This includes the Liberian Regional Project, Afghan refugees in Pakistan, along with projects in Angola, Mozambique, Morocco, Sudan, Malawi, El Salvador and Mexico. The work measurement survey indicates that in most of these countries the reduction in PRO work effort resulted in an increase in the

development activities undertaken which reflects WFP's efforts to move to an integrated country program with activities reflecting a continuum from emergency, to protracted relief, to development.

## VII. EMERGENCY OPERATIONS

50. The calculations in the 1997 cost study result in an indirect support cost rate of for EMOP's of 5.9% of total operational expenditures (commodity value, ocean and land side transport costs, and direct support costs. This is a decrease of 0.1% from the rate of 6.0% computed based upon the 1996 cost study. The decrease is caused primarily by an 5.5% lower estimate of operational expenditures than the projection used in the 1996-1997 adopted budget. The reasons for this adjustment have been explained in the Budgetary Performance Report for 1996 (WFP/EB.A/97/4-B). The revised projections reflect a level of WFP EMOP expenditures slightly lower than the 1994-95 biennium:

### WFP EMERGENCY OPERATION EXPENDITURES

Period	EMOP/IRA Expenditures (in millions of US \$) (Note 1)	Year to Year Change
1996-97 Projection	1,101.0	-8.4% (Note 3)
1996-97 Budget	1,165.8	+11.3%
1994-95 Actual	1,314.4 (Note 2)	-16.0%
1992-93 Actual	1,133.5	+216.0%
1990-91 Actual	358.7	

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Note 1- expenditures exclude agency fees of 4% in 1993 & 1995, and 5% in 1995

Note 2- includes \$280.4 million in EMOP projects financed bilaterally and SEO's

Note 3- percentage of change from 1994-1995

51. The rate was also effected by a 8.6% decrease of the costs of support of EMOP programmes of \$6.1 million, from \$70.5 million in the 1996 cost study to \$64.4 million in the 1997 cost study. The decrease resulted primarily from significant reductions in the costs allocated to EMOP at headquarters as follows:

**WFP**  
**COMPARISON OF INDIRECT SUPPORT COSTS**  
**EMERGENCY OPERATIONS**

Unit	1996 Study Costs	1997 Study Costs	Difference	Percent Change
Headquarters	\$49,943,695	\$45,103,734	\$(4,839,961)	-9.7%
Country Office	20,320,978	19,201,114	(1,119,864)	-5.5%
Reallocate Bilateral	(Note 1)	0	0	Change
Reallocate JPO	<u>249,312</u>	<u>123,343</u>	<u>(125,969)</u>	-50.9%
<b>TOTAL</b>	<b>\$70,513,985</b>	<b>\$64,428,191</b>	<b>\$(6,085,794)</b>	<b>+8.6%</b>

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Note 1 - the 1996 study included a reallocation of indirect support to bilateral projects based upon the type of activity to reflect the changes anticipated due to R&LTF.

52. The reduction in headquarters costs consists of a combination of a shift of certain costs of the operations department from indirect costs to funding from direct support costs, lower than budgeted costs for the Rapid Response Team, and changes in the work effort in public affairs and other sections of the resources division. As in the case of the reduction in PRO country office costs, much of the reduction in work effort resulted in a shift of costs to development rather than a net reduction in expenditures. The reduction in country office costs appears to also reflect a shift to Special Operations as the definition of projects covered by the new category became effective in 1996.
53. Another factor that is effecting the emergency rate is the large number of projects operated in countries in which WFP has no PSA financed offices. EMOP (IEFR) Operational Expenditures for projects in these countries amounted to \$182,101,815 in 1996, 37.4% of total expenditures.
54. Since all of the expenses of the operation of the country office in connection with these projects are financed from Direct Support Costs, the total country office indirect support costs are reduced significantly. For example, if the costs of country office support were divided by only the portion of EMOP expenses in offices with PSA country offices the average rate would have been 0.8% higher.

## VIII. SPECIAL OPERATIONS

55. The calculations in the 1997 cost study result in an indirect support cost rate of for Special Operations (SO) of 5.6% of total operational expenditures (direct support costs including equipment and contract construction). This is a decrease of 6.3%

from the rate of 11.9% computed based upon the 1996 cost study. The increase is caused primarily by an 174.5% higher estimate of operational expenditures than the projection used in the 1996-1997 adopted budget offset by a 57.3% increase in indirect support costs.

56. Since this is a new programme category under the Resourcing and Long-term Financing Policy, 1996 was the first year of actual experience. In the 1994-95 and previous biennia the costs of special operations were included primarily in the Special Emergency Operation (SEO), Bilateral Operations and in certain cases as part of ITSH costs. Most of the work effort increase is a shift of costs from the from these other programmes. .

## IX. BILATERAL SERVICES

57. In the 1994-95 and prior biennia Bilateral Services included contributions made by donors to WFP and non WFP projects in which all services - transport, procurement, monitoring and logistics - were provided. Under the Resourcing and Long-term Financing (R&LTF) policy, donations of this type are considered multi-lateral directed, and their expenditures are included in the appropriate major programme category (Development, PRO, EMOP, or Special Operation). WFP now provides partial services - procurement and/or transport - to donors on the basis of full cost recovery of operational and direct and indirect support costs. Full services may be provided in connection with Bilateral projects which are not related to existing WFP projects or operations with indirect costs charged at the rate established for the related major programme category.
58. The rates developed in the 1995 and 1996 cost studies were based upon the results of the work measurement surveys which took into account work in the previous year. The 1996 study, therefore, reflected 1995 work effort before the change in bilateral funding. The 1997 study is based upon 1996 work effort which does include support to certain projects funded in 1995 for which expenses were incurred in 1996. However, most of the work effort reflected was related to projects undertaken under R&LTF. The change in the concept of the type of bilateral services offered has resulted in a significant increase in costs of indirect support and in work effort resulting in the following rates:

### WFP Charges for Bilateral Services

SERVICE	1997 Cost Study	1996 Cost Study	1995 Cost Study
PROCUREMENT	6.8%	4.0%	3.1%
TRANSPORT	12.8%	4.5%	4.7%
COMBINED	9.0%	4.3%	3.8%

59. The rates have also been impacted by the substantial drop in expenditures for bilateral projects from \$182.5 million in the 1994-95 biennium (excluding WFP fees) to \$53 million estimated for 1996-97. In addition, the rates which are based upon average costs benefited from a substantial number of large bilateral projects in previous biennia. In 1996 there were only eight projects with expenditures in excess of \$1 million US and most projects had expenditures of less than \$250,000. Small projects tend to require similar indirect support to larger projects and, therefore, the average percentage rate increases.

## X. INCREMENTAL COSTS

60. WFP's resourcing and Long-term Financing Policy provides that in order to insure full cost recovery, donors making directed multilateral contributions which request specialized services, must pay the full incremental cost of providing the service. The services contemplated included specialized reporting, maintenance of individualized financial records, specialized monitoring requirements, etc. When a donor made a request for specific incremental services the organization unit responsible for providing them would estimate the amount of staff time required and the incremental cost would be included in the donor's contribution.
61. In the 1995 Cost Study daily and monthly rates were computed for various categories of staff. These rates included direct staff costs (calculated at standard cost), a share of the organizational unit's other direct costs (supplies, communications, etc.), and a share of WFP indirect costs computed based upon the results of the cost study. These rates have been updated based upon the 1997 cost study as follows. Rates for Country Office General Service staff have been developed by country and region and provided to the Secretariat for use.

Category	1995 Rate Per Month	1997 Rate Per Month	1995 Rate Per Day (note 1)	1997 Rate per Day (Note 1)
HQ Professional	\$16,552	\$15,098	\$903	\$884
HQ General Service	8,661	7,552	\$472	\$442
Country Office Professional	16,035	\$17,730	\$875	\$1,038

Note 1 - In 1995 the daily rate was based upon an estimated 220 average working days per year. In 1997, this has been changed to 205 days based upon information provided from PERSYS and the formula used by FAO in computing its Readi-Reckoner Rate.

## XI. READINESS

62. At meetings of the Formal Working Group on the Resourcing and Long-term Financing Policy and the CFA and Executive Board, members have expressed an interest in quantifying the benefit of having a functioning WFP Office primarily involved in development, in place in a country when an emergency takes place. If such a benefit were to exist the Secretariat and Executive Board might consider transferring all or part of the value of the benefit from the development indirect support costs to emergency operation indirect support to compensate for the benefit of being “ready” to respond. There are a number of different approaches which might be used in determining such a benefit including:
- a) Costs Incurred: Determining the actual cost related to services which contribute to readiness which might include disaster preparedness, standby arrangements, work in connection with development and implementation of strategies for stockpiling commodities, etc.
  - b) Direct Support Costs Avoided: Estimating the indirect and direct support costs which are not incurred particularly in the initial stages of a project by having a WFP office in a country when an emergency situation arises.
  - c) Valuation: Establishing a notional value to the Programme not related to costs incurred or avoided but considered reasonable by the governing body and related to issues such as possible reduction in operational requirements or faster response to recipient needs, or long-term impact on the recipient population.
63. **Costs Incurred**: The 1997 work measurement survey identified a number of functions performed by WFP Country Offices which relate to improving the ability of the country office and the host government to be ready to meet emergency situations. The cost study then determined the level of expenditures which WFP incurs in performing these functions. The portion of the costs included in the calculation of the indirect support cost rate for development is as follows:

Disaster Preparedness	\$559,397
Commodity Utilization (40%)	1,328,424
Standby Arrangements	<u>329,617</u>
Total	\$2,217,438

64. The impact on the indirect support cost rates of transferring these costs from development to emergency operations would be as follows:

	Rate Computed	Change Rate	Revised
Development Rate	16.7%	-0.3%	16.4%
EMOP Rate	5.2%	+0.2%	5.4%

65. **Costs Avoided:** An alternative or additional element which could be used to quantify the value of having country office in place to respond to an emergency would be to determine if the existence of such an office resulted in a lower percentage of direct support costs being incurred for emergency operations. In the case of WFP this would involve determining whether the existence of a PSA financed country office involved primarily in administering development activities, had a material impact on reducing the direct support costs incurred in administering an emergency operation in the country.
66. After reviewing of 1996 direct support costs and 1994-1995 charges to special emergency operations (SEO) it was felt to be inappropriate to include the costs of expenses which would be funded as "non food items" rather than through the PSA in country office involved primarily or exclusively with development. The following were included in the analysis:
- All Special Emergency Operation expenditures during the 1994-1995 Biennium with the exception of the Emergency Logistics Authorization and a special fund for Afghanistan.
  - All Direct Support Costs for IEFR and PRO funded projects during 1996
  - All 1997 EMOP and PRO project budgets approved from 1 January to 30 June 1997.
67. For each project during this period, the total expenses incurred for items which would be considered direct support costs other than consultants and equipment (staff salaries, travel, office expenses, and vehicle operations was divided by the total operational expenditures for the project resulting in a percentage. The percentages for projects where WFP had a permanent country office were then compared with those for projects in countries where the office was entirely financed from projects funds (NIS, former Yugoslavia, and North Korea). The results were as follows:

**WFP EMOP and PRO Direct Support Costs  
as a Percentage of EMOP/PRO Operational expenditures**

	1994-1995	1996	1997 Budgets (note 1)
PSA Financed Office	3.9%	5.6%	5.8%
No PSA Financed Office	5.2%	4.0%	5.3%
Average all Offices	4.1%	5.2%	5.5%

68. The figures shown reflect the averages for all EMOP/PRO projects during the periods indicated. Significant differences existed among the projects within the two groups, however, the results did not indicate any ascertainable relationship between DSC expenses and the existence of the PSA Office. For the period 1994-1995 there appeared to be a significantly lower average percentage of direct support costs to operational expenditures between those in countries with PSA funded offices and those without. However, in 1996 and 1997 no such relationship seemed to exist. One reason appeared to be a general increase in the level of expenditures probably related to the change in funding from the old SEO financing which resourced separately from the operational expenditures to the procedures under Resourcing and Long-term Financing Policy (R&TLF) which provide for co-ordinated funding of all project costs - operational, direct support and indirect support.
69. It is likely that under the former financing approach direct support costs in countries with PSA offices were often not fully funded through SEO's when compared to those in countries in which the only WFP function was the emergency operation. The lower percentages of costs in 1994-95 may, therefore, be related more to under funding than lower costs and increases in the direct support costs in the countries with PSA offices in 1996 and 1997 may be associated with the full cost recovery concepts in R&LTF.
70. **Benefit (non accounting) approach:** The approaches described follow the basic principles used in the Resourcing and Long-term Financing Policy for establishing indirect cost rates in that they involved quantifying the specific impact of activities on the amount of indirect support costs attributable to the development and EMOP programme categories. WFP may wish to consider valuing readiness through approaches unrelated to the cost study.
71. In discussing the issue of the value of readiness with several NGO's involved in emergency operations and reviewing the approaches used by such agencies in computing their indirect costs, we did not find any NGO's or Government which specifically adjusted their indirect cost rate for development projects to reflect a value (computed or assumed) of having an office ready to respond to an emergency in the field. However, several relevant points were made in these discussions and discussions with WFP personnel:
- Though the existence of an office might not result in any specific saving of costs, it could enable the organization to respond more quickly to the emergency than would have been possible had there been no infrastructure in place. It is conceivable that a faster first response could have an impact on the overall length and scope of a project by helping to reduce the disruption which immediately follows the natural or man made disaster to which the emergency operation responds. A faster response might also result in saved lives and reduce the impact which the disaster has on long term health of the effected population.
  - The existence of an office staffed with experts who are able to assist a country in designing and implementing policies concerning the strategic stock piling of commodities and other requirements to meet emergencies

should have a positive impact on the requirements for commodities, existence of infrastructure, and need for outside assistance when a disaster occurs.

72. Though these points seem to be reasonable, attempting to prove them using the accounting approach followed in the cost study would be almost impossible and to accurately quantify the value of the benefit, should it be proven to exist, would be expensive and complex. Our firm does not have expertise in this type of valuation. The Secretariat and Executive Board might wish to study these issues further or establish a notional value for such benefits to its emergency operations by taking the calculated costs of 0.3% of development operational expenditures and increasing this by a element acceptable to donors to reflect the perceived value or benefit.

## **XII. COST IMPLICATIONS OF MULTILATERAL AND MULTILATERAL DIRECTED CONTRIBUTIONS**

73. In its resolution adopting the 1997 indirect support cost rates the Executive Board requested that the 1997 cost study quantify the impact of multilateral contributions. We have, therefore, again looked into the differences in the work effort of various WFP departments of handling a multilateral and directed multilateral contribution. The analysis has been complicated by some difficulty in defining multilateral in the context of WFP's Resourcing and Long-term Financing Policy.

74. In the Resourcing and Long-term Financing Policy as adopted by the CFA (40/5 paragraph 8.a) it indicates that a contribution will be considered multilateral if

*“WFP determines for which WFP project/operation the contribution will be used and how it will be used, and the donor accepts reports submitted to the governing body as being sufficient for its own requirements.”*

In the proposed WFP Financial Regulations multilateral contributions are described as:

*“a contribution for which WFP determines the Country Programme or WFP activities in which the contribution will be used and how it will be used, or a contribution made in response to an appeal made by WFP for a specific operation. In such cases, the donor will undertake to accept reports submitted to the Board as sufficient to meet the requirements of the donor. This means that the donor will agree in advance that the submission of such reports will be acceptable”*

75. WFP's financial reporting appears for the most part to be following the definition as described in the proposed financial regulations and this definition has been followed for the purposes of the 1997 Cost Study. WFP's 1996 Annual Accounts reflect the following distribution of the receipt of contributions for the major programme categories:

## Contributions Received by WFP in 1996

(in thousands of US dollars)

Programme Category	Multi-lateral	Directed Multilateral	Prior Period	Total Contributions	Percent Multilateral	Percent Directed
Development	166,047.0	16,644.0	140,730.0	323,471.0	90.9%	9.1%
EMOP (IEFR)	132,038.0	261,198.0	180,261.0	573,497.0	33.6%	66.4%
PRO	127,366.0	142,316.0	64,992.0	334,674.0	47.2%	52.7%

Note 1 - percentages are computed excluding contributions received in 1996 covering prior period pledges since they are not based upon the Resourcing and Long-term Financing Policy

76. The change in the definition of Multilateral under R&LTF has resulted in a significant change in the mix of contributions particularly for EMOPs and PROs for which only small amounts would have been classified as multilateral under the definitions in use before 1996. At present there some differences in the interpretations of these and other issues concerning the classification of contributions which should be clarified. If a financial distinction is made in the indirect costs charged based upon the classification of a donation it will be essential that all involved WFP staff and donor representatives have the same understanding.
77. The 1996 Cost Study included a calculation that WFP incurred \$1.7 million costs which were unique to directed multilateral development contributions. These costs were not incurred in connection with multilateral contributions. This analysis was based upon work effort in the first six months of 1996 and did not include contributions to PROs and IEFR. The cost study indicated that it was assumed that a significant portion of the work effort indicated might have been related to the implementation of R&LTF rather than work effort of a continuing nature.
78. Based upon the results of the 1997 work measurement study and discussions with representatives of effected departments several areas in which work effort is impacted by the type of contribution there have been significant changes in the work effort. To an extent the change has been caused by the use of the broader definition which includes contributions to WFP appeals as multilateral contributions. For 1997 additional work effort was identified as follows:

**Resource Mobilization:** Directed multilateral contributions require additional work effort in connection with the preparation of proposals to meet donor specifications in connection with recipient country, project, operation, tonnage and commodity. In addition, modifications of the use of directed multilateral contributions require donor concurrence, necessitating the submission of additional proposals and documents to the donor.

**Resource Programming:** In the case of multilateral contributions WFP has the ability to direct the contribution to the project/operation of the most immediate

need and to modify the use of contributions should a directed contribution become available for a specified project. In the case of Directed Multilateral contributions WFP must submit detailed proposals to the donor on the use of commodities and cash by country and project. Similar proposals must be developed if it becomes necessary for the use of a donation to be modified.

**Donor Reporting:** Under the present reporting procedures donors making multilateral contributions receive only the information provided in WFP summary reporting on the programme category or operation. Donors making contributions to WFP appeals which are considered multilateral currently receive a report related to their specific donations. In the third quarter of 1997 a new donor reporting system will be initiated which will provide specific reports for each development project and PRO/EMOP. These reports will include specific information on directed multilateral contributions and information on multilateral contributions in aggregate for all such donors who contributed to the project during the specified reporting period.

79. Based upon these activities and the related work effort as reported in the 1997 Work Measurement Survey and using the definition of multilateral contained in the proposed Financial Regulations the following calculations have been made to attempt to determine any incremental costs which WFP incurs in connection with directed multilateral contributions.

**WORLD FOOD PROGRAMME**  
**Incremental Costs of Multilateral Directed Contributions**

	Development	PRO	EMOP
As Percent of Operational Expenditures	0.1%	0.2%	0.1%
As Percent Charge for Directed Operational Expenditures for Multilateral Directed Contributions	1.0%	0.4%	0.2%
As Percent Credit to Operational Expenditures for Multilateral Contributions	0.1%	0.3%	0.3%

80. The calculation has been shown as a credit which might be given to multilateral contributions or as a charge to directed contributions. Again, the approach used follows the cost study methodology and attempts to calculate only the actual costs incurred as identified in the work measurement survey as a percentage of the operational expenditures since this is the area of our expertise. There are other values of purely multilateral contributions such as simplification of the programming process which would enable commodities to reach recipients more quickly and to improve the quality of projects through more regular distribution of resources. However, the current definition of multilateral contributions is quite

broad and many contributions so classified do not meet the traditional multilateral definition of being untied, unrestricted as to use, and up front. Many require proposals to donors, allow for donor involvement or even agreement when contributions are redirected, and include some restrictions. If WFP wishes to pursue this type of valuation it would be essential that there be a precise definition

### XIII. CLASSIFICATION OF COSTS AS DIRECT AND INDIRECT

81. In its resolution adopting the indirect support cost rates for use in 1997, the Executive Board asked that the 1997 cost study include further analysis concerning the categorization of costs as direct or indirect. In the 1996 Cost Study, a detailed examination of budgeting and accounting at four WFP country offices and a review of the definitions used by other UN agencies and NGOs which had participated in cost measurement studies was undertaken to determine the approach used in the financing of international development and relief projects. In the 1997 study this review was expanded to look into the approach used by WFP at HQ in the preparation of project direct support cost budgets and in accounting for direct support costs during 1996.
82. In considering how WFP should categorize its expenses, it is also necessary to consider the approach currently used in the calculation of indirect support cost charges. Under the Resourcing and Long-term Financing Policy support costs provided to all Development Projects and Emergency, Protracted Relief and Special Operations undertaken by WFP are financed through two mechanisms. Services financed from the Programme Support and Administration (PSA) Budget are charged to donors using the indirect cost rates computed for each of WFP's major programme categories. All support costs not financed by the PSA including staff salaries, office expenses, equipment purchases, consultants, travel, and project (non food) supplies and materials are charged to individual project or operational budgets as direct support costs.
83. This approach was chosen so that WFP would have a reliable mechanism for financing its PSA Budget under R&LTF. However, its use restricts the flexibility which can be used in defining costs as direct or indirect since the portion considered indirect cannot exceed the amount established in the PSA budget for a biennium. WFP to a greater extent than other UN system units controls its costs of programme support and management. It has established a policy of no real growth in its PSA expenditures and established a direct relationship between PSA costs and the level of commodity tonnage.
84. The financing of direct and indirect support costs in 1996 worked generally as it had been anticipated in the R&LTF model. There are differences in the approach used in financing the Rome Secretariat and country offices as follows:

**Headquarters Support:** The costs of the Rome headquarters staff and infrastructure are financed almost exclusively from the PSA Budget. However, in 1996 sixteen posts in the Operations Department, primarily desk offices and general service staff assigned to support one project, were financed from direct

charges to project budgets. In addition, certain consultants and temporary staff involved in project support at HQ were included in project budgets and funded from direct support costs.

**Field Support:** For development projects field direct support costs are, with few exceptions, limited to project supplies and materials (non food items) such as seeds and agriculture equipment and the services provided by other UN agencies (ILO, DDSMS, FAO and UNESCO) in connection technical support provided specifically to projects. All staff and office support services are provided by the PSA financed country offices.

For **Protracted Relief Operations (PRO), Special Operations (SO) and Emergency Operations (EMOP)** the financing of field support costs varies significantly from country to country and among operations within countries. In a number of countries with small EMOPs and PROs, the field staff and office expenses are financed entirely from indirect support costs. In others, such as the NIS and for Yugoslavia operations, all field costs including the country director and office expenses are financed as direct support costs with no PSA financing. However, in most operations the field support costs are financed by a combination of PSA financed country office staff and infrastructure and direct support services charged directly to the project budget.

85. The functions and types of expenditures financed from PSA and direct support costs varies considerably among the different country offices. In the majority of countries, particularly those involved exclusively with development, all of the country office salaries and office expenses are financed from PSA. In others PSA finances may finance only the Country Director's salary. This means that in some countries responsible for operations in different programme categories all of the costs of finance, procurement and logistics are in the PSA and in other all may be financed from direct charges to projects.
86. In a significant number of countries, WFP's operations include activities in two or more of the programme categories (Development, PRO, EMOP and Special Operation) and often a number of different projects within a programme category. In cases where the country office PSA budget has not been sufficient to fully finance the staffing need for functions such as logistics, finance, procurement these staff are directly charged to project budgets using a variety of mechanisms, which should be uniform in application.
87. The easiest way to ensure that a consistent approach is used for financing costs as direct or indirect would be to define all services which are not related exclusively to one project as indirect and provide PSA funding. However, the limitations on PSA growth and its relationship to commodity tonnage make this an impractical solution. It might also not be desirable since it would have the effect of significantly increasing WFP's indirect support costs rates. Based upon 1996 actual direct support costs and 1994-95 SEO costs incurred it is estimated that the PSA budget would have to increase by over \$50 million and indirect rates for EMOP and PRO increase by 40% to implement such a change.
88. It would not appear useful or appropriate to change the basic R&LTF concept that Indirect Costs = PSA certainly until the evaluation of the various resourcing and financing mechanisms is completed and reviewed by the Executive Board.

However, it does appear important that the distinction between direct and indirect support costs be as clear as possible. Therefore, based upon the review of other UN agency and International NGO systems for charging costs to projects as direct and indirect, the following approach is recommended:

**INDIRECT SUPPORT COSTS:** Indirect Services would include all HQ organization units and regional cluster and country office staff which perform functions (executive direction, human resources management support, finance, planning and policy development, donor and public relations, and governance) which support WFP or one its programme categories as a whole rather than individual projects. This category would include the maintenance, rental and communications costs of country offices and regional offices. The costs of all of these services would continue to be financed from the indirect support cost percentage rates.

**DIRECT SUPPORT COSTS:** Direct Services would consist of two major categories of project/operation support:

- **Direct Charges:** Costs which are incurred exclusively for one project including project supplies and equipment (non food items); salaries of international and local staff, UNV's and consultants hired for project monitoring, evaluation and backstopping and related travel expenses; rental and maintenance of field offices serving one project; These costs would be charged directly to the account established for the project.
- **Operational Support Charges:** Costs of services provided by a HQ, regional cluster and country office staff specifically to a single project including evaluation, audit, field return processing, desk officers, technical support services, and use of country office vehicles excluding those purchased for and used exclusively in connection with one project or operation. These costs would be charged to project budgets using a rate covering direct salary costs (daily or monthly) depending upon the length and type of service provided.

89. The introduction of a a mechanism for charging services currently financed primarily through the PSA as direct charges to projects would have a number of advantages:

- It would free up some PSA resources and enable WFP to finance uniformly finance indirect support functions within all of its country offices.
- Projects are charged for some HQ and Country Office services only when they use the service. This gives project managers additional control over project budgets and imposes some "market discipline" on providers of the service.
- Indirect support cost rates could be reduced to the extent that existing PSA funded activities were financed from operation support charges directly to projects
- It would impose some management controls on the financing of particular services by making both the rate computed for the service and the cost of the specific service transparent to management, donors and project personnel. If

the rate became unreasonably expensive due to low volume of business or inefficiency it would become immediately apparent to all users of the services and WFP Administration.

- It would add cost controls by making management (HQ, regional and country office) immediately aware when there were insufficient project users to finance a service.
  - By charging costs such as evaluation, audit, procurement, transport and monitoring as direct support rather than the indirect rate which is a global average, the true cost becomes clearer and can be evaluated against the perceived benefit of the project.
90. Systems of this type are in use by a number of international NGOs and by governmental and non governmental organizations in the USA. FAO has for a number of years financed a significant portion of its evaluation unit (PBEE) through direct charges to projects and has recently implemented systems for charging technical support services to technical co-operation projects. In addition, FAO and several other agencies charge projects for services such as report writing, translation and printing to projects based upon units of service provided. The International Federation of Red Cross and Red Crescent Societies now charges almost all of its operational support services to projects using such a system and has eliminated its basic indirect support charges.
  91. Exhibit E is a suggested breakdown of how such a system might work within WFP. The proposed inclusion of units as either fully or partially indirect is based upon the results of the 1997 Work Measurement Survey. Units which indicated substantial direct support services provided to projects are included in the operations support section though not all of the functions would be charged as indicated.
  92. The units shown as fully indirect would continue to be financed from percentage rates developed for each of the major programme categories (Development, PRO, EMOP, Special Operations and Bilateral Services). The indirect portion of the units shown as partially direct would also be financed from the percentage rates.
  93. The costs of the above units would be considered partially indirect services - covering unit administrative costs or services provided which do not lend themselves to statistical or other direct charges. The portion shown as direct would be charged to project budgets on a monthly basis based upon the number of days of service provided using a daily rate computed individually to reflect each units average cost or Metric Tons of commodities again computed based upon the work effort in each month.
  94. **Development Projects:** If such an approach is implemented it is recommended that it include all of WFP's major programme categories including Development. This could significantly reduce the indirect support cost rate, but would require that project budgets funds to finance the cost of operational support services as direct charges.
  95. **Rate Computation:** The rates could be computed as part of the budgetary process. It is recommended that the rate include all of the costs of a particular unit. This amount would be divided by the estimated of units of service which would be

provided (indirect and direct) to arrive at an average rate. For example, the budgeted cost of OEDE would be divided by the estimated number of days of service which the professional staff could complete in a year (total days less leave of absence, training, and time spent on unit administration) producing an average daily rate which would be charged only for services provided directly to projects.

96. **Country Office Use:** Currently, in a number of country office the costs of logistics and procurement are already being distributed based upon tonnage or other measures. The approach recommended would formalize this approach and extend its use to all offices.
97. The implementation of systems of this type take time since procedures must be prepared, an accounting system must be in place, rates must be computed and people must be given some orientation into the concept. In the Red Cross Federation, the implementation was phased in over several years with services added to operations support at different intervals. In addition, the budgetary and financial implications would have to be examined in detail.
98. Systems of this type must be designed in such a way that the Secretariat and donors can be kept aware of the entire costs of providing operational support to projects - both direct and indirect. This will ensure that the transfer of certain costs from indirect services to direct charges does not result in overall increases in the costs chargeable to projects.

#### **XIV. SUMMARY**

99. David M. Griffith and Associates, Ltd. has been privileged to work with the WFP Secretariat and Governing Body in the implementation of the Resourcing and Long-term Financing Policy. In our opinion, WFP now has a process of financing its project support costs which is programme specific, completely transparent, and based upon accurate projections of costs which are reconciled to actual. This is unique among all units of the UN System and to our knowledge unique among NGOs involved in the implementation of development and relief projects. Though the system may at time appear cumbersome and overly complex, in the long-term it may help to insure that WFP does not have to face the substantial problems of cash flow and budget deficits which have plagued provided of development and relief support over the past decade.
100. DMG is grateful for having had the opportunity to participate and we would like to express our appreciation to the Secretariat and its staff for their co-operation and assistance. We are pleased that the Secretariat will be undertaking a complete review of the Resourcing and Long-term Financing Policies this year and stand ready to provide any assistance which may be useful.

**GLOSSARY OF TERMS**

CFA	Committee on Food Aid Policies and Programmes
CCAQ	UN Consultative Committee on Administrative Questions
DHA	UN Department of Humanitarian Assistance
EMOP	Emergency Operation
FSFA	WFP Financial Services Accounts Branch
FAO	Food and Agriculture Organization of the United Nations
FMIP	WFP Financial Management Improvement Programme
FSB	WFP Financial Services Budget Branch
FSIS	Financial Services Information Systems Support Unit
GL:M	WFP General Ledger Accounting System
GS	General Service Staff
HQ	Headquarters (WFP Rome Secretariat)
HR	WFP Human Resources Division
ICC	International Computer Centre (Geneva)
ICSC	UN International Civil Service Commission
IEFR	International Food Aid Reserve
IFAD	International Fund for Agriculture Development
ILO	International Labour Organization
IRA	Immediate Response Account
ITU	International Telecommunications Union
JPO	Junior Professional Officer
LAN	Local Area Network - WFP HQ Computer Network
NFI	Non-Food Items
NGO	Non Governmental Organization
PERSYS	FAO Personnel System
PSA	WFP Programme Support and Administration Budget
REA	WFP Resource Mobilization for Americas, Asia and Australia
REE	WFP Resource Mobilization for Europe, Africa and Middle East
RDM	WFP Resource Management Service
R&LTF	WFP Resourcing and Long-term Financing Policy
SEO	Special Emergency Operation
UNDDSMS	UN Department of Development Support and Management Services
UNDP	UN Development Programme
UNESCO	UN Education, Scientific and Cultural Organization
UNIDO	UN Industrial Development Organization
UNOPS	UN Office for Project Services
UNV	United Nations Volunteer
WHO	World Health Organization
WIS	WFP Information System























**WORLD FOOD PROGRAMME**  
**COST MEASUREMENT STUDY BASED ON 1996 ACTUAL AND 1997 BUDGETED COSTS**  
**CALCULATION OF OPERATIONAL COSTS BY PROGRAMME**

**EXHIBIT A**

DESCRIPTION	1996 ACTUAL EXPENSES PER ANNUAL ACCOUNTS PLUS 1997 ESTIMATE	SUPPORT COSTS	ALLOCATE JPO SUPPORT COSTS	ADJUSTED SUPPORT COSTS	RATE
DEVELOPMENT PROJECTS	643 000 000	108 353 557	587 689	1 089 941 246	16.94%
PROTRACTED RELIEF OPERATIONS	625 000 000	43 244 143	342 338	43 586 481	6.97%
EMERGENCY OPERATIONS	1 101 000 000	64 304 848	124 635	64 429 483	5.85%
BILATERAL PROJECTS	50 840 000	5 801 353	13 171	5 814 524	11.44%
SPECIAL OPERATIONS	88 000 000	4 858 970	20 682	4 879 652	5.55%
JUNIOR PROFESSIONAL OFFICERS (NOTE 1)	6 160 000	1 827 714	-1 088 514	739 200	12.00%
GENERAL FUNDS, NETQ, FMIP	0	48 008	0	48 008	0.00%
TOTAL	2 514 000 000	228 438 593	0	228 438 593	9.09%
PSA AND AGENCY EARNINGS FROM PRIOR PERIODS	231 579 378	0	0	0	
UN AGENCY TECHNICAL SERVICES (NOTE 2)	0	3 140 783	0	3 140 783	
GRAND TOTAL	2 745 579 378	231 579 376	0	231 579 376	

NOTE 1 - JPO EXPENSES IN EXCESS OF 12% FEE ARE DISTRIBUTED BASED UPON THE RESULTS OF WORK MEASUREMENT SURVEY

NOTE 2 - REPRESENTS PORTION INCLUDED IN PSAS BUT TO BE CHARGED TO PROJECTS AS DIRECT SUPPORT COST

**WORLD FOOD PROGRAMME**  
**COST STUDY BASED UPON 1996 ACTUAL AND 1997 BUDGETED**  
**COSTS**  
**DISTRIBUTION OF INDIRECT SUPPORT**  
**COSTS**

**EXHIBIT B**

ORGANIZATION UNIT	DEVELOP- MENT	EMOP	PRO	BILATERAL		SPECIAL OPERATIONS	DIRECT SUPPORT	OTHER	TOTAL
				SERVICES	JPO				
COST VARIANCES	-454 856	-475 856	-281 160	-59 673	-15 799	-48 889	-9 774	-407	-1 346 414
EXECUTIVE DIRECTOR	1 535 705	997 141	662 212	119 880	89 758	63 013	4 804	1 132	3 473 645
INTERNAL AUDIT	836 430	731 941	613 417	162 711		254 725	0	0	2 599 224
EVALUATIONS	1 648 799	751 439	673 308	0		68 938	1 352 900	0	4 495 384
INSPECTION AND INVESTIGATION	380 807	227 293	159 789	28 292	21 189	14 704	1 180	89	833 343
<b>TOTAL OFFICE OF THE EXECUTIVE DIRECTOR</b>	<b>4 401 741</b>	<b>2 707 814</b>	<b>2 108 726</b>	<b>310 883</b>	<b>110 947</b>	<b>401 380</b>	<b>1 358 884</b>	<b>1 221</b>	<b>11 401 596</b>
HUMAN RESOURCES DIRECTOR	837 841	738 521	453 204	68 761	93 917	54 554	4 259	455	2 251 512
RECRUITMENT AND STAFFING BRANCH	1 222 790	1 213 823	710 117	98 707	152 951	88 055	9 238	712	3 496 393
STAFF TRAINING UNIT	1 336 394	797 519	560 704	99 290	74 220	51 359	4 143	322	2 923 951
STAFF RELATIONS AND SERVICING BRANCH	735 032	703 475	431 570	66 796	105 640	58 047	1 916	481	2 102 957
CAREER DEVELOPMENT	185 216	110 563	77 727	13 777	10 336	7 204	573	45	405 441
<b>TOTAL HUMAN RESOURCES</b>	<b>4 317 273</b>	<b>3 563 901</b>	<b>2 233 322</b>	<b>347 331</b>	<b>437 064</b>	<b>259 219</b>	<b>20 129</b>	<b>2 015</b>	<b>11 180 254</b>
RESOURCES AND EXTERNAL RELATIONS DIRECTOR	162 197	268 520	163 816	31 582	0	39 438	0	0	665 553
RESOURCE MOBILIZATION AMERICAS, AUSTRALIA AND ASIA	888 207	733 208	565 009	387 119	5 636	132 697	0	0	2 711 876
PUBLIC AFFAIRS SERVICE	1 072 941	1 864 143	1 097 757	0	0	87 587	0	0	4 122 428
EXECUTIVE BOARD SECRETARIAT AND INTER- AGENCY AFFAIRS	1 570 616	2 728 812	1 606 943	0	0	128 213	0	0	6 034 584
RESOURCE MOBILIZATION EUROPE, MIDDLE EAST AND AFRICA	567 834	684 629	454 671	108 323	0	180 739	0	0	1 996 196
GENEVA OFFICE	67 081	397 920	152 675	56 682	0	217 980	0	0	892 338
TOKYO OFFICE	37 790	151 158	151 158	0	0	37 789	0	0	377 895
NORTH AMERICA OFFICE	513 934	875 909	420 249	0	0	9 969	0	0	1 820 061
<b>TOTAL RESOURCES AND EXTERNAL RELATIONS</b>	<b>4 880 600</b>	<b>7 704 299</b>	<b>4 612 278</b>	<b>583 706</b>	<b>5 636</b>	<b>834 412</b>	<b>0</b>	<b>0</b>	<b>18 620 931</b>
STRATEGY AND POLICY DIRECTOR	267 778	220 089	126 654	3 360	3 101	1 996	0	0	622 978
POLICY AFFAIRS SERVICE	817 688	596 840	341 548	4 921	10 420	0	0	0	1 771 417
STRATEGIC PLANNING BRANCH	57 596	100 068	58 928	4 467	0	4 701	0	0	225 760

**WORLD FOOD PROGRAMME**  
**COST STUDY BASED UPON 1996 ACTUAL AND 1997 BUDGETED**  
**COSTS**  
**DISTRIBUTION OF INDIRECT SUPPORT**  
**COSTS**

**EXHIBIT B**

ORGANIZATION UNIT	DEVELOP- MENT	EMOP	PRO	BILATERAL		SPECIAL OPERATIONS	DIRECT SUPPORT	OTHER	TOTAL
				SERVICES	JPO				
CHANGE MANAGEMENT	16 309	28 335	16 686	1 265	0	1 331	0	0	63 926
<b>TOTAL STRATEGY AND POLICY</b>	<b>1 159 371</b>	<b>945 332</b>	<b>543 816</b>	<b>14 013</b>	<b>13 521</b>	<b>8 028</b>	<b>0</b>	<b>0</b>	<b>2 684 081</b>
MANAGEMENT SUPPORT DIRECTOR	78 290	118 925	57 436	9 451	2 198	8 916	947	54	276 217
ADMINISTRATIVE SUPPORT	3 889 994	4 322 930	2 575 264	445 644	160 280	410 562	57 869	4 606	11 867 149
SECURITY SERVICES	160 936	73 839	57 328	10 245	1 314	3 113	0	0	306 775
PROCUREMENT	548 885	1 350 294	653 227	237 325	0	0	0	0	2 789 731
TRAVEL GROUP	138 793	318 057	81 765	8 338	2 540	25 120	2 732	35	577 380
								0	
<b>TOTAL MANAGEMENT SUPPORT</b>	<b>4 816 898</b>	<b>6 184 045</b>	<b>3 425 020</b>	<b>711 003</b>	<b>166 332</b>	<b>447 711</b>	<b>61 548</b>	<b>4 695</b>	<b>15 817 252</b>
ASSISTANT EXECUTIVE DIRECTOR	2 493 319	634 927	449 568	56 439	41 555	57 652	794 619	4 036	4 532 115
PROGRAMMING SERVICE	1 127 944	574 604	476 896	50 119	9 872	54 422	0	0	2 293 857
TECHNICAL SUPPORT SERVICE	2 657 647	1 784 603	679 876	19 259	64 195	0	618 332	0	5 823 912
TRANSPORT AND LOGISTICS SERVICE DIRECTOR	188 832	483 250	240 027	46 572	0	56 073	0	0	1 014 754
INSURANCE AND LEGAL BRANCH	574 625	927 539	497 157	65 731	0	20 084	0	0	2 085 136
LOGISTICS SERVICE	331 064	2 258 893	1 156 882	114 353	0	523 338	0	0	4 384 530
OCEAN TRANSPORTATION SERVICE	914 138	1 431 886	569 583	133 553	0	0	0	0	3 049 160
FREIGHT ANALYSIS AND SUPPORT BRANCH	197 767	564 111	307 194	154 047	0	62 750	0	0	1 285 869
ASIA REGION	1 246 879	815 302	644 525	231 791	28 115	11 661	0	0	2 978 273
AFRICA REGION	3 231 132	2 982 584	2 205 633	38 895	64 510	186 885	0	0	8 709 639
LATIN AMERICA AND CARIBBEAN REGION	1 888 054	225 599	30 865	0	14 655	3 552	0	0	2 162 725
MEDITERRANEAN, MIDDLE EAST AND CIS REGION	1 010 730	841 697	614 586	23 984	2 600	231 731	0	0	2 725 328
<b>TOTAL OPERATIONS</b>	<b>15 862 131</b>	<b>13 524 995</b>	<b>7 872 792</b>	<b>934 743</b>	<b>225 502</b>	<b>1 208 148</b>	<b>1 412 951</b>	<b>4 036</b>	<b>41 045 298</b>
FINANCE AND INFORMATION SYSTEMS DIRECTOR	359 351	423 091	229 121	62 285	12 396	41 216	2 296	1 480	1 131 236
BUDGET SERVICE	1 114 979	1 007 226	587 356	90 800	28 536	75 052	11 320	1 236	2 916 505
FINANCE SERVICE	616 082	682 253	344 367	158 872	21 435	100 440	2 468	3 627	1 929 544
ACCOUNTS UNIT	358 837	1 077 456	619 755	398 799	39 726	173 614	1 106	4 317	2 673 610
DISBURSEMENTS UNIT	465 689	515 216	311 660	187 980	28 836	160 578	2 725	9 568	1 682 252
COUNTRY OFFICE FINANCE BRANCH	873 512	286 548	177 276	20 186	7 306	7 926	0	0	1 372 754
INFORMATION SYSTEMS SERVICE	1 078 996	1 317 148	720 072	138 519	48 696	115 103	10 975	3 569	3 433 078
SYSTEMS DEVELOPMENT BRANCH	331 172	601 451	241 404	53 095	35 632	35 460	1 870	3 672	1 303 756

WORLD FOOD PROGRAMME

EXHIBIT B

COST STUDY BASED UPON 1996 ACTUAL AND 1997 BUDGETED

COSTS

DISTRIBUTION OF INDIRECT SUPPORT

COSTS

ORGANIZATION UNIT	DEVELOP- MENT	EMOP	PRO	BILATERAL		SPECIAL OPERATIONS	DIRECT SUPPORT	OTHER	TOTAL
				SERVICES	JPO				
SYSTEMS SUPPORT SERVICE	1 282 622	1 404 879	820 083	145 501	45 349	131 763	14 162	2 835	3 847 194
FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM	19 098	40 706	14 497	3 539	2 742	2 246	72	289	83 189
TELECOMMUNICATIONS	1 153 688	1 352 912	800 121	135 035	34 256	141 930	12 058	1 696	3 631 696
CENTRAL INFORMATION MANAGEMENT AND STATISTICS BRANCH	388 998	532 655	344 027	21 237	0	0	0	0	1 286 917
DATA BASE AND ADMINISTRATION	131 642	180 258	116 423	7 187	0	0	0	0	435 510
<b>TOTAL FINANCIAL SYSTEMS</b>	<b>8 174 666</b>	<b>9 421 799</b>	<b>5 326 162</b>	<b>1 423 035</b>	<b>304 910</b>	<b>985 328</b>	<b>59 052</b>	<b>32 289</b>	<b>25 727 241</b>
OTHER UN AGENCY CHARGES	1 417 035			0			214 201	0	1 631 236
BILATERAL FEES PRIOR PERIODS (1996)	51 376	-42 959	-32 538	-25 522	-1 882	-10 315	-52	-139	-62 031
JPO FEES	16 107	3 901	2 295	341	528	357	35	3	23 567
SEO FEES PRIOR PERIODS (1996)	343 409	488 062	276 538	54 966	6 108	67 628	19 648	553	1 256 912
BILATERAL FEES PRIOR PERIODS (1997)	1 642 384	1 484 487	820 802	254 368	59 221	74 458	4 152	3 757	4 343 629
VARIANCE	-2 507	-1 668	-444	8	3 080	1 548	-2	-15	0
ALLOCATION REGIONAL & COUNTRY OFFICE SHARE RO/CO	-941 781	-404 418	-282 184	-158 273	-9 136	-3 559	0	0	-1 799 352
<b>TOTAL OTHER HEADQUARTERS</b>	<b>2 526 023</b>	<b>1 527 405</b>	<b>784 469</b>	<b>125 888</b>	<b>57 919</b>	<b>130 117</b>	<b>237 982</b>	<b>4 159</b>	<b>5 393 961</b>
<b>TOTAL HEADQUARTERS</b>	<b>45 683 847</b>	<b>45 103 734</b>	<b>26 625 425</b>	<b>4 390 929</b>	<b>1 306 032</b>	<b>4 225 454</b>	<b>3 140 772</b>	<b>48 008</b>	<b>130 524 200</b>
RAPID RESPONSE TEAM	439 296	685 911	307 393	11 758	5 141	66 864	11	0	1 516 374
COUNTRY OFFICE UNALLOCATED	101 992	146 264	48 087	10 721	397	17 265	0	0	324 726
ALLOCATION REGIONAL & COUNTRY OFFICE SHARE	941 781	404 418	282 184	158 273	9 136	3 559	0	0	1 799 352
<b>COUNTRY OFFICE UNALLOCATED</b>	<b>1 483 069</b>	<b>1 236 593</b>	<b>637 664</b>	<b>180 752</b>	<b>14 674</b>	<b>87 688</b>	<b>11</b>	<b>0</b>	<b>3 640 452</b>
BOTSWANA	163 344	0	0	0	0	0	0	0	163 344
BURUNDI	40 805	519 129	0	0	4 521	22 662	0	0	587 117
COMOROS	279 044	0	0	0	0	0	0	0	279 044

WORLD FOOD PROGRAMME

EXHIBIT B

COST STUDY BASED UPON 1996 ACTUAL AND 1997 BUDGETED

COSTS

DISTRIBUTION OF INDIRECT SUPPORT

COSTS

ORGANIZATION UNIT	DEVELOP- MENT	EMOP	PRO	BILATERAL		SPECIAL OPERATIONS	DIRECT SUPPORT	OTHER	TOTAL
				SERVICES	JPO				
DJIBOUTI	165 841	122 149	233 344	32 144	0	41 788	0	0	595 266
ERITREA	728 784	0	0	0	0	0	0	0	728 784
ETHIOPIA	1 618 045	842 250	1 071 593	26 004	0	53 815	0	0	3 611 707
KENYA	1 105 321	1 256 271	750 145	0	40 779	136 151	0	0	3 288 667
LESOTHO	769 758	337 226	0	0	18 228	0	0	0	1 125 212
MADAGASCAR	1 586 357	75 040	37 695	10 696	42 955	525	0	0	1 753 268
MALAWI	1 351 584	1 253 855	58 969	79 179	9 413	15 504	0	0	2 768 504
MAURITIUS	45 131	0	0	0	0	0	0	0	45 131
MOZAMBIQUE	1 449 855	1 633 014	516 382	89 135	5 265	67 322	0	0	3 760 973
RWANDA	0	1 216 527	0	0	0	0	0	0	1 216 527
SOMALIA	541 311	920 510	0	0	0	20 004	0	0	1 481 825
SUDAN	978 304	1 976 581	421 608	80 980	0	51 930	0	0	3 509 403
SWAZILAND	19 241	104 021	6 621	553	0	0	0	0	130 436
TANZANIA	595 680	608 592	0	0	0	37 246	0	0	1 241 518
UGANDA	642 617	609 474	876 465	61 453	6 674	40 280	0	0	2 236 963
ZAMBIA	562 076	433 440	82 544	26 370	3 546	0	0	0	1 107 976
ZIMBABWE	70 233	385 023	38 997	0	0	0	0	0	494 253
<b>TOTAL EASTERN AND SOUTHERN AFRICA</b>	<b>12 713 331</b>	<b>12 293 102</b>	<b>4 094 363</b>	<b>406 514</b>	<b>131 381</b>	<b>487 227</b>	<b>0</b>	<b>0</b>	<b>30 125 918</b>
BARBADOS	6 018	0	0	0	0	0	0	0	6 018
BOLIVIA	1 570 451	0	0	0	0	0	0	0	1 570 451
BRAZIL	396 805	0	0	0	1 784	0	0	0	398 589
COLOMBIA	944 460	0	23 522	0	0	0	0	0	967 982
COSTA RICA	95 478	0	0	0	0	0	0	0	95 478
CUBA	446 789	96 750		10 176	0	0	0	0	553 715
DOM REP	830 016			0	0	0	0	0	830 016
ECUADOR	877 519	15 539		0	0	0	0	0	893 058
SALVADOR	1 065 389	20 302		0	0	0	0	0	1 085 691
GUATEMALA	1 122 089	81 898	52 873	0	5 048	0	0	0	1 261 908
GUYANA	232 897			0	0	0	0	0	232 897
HAITI	883 417	246 921		9 123	25 591	0	0	0	1 165 052
HONDURAS	1 243 140			0	0	0	0	0	1 243 140
JAMAICA	733 686			0	1 397	0	0	0	735 083
MEXICO	194 911		91 390	0	0	0	0	0	286 301
NICARAGUA	1 163 703	9 352	18 583	0	7 314	0	0	0	1 198 952

WORLD FOOD PROGRAMME

EXHIBIT B

COST STUDY BASED UPON 1996 ACTUAL AND 1997 BUDGETED

COSTS

DISTRIBUTION OF INDIRECT SUPPORT

COSTS

ORGANIZATION UNIT	DEVELOP- MENT	EMOP	PRO	BILATERAL		SPECIAL OPERATIONS	DIRECT SUPPORT	OTHER	TOTAL
				SERVICES	JPO				
PANAMA	144 828			0	0	0	0	0	144 828
PARAGUAY	43 095			0	0	0	0	0	43 095
PERU	1 529 840			0	4 603	0	0	0	1 534 443
<b>TOTAL LATIN AMERICA AND CARIBBEAN</b>	<b>13 524 531</b>	<b>470 762</b>	<b>186 368</b>	<b>19 299</b>	<b>45 737</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14 246 697</b>
AFGHANISTAN	0	0	834 663	0	0	0	0	0	834 663
ALGERIA	0	7 406	80 733	0	0	0	0	0	88 139
EGYPT	1 165 359	0	0	0	27 801	0	0	0	1 193 160
GEORGIA	0	0	0	0	0	0	0	0	0
PALESTINE	368 437	217 128	0	0	0	0	0	0	585 565
IRAN	0	0	533 740	0	0	4 684	0	0	538 424
IRAQ	0	301 756	0	0	0	0	0	0	301 756
JORDAN	610 268	26 955	0	0	0	0	0	0	637 223
LEBANON	447 798	0	0	0	0	0	0	0	447 798
MOROCCO	865 432	0	0	0	24 839	0	0	0	890 271
PAKISTAN'	2 516 822	190 817	549 610	256 884	0	0	0	0	3 514 133
SYRIA	1 127 125	0	0	0	0	0	0	0	1 127 125
TUNISIA	583 451	0	0	0	0	0	0	0	583 451
TURKEY	0	420 003	0	0	0	0	0	0	420 003
YEMEN REP	1 088 826	293 042	205 574	0	0	0	0	0	1 587 442
<b>TOTAL MEDITERRANEAN, MIDDLE EAST AND EUROPE</b>	<b>8 773 518</b>	<b>1 457 107</b>	<b>2 204 320</b>	<b>256 884</b>	<b>52 640</b>	<b>4 684</b>	<b>0</b>	<b>0</b>	<b>12 749 153</b>
BANGLADESH	4 213 946	0	255 785	0	25 624	0	0	0	4 495 355
BHUTAN	488 889	270 019	0	0	0	0	0	0	758 908
CAMBODIA	49 069	0	158 531	169 854	0	0	0	0	377 454
KAMPUCHEA FEES	16 432	141 251	3 307 012	15 682	2 681	0	0	0	3 483 058
CHINA	1 785 715	49 490	0	0	18 350	0	0	0	1 853 555
INDIA	2 953 165	0	0	0	0	0	0	0	2 953 165
INDONESIA	325 346	80 754	0	0	9 518	0	0	0	415 618

WORLD FOOD PROGRAMME

EXHIBIT B

COST STUDY BASED UPON 1996 ACTUAL AND 1997 BUDGETED

COSTS

DISTRIBUTION OF INDIRECT SUPPORT

COSTS

ORGANIZATION UNIT	DEVELOP- MENT	EMOP	PRO	BILATERAL		SPECIAL OPERATIONS	DIRECT SUPPORT	OTHER	TOTAL
				SERVICES	JPO				
LAOS	0	310 543	0	0	0	0	0	0	310 543
NEPAL	724 621	126 046	503 005	74 120	24 854	0	0	0	1 452 646
PHILIPPINES	46 471	21 077	11 940	28 164	0	0	0	0	107 652
LANKA	496 924	134 255	249 361	69 023	0	0	0	0	949 563
THAILAND	6 895	35 242	34 477	0	0	0	0	0	76 614
VIETNAM	1 456 108	66 842	15 509	0	12 407	0	0	0	1 550 866
<b>TOTAL ASIA AND PACIFIC</b>	<b>12 563 581</b>	<b>1 235 519</b>	<b>4 535 620</b>	<b>356 843</b>	<b>93 434</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18 784 997</b>
ANGOLA	139 404	833 763	727 880	18 622	0	53 917	0	0	1 773 586
BENIN	730 214	35 761	84 081	16 921	5 233	0	0	0	872 210
BURK FASO VERDE	983 501 637 657	68 380 0	171 379 0	0 0	0 0	0 0	0 0	0 0	1 223 260 637 657
C.A.R.	676 283	38 930	83 173	117 614	0	0	0	0	916 000
CHAD	1 191 663	38 885	0	0	0	0	0	0	1 230 548
CAMEROON	1 013 746	0	0	0	0	0	0	0	1 013 746
CONGO	40 092	75 796	0	0	0	0	0	0	115 888
COTE D'IVOIRE	758 388	52 348	1 065 486	0	13 607	0	0	0	1 889 829
GUINEA	32 102	0	0	0	0	0	0	0	32 102
GAMBIA	574 434	4 166	0	0	0	0	0	0	578 600
GHANA	580 529	132 493	312 466	0	0	0	0	0	1 025 488
GUINEA BIS	604 128	0	0	0	22 821	0	0	0	626 949
GUINEA	656 463	30 618	568 388	0	4 536	0	0	0	1 260 005
LIBERIA	0	0	940 490	0	0	0	0	0	940 490
MAURITANIA	556 255	337 996	107 122	22 940	39 224	0	0	0	1 063 537
MALI	1 388 724	0	234 376	0	0	0	0	0	1 623 100

WORLD FOOD PROGRAMME  
 COST STUDY BASED UPON 1996 ACTUAL AND 1997 BUDGETED  
 COSTS  
 DISTRIBUTION OF INDIRECT SUPPORT  
 COSTS

EXHIBIT B

ORGANIZATION UNIT	DEVELOP- MENT	EMOP	PRO	BILATERAL		SPECIAL OPERATIONS	DIRECT SUPPORT	OTHER	TOTAL
				SERVICES	JPO				
NAMIBIA	52 231	0	0	0	0	0	0	0	52 231
NIGER	1 103 198	0	21 088	0	21 775	0	0	0	1 146 061
SAO TOME	224 569	18 871	204 324	0	10 260	0	0	0	458 024
SENEGAL	1 324 717	2 175	77 706	0	66 360	0	0	0	1 470 958
SIERRA LEO	215 951	647 851	0	0	0	0	0	0	863 802
TOGO	34 946	53 990	46 885	14 035	0	0	0	0	149 856
ZAIRE	92 485	136 008	315 539	0	0	0	0	0	544 032
<b>TOTAL WESTERN AND CENTRAL AFRICA</b>	<b>13 611 680</b>	<b>2 508 031</b>	<b>4 960 383</b>	<b>190 132</b>	<b>183 816</b>	<b>53 917</b>	<b>0</b>	<b>0</b>	<b>21 507 959</b>
<b>TOTAL COUNTRY OFFICES</b>	<b>62 669 710</b>	<b>19 201 114</b>	<b>16 618 718</b>	<b>1 410 424</b>	<b>521 682</b>	<b>633 516</b>	<b>11</b>	<b>0</b>	<b>101 055 176</b>
<b>GRAND TOTAL</b>	<b>108 353 557</b>	<b>64 304 848</b>	<b>43 244 143</b>	<b>5 801 353</b>	<b>1 827 714</b>	<b>4 858 970</b>	<b>3 140 783</b>	<b>48 008</b>	<b>231 579 376</b>
REALLOCATE JPO COSTS	581 599	123 343	338 790	13 035	-1 077 234	20 467	0	0	0
<b>ADJUSTED GRAND TOTAL</b>	<b>108 935 156</b>	<b>64 428 191</b>	<b>43 582 933</b>	<b>5 814 388</b>	<b>750 480</b>	<b>4 879 437</b>	<b>3 140 783</b>	<b>48 008</b>	<b>231 579 376</b>

**WORLD FOOD PROGRAMME**

**EXHIBIT C**

**CALCULATION OF BILATEAL PARTIAL SERVICE FEES BASED ON  
COST STUDY BASED ON 1996 ACTUAL SUPPORT COSTS  
AND PROJECTED 1997 BILATERAL SERVICE OPERATIONAL EXPENDITURES**

DESCRIPTION	ACTUAL 1996 EXPENDITURES (NOTE 1)	SUPPORT COSTS (NOTE 2)	RATE
COMMODITY PROCUREMENT	17 955 790	1 214 579	6.80%
TRANSPORT	12 221 579	1 562 810	12.80%
TRANSPORT AND COMMODITY PROCUREMENT	30 177 369	2 777 389	9.20%
MONITORING	646 206		
MONITORING, TRANSPORT AND COMMODITY PROCUREMENT	30 823 575	2 777 389	9.00%
BILATERAL SERVICE FEES	4 196 215		
<b>TOTAL BILATERAL SERVICES</b>	<b>35 019 790</b>	<b>2 777 389</b>	

NOTE 1 - PER 1996 ANNUAL ACCOUNTS SCHEDULE 3  
PLUS 1994-1995 CREDITS PROCESSED IN 1996

26 849 260  
8 170 530

TOTAL

35 019 790

**WORLD FOOD PROGRAMME  
 COST MEASUREMENT STUDY BASED ON 1996 ACTUAL  
 COSTS  
 CALCULATION OF OPERATIONAL COSTS BY PROGRAMME**

**EXHIBIT D**

DESCRIPTION	TOTAL EXPENDITUR ES PER ANNUAL ACCOUNTS	PLUS BILATERAL FOOD DONATIONS	SUB TOTAL EXPENDITURES	SUPPORT COSTS	ALLOCATE JPO SUPPORT COSTS	ADJUSTED SUPPORT COSTS	RATE
DEVELOPMENT PROJECTS	279 022 000	0	279 022 000				
DISASTER MITIGATION PROGRAMME	1 579 000	0	1 579 000				
NON FOOD ITEMS	6 210 000	0	6 210 000				
SUB TOTAL DEVELOPMENT	286 811 000	0	286 811 000	52 314 246	245 185	52 559 431	18.33%
PROTRACTED RELIEF OPERATIONS	250 131 000	0	250 131 000				
SUB TOTAL PROTRACTED RELIEF	250 131 000	0	250 131 000	19 608 232	51 998	19 660 230	7.86%
IEFR IRA	9 782 000	0	9 782 000				
IEFR EMERGENCY OPERATIONS (EMOP)	476 849 000	0	476 849 000				
SUB TOTAL EMERGENCY	486 631 000	0	486 631 000	31 295 959	142 824	31 438 783	6.46%
BILATERAL PROJECTS	23 615 000	14 130 000	37 745 000	2 777 402	5 495	2 782 897	7.37%
SPECIAL OPERATIONS	18 516 000	0	18 516 000	2 267 852	8 628.47	2 276 480	12.29%
QUALITY IMPROVEMENT	2 109 000	0	2 109 000				
GENERAL FUND	81 000	0	81 000				

**WORLD FOOD PROGRAMME**  
**COST MEASUREMENT STUDY BASED ON 1996 ACTUAL**  
**COSTS**  
**CALCULATION OF OPERATIONAL COSTS BY PROGRAMME**

**EXHIBIT D**

DESCRIPTION	TOTAL EXPENDITURES PER ANNUAL ACCOUNTS	PLUS BILATERAL FOOD DONATIONS	SUB TOTAL EXPENDITURES	SUPPORT COSTS	ALLOCATE JPO SUPPORT COSTS	ADJUSTED SUPPORT COSTS	RATE
JUNIOR PROFESSIONAL OFFICERS	3 254 000	0	3 254 000	844 610	-454 130	390 480	12.00%
TOTAL OPERATIONAL EXPENDITURES	1 071 148 000	14 130 000	1 083 088 000	109 108 301	0	109 108 301	10.07%
UN AGENCY DIRECT TECHNICAL SERVICES	0	0	0	1 155 568	0	1 155 568	
FMIP/PAB/GENERAL FUND	3 259 000	0	3 259 000	22 915		22 915	
PSA	110 287 000	0	110 287 000	0	0	0	
TOTAL PROGRAM SUPPORT & ADMINISTRATION	113 546 000	0	113 546 000	1 178 483		1 178 483	
GRAND TOTAL	1 184 694 000	14 130 000	1 196 634 000	110 286 784	0	110 286 784	

**EXHIBIT E****PROPOSED CLASSIFICATION OF FUNCTIONS AS DIRECT OR INDIRECT**

<b>HQ UNITS FINANCED ENTIRELY FROM INDIRECT SUPPORT CHARGES</b>	
OED	Office of the Executive Director
OEDI	Office of Inspections and Investigation
FS	Financial & Information Systems Division Director
FSF	Finance Service
FSFA	Accounting
FAFD	Disbursement
FSB	Budget
FSI	Information Systems Service
FSR	Central Information Management & Statistics Branch
HR	Human Resources Division (all departments)
MS	Management Support Division Director
MSA	Administrative Services Branch
MSDT	Travel Group
OD	Operations Division Director
ODP	Programming Services
ODT	Technical Service
OT	Transport and Logistics Division Director
OTF	Freight Analysis and Support Branch
RE	Resources and External Relations Division Director
REA	Resources Mobilization - America, Australia and Asia
REE	Resources Mobilization - Europe, Middle East, Africa
REP	Public Affairs Services
REC	Executive Board Secretariat & Interagency Affairs
REG, REJ, REN	Liaison Offices
SP	Strategy and Policy Division Director
SPP	Policy Service
SPS	Strategic Planning Service
SPC	Change Management Service

**EXHIBIT E****PROPOSED CLASSIFICATION OF FUNCTIONS AS DIRECT OR INDIRECT**

<b>FIELD OFFICE FUNCTIONS FINANCED FROM INDIRECT SUPPORT CHARGES</b>	
Regional Cluster Management	Including office support
Country Director	Except in Country Office involved only in the operation of one EMOP
Country Office Premises	All costs including space and communications
General Office Staff	Office Manager, Administrative Assistant, Receptionist, Clerical Pool and staff involved in logistics and procurement as part time functions
Programme Coordination	Development Project Co-ordinator, Food for Work Co-ordinator, etc.
Regional and Country Office Public Relations and Statistics Units	Newsletters, Media contact, report preparation, etc.
Regional and Country Office Information Systems and Communications Support	PC, LAN and Applications Development
Regional and Country Office Finance	All Staff involved in Financial Services

**EXHIBIT E****PROPOSED CLASSIFICATION OF FUNCTIONS AS DIRECT OR INDIRECT****HQ UNITS WHICH COULD BE PARTIALLY DIRECT AND PARTIALLY DIRECT OPERATIONAL SUPPORT CHARGES**

Unit	Unit Name	Indirect Services	Direct Charges
OEDA	Internal Audit	HQ, Country Office audits	Daily Rate for time spent on individual projects
OEDE	Evaluation	Non Project Specific Evaluations	Daily Rate for time spent on individual projects
MSP	Procurement & Contracts	Procurement of Items other than commodities	Cost per MTN for Commodities Procured
OMC	Mediterranean, Middle East and CIS	Unit Management	Desk Officer Project Services as daily or monthly rate for time spent on individual projects
OAP	Asia	Unit Management	Desk Officer Project Services as daily or monthly rate for time spent on individual projects
OLC	Latin America & Caribbean	Unit Management	Desk Officer Project Services as daily or monthly rate for time spent on individual projects
OSA	Africa	Unit Management	Desk Officer Project Services as daily or monthly rate for time spent on individual projects
OTL	Logistics Service	Non Project Specific Services	MTN of Commodities Transported
OTS	Ocean Transportation	Non Project Specific Services	MTN of Commodities Transported
OTI	Insurance	Non Project Specific Services	MTN of Commodities Insured
FSFF	Country Office Accounting	Non Project Specific Services	Daily Rate for time spent reviewing returns and documentation

**EXHIBIT E****PROPOSED CLASSIFICATION OF FUNCTIONS AS DIRECT OR INDIRECT****FIELD OFFICE UNITS WHICH WOULD BE PARTIALLY DIRECT AND PARTIALLY DIRECT OPERATIONAL SUPPORT CHARGES**

Unit Name	Indirect Services	Direct Charges
Logistics	Commodity Transport	Cost per MTN for Commodities Transported
Monitoring	Time spent not involved in individual projects	Daily Rate for time spent on monitoring individual projects
Procurement	Procurement of Items other than commodities	Cost per MTN for Commodities Procured
Vehicle Use Including driver and maintenance	Unit Management	Cost per Kilometre Driven
Regional Office Finance	Non project specific services	Project Field Return Processing



**WORLD FOOD PROGRAMME  
COST STUDY BASED ON 1996-97 BUDGET  
CALCULATION OF SUPPORT COST CHARGES**

**ANNEX A**

DESCRIPTION	PER FSB 31 AUGUST 1996 ESTIMATE	LESS WFP FEES INCLUDED	TOTAL OPERATIONAL EXPENDITURES	SUPPORT COSTS (NOTE 1)	RATE
DEVELOPMENT PROJECTS	852 000 000	115 511 340	736 488 660	102 670 486	13,9%
PROTRACTED RELIEF OPERATIONS	696 200 000	44 524 038	651 675 962	46 233 375	7,1%
EMERGENCY OPERATIONS	1 219 600 000	53 733 224	1 165 866 776	70 513 985	6,0%
BILATERAL PROJECTS (NOTE 2)	34 400 000	1 376 000	33 024 000	1 187 528	NOTE 4
SPECIAL OPERATIONS	37 800 000	5 745 600	32 054 400	3 807 673	11,9%
JUNIOR PROFESSIONAL OFFICERS (NOTE 3)	5 088 000	610 560	4 477 440	610 560	13,6
<b>TOTAL</b>	<b>2 845 088 000</b>		<b>2 623 587 238</b>	<b>225 023 607</b>	<b>8,6%</b>
GENERAL FUNDS (REGULAR, GCCC, INTEREST)	68 600 000	0	68 600 000	171 230	
UN AGENCY TECHNICAL SERVICES	0	0	0	8 447 000	
<b>GRAND TOTAL</b>	<b>2 913 688 000</b>	<b>221 500 762</b>	<b>2 692 187 238</b>	<b>233 641 837</b>	

NOTE 1 - FROM EXHIBIT B

NOTE 2 - BILATERAL SUPPORT COSTS ALLOCATED BASED UPON PERCENTAGE OF ACTUAL BILATERAL EXPENDITURES IN 1994-1995 BY MAJOR PROGRAMME CATEGORY

	EXPENDITURES	COMMODITY VALUE	TOTAL
DEVELOPMENT	6 784 548	6 034 103	12 818 651
PRO	91 850 997	68 737 816	160 588 813
EMOP	75 024 991	83 363 431	158 388 422
SPECIAL SERVICES	<u>8 889 724</u>	<u>25 524 649</u>	<u>34 414 373</u>
<b>TOTAL</b>	<b>182 550 261</b>	<b>183 659 999</b>	<b>366 210 259</b>

NOTE 3 - JPO EXPENSES IN EXCESS OF 12% FEE ARE DISTRIBUTED BASED UPON THE RESULTS OF WORK MEASUREMENT SURVEY

NOTE 4 - SEE SEPARATE CALCULATION ON (EXHIBIT C) OF BILATERAL SERVICE CHARGES





	Total	Dev	EMOP	PRO	SO	BIL
fumigation						
d. Processing of invoices related to ocean transport activities						
e. Other Ocean transport related activities (specify)_____						
<b>IV. OPERATIONAL SUPPORT SERVICES: LAND BASED TRANSPORTATION</b>						
a. Insurance (including claim preparation and follow up)						
b. Logistics - overland transport (out-side country)						
c. Logistics - in-country transport (ITSH)						
d. Logistics - airlifts						
e. Arrangements & monitoring of inspection & fumigation						
f. Arrangements & monitoring of distribution						
g. Negotiation and contracting for distribution arrangements with NGOs						
i. Processing of invoices related to land transport						
j. Other land-based transport related activities (specify)_____						
<b>V. DIRECT SUPPORT SERVICES</b>						
a. Project identification and design (including emergency assessments)						
b. Project evaluation & assessment of impact on beneficiaries						
c. Report preparation/review (progress, donor, EB, etc.)						
d. Project budgeting, accounting and auditing						
e. Project initiation (staff recruitment and extensions, procurement, contracting, etc.						
f. Coordination of visits by donors and other representatives						
g. Collection of operational data, including FASREP support						
h. Contingency Planning						
i. Project operational monitoring and backup						
j. Other direct support activities (specify)_____						
<b>VI. Indirect Support</b>						
a. Supervision and division/branch/office management						
b. Attendance other support to Executive Board, Committees & working groups						
c. Secretarial support/Registry services						
d. Donor/Agency consultations & Resource development						
e. Promotion of WFP image, including media contact						
f. Representational activities (including briefing of						

	Total	Dev	EMOP	PRO	SO	BIL
visitors)						
g. Preparation of publications and statistical information						
h. Non-project related audit/accounting/budget						
i. Personnel management including job descriptions, training, staff recruitment, etc.						
j. Other non-project related administrative activities (specify)_____						
<b>VII. RECRUITMENT AND SUPPORT OF JPOs</b>						
<b>VIII. SUPPORT TO FUNDS GENERATED FROM THE SALE OF COMMODITIES</b>						
a. Auditing/accounting/budgeting for generated funds						
b. Other support to activities financed from generated funds						

<b>Supervisor Signature:</b>	<b>Title:</b>	<b>Date:</b>							
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13 March 1997

To: All Field and Headquarter Staff

From: A. Namanga Ngongi  
Deputy Executive Director, OED

Subject: **Work Measurement Survey**

Since 1993, WORK MEASUREMENT SURVEYS have been carried out successfully. Each time more than 80 percent of questionnaires were returned by the deadline, and I would like to thank you for your support.

The analysis based on the information provided assisted the Secretariat and the Executive Board in establishing the rates which WFP recovers from for the support services it provides in connection with the operation of our major programmes. These rates are part of WFP's Long-term Financing and Resourcing Policy have helped to improve our finances and better enabled the WFP to serve those in need. At the January 1997 Executive Board it was agreed that the cost measurement study would be updated to reflect the 1996 costs of management of major programmes and to provide information on financial issues identified by the Secretariat and Executive Board.

This study is a critical component of the long-term financing and resourcing of WFP. It will enable us to continue to be able to identify the costs we incur in connection with the major programmes we administer, and to be able to properly document why, where and how we spend the time to manage the resources that we receive. The WORK MEASUREMENT SURVEY is one of the major tools used to address this important issue. In addition, the results of the study will be used in the preparation of the 1998-1999 Programme Support and Administrative Budget.

Your special attention to complete (approximately 30 minutes) and return this questionnaire to room 604 in tower A would be appreciated. Alternatively, the questionnaire may be faxed to: 39-6-52282841. It would be helpful if headquarters' staff could respond by 31 March and country office staff by April 15. If additional copies of the questionnaire are needed, copies should be made from a questionnaire sent to your unit. Any questions you may have may be sent to cc:mail address "Cost\_Study".

Thank you.

## EXPLANATION AND INSTRUCTIONS

### PLEASE READ THESE INSTRUCTIONS CAREFULLY AND COMPLETELY BEFORE BEGINNING THE QUESTIONNAIRE

**Deadline - must be completed and returned to Rm. F604 (or fax 39-6-52282841)  
by 31 March, 1997 for Headquarter Staff and by  
15 April, 1997 for Country Office Staff**

### **OBJECTIVE AND PURPOSE**

1. In January 1997 the Executive Board revised the rates to be recovered from donors for support services provided by WFP to Development Projects, Emergency and Protracted Relief Operations, Special Operations projects and Bilateral Services. The rates adopted were based upon a cost study which measured the expenditures incurred by WFP in connection with the support of each of its major programmes. The Executive Board asked that the study be updated based on 1996 actual experience and requested further information in connection with the costs which WFP incurs so that it will be ready to respond to disasters and other emergencies within a country and globally, the incremental costs incurred in connection with directed multilateral contributions, and clarification on the expenditures classified as direct and indirect support services.

### **BACKGROUND:**

2. In 1995 the CFA adopted WFP's Resourcing and Long-term Financing Policies (CFA 40). The decision also included the establishment of the rate of recovery for support services provided by WFP. At its January 1997 session, the Executive Board amended the rates as follows:

	1996 Rate	1997 Rate
Development/Rehabilitation/Disaster Preparedness	14.5 %	13.9 %
Protracted Relief	7.2 %	7.1 %
Emergency Operations	4.8 %	6.0 %
Special Operations	15.3 %	11.9 %

These rates are expressed as a percentage of total operational expenditures (commodity value, transport, LTSH and direct support costs). The rates are computed upon actual work effort of WFP staff for 1995 (used for the 1997 rates) and for 1994 (used for the 1996 rates) in accordance with the questionnaires completed by WFP staff. The rates are based upon a cost study prepared by an independent accounting firm. The study was also used by the Executive Board to revise the rates used for bilateral services agreements involving partial services provided by WFP such as transport and procurement.

3. At the January 1997 Executive Board, it was agreed that the cost measurement study would be updated to reflect the 1996 work effort in connection with each of WFP's major activities. The Executive Board also asked for an update of calculations made in the 1996 cost study concerning:

- the costs incurred by WFP at Headquarters and in country offices which are not related to the design, implementation or evaluation of specific projects, but enable WFP to be ready to handle disasters and other emergencies which might arise.
- any differences in costs incurred by WFP in connection with projects which are funded and operated on a purely multilateral basis - where WFP makes the decisions on the country and project in which a donation used; and multilateral projects where the choice of country and project is directed by the donor.
- clearer definitions of direct support services (those provided to a specific project) and indirect support services which benefit all projects but for which the work effort cannot be easily identified to a particular project or operation.

Though preliminary work had been done in connection with these areas in the 1996 cost study the Secretariat felt, and the Executive Board agreed, that the results were too preliminary considering that the Resourcing and Long-term Financing policy had been in effect for only a few months prior to undertaking the work measurement survey in 1996.

4. The cost study will again be conducted by an independent consultant. As part of the study, the consultant has developed an updated questionnaire to survey staff on work effort. This questionnaire takes into account issues raised at the January 1997 Executive Board and by donors on the calculation of support costs, along with concerns raised by participants in the previous study.

### **GENERAL INSTRUCTIONS**

5. The attached questionnaire is to be filled out by all staff ( Grade G4 to D1) in country offices and at Headquarters by all staff of the Operations Department, Resources Division, Offices of Internal Audit, Inspection and Evaluation, and certain sections of the Policy and Public Affairs Division, Support Services Division, and Finance and Information Systems Division. It is recognized that a portion of the staff might be on leave during the period of the questionnaire. They should be asked to complete the questionnaire on their return.

6. The results of the survey will be used to determine the amount of time which is spent to support all WFP activities. Therefore, the questionnaire addresses the totality of the work efforts of each staff member, and includes the full range of services. The total percentages of work effort recorded on the questionnaire should therefore add to 100 percent.

7. Based on experience, it is estimated that the questionnaire will take you 30 minutes to complete. We understand that this represents a demand on your already busy schedule; however, your cooperation is indispensable as it will provide important information for WFP to substantiate to donors and the Executive Board, the appropriate level and procedures for recovery of support costs.

8. The period on which the information should be based is 1 January 1996 through 31 December, 1996. Staff should use their best estimate of how their efforts were distributed during this period. Precise time recording data is not required. What is important is that the questionnaire be completed to the best of your ability. There is no "correct" answer, and there is no advantage in biasing the result one way or another.

9. When the questionnaire has been completed please ensure that it is signed by your supervisor. The completed questionnaire should then be passed to the responsible person in your office.

## **THE QUESTIONNAIRE**

10. Please complete the top of the survey questionnaire first. Enter your Organization Unit, Section, Title, Grade-Step, Post Number, Name and Index Number in the space provided.

11. In the unshaded boxes you should enter the total percentage of work effort devoted to on each function described. Sick leave and annual leave are not considered in the calculations. The total of all these percentages must add vertically to 100. The shaded boxes may be used by staff members who find it easier to first breakdown their work effort into the larger functional categories.

12. Following is a brief explanation of the major functional groupings:

**Section I** of the questionnaire relates to Support Services which are not related to specific projects but service a country, regional or global purpose;

**Section II** relates to commodity procurement, exchanges, monetization and milling;

**Section III** relates to ocean transport;

**Section IV** relates to land based transport and logistics services and distribution of commodities (LTSH);

**Section V** relates to other direct project support activities including the design and financing of a project or operation and the monitoring of its implementation;

**Section VI** relates to indirect support services which benefit all projects and operations as well as general administrative duties;

**Section VII** relates to recruitment and support to Junior Professional Officers (JPO's);

**Section VIII** relates to services provided to a recipient government for projects or activities which are financed from the proceeds of commodities which have been sold (monetized);

13. Please try to relate the work which you have performed from 1 January, 1996 to 31 December, 1996 to the activities described on the left side of the questionnaire. If this is not possible, insert a percentage under the last function of the appropriate grouping (labeled: "Other...(specify)\_\_\_\_\_") and give a brief description of the activity (using the back of the form if necessary or an attached sheet if necessary).

14. After indicating the total amount of time (in percent) spent on any particular function, the questionnaire then asks that you distribute your time among the major types of activities administered by WFP based upon your own assessment of the relative time spent on each. The total shown on each line for all programmes (Development, EMOP, PRO, and Bilateral and Special Operations). In this context, Special Operations refers to all major infrastructure projects and other projects and other projects not directly related to the procurement, transport or distribution of food.

15. Time spent on special emergency operations (SEO's) should be assigned to the major programme type (PRO, SO, or EMOP) which the SEO supported. Work effort in connection with Disaster Mitigation Funds, Quality Improvement Program and other Special Trust Funds are to be included in Development. **The sum of the percentages shown on each line (for "Dev", "EMOP", "PRO", "SO" and "BIL") must total to the amount in the "Total" column for that line.**