

برنامج  
الأغذية  
العالمي



Programme  
Alimentaire  
Mondial

World  
Food  
Programme

Programa  
Mundial  
de Alimentos

**Executive Board  
Third Regular Session**

**Rome, 19 - 22 October 1998**

# **FINANCIAL AND BUDGETARY MATTERS**

Agenda item 4



Distribution: GENERAL  
**WFP/EB.3/98/4-C**  
4 August 1998  
ORIGINAL: ENGLISH

## **REPORT ON BUDGETARY PERFORMANCE, 1996-1997**

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**This document is submitted for information to the Executive Board.**

Pursuant to the decisions taken on the methods of work by the Executive Board at its First Regular Session of 1996, the documentation prepared by the Secretariat for the Board has been kept brief and decision-oriented. The meetings of the Executive Board are to be conducted in a business-like manner, with increased dialogue and exchanges between delegations and the Secretariat. Efforts to promote these guiding principles will continue to be pursued by the Secretariat.

The Secretariat therefore invites members of the Board who may have questions of a technical nature with regard to this document, to contact the WFP staff member(s) listed below, preferably well in advance of the Board's meeting. This procedure is designed to facilitate the Board's consideration of the document in the plenary.

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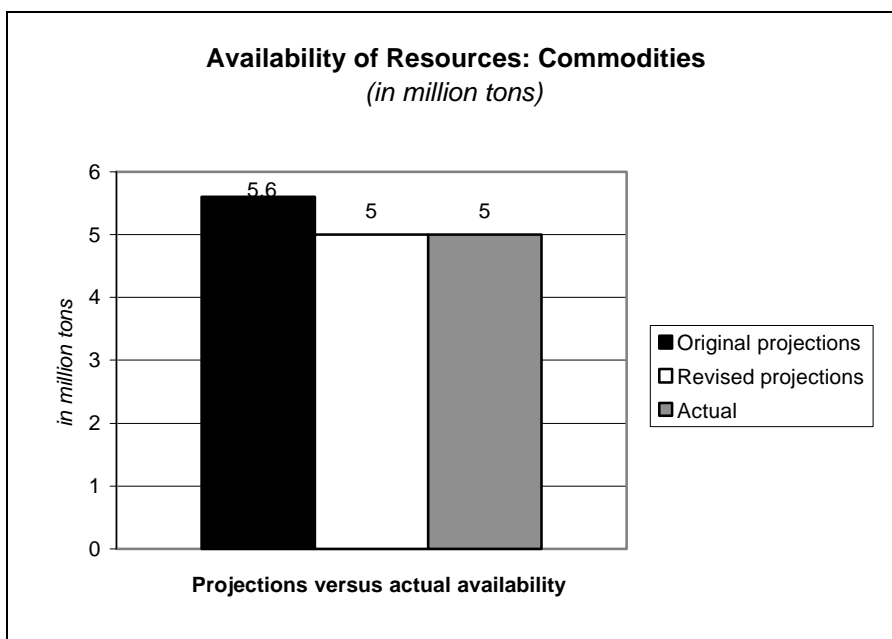
## ACRONYMS

<b>ACABQ</b>	United Nations Advisory Committee on Administrative and Budgetary Questions
<b>ACC/SCN</b>	Administrative Committee on Coordination/Sub-Committee on Nutrition
<b>B/L</b>	Bill of Lading
<b>BIL</b>	Bilateral Operation
<b>CFA</b>	Committee on Food Aid Policies and Programmes
<b>CIS</b>	Commonwealth of Independent States
<b>CLAU</b>	Caucasus Logistics Advisory Unit
<b>CLC</b>	Cash in lieu of Commodities
<b>CP</b>	Country Programme
<b>CTS</b>	Commodity Tracking System
<b>DAMA</b>	Demand-assigned multiple access
<b>DSC</b>	Direct Support Costs
<b>EB</b>	Executive Board
<b>EMOP</b>	Emergency Operation
<b>FFW</b>	Food for work
<b>FMIP</b>	Financial Management Improvement Programme
<b>GCCC</b>	Government Cash Contribution towards Local Operating Costs
<b>ICC</b>	International Computing Centre
<b>IEFR</b>	International Emergency Food Reserve
<b>IMIS</b>	Integrated Management Information System
<b>INTERFAIS</b>	International Food Aid Information System
<b>IRA</b>	Immediate Response Account (of the IEFR)
<b>ISC</b>	Indirect Support Costs
<b>IT</b>	Information Technology
<b>ITSH</b>	Internal Transport, Storage and Handling
<b>JCGP</b>	Joint Consultative Group on Policy
<b>JIU</b>	Joint Inspection Unit
<b>JPO</b>	Junior Professional Officer
<b>LDC</b>	Least Developed Country
<b>LIFDC</b>	Low-income, Food-deficit Country
<b>LTSH</b>	Landside Transport, Storage and Handling
<b>MCH</b>	Mother and Child Health
<b>MIS</b>	Management Information System
<b>NGO</b>	Non-Governmental Organization
<b>PARIS</b>	Programming Allocation of Resources Information System
<b>PRO</b>	Protracted Relief Operation
<b>PSA</b>	Programme Support and Administration
<b>R&amp;LTF</b>	Resource and Long-term Financing (policies)
<b>RMS</b>	Resource Mobilization System
<b>RRT</b>	Rapid Response Team
<b>SCP</b>	Sub-Committee on Projects (of the CFA)
<b>SFP</b>	Strategic and Financial Plan
<b>SI</b>	Shipping Instructions
<b>SO</b>	Special Operation
<b>UNDP</b>	United Nations Development Programme
<b>USAID</b>	United States Agency for International Development
<b>WAN</b>	WFP Wide Area Network
<b>WinS</b>	WFP Asset Inventory System

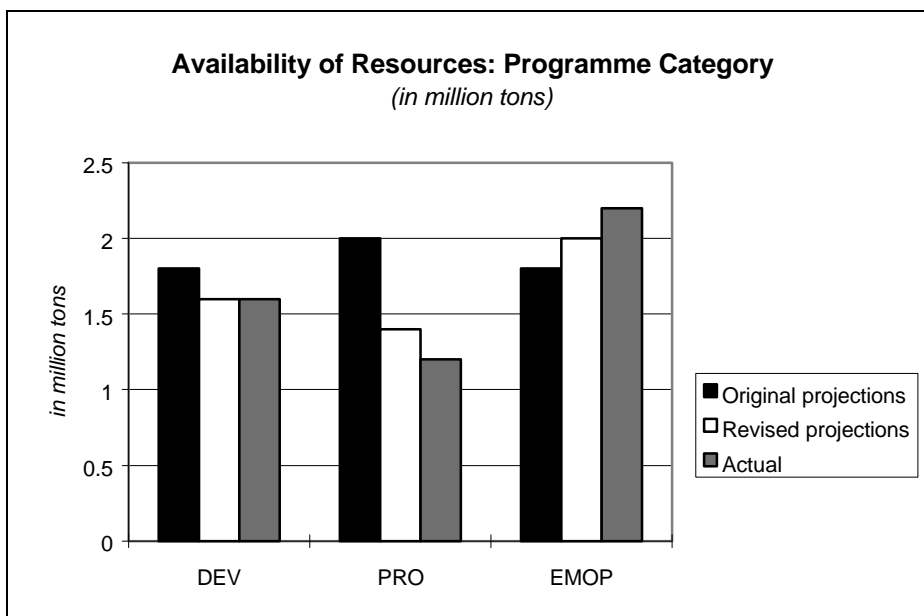




# The 1996–97 Biennium at a Glance

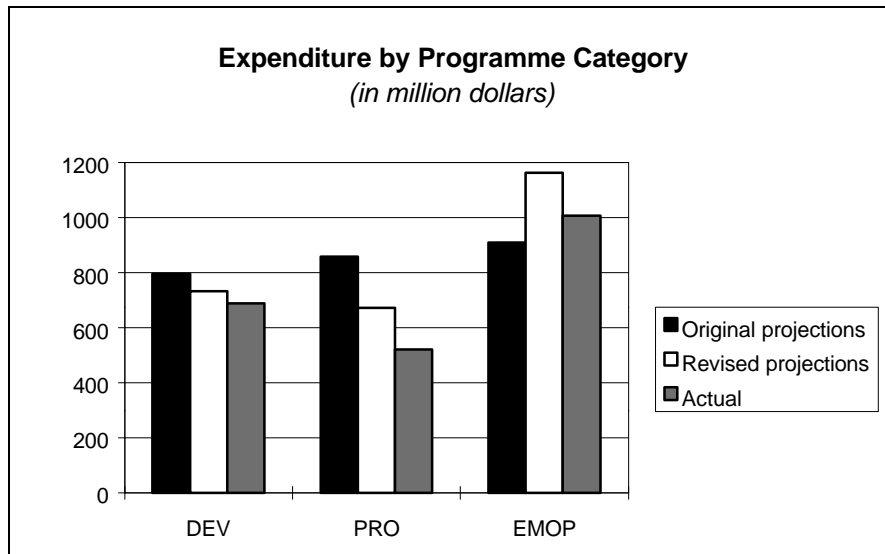


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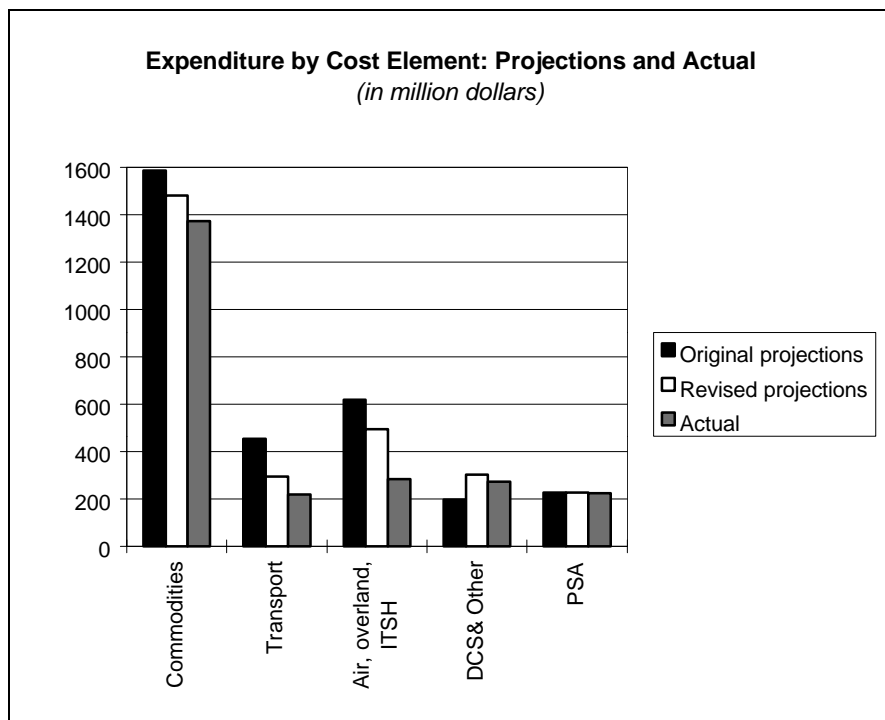


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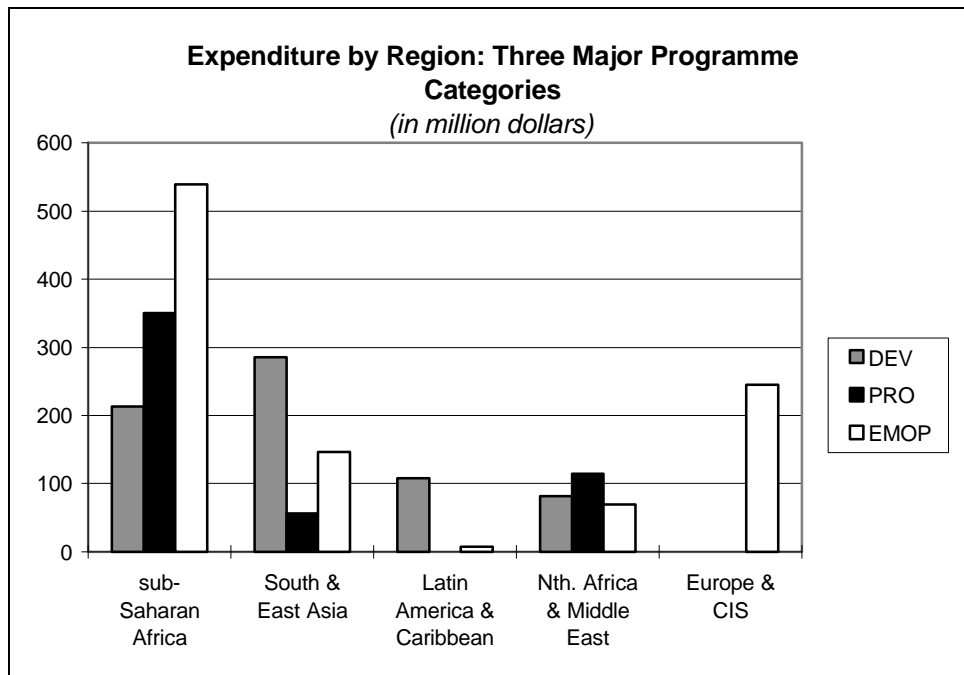


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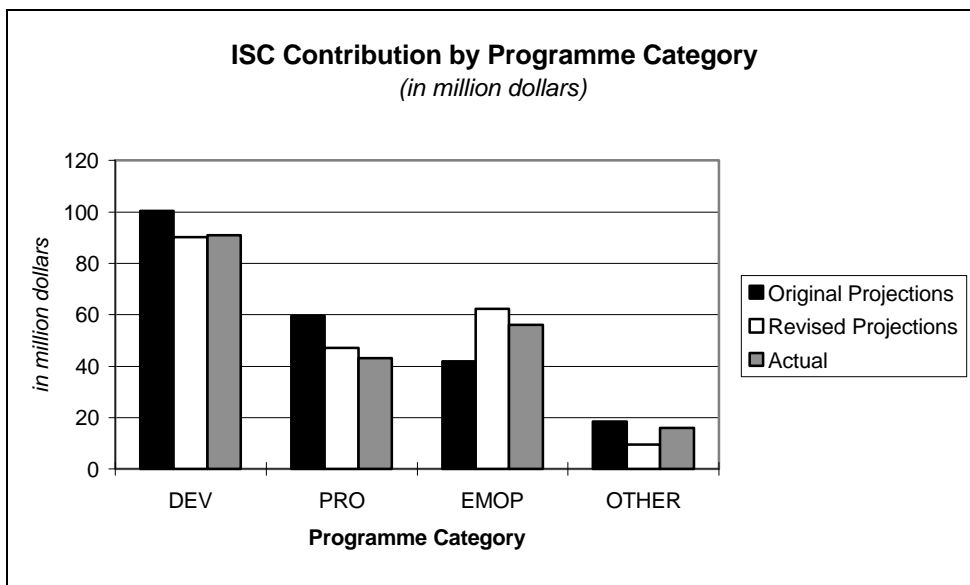
Original projections: WFP Budget 1996-97 (document CFA 40/4/Rev.1).  
 Revised projections: Budgetary Performance Report 1996 (document WFP/EB.A/97/4-B).  
 Actual availability: In terms of confirmed contributions for the biennium.

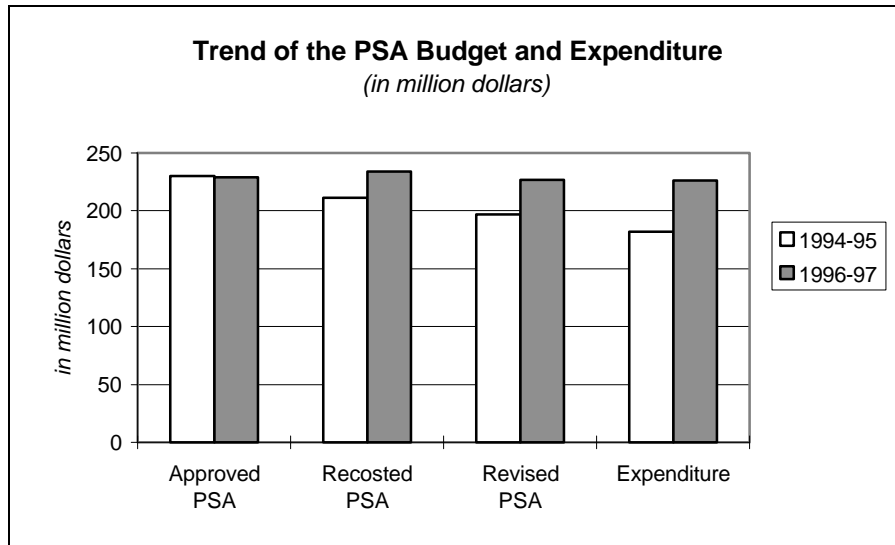


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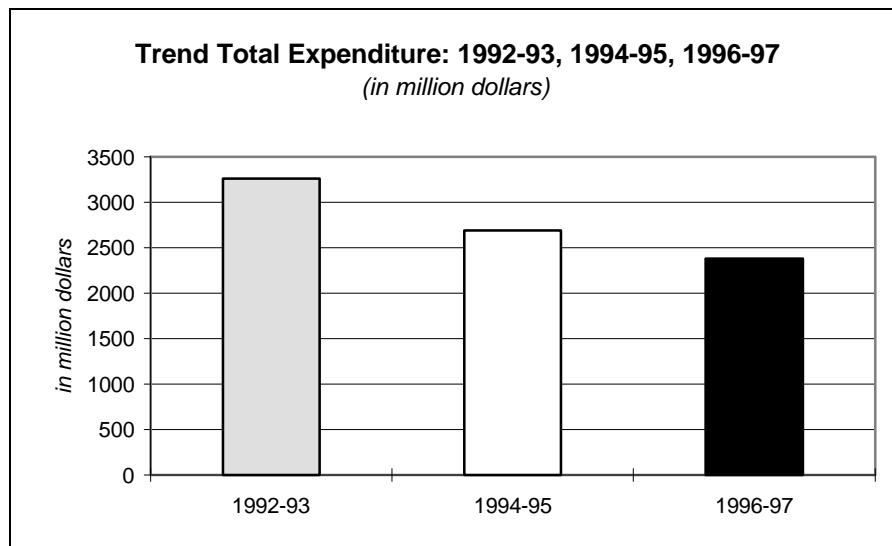


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# Introduction

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1. The Executive Director presents this budgetary performance report for the 1996-97 biennium to the Executive Board (EB) for information. The report has been presented to the United Nations Advisory Committee on Administrative Budget Questions (UN/ACABQ) and the FAO Finance Committee in accordance with General Regulations, Article XIV.4.
2. While reviewing the 1996 Budgetary Performance Report, the Executive Board and the two advisory bodies recommended that “...*a full budgetary performance report should be prepared in future for all activities of WFP every two years. This report should include detailed explanations on the PSA funding and expenditures in a format that would permit the Board to assess how the original proposals were implemented and the reasons for deviations from the original estimates, and explanations on shortcomings or slips during the implementation phase of the operations.*” It was further recommended that “...*WFP should continue to pursue the principle of full-cost recovery for the PSA, and up-front payment for indirect support costs.*” (WFP/EB.A/97/9).
3. In view of comments by the EB, ACABQ and FAO Finance Committee, the present report has been restructured to include specific and more detailed information on WFP’s activities during the 1996-97 biennium. Section I gives an overview of WFP’s consolidated budget for 1996-97, including an account of resource projections and use of those resources for operational activities. Section II addresses funding for the PSA component of the budget and the related expenditure incurred. Finally, the report contains four annexes: Annex I presents the bases for WFP’s operations; Annex II gives an account of expenditure and commitments for operational activities; Annex III provides a breakdown of PSA expenditure; and Annex IV gives an account of the major operational initiatives carried out during the biennium.



# Section I

## THE BIENNIAL WFP CONSOLIDATED BUDGET FOR THE PERIOD 1996-97

### Original Budget Proposal: Overview

4. The WFP budget for the 1996-97 biennium, approved by the CFA at its Fortieth Session in November 1995 (document CFA 40/4 Rev.1), combined both the operational and PSA components into a consolidated budget. The consolidated budget included projections of three different resource availability scenarios, vis-à-vis a low level of 2.3 million tons, through a medium range of 2.8 million tons, to a high level of 3.5 million tons for each year of the biennium. The CFA reviewed the projections of resources likely to be available to WFP and endorsed the programme of work based on the medium level. It also approved the concept of a flexible Programme Support and Administration (PSA) budget.
5. The approved budget was based on a planned biennial operational level of 5,600 thousand tons of food, equivalent to 3,091 million dollars<sup>1</sup> in expenditure, of which 2,862 million dollars was for food, transport, delivery and other direct costs, and 228.9 million dollars for the corresponding PSA component. The actual level of operations in 1996-97, based on the volume delivered, was 4,916 thousand tons and total operational expenditure was 2,377.8 million dollars, including the PSA component of 226.2 million dollars.

## ANALYSIS OF RESOURCES

### Resource Projections and Actual Availability

6. The likely availability of resources during the biennium was reviewed again in January 1996 and in 1997. The reviews indicated that a level of 5,600 thousand tons as projected in the 1996-97 budget might be optimistic in view of declining resources for development and protracted relief operations (PROs). Against that background, the level of projected resource availability was adjusted to 5,013 thousand tons. The revised availability against the original estimate was 89.5 percent. The actual availability in terms of confirmed contributions for the biennium was 5,003 thousand tons, which was in line with the revised estimates. A breakdown of the total volume by programme category is given in Table 1 below.

<sup>1</sup> All monetary values are expressed in United States dollars.



**TABLE 1: AVAILABILITY OF COMMODITIES:  
PROJECTIONS AND ACTUAL 1996-97  
(in thousand tons)**

Programme category	Original <sup>1</sup> estimate	Revised <sup>2</sup> estimate	% of original estimates	Availability (pledged)	Availability as % of revised estimates
Development	1 800	1 590	88.3	1 635	102.8
PRO	2 000	1 368	68.4	1 184	86.5
EMOP	1 800	2 055	114.2	2 184	106.3
<b>Total</b>	<b>5 600</b>	<b>5 013</b>	<b>89.5</b>	<b>5 003</b>	<b>99.8</b>

<sup>1</sup> WFP Budget 1996-97 (CFA 40/4/Rev.1)

<sup>2</sup> Budgetary Performance Report 1996 (WFP/EB.A/97/4-B)

7. An analysis of resource availability by programme category shows that there were slightly more resources for development, up by 2.8 percent, and EMOPs, up by 6.3 percent, compared to the revised budget; while there was a marked decline in resources available for PROs, down by 13.5 percent.
8. In terms of value, resource availability was revised from 3,065.5 million dollars to 2,740.2 million dollars, for the biennium. The actual availability of resources, shown below, in Table 2, amounts to 2,527 million dollars of contributions for the various programme categories.

**TABLE 2: CONTRIBUTIONS: PROJECTIONS AND ACTUAL 1996-97  
(in million dollars)<sup>1</sup>**

Programme category	Original estimate	Revised estimate	Actual
Development	805.4	732.9	712.4
PRO	858.7	672.3	581.9
EMOP	908.7	1 163.3	1 133.7
SO	166.9	93.0	48.3
Others	325.8	78.7	50.7
<b>Total</b>	<b>3 065.5</b>	<b>2 760</b>	<b>2 527.0</b>

<sup>1</sup> a) Includes ISC income; b) excludes interest income.

### Surplus, Reserves and Fund Balances

9. A review of WFP's cash resources shows that reserves and fund balance have increased from 294 million dollars to 518 million dollars as at 31 December 1997.
10. After deducting the balance in trust funds and the General Fund, the amount related to projects and operations amounts to 334.4 million dollars at the end of 1997, compared to 158.8 million dollars at the end of 1995. The following section provides examples of factors which may have contributed to the build-up in the Fund balances.



### ▶ **Large Cash in Lieu of Commodities (CLC)**

In addition to commodities in kind, WFP receives CLC from donors. In operational terms, there can be a time lag between when the cash is received and when the commodities need to be purchased. Until the related commodities are purchased, the financial records will show an excess of commodity income over commodity expenditure. The magnitude of the excess will depend on the proportion of CLC contributions compared to in-kind commodity contributions. An analysis shows that the proportion of CLC to in-kind commodity contributions has changed: by the end of 1995, the proportion as percentage of total commodity income was 72.6 percent for in-kind commodities and 27.4 percent for CLC; compared to 55.5 percent for in-kind commodities and 44.5 percent for CLC by the end of 1997. This evolution is reflected in the financial statements, which show an excess of commodity income over expenditure in commodities amounting to 64.7 million at the end of 1997, compared to two million dollars at the end of 1995.

### ▶ **Large contributions, an absorption problem, change in strategy in focusing on LDCs**

Commodity contributions (both in kind and CLC) cannot always be absorbed immediately in the amounts contributed because of the following reasons: a) insufficient capacity for warehousing large amounts in recipient countries, therefore several shipments of smaller quantities, leading to delays in incurring the expenditures; b) the strategic focus on LDCs versus other recipients that could more readily absorb larger volumes of resources; and c) commodities contributed which are not necessarily in line with operational needs, i.e., resulting from the dietary habits of beneficiaries. All of these factors give rise to delays in expenditures and a slower than expected call-forward of commodities.

### ▶ **Continually changing situations**

Operational circumstances, particularly in emergency situations, where security, accessibility, changes in status quo - i.e., sudden outbreaks of violence and/or civil war - can lead to a suspension of the implementation of the operation or project. In 1996-97 such occurrences played an important role in the management of food aid and WFP's calling forward of commodities. For example, during 1996-97, there were interruptions in operations in the Liberia Regional, Sierra Leone, Afghanistan, and the Great Lakes region operations. These interruptions not only caused operational problems, but increased the duration of operations, with minimal additional food costs, and thus contributed to the build-up of reserves.

## **Summary**



Availability in terms of confirmed contributions in 1996-97 pledges was 5,003 thousand tons; equivalent to 2,527.0 million dollars in terms of value.



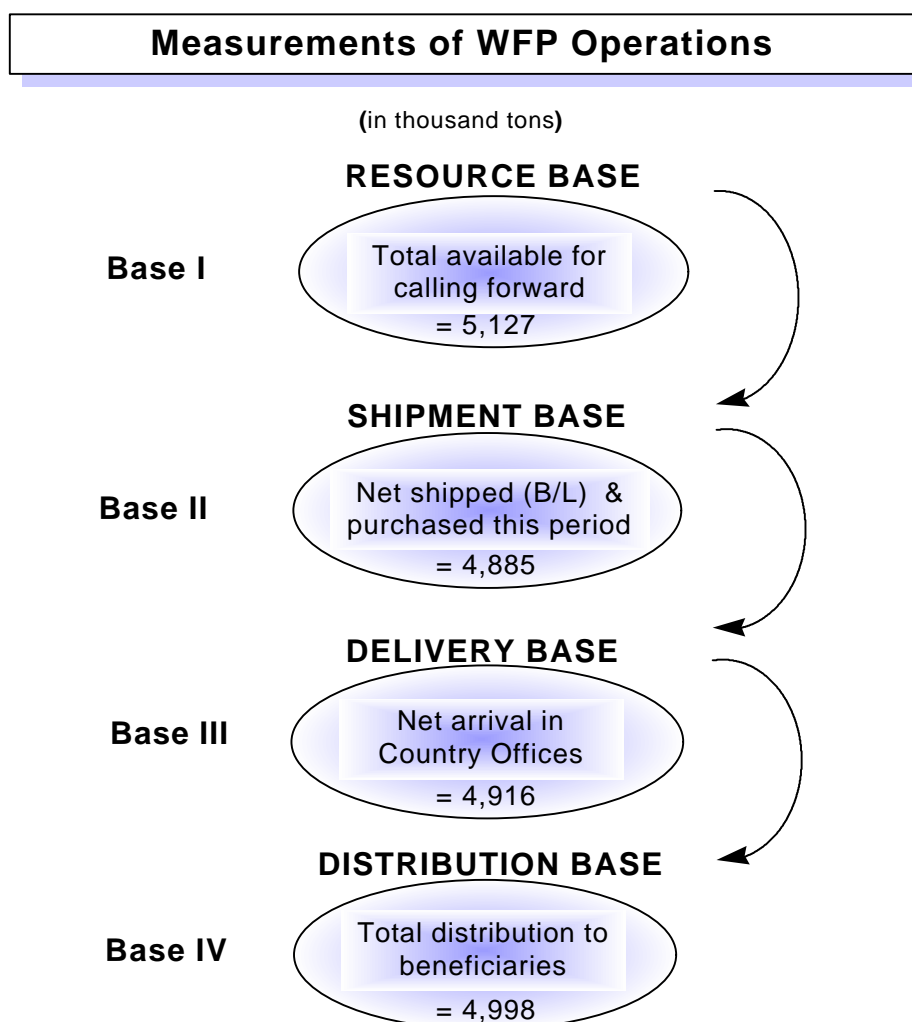
The proportion of CLC to in-kind commodity contributions has increased compared to the previous biennium, contributing to the build-up in Fund balances.



## LEVEL OF OPERATIONS AND EXPENDITURE

### Measurements of WFP's Operations

11. The totality of WFP's operations, ranging from a donor's pledge to the distribution of food to beneficiaries, tends to be a lengthy process. It consists of several bases, of which at least four could be used to measure WFP's level of operations: a) the resource base; b) the shipment base; c) the delivery base; and d) the distribution base. The four bases are shown in the figure below. Current systems and procedures provide a measurement of operations in the case of the first three bases. The fourth base has been extrapolated for now. The Commodity Tracking System (CTS), currently being developed under the Financial Management Improvement Programme (FMIP), is expected to provide a definite measurement of the distribution base.



### Resource Base

12. The resource base measures the volume of resources that becomes available during the period. Such volume includes balances of confirmed contributions from the prior period that are not yet received and confirmed contributions for the current period.



Contributions received in advance are subtracted from this total, resulting in resources available for calling forward, as shown in the table below. The volume of resources available for calling forward from donors was 5,127 thousand tons, shown below in Table 3, compared to the revised estimate of 5,013 thousand tons. Further details are provided in Annex I .

**TABLE 3**

Resource Base	Total volume (in thousand tons)
1 Prior period pledges	403
2 Plus: Current period pledges (1996-97)	5 003
3 Gross current biennium pledges	5 406
4 Less: Already called forward in prior years	-279
<b>5 Total available for calling forward</b>	<b>5 127</b>

### Shipment Base

13. The shipment base measures the volume of commodities that is shipped or purchased from the point of origin. Such volume consists of commodities called forward - Shipping Instructions (SI) issued - but not shipped in the previous period and commodities called forward in the current period SI, less any outstanding shipment or purchase in the current period. The total shipped (Bill of Lading issued) and purchased in 1996-97 amounted to 4,885 thousand tons, shown below in Table 4, compared to the estimated level of 5,013 thousand tons .

**TABLE 4**

Shipment Base	Total volume (in thousand tons)
6 Called forward (SI issued in current period)	4 475
8 Plus: Carry forward of prior year (SI) not shipped	440
9 Total Available for shipment or local purchase	4 915
Less: Balance to be shipped/purchased in the succeeding period	-30
<b>10 Net shipped (B/L) and purchased</b>	<b>4 885</b>

### Delivery Base

14. The delivery base is the measurement of volume of commodities that reached recipient countries. This measurement includes the arrival of shipment and/or receipt of purchases effected in the preceding period, as well as the arrival of shipment and/or receipt of commodities purchased locally during the current biennium. The volume of



commodities delivered to country offices during 1996-97 was 4,916 thousand tons, as shown in Table 5.

<b>TABLE 5</b>	
<b>Delivery Base</b>	<b>Total volume (in thousand tons)</b>
10 Shipped (B/L) and purchased	4 885
12 Plus: shipments and purchases in transit from preceding period	145
13 Total potential arrival in country offices	5 030
Less: Balance in transit	-114
<b>14 Net arrival in country offices</b>	<b>4 916</b>

### Distribution Base

15. The total volume delivered, plus the balance of in-country stocks, determines the total level of availability for distribution, as shown below in Table 6. This level is adjusted for any post-c.i.f. losses, resulting in a volume of commodities available for distribution to beneficiaries. Assuming post-c.i.f. losses of one percent, 4,998 thousand tons is taken as a proxy for the distribution base measurement of WFP's operation for the biennium.

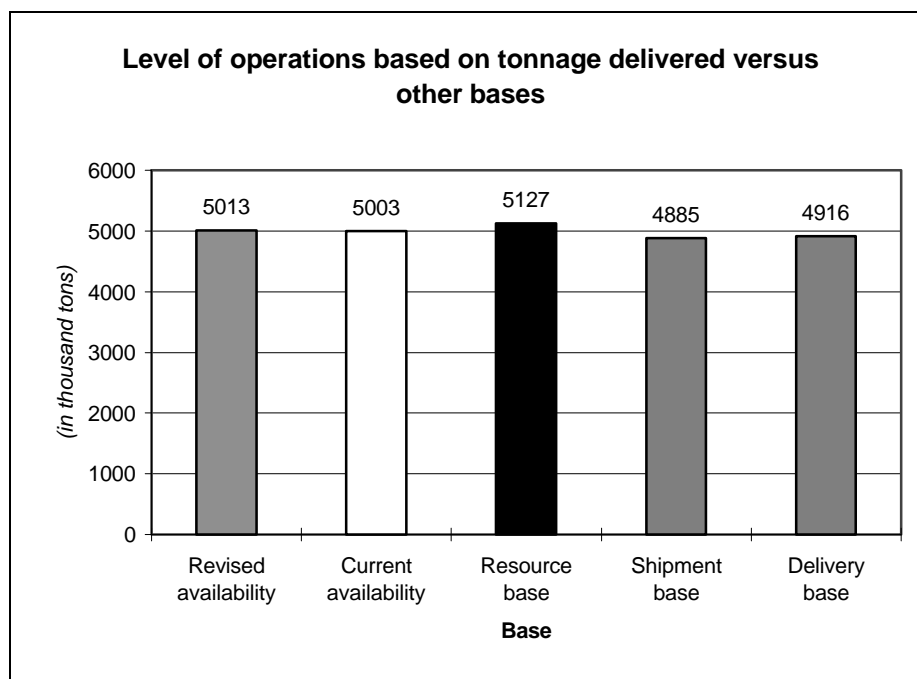
<b>TABLE 6</b>	
<b>Distribution Base</b>	<b>Total volume (in thousand tons)</b>
14 Arrival in country offices	4 916
16 Plus: In-country stocks	1 109
17 Total available for distribution	6 025
18 Less: post-c.i.f. losses	-60
19 Total available for distribution to beneficiaries	5 965
Less: Balance in stock at the end of 1996-97	-967
<b>20 Net distributed to beneficiaries</b>	<b>4 998</b>

### The yardstick

16. The availability of resources is the primary determinant of the level of operations. It is assumed that, if resources are available, they will be called forward and delivered. The Strategic and Financial Plan (SFP) 1996-99 indicated the volume delivered as the level of operations for the 1996-97 biennium. Based on the volume delivered, the budget had projected that the level of operations would be 5,600 thousand tons, which was revised downwards to 5,013 thousand tons. Based on the volume delivered, the



actual level of operations in 1996-97 was 4,916 thousand tons or 98.1 percent of the revised level of operations.



17. Overall, the level of operations in terms of delivery tonnage was:
- 98.1 percent of the revised estimate of 5,013 thousand tons;
  - 98.3 percent of current availability of 5,003 thousand tons and
  - 95.9 percent of resources base of 5,127 thousand tons (see Graph 9 above).

### Summary

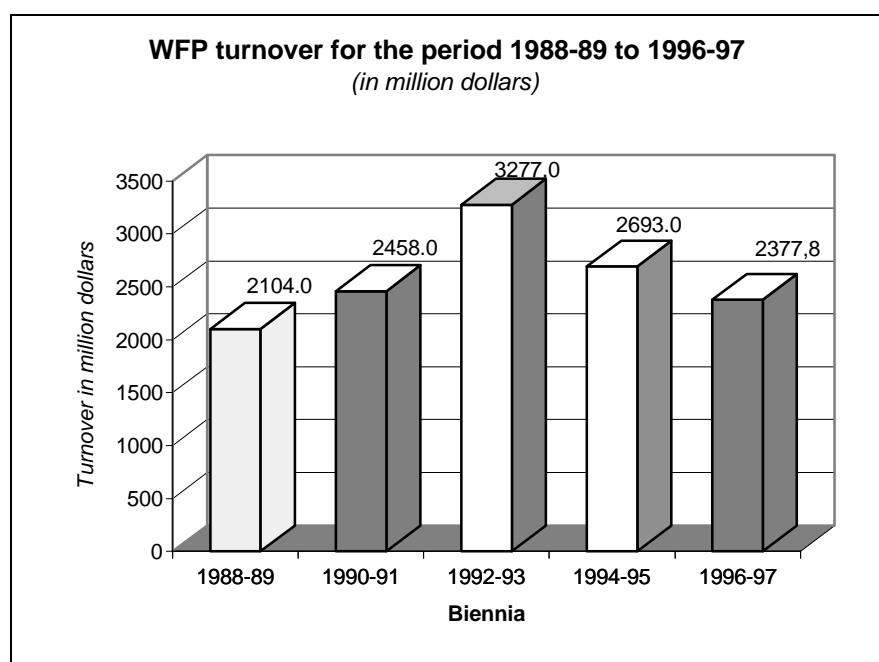


Level of operations based on tonnage delivered, 4,916 thousand tons; or 95.9 percent of resource base.





## ANALYSIS OF USE MADE OF RESOURCES: OPERATIONAL EXPENDITURE



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### Overview: Expenditure

18. The level of expenditure was estimated at 2,801 million dollars for the biennium, including 226.4 million dollars for the related PSA component. The actual expenditure and commitments incurred, including the PSA component, amounted to 2,377.8 million dollars, against total income of 2,600.8 million dollars.<sup>1</sup> The breakdown of expenditure by programme category for the 1996-97 biennium is shown in Table 7 below and additional details are given in Annex II.

<sup>1</sup> Including interest income.



**TABLE 7: REVISED BUDGET VERSUS ACTUAL EXPENDITURE<sup>1</sup>**  
(in million dollars)

Programme category	Revised Budget	Actual Expenditure	Actual expenditure as % of revised budget
Development	732.9	688.3	93.9
PRO	672.3	520.7	77.5
EMOP	1 163.3	1 006.6	86.5
SO, BIL & Others	232.7	162.2	69.7
<b>Total</b>	<b>2 801.2</b>	<b>2 394</b>	<b>84.9</b>

<sup>1</sup> Includes Indirect Support Costs.

19. Overall actual expenditure was 15.1 percent lower than the revised budget of 2,801 million dollars, with the largest variance registered in PROs. Actual expenditure for the three major programme categories was lower than the revised budget, as follows: development (6.1 percent); PROs (22.5 percent); and EMOPs (13.5 percent).
20. Analysis by the three major cost elements shows a decrease in expenditure compared to the revised budget shown below in Table 8: commodities down by (7.3 percent) mainly due to decrease in average cost of WFP-procured commodities in 1997; transport (25.3 percent) as a result of efficiency gains from pre-shipment planning, cargo consolidation and increased use of chartered shipments; and air, overland and ITSH (42.5 percent). A large part of the decrease in ITSH expenditures was a result of the cancellation of a significant amount of ITSH commitments, still outstanding at the end of 1997.<sup>1</sup>

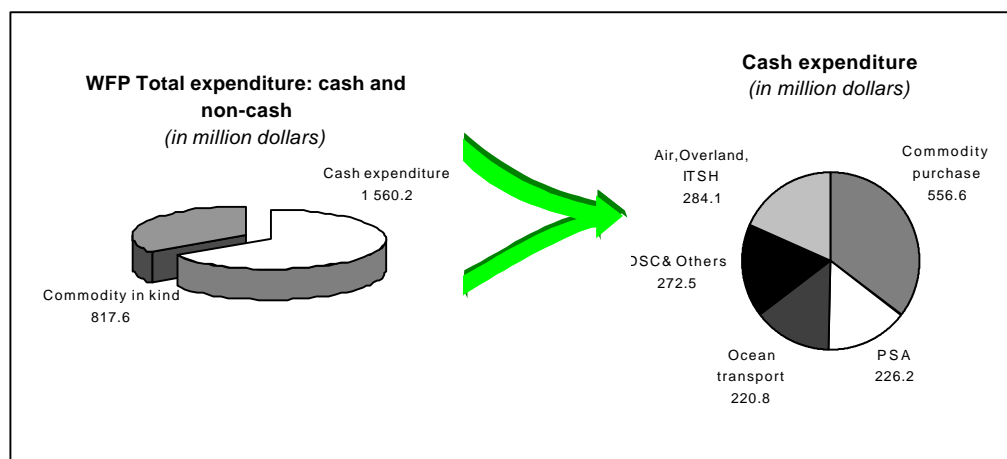
**TABLE 8: 1996-97 REVISED BUDGET VERSUS EXPENDITURE BY COST ITEM**  
(in million dollars)

Cost item	Revised budget	Actual expenditure	Actual expenditure as % of revised budget
Commodities	1 483.2	1 374.2	92.7
Ocean transport	295.5	220.8	74.7
Air, Overland, ITSH	494.4	284.1	57.5
DSC & others	301.7	272.5	90.3
PSA	226.4	226.2	99.9
<b>Total</b>	<b>2 801.2</b>	<b>2 394</b>	<b>84.9</b>

<sup>1</sup> Under WFP's accounting method, the biennial expenditure is reported in the financial statement net of the amount of cancelled outstanding commitments; i.e., the cancellation of commitments set out in prior periods reduces the reported expenditure for the current period. WFP rigorously assessed the validity of ITSH commitments still outstanding and as a result cancelled those deemed not valid.



21. As a percentage of the total expenditure, the breakdown for the revised budget was: commodities 52.9 percent; transport 10.5 percent; and air, overland and ITSH 17.6 percent, compared to actual expenditure comprised of: commodities 57.8 percent; transport 9.3 percent; and air, overland and ITSH 11.9 percent.
22. A review of total expenditure by cash and non-cash shows that 817.6 million dollars, or 34.4 percent, was for commodities in kind and 1,560.2 million dollars, or 65.6 percent, was for cash expenditure, shown below in Graph 11.



11

## Operational Activities by Programme Category

### Country Programmes

23. During the biennium, 11 Country Programmes (CPs) were prepared and submitted to the Executive Board for approval. Out of the CPs approved, four were for Bangladesh, Bolivia, India and Pakistan, for the period 1997 to 2000. The others were for Egypt, Ghana, Haiti, Mauritania, Mozambique, Yemen, Zambia, and cover the period from 1998 to 2000. The main highlights of WFP's operational activities in 1996-97 by programme category are presented below, with further details given in Annex II.

### Development Programme

#### Project and expansion approvals (Table 9)

24. Twenty-five new projects and expansions were approved in 1996-97 by the Executive Board or by the Executive Director under her delegated authority, at a total value of 383.8 million dollars. Of the total projects and expansions approved, nine were in sub-Saharan Africa; six in South and East Asia; four in Latin America and the Caribbean; and the remaining six in the North Africa and Middle East Region. During the biennium, 1,711 thousand tons was delivered for development projects.
25. Most of the new projects and expansions approved, as shown below, were in the agriculture and rural development sectors.

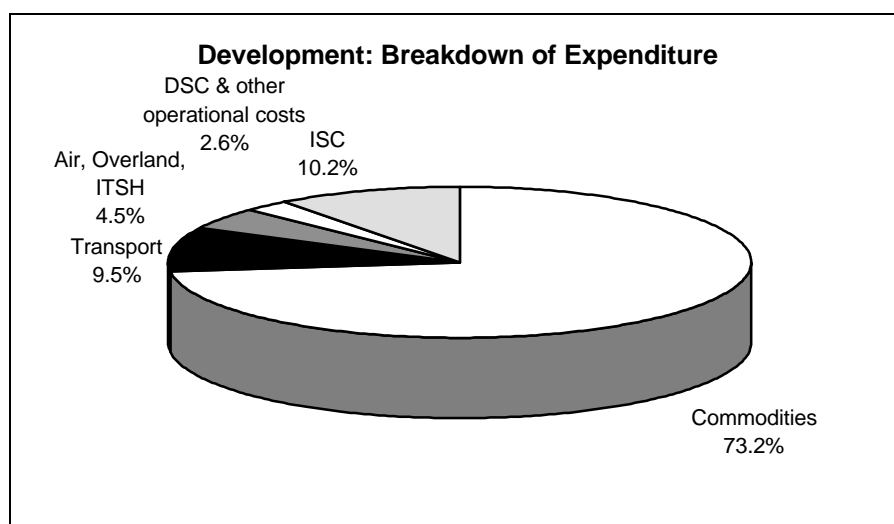


**TABLE 9: PROJECTS APPROVED AND EXPANSIONS  
FOR THE YEAR 1996-97: DEVELOPMENT**  
(in million dollars)

	Number of projects	Project budget
Agriculture and rural development		
Agricultural production	8	177.4
Rural infrastructure	6	41.9
Settlement	1	11.9
Subtotal	15	231.2
Development of human resources		
MCH and primary schools	8	133.8
Literacy training & other education	2	18.8
Subtotal	10	152.6
<b>Total</b>	<b>25</b>	<b>383.8</b>

#### Expenditure

26. The total expenditure for the development programme during 1996-97 amounted to 688.3 million dollars,<sup>1</sup> or 28.9 percent of the total WFP expenditure, against a total income of 712.4 million dollars. Actual expenditure was 6.1 percent lower than the revised budget of 732.9 million dollars, with the largest variance registered in transport and related costs (23.2 percent).
27. A review of development expenditure shows that 503.3 million dollars, or 73.2 percent, was for commodities and 185.0 million dollars for cash expenditure. The chart 12 below gives a breakdown by cost item.



12

<sup>1</sup> This amount includes ISC as expenditure. The amounts shown in the financial statements do not include ISC under expenditure, but rather show ISC under income accruing to the General Fund.



28. The outstanding balance of commitments had been reduced from 1,084.3 million dollars at the beginning of the biennium to 878.0 million dollars by the end of the biennium: a reduction of 19 percent. The amount of 878.0 million dollars, after adjustment, is equivalent to 1,715 thousand tons.

### Performance of the Development category

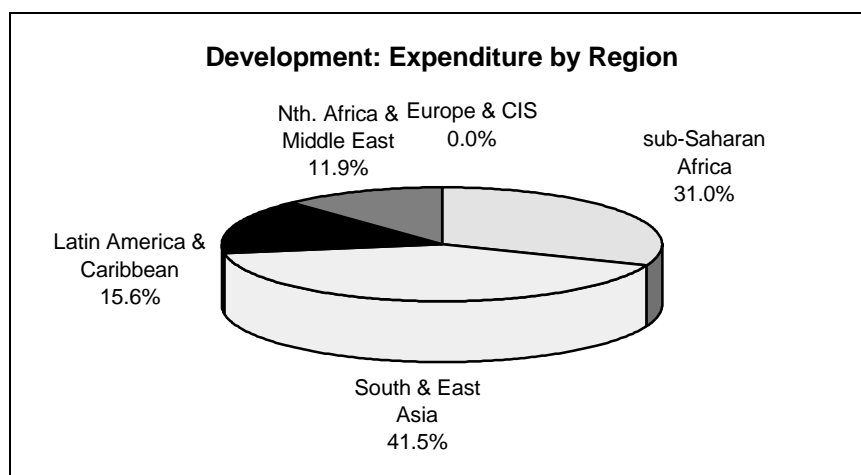
#### 1 By tonnage delivered:

Level of operations based on tonnage delivered:	1 711 thousand tons
Delivery as percentage of:	
Revised estimated availability of 1 590 thousand tons	107.6
Actual current pledged availability of 1 635 thousand tons	104.6
Resources base of 1 667 thousand tons	102.6

#### 2 By beneficiaries:

Average number of beneficiaries served by WFP assistance during the 1996-97 biennium was 22.3 million: 20.7 for 1996 and 23.8 for 1997.

#### 3 By region:



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### Protracted Relief Operation (PRO) Programme

Approval of projects and expansions (Table 10)

29. Twenty-six new PROs and expansions were approved by the Executive Board or by the Executive Director under her delegated authority, at a total value of 510.9 million dollars. Of the total 26 new PROs and expansions approved, 13 were in sub-Saharan Africa; six in South and East Asia; and the remaining seven in the North Africa and



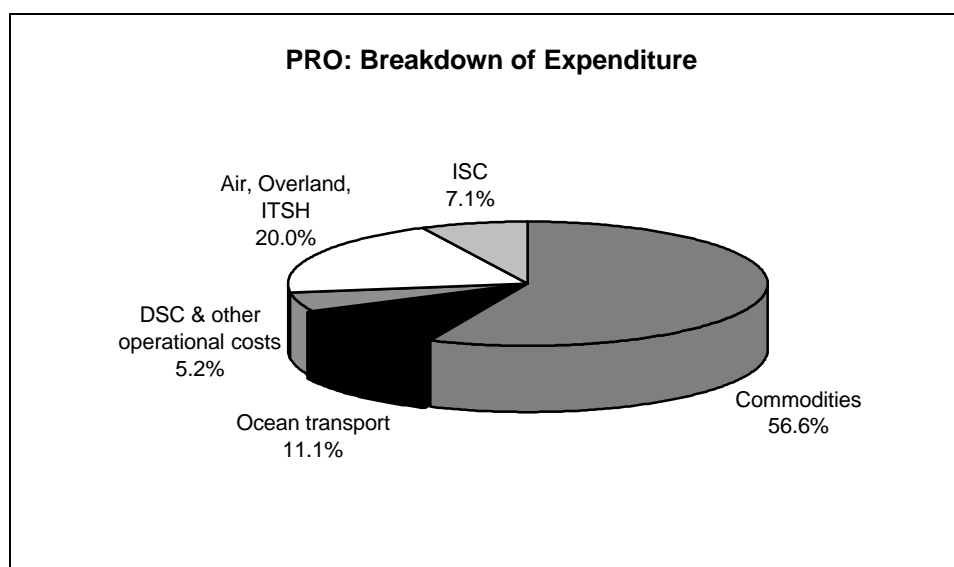
Middle East region. A quantity of 1,173 thousand tons was delivered for PROs during the biennium .

**TABLE 10: WFP PROJECTS APPROVED AND EXPANSIONS FOR THE YEAR 1996-97: PROs**  
(in million dollars)

	Number of projects	Project budget
Protracted displaced person operations	8	377.5
Protracted refugee operations	18	133.4
<b>Total</b>	<b>26</b>	<b>510.9</b>

### Expenditure

30. The total expenditure for PROs during 1996-97 amounted to 520.7 million dollars, or 21.9 percent of total WFP expenditure, against a total income of 581.9 million dollars. The overall expenditure was 22.5 percent lower than the revised budget of 672.3 million dollars, with the largest variances registered in air, overland and ITSH (36.2 percent); transport and related costs (29.8 percent); and commodities (17.2 percent).
31. Under PRO expenditure, roughly 294.6 million dollars was expended for commodities and 226.1 million dollars for cash expenditure. In percentage terms, the major expenditure was for commodities: 56.6 percent. The chart 14 below gives a breakdown by cost item.



14

### Performance of the PRO category

1

By tonnage delivered:

Level of operations based on tonnage delivered : 1 173 thousand tons



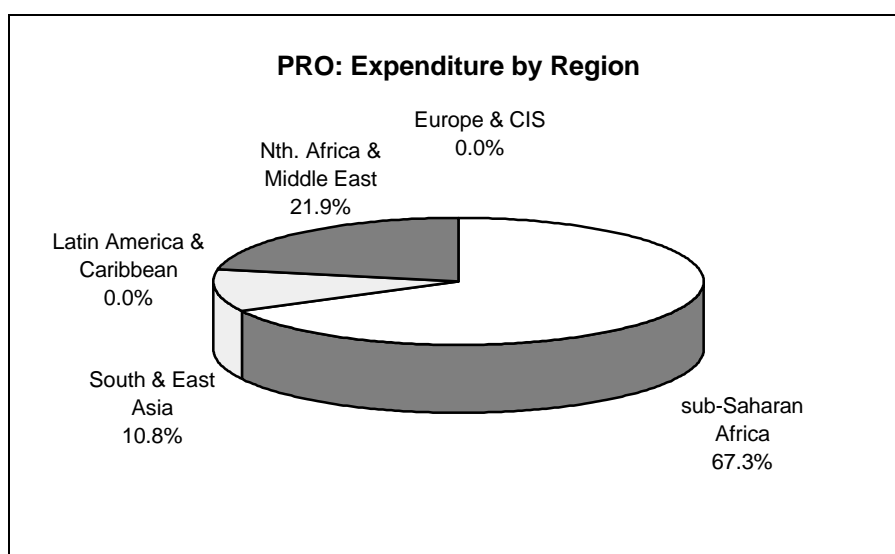
Delivery as percentage of:

Revised estimated availability of 1 368 thousand tons	85.7
Actual current pledged availability of 1 184 thousand tons	99.1
Resources base of 1 248 thousand tons	93.9

## 2 By beneficiaries:

Average number of beneficiaries served by WFP assistance during the 1996-97 biennium was 8.8 million: 9.8 for 1996 and 7.7 for 1997.

## 3 By region :



15

## Emergency Operations (EMOPs) Programme

Approval of projects and expansions (Table 11)

32. In 1996-97, 56 new EMOPs and expansions were approved jointly by the Executive Director and Director-General, FAO, or by the Executive Director under her delegated authority. The total value amounted to 1,560.5 million dollars. Of the 56 new EMOPs and expansions approved, 25 were in sub-Saharan Africa; seven in South and East Asia; six in Latin America and the Caribbean; six in the North Africa and Middle East Region; and the remaining 12 in the Europe and CIS Region. During the biennium 2,032 thousand tons was delivered .

**TABLE 11: WFP PROJECTS APPROVED AND EXPANSIONS FOR THE YEAR 1996-97: EMOP**



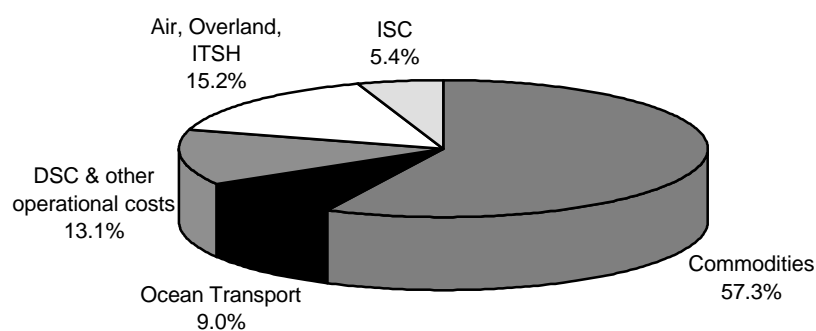
(in million dollars)		
	Number of projects	Project budget
Drought/crop failures	15	491.0
Man-made disasters	31	863.0
Sudden natural disasters	10	206.5
<b>Total</b>	<b>56</b>	<b>1 560.5</b>

### Expenditure

33. The total expenditure during the biennial period amounted to 1,006.6 million dollars, or 42.3 percent of total WFP expenditure, against a total income of 1,133.7 million dollars. The actual expenditure was 13.5 percent lower than the revised budget of 1,163.3 million dollars, with the largest variance registered in air, overland and ITSH (48.7 percent); and transport-related costs (29.0 percent).
34. Under the EMOP category, 576.3 million dollars was expended for commodities and 430.3 million dollars for cash expenditure. Commodity expenditure accounted for 57.3 percent. The chart 16 below gives a breakdown by cost item.

16

**EMOP: Breakdown of Expenditure**





## Performance of the EMOP category

### 1 By tonnage delivered :

Level of operations based on tonnage delivered:	2 032 thousand tons
Delivery as percentage of:	
Revised estimated availability of 2 055 thousand tons	98.9
Actual current pledged availability of 2 184 thousand tons	93.0
Resources base of 2 212 thousand tons	91.9

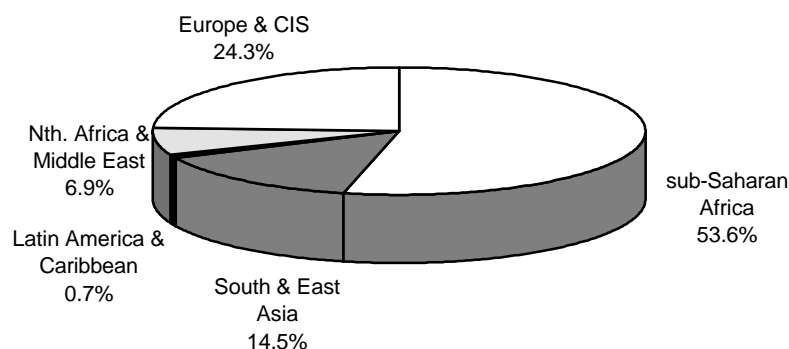
### 2 By beneficiaries:

Average number of beneficiaries served by WFP assistance during the 1996-97 biennium was 18.1 million: 14.8 for 1996 and 21.4 for 1997.

### 3 By region:

EMOP: Expenditure by Region

17



## Special Operations (SO) Programme

35. The main WFP-assisted SOs during the 1996-97 biennium were initiated in Angola, Liberia, Pakistan, Rwanda, and Sudan. A total of 48.3 million dollars was resourced and allotted for implementation purposes. Concentration of the activities focused mainly on air-lifts in Africa, and road and rail maintenance related to CLAU operations. The total expenditure for SOs in 1996-97 amounted to 44.5 million dollars. Table 12 below provides a breakdown of how these resources were spent .



**TABLE 12: SPECIAL OPERATIONS**  
(in million dollars)

Project preparation, staff and other related costs	19.8
Air-lift	15.0
Road & river crossing, rail, port & coastal equipment maintenance	3.1
Vehicles	2.8
Communication/computers	1.3
Miscellaneous	2.5
<b>Total</b>	<b>67</b>





### Bilateral and Other Programmes

36. During 1996-97, WFP provided bilateral services to donors and continued to administer special programmes such as the Junior Professional Officer (JPO) scheme. Total expenditure for such activities in 1996-97 amounted to 64.2 million dollars.

### FMIP

37. Expenditure for FMIP amounted to 5.3 million dollars for the biennium. Annex IV provides further details on FMIP initiatives.

### Summary

-  Overall actual expenditure was 15.1 percent lower than the revised budget:
  - ◇ Development: down by 6.1 percent;
  - ◇ Emergency Operations: down by 13.5 percent;
  - ◇ Protracted Relief Operations: down by 22.5 percent.
-  The three major programme categories showed high performance based on tonnage delivered versus revised levels of operation:
  - ◇ Development: 107.6 percent;
  - ◇ Emergency Operations: 98.9 percent;
  - ◇ Protracted Relief Operations: 85.7 percent.
-  Delivery of each category as a percentage of the total tonnage delivered was:
  - ◇ Development: 34.8 percent;
  - ◇ Protracted Relief Operations: 23.9 percent;
  - ◇ Emergency Operations: 41.3 percent.
-  The number of beneficiaries was:
  - ◇ Development: 20.7 million in 1996; 23.8 million in 1997;



- ◇ Protracted Relief Operations: 9.8 million in 1996; 7.7 million in 1997;
- ◇ Emergency Operations: 14.8 million in 1996; 21.4 million in 1997.



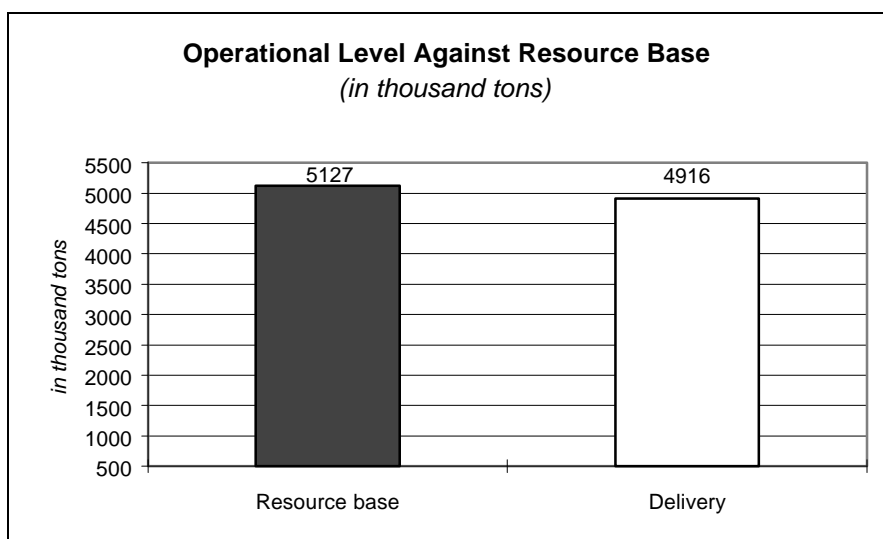
Expenditure by region was:

- ◇ 41.5 percent of Development expenditure was directed to South and East Asia;
- ◇ 67.3 percent of PRO expenditure was directed to sub-Saharan Africa;
- ◇ 53.6 percent of EMOP expenditure was directed to sub-Saharan Africa.

## CLOSING THE BIENNIUM: OPERATIONS



4,916 thousand tons of commodities was delivered, as shown below in Chart 18.



18



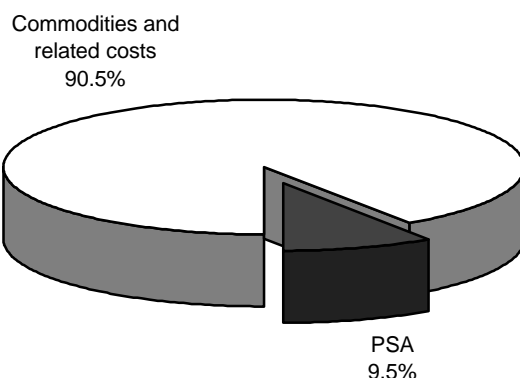
The operational level based on tonnage delivered was 95.9 percent of the resource base, 98.1 percent of the revised level of delivery.



90.5 percent of expenditure went towards commodities and related direct costs, as shown below in Chart 19.

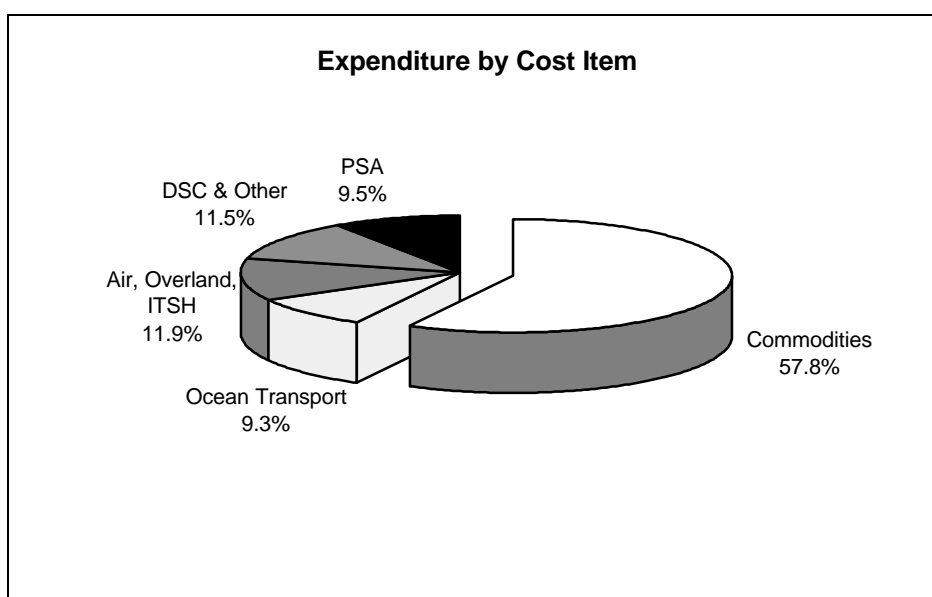


### Expenditure: Direct Costs and the PSA



19

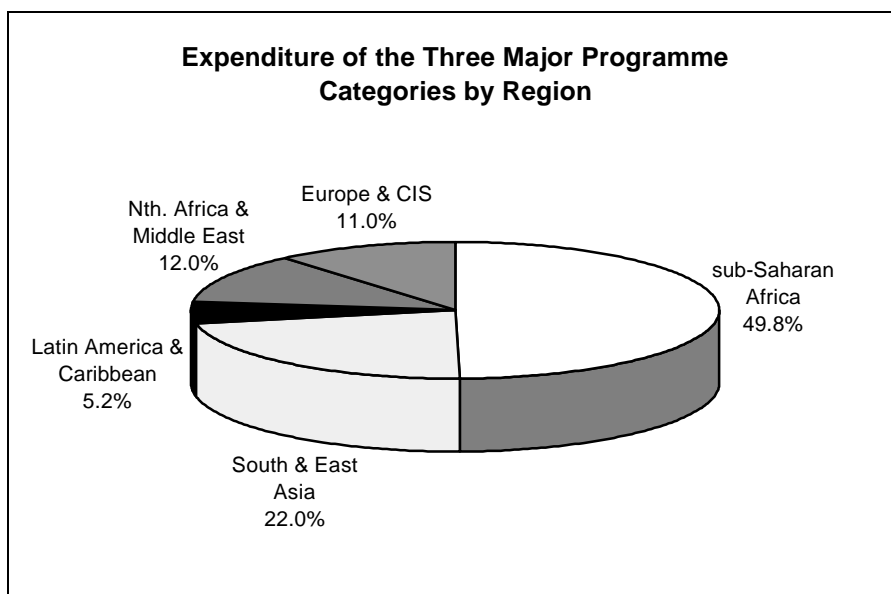
- In all three major programme categories, at least 57.8 percent, in aggregate, was directed to commodities, as shown below in Chart 20.



20

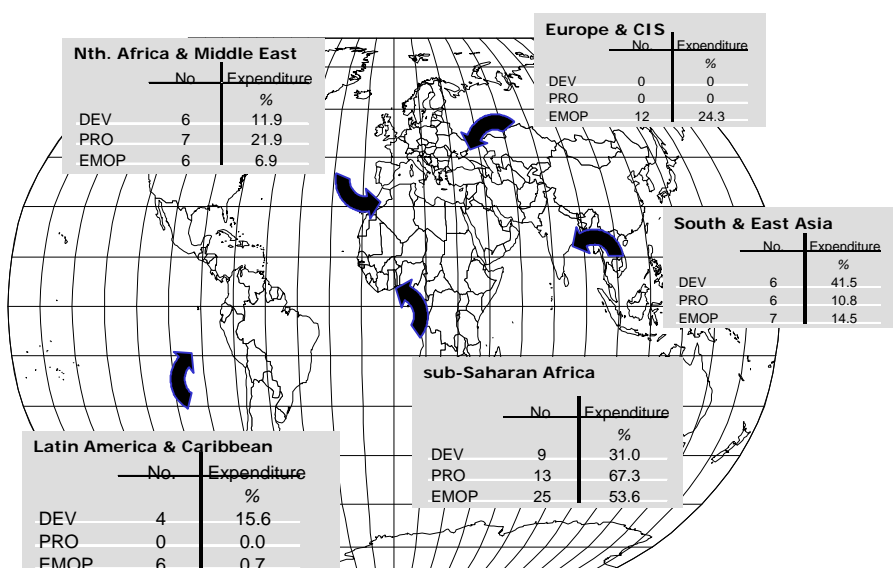
- On average, the number of WFP-assisted beneficiaries was 49.1 million persons: 45.3 million for 1996 and 52.9 million for 1997.
- Approximately half of WFP expenditure for the three programme categories, as shown below in Chart 21, was directed to sub-Saharan Africa.





➤ WFP’s intervention tool in terms of programme categories was tailored to address the identified needs of each region within the overall context of resource availability, as shown below in Chart 22.

**Number of New Projects & Expansions Approved During the Biennium and Percentage of Expenditure by Region**



## SECTION II

### PROGRAMME SUPPORT AND ADMINISTRATION (PSA) BUDGET

#### PSA Authority

38. The CFA approved a PSA Budget authority of 228.9 million dollars for the 1996-97 biennium (CFA 40/4/Rev.1), based on a delivery scenario of 5,600 thousand tons. The budget was later recosted to 233.9 million dollars, according to the lira-dollar exchange rate set by the FAO Conference. As a flexible budget, the PSA underwent adjustment in order to be commensurate with the level of operations. Based on the revised estimated level of operations for the biennium in terms of delivery tonnage of 5,013 thousand tons, the Executive Director reduced the biennial PSA budget allotment to 226.4 million dollars, in line with the Executive Director's recommendation that the CFA's "...authorize the Executive Director to adjust the budget in accordance with any variation in the volume of operations when such variation are more than 10 from the planned level";... (CFA 40/4/Rev.1, paragraph 127 c)) The variation in volume was 0.5 percent above the 10 percent threshold. The revision took into consideration the application of ISC recoveries under the new Resource and Long-term Financing (R&LTF) policies and an updated availability of overall resources. The revised budget authority of 226.4 million dollars represented 96.8 percent of the recosted budget.

#### Analysis of funding of PSA: Projections and Availability

39. In November 1995, the CFA approved new R&LTF policies, which were implemented on a trial basis from January 1996. Under the new policies, the PSA is funded primarily from ISC recovery. The rates of ISC recovery approved by the Executive Board for 1996 and 1997 are shown in Table 13 below. These rates are applied on the total value of food, transport, LTSH and the direct support cost components of all confirmed contributions for the related programme category.

**TABLE 13: INDIRECT SUPPORT COST RECOVERY RATES  
(percentage)**

Programme category	1996	1997
Development	14.5	13.9
PRO	7.2	7.1
EMOP	4.8	6.0
SO	15.3	11.9
Bilateral Services:		
procurement	3.1	4.0
transport	4.7	4.5
procurement and transport	3.8	4.3



40. The original estimate of ISC recoveries was 220.4 million dollars, which was later revised downwards to 209 million dollars. The actual availability based on confirmed contributions amounted to 206 million dollars or 98.6 percent of the revised amount. Of this amount, 155.8 million dollars has been received within the biennium and the remainder of 50.2 million dollars is being received in the 1998-99 biennium. By 30 June 1998, 21.3 million dollars out of the 50.2 million dollars had been received.
41. In addition to ISC recoveries, approximately 3.5 million dollars from GCCC was available to fund the PSA. The gap of 16.7 million dollars between PSA expenditure and resource availability (from ISC recoveries and GCCC) was met from the General Fund as indicated in the revised projections. This amount was 2.3 million dollars more than the estimated 14.4 million dollars. Table 14 below indicates the specific funding sources for the PSA component of the 1996-97 Budget .

**TABLE 14: SOURCES OF PSA FUNDING 1996-97**  
(in million dollars)

Programme Category	Original estimates	Revised estimates	Availability	Receipt
Development	100.4	90.3	91.0	70.4
PRO	59.5	47.1	43.1	29.7
EMOP	42.0	62.2	56.0	39.8
SO	7.4	5.3	5.7	5.7
BIL/other	11.1	4.1	10.2	10.2
<b>Total ISC</b>	<b>233</b>	<b>218.0</b>	<b>215.0</b>	<b>181<sup>1</sup></b>
GCCC	2.0	3.0	3.5	3.5
General Fund	7.0	14.4	16.7	16.7
<b>Total PSA funding</b>	<b>229.4</b>	<b>226.4</b>	<b>226.2</b>	<b>176.0</b>

<sup>1</sup> If 22.2 million dollars ISC recovery from prior period is included, the receipts for ISC would reconcile with the financial statement as follows:

	(million dollars)
Development	70.4
EMOPs	54.3
PRO	37.2
SO	5.9
Trust Fund	10.2
Total	178.0

42. The shortfall in the PSA funding could also have been met from 22.2 million dollars of ISC recoveries from the prior period received during 1996-97, which is reflected in the General Fund, in the 1996-97 accounts. The total resources available to fund the PSA, in such a case, would have been 231.7 million dollars, without the utilization of General Fund. But, in order to make the comparison transparent, PSA expenditure and resource availability for the purpose have been expressed on the basis of confirmed contributions for the current period. It should be noted, however, that, as the accounts are prepared on a cash basis, 44.7 million dollars of the cash receipt of the General Fund was used to meet the PSA cash disbursement.



### Full-cost recovery, up-front payment of ISC and funding of the PSA

43. Experience shows that there is always a lag between the time when a contribution is confirmed by a donor and when it is actually received. The application of the full-cost recovery concept from the beginning of 1996 has generated more resources for the PSA in terms of confirmed contributions, but the time lag between the confirmation and receipt of contribution has caused the carry-over balance to be larger than before; i.e., whereas 22.2 million dollars was received against confirmed contributions for the preceding period, cash to be received in 1998-99 from the confirmed contribution for the 1996-97 biennium is 50.2 million dollars. In other words, the accruals at the end of one period, reversals and accruals at the end of the next period, should roughly cancel each other. In future periods, the difference between the carry-over from one period to another should not be as great, since this period was the first under the new R&LTF policies. Therefore, there should be sufficient income on a cash as well as accrual basis to finance the PSA.
44. WFP continues to pursue the principle of full-cost recovery for the PSA and up front payment for ISC in accordance with the CFA's recommendation "...that WFP renegotiate with donors those agreements which do not fully conform with the new model in order that the principle of full cost recovery is met by each donor. Recognizing individual donor constraints, the Secretariat should be flexible with donors but fully recover support costs pertaining to the implementation of operations carried out with their contributions;..." (CFA 40/15, paragraph 22 n)". A Formal Working Group of the Executive Board is currently involved in discussions concerning the review of WFP's R&LTF policies.

## ANALYSIS OF PSA EXPENDITURE

### PSA Expenditure: 1996-97

45. As stated earlier, the PSA budget was reduced from 233.9 million dollars to 226.4 million dollars. Although a reduction in the budget could have some detrimental effects on WFP's capacity to carry out its mandate in both the short and long term, WFP managed to operate within the reduced budget. Measures were taken to ensure that WFP remained within the estimated level of available resources; these include: limiting the recruitment of temporary staff and consultants; policy of phasing in new staff; control of vacant posts; and introducing a low-fare cost policy on travel. As resources decreased, budget allocations were reduced. It should be noted that a very tight budget environment would mean a reduction in some areas, which could have a negative impact on WFP's operations. The approved budget and associated expenditure are summarized in Table 15 below, and given in further detail in Annex III.

**TABLE 15: 1996-97 PSA BUDGET SUMMARY BY ORGANIZATIONAL UNIT**  
(in thousand dollars)

By major programme	Approved PSA budget	Recosted <sup>1</sup> PSA budget	Adjusted <sup>2</sup> budget	Expenditure & unliquidated obligations
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Direction, Policy and Resources	35 201	35 564	32 794	31 800
Executive Direction	11 975	11 877	10 426	10 467
Strategy and Policy	3 408	3 439	3 728	2 780
Resources	19 818	20 248	18 640	18 553
Operations	150 366	151 447	139 067	139 148
Operations Management	9 192	8 124	5 811	4 542
Programming Service	3 667	3 122	2 698	2 344
Technical Support Service	3 812	2 898	3 336	6 852
Transport and Logistics	11 955	12 333	12 089	10 633
Regional Bureaux Operations	15 774	16 884	15 700	15 632
Country Office Operations	105 966	108 086	99 433	99 145
Support Services	48 428	52 099	52 620	53 294
Finance and Information Systems	24 177	25 463	26 696	27 860
Human Resources	11 747	11 976	10 777	11 062
Management Services	12 504	14 660	15 147	14 372
Statutory Requirements	1 260	1 260	1 958	1 958
Phasing-in effect and benefit from streamlining	(6 342)	(6 427)	–	–
<b>Total</b>	<b>228 913</b>	<b>233 943</b>	<b>226 439</b>	<b>226 200</b>

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

<sup>2</sup> Adjusted in accordance with transfers approved by the Executive Director.

46. An analysis of PSA by major programme shows that actual expenditure for Direction, Policy and Resources had a favourable variance mainly in staff costs. The actual expenditures for Operations and Support Services had an unfavourable variance owing to additional costs related to priority items such as the Gender Action Plan, and priority purchases of computers and communications equipment. For the Finance and Information Systems and Human Resources Divisions, the overrun was due to extra costs incurred for hiring temporary staff .
47. Further analysis of the PSA expenditure by budget lines shows that most costs were contained within the biennium budget allotment. However, there was over-expenditure in some line items: mainly attributed to extra staff costs for termination indemnities; increased contributions to JIU and other joint United Nations activities; purchase of computers and communication equipment; and local operating costs related to the establishment of new regional clusters. Over-expenditure in these line items was covered by under-expenditure in other budget lines, within the chapter, in accordance with the Financial Regulations (i.e., allotment increases were made through a transfer from other objects within overall approved budgets).
48. The 1996-97 PSA budget underscored the need to achieve more with the same resources. For example, in 1996, WFP commenced with the implementation of the organizational change initiative which aims at placing decision-making authority closer to beneficiaries and implementing partners. By the end of the biennium, eight regional cluster offices were set up, making WFP more strategically-oriented and more efficient in the field. Implementation of the organizational change initiative placed an additional



burden on the PSA budget in the form of requirements for communications and computer equipment, training, consultancy, travel and other operating costs, all of which were accommodated within the reduced budget. In addition, some expenditure beyond WFP's control was incurred during the biennium. For example, in January 1998, the ILO Administrative Tribunal ruled that the 4% language factor should be included in the salary scale of General Service staff proficient in a second UN official language. The restoration of the language factor necessitated a retroactive adjustment to salary costs, pension fund contributions and termination emoluments. Again, this expenditure was accommodated within the reduced budget. Examples of major increases accommodated within the budget are outlined below.

### **Staff costs**

- a) More administrative services (\$765,000) were taken over from FAO, resulting in a transfer of posts from Chapter II.
- b) There were two separation packages for 38 staff, totalling 3.5 million dollars.
- c) Additional costs of 0.8 million dollars were incurred for the restoration of the language factor which required a retroactive adjustment, as explained above.
- d) Headquarters professional staff costs increased by 5.68 percent as of 1 January 1997, following the approval, by the United Nations General Assembly of the ICSC's recommendations (offset by a reduction in Post Adjustment). General Service staff costs increased by 2.45 percent in November 1996; by 2.35 percent in November 1997.

### **Non-staff costs**

- a) The establishment of Gender Task Force activities at the end of the 1994-95 biennium resulted in increased utilization of consultancy services and duty travel, amounting to 0.7 million dollars.
- b) The purchase of much needed computers and communications equipment to provide WFP with new technology amounted to 1.9 million dollars.
- c) Additional start-up support costs of 1.7 million dollars for cluster offices including vehicles and office equipment.
- d) An amount of 2.4 million dollars was spent for the establishment of the new regional clusters in Côte d'Ivoire, Kenya and Pakistan.

### **Contributions to other United Nations organizations**

- a) Increased contributions to JIU and other joint United Nations activities of 0.6 million dollars.

## **Summary**



The actual availability from ISC contributions for funding the PSA was only 1.4 percent below the revised estimate.



Despite the reduced budget, WFP strove to implement priority programmes.



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## CLOSING THE BIENNIUM: THE PSA

- Actual expenditure in 1996-97 amounted to 96.7 percent of the recosted budget and 99.9 percent of the revised budget;
- The PSA expenditure was maintained at below 10 percent of overall expenditure;
- Although there was a lot of pressure on the PSA as WFP undertook measures better to position itself to meet the needs of the beneficiaries, the PSA was reined in within the revised lower budget.



# ANNEX I

## MEASUREMENTS OF WFP' S OPERATIONS

	Base <sup>1</sup>	DEV.	PRO.	EMOP	Total
		<i>(Volume in thousand tons)</i>			
<b>RESOURCE BASE</b>					
1	Prior period pledges	112	108	183	403
2	Plus: Current period pledges (1996-97)	1 635	1 184	2 184	5 003
3	Gross current biennium pledges	1 747	1 292	2 367	5 406
4	Less: Already called forward in prior years	-80	-44	-155	-279
<b>5</b>	<b>Total available for calling forward</b>	<b>1 667</b>	<b>1 248</b>	<b>2 212</b>	<b>5 127</b>
6	Less: Net called forward (SI issued in current period)	-1 563	-1 063	-1 849	-4 475
7	Balance to be called forward in the succeeding period	104	185	363	652
<b>SHIPMENT BASE</b>					
6	Called forward (SI issued in current period)	1 563	1 063	1 849	4 475
8	Plus: Carry forward of prior year (SI) not shipped	130	126	184	440
9	Total available for shipment or local purchase	1 693	1 189	2 033	4 915
<b>10</b>	<b>Less: Net shipped (B/L) and purchased</b>	<b>-1 697</b>	<b>-1 181</b>	<b>-2 007</b>	<b>-4 885</b>
11	Balance to be shipped/purchased in the succeeding period	-4	8	26	30
<b>DELIVERY BASE</b>					
10	Shipped (B/L) and purchased	1 697	1 181	2007	4 885
12	Plus: shipments & purchases in transit from preceding period	49	39	57	145
13	Total potential arrival in country offices	1 746	1 220	2064	5 030
<b>14</b>	<b>Less: Net arrival in country offices</b>	<b>-1 711</b>	<b>-1 173</b>	<b>-2 032</b>	<b>-4 916</b>
15	Balance in transit at end of current period	35	47	32	114
<b>DISTRIBUTION BASE</b>					
14	Arrival in country offices	1 711	1 173	2 032	4 916
16	Plus: In-country stocks (estimated)	204	331	574	1 109
17	Total available for distribution	1 915	1 504	2 606	6 025
18	Less: Post-c.i.f. losses	-19	-15	-26	-60
19	Total available for distribution to beneficiaries	1 896	1 489	2 580	5 965
<b>20</b>	<b>Less: Distributed to beneficiaries</b>	<b>-1 726</b>	<b>-1 194</b>	<b>-2 078</b>	<b>-4 998</b>
21	Balance in stock at the end of 1997	170	295	502	967

<sup>1</sup> Explanatory notes are provided overleaf.



## EXPLANATORY NOTES

1. Prior period pledges are the balance of confirmed contributions outstanding from donors' pledges before 1996 which are not yet received and are available for allocation in the 1996-97 biennium.
2. Current period pledges are donors' confirmed contributions made in pledges for the 1996 and 1997 pledge years, amounting to 5,003 thousand tons. (i.e., ISC recoveries for funding the PSA are based on this total).
3. Gross current biennium pledges equate to the sum of steps 1 and 2 and relate to total pledges available for allocation during the 1996-97 biennium.
4. Called forward in prior years relates to those current 1996 and 1997 pledge year contributions allocated and received in advance and which should therefore be subtracted.
5. The resource base is the total volume of resources available for calling forward in 1996-97, amounting to 5,127 thousand tons, compared to the revised estimated level of operations for the biennium of 5,013 thousand tons.
6. From the resource base, the called-forward depicts the total new shipment for which SIs have been issued in the 1996-97 biennium.
7. Balance to be called forward in the succeeding period relates to those contributions which are assigned for shipment in 1998 or later (i.e., ISC recoveries on these contributions will be received in the following period as and when commodities are called forward).
8. Carry-forward of prior period (SI) represents contributions called forward and SI issued in 1995 or earlier but which were not shipped at the start of the 1996-97 biennium.
9. Total availability for shipment and/or local purchase is the sum of steps 6 and 8 and represents the total contributions available for shipment in 1996-97.
10. The shipment base is the net shipped (bill of lading issued) and purchased from the point of origin in 1996-97 amounting to 4,885 thousand tons, compared to the revised estimated level of operations for the biennium of 5,013 thousand tons. (This includes 739 thousand tons related to prior-period pledges shipped during the current period. Prior-period ISC recoveries totalling 22.2 million dollars were received in the current period).
11. Balance to be shipped/purchased in the succeeding period is the total which has been called forward but for which shipment (B/L) or purchase action will take place in 1998 or later.
12. Shipments and local purchases in transit from preceding period indicate those activities which had commenced at the end of 1995 for delivery in 1996.
13. Total potential arrival in country offices is the sum of steps 10 and 12, and portrays all shipments and local purchases during the 1996-97 biennium.
14. The delivery base is the arrival in country offices which is the volume of commodities that was delivered to country offices during the 1996-97 biennium,



amounting to 4,916 thousand tons, compared to the revised estimated level of operations for the biennium of 5,013 thousand tons.

15. Balance in-transit at end of current period relates to those shipments and local purchase actions initiated during the current biennium but for arrival in 1998.
16. In-country stocks depicts the balance of stocks which were available in country offices at the start of the 1996-97 biennium. It is assumed that this could range from less than one to three months' stock, depending on the type of project or operation and title of ownership of the commodities. This is one area which will improve with the implementation of the CTS.
17. Total available for distribution is the sum of steps 14 and 16 and gives the total contributions available to country offices for distribution during the 1996-97 biennium.
18. Post-c.i.f. losses are estimated on the basis of one percent of the total available for distribution.
19. The total volume of contributions which were available for distribution to beneficiaries during the 1996-97 biennium is reflected by subtracting step 17 from step 18.
20. The distribution base is the net tonnage distributed to beneficiaries during the current biennium, amounting to 4,998 thousand tons.
21. Balance in stock for distribution in the succeeding period represents the balance in stock at the end of the 1996-97 biennium which is available for distribution in 1998.



## ANNEX II

### OPERATIONAL COMMITMENTS AND EXPENDITURE (in million dollars)

	Value of undelivered project commitment at 1.1.96	Value of commitments for new projects 1996-97	Expenditure 1996-97	Budget adjustments 1996-97	Value of undelivered project commitment at 31.12.97
Development and Quick-action projects					
Commodities	870.8	254.0	503.3	-51.3	570.2
Transport and related costs	185.4	44.5	65.3	-28.1	136.5
Air, Overland, ITSH	28.1	27.8	31.1	17.3	42.1
DSC and other operational costs		17.8	18.2	40.5	40.1
Indirect costs		39.7	70.4	119.8	89.1
<b>Subtotal</b>	<b>1 084.3</b>	<b>383.8</b>	<b>688.3</b>	<b>98.2</b>	<b>878.0</b>
Protracted Relief Operations					
Commodities	148.1	250.9	294.6	-95.1	9.3
Transport and related costs	45.8	63.8	57.6	-48.9	3.1
Air, Overland, ITSH	81.7	100.5	104.0	-43.1	35.1
DSC and other operational costs		65.1	27.3	-12.7	25.1
Indirect costs		30.6	37.2	-1.3	-7.9
<b>Subtotal</b>	<b>275.6</b>	<b>510.9</b>	<b>520.7</b>	<b>-201.1</b>	<b>64.7</b>
Emergency Operations					
Commodities	187.5	842.3	576.3	-120.8	332.7
Transport and related costs	66.0	224.1	90.9	-69.0	130.2
Air, overland, ITSH	116.1	283.2	153.3	-101.3	144.7
DSC and other operational costs		121.1	131.8	-6.5	-17.2
Indirect costs		89.9	54.3	-11.2	24.4
<b>Subtotal</b>	<b>369.6</b>	<b>1 560.6</b>	<b>1 006.6</b>	<b>-308.8</b>	<b>614.8</b>
<b>Total operational Commitment/Expenditure</b>	<b>1 729.5</b>	<b>2 455.3</b>	<b>2 215.6</b>	<b>-411.7</b>	<b>1 557.5</b>
Special Operations					
Special Operations			44.5		
Special Account (FMIP)			5.3		
Bilateral and others			64.2		
Programme Support and Administration			226.2		
Adjustment for ISC recovery			-178.0		
<b>Total</b>			<b>2 377.8</b>		



# ANNEX III

**PROGRAMME SUPPORT AND ADMINISTRATIVE EXPENDITURE:  
1996-97 BUDGET AND ACTUAL  
(in thousand dollars)**

Appropriation/budget lines	Approved budget	Recosted budget <sup>1</sup>	Revised budget <sup>2</sup>	Adjusted budget <sup>3</sup>	Actual expenditure
<b>Staff costs</b>	<b>86 324</b>	<b>89 197</b>	<b>83 275</b>	<b>84 149</b>	<b>84 844</b>
<b>Non-staff costs</b>	<b>41 705</b>	<b>41 827</b>	<b>41 773</b>	<b>40 899</b>	<b>40 253</b>
Overtime	502	501	598	598	598
Consultants	4 831	4 807	6 080	4 240	4 178
Travel	3 835	3 835	3 727	4 035	4 035
Books and Periodicals	105	130	143	164	164
Information and Publications	3 250	3 250	2 925	2 325	2 325
Documentation and Meetings	2 400	2 400	2 017	2 357	2 357
Training	2 726	2 726	1 775	1 851	1 851
Communications	3 583	3 583	3 690	4 408	4 407
MIS/Computer	5 068	5 068	4 791	5 652	5 652
Hospitality	75	75	72	38	38
Other operating expenses	5 085	5 085	5 658	5 990	5 495
Services from FAO	6 298	6 420	6 350	6 042	6 026
Services from other UN organizations	3 947	3 947	3 947	3 199	3 127
<b>Total Headquarters</b>	<b>128 029</b>	<b>131 024</b>	<b>125 048</b>	<b>125 048</b>	<b>125 097</b>
International staff costs	53 581	54 961	51 043	50 587	50 535
Local staff costs	28 839	29 579	27 702	26 111	25 875
<b>Total staff costs</b>	<b>82 420</b>	<b>84 540</b>	<b>78 745</b>	<b>76 698</b>	<b>76 410</b>
<b>Local operating costs</b>	<b>23 546</b>	<b>23 546</b>	<b>21 144</b>	<b>22 735</b>	<b>22 735</b>
<b>Total country offices</b>	<b>105 966</b>	<b>108 086</b>	<b>99 889</b>	<b>99 433</b>	<b>99 145</b>
External Audit	460	460	488	488	488
Contributions to UN and other organizations	400	400	1 014	1 470	1 470
Contingencies	400	400			
<b>Total Statutory Requirements</b>	<b>1 260</b>	<b>1 260</b>	<b>1 502</b>	<b>1 958</b>	<b>1 958</b>
<b>Total</b>	<b>235 255</b>	<b>240 370</b>	<b>226 439</b>	<b>226 439</b>	<b>226 200</b>
Phasing-in effect and benefit from streamlining of operations	(6 342)	(6 427)			
<b>Grand Total</b>	<b>228 913</b>	<b>233 943</b>	<b>226 439</b>	<b>226 439</b>	<b>226 200</b>

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

<sup>2</sup> Revised by the Executive Director due to the lower projected level of operations.

<sup>3</sup> Adjusted in accordance with transfers approved by the Executive Director.





# ANNEX IV

## OPERATIONAL INITIATIVES

1. This section provides a summary on the main operational initiatives carried out in the 1996-97 biennium.

### Cost effectiveness and savings

2. Ongoing efforts of the Transport Division (OT) towards enhancing and sustaining operational efficiencies and cost-effectiveness have included: maintaining and managing the self-insurance scheme, pre-shipment planning and cargo consolidation, conducting thorough and regular logistics and LTSH reviews, and continuous delegation of additional responsibilities to country offices together with the provision of updated guidelines and procedures.
3. A new LTSH cost estimation matrix was developed and implemented as part of an ongoing commitment to achieving operational savings in transport and logistics. The format provides a structured framework for the calculation of LTSH rates, and it is intended that the existence of this framework will lead to enhanced accuracy in budgeting for LTSH costs. Country offices have begun to use the format since 1997. In continuing efforts to enhance the transparency of operations, the LTSH matrices contain the logistics plan for the project in question and document cost information.
4. OT carried out a comprehensive review of all processes and procedures relating to transport, logistics and insurance and prepared an in-house OT manual. The manual contains the requisite procedures and guidelines for use by both the WFP country offices and OT in implementing the Programme's activities relating to transport and logistics. The manual will be regularly updated as necessary to ensure that country offices have the appropriate means for efficiently implementing WFP's various programmes and operating in a timely and cost-effective manner.
5. Measures implemented to achieve savings in the previous biennium were continued, and further efforts were made to maximize efficiency and cost-effectiveness in conference servicing. Over 50 days of working groups and ad hoc meetings were serviced, in addition to 32 days of meetings of the Executive Board.
6. Technical assistance was provided as required primarily by four technical agencies, namely FAO, UNESCO, WHO and ILO, to advise on possible options and approaches for future country programming in WFP, to make recommendations and suggestions for follow-up projects, and to focus on strengthening the participatory food and FFW management. A network of external experts and institutions was built up and maintained for contracting technical experts on the basis of competitive bidding .



## Streamlining

### Phasing-down/phasing-out of selected country offices

7. During the biennium, 20 country offices were closed and some international professional staff were redeployed to higher-priority countries.

### Re-organization of statistics function

8. A new Central Information Management and Statistics Branch (SPI) was established as part of the Strategy and Policy Division to define information requirements, set standards and methodologies, and co-ordinate external reporting.

### Telecommunications infrastructure

9. A modern telecommunications infrastructure to improve the flow of information and data between country offices and headquarters (Internet, World Wide Web) was implemented. During the biennium, FSI invested approximately 450 thousand dollars in telecommunications equipment to link WFP telecommunications to the United Nations telecommunications network teleport located at the United Nations Logistics Base in Brindisi, and installing a 14 channel WFP INTELSAT DAMA earth station to back-haul field offices connectivity to WFP via DAMA. A further 227.5 thousand dollars has been spent on supporting FSIT's ability to chargeback for telecommunications expenditures, and in support on the country connectivity project.

## Enhancing efficiency

### Improved field procurement

10. The establishment of blanket purchase agreements was commenced in 1996. At the end of 1997, 22 such agreements were established. The process has been carried through to 1998 and is being streamlined further. Certain training programmes were delayed and planned for late 1998. WFP will set up regional procurement centres in several locations. The office in Zimbabwe will be a procurement office, and officers will be stationed in Kenya and Uganda. The Country Director in Viet Nam will serve as a procurement officer and will also supervise the function in Thailand. A regional procurement centre, was opened in Turkey in 1997, to remain operational as long as it is needed.

### Rapid Response Team (RRT)

11. The RRT played an important role in providing assistance (i.e., staff and equipment) during crises. Six staff were employed for a total duration of 260 days during 1997 in emergency operations, including in the Great Lakes region and Somalia, and a start-up emergency in Albania.

### Finance officers in country offices

12. Twenty-seven finance staff were appointed during the biennium.



### Freight Analysis and Support Branch

13. A new Freight Analysis and Support Branch (OTF) was established as part of the Transport and Logistics Division to bring under a single authority responsibility for transport cost estimation and expenditure control.

### Upgrading of posts

14. The 1996-97 budget authorized the Executive Director to upgrade 20 posts at headquarters and in the field, as shown below in Table 16. The upgrades were applied to support decentralization in the context of organizational change and the shifting of power to the field, and to recognize changes in functions at headquarters.

<b>TABLE 16: UPGRADINGS</b>		
<b>Current grade</b>	<b>New grade</b>	<b>Number</b>
G-6	P-2	1
P-2	P-4	3
P-3	P-4	5
P-4	P-5	11
<b>Total no. of posts</b>		<b>20</b>

### Headquarters building

15. The 1996-97 budget document had projected that 10 million dollars would be required for major refurbishment of WFP's headquarters building. The major modifications included a new conference facility, installation of a modern, Local Area Network (LAN) and the upgrading necessary to meet fire and safety standards. However, the amount spent on upgrading the former headquarters premises amounted to 3.5 million dollars.
16. In October 1996 the Executive Board decreed that WFP should vacate its old premises by 31 December 1997. The lease agreement for WFP's new headquarters premises at Parco de' Medici was signed in June 1997. Following WFP's budget estimate of 6.5 million dollars, in October 1997 the Executive Board provided budget authority for the same amount to cover the costs involved in the move. The preliminary budget estimate for the move amounts to approximately 6.4 million dollars, while the tentative indication of the amounts spent and/or committed is in the region of 4.8 million dollars.

### Improving effectiveness

17. A new Strategic Planning Service was established to ensure that WFP is better prepared to act on, rather than simply react to, developing situations.

### Self-financing public awareness campaigns

18. In 1996-97, the Public Affairs Service (REP) launched a concerted campaign, initially in donor countries, to target the general public, through print and broadcast media and educational institutions. This campaign was aimed at increasing WFP's



visibility and awareness of hunger issues on the international agenda. WFP commissioned an advertising agency to create a series of pro-bono advertisements. The advertising campaign aims at establishing a brand name, and stresses that, as a United Nations organization, WFP is effective in helping the hungry.

19. During the biennium, WFP embarked on a proactive advocacy campaign to bring humanitarian needs to the attention of the donor community. Prompt alerts on the effects of el Niño in Kenya and Somalia helped focus international action to assist the tens of thousands flood victims. Similarly, WFP vigorously advocated on behalf of the Democratic People's Republic of Korea (DPRK).
20. Through public statements highlighting the severity of the crisis in DPRK, and equally important, through the use of video and photographic images, WFP helped to demonstrate the crisis to the world. This visual data helped convince public opinion that action was needed. It also helped to open the door to generous contributions that have so far averted a major humanitarian catastrophe.
21. REP undertook fund-raising activities within the private sector, reaching the amount of 87,400 dollars. This figure should increase significantly in the coming years as REP steps up efforts to mount an aggressive fund-raising campaign in Italy and elsewhere.

### **Financial Management Improvement Programme (FMIP)**

22. FMIP is a key component of the WFP Strategic and Financial Plan for 1996-99. Its broad objective continues to be to improve WFP's financial management capability, in particular its ability to account for, and report on, the use of the resources placed at the Programme's disposal. During 1997 solid progress was made on the strategic system projects which form the core of FMIP and which will replace the existing old mainframe systems. To enable the decentralized use of the new systems, work also proceeded towards establishing a WFP Wide Area Network (WAN) through the Connectivity Project.
23. By the end of the third quarter a comprehensive set of system requirements to support finance and human resources management activities was defined. For the Human Resources Division (HR), this was preceded by comprehensive business process re-engineering, which was completed at mid-year. A similar business process review and system requirements definition was also carried out for procurement activities in the fourth quarter.
24. A Request for Proposal (RFP) for an integrated Finance/HR system was released in October 1997 and the process of selecting the best offer for this complex project will continue well into 1998, with implementation starting after mid-year. Procurement activities will also be addressed in this contract. Among the potential solutions being examined is the United Nations' Integrated Management Information System (IMIS).
25. The Resource Mobilization System (RMS) will support WFP in soliciting and managing contributions and in reporting on their utilization. This first of the new FMIP systems was fully designed in 1997 with software development starting in the fourth quarter. Implementation will be largely completed by the third quarter of 1998.
26. Programming has become a complex activity, as the matching of resources with needs requires information on multiple projects, donors, commodities and an array of



constraints and limitations applied to the use of donations. During the business analysis and requirements definition phases for RMS, the interdependencies between resourcing and programming activities became obvious. For this reason, it was decided to move the RMS team to work on the new Programming and Allocation of Resources System (PARIS) as their work on RMS was completed. Thus, late in the year work commenced on the Business Area Analysis for PARIS. This will result in a new business model and accompanying system user requirements which will eventually be translated into the PARIS application.

27. Efforts have also continued to develop a standard Commodity Tracking System (CTS) for the Programme. By year-end, the design of the new CTS was nearing completion, with software development expected to proceed immediately thereafter. The plan calls for piloting of the system in the field starting at mid-year.
28. Connectivity is an ambitious and complex component of FMIP, though an essential one to support WFP's decentralized organizational model. It involves implementing a new service for WFP which must also be sustained at acceptable levels of performance as it becomes critical to WFP's mission.
29. A major milestone was reached in April with the first pilot installation at the Abidjan office. Following this experience, modifications were made and connectivity servers were shipped to a further 20 country offices by year-end. Servers for the remaining country and liaison offices, nearly 60 in total, were later ordered and configured at headquarters. By year-end, 11 country offices had been brought on-line. The remainder are planned for connection during the first nine months of 1998.
30. Apart from the strategic systems and Connectivity, during 1997 FMIP contributed to pursuing its objectives in numerous smaller, though important, ways. For example:
  - a) a basic Transport Contracts Monitoring System for use by OT was developed as an interim solution to help the Division manage forwarding contracts. The system was put into use in late 1997;
  - b) a standard model for the computation of Landside Transport, Storage and Handling (LTSH) costs was developed and implemented. All country offices have been provided with the new model and associated guidelines;
  - c) nearly three-quarters of all WFP country offices have now adopted the new Asset Inventory System (WInS) which had been developed in late 1996;
  - d) nearly 600 headquarters staff were trained in the use of Lotus Notes messaging software and converted to its use from cc:Mail; and
  - e) the WFP Internet Web site has been maintained and enhanced.
31. Since the scope of the initial FMIP plan was endorsed in 1995, there has been a 12 percent increase in the cost of implementation. This is primarily due to two factors:
  - a) better estimates as the larger project components become more fully defined; and
  - b) a longer implementation period. The implementation period has been extended to a full four years, rather than three as originally planned, with most of the FMIP projects now scheduled for completion by the end of 1999. Despite the massive surge in demand in the Information Technology (IT) industry witnessed in recent years, costs have thus far been held under control through a variety of measures, including contracting individual consultants rather than large firms. However, this cost pressure



is expected to grow with a likely further increase in costs connected with system development and implementation

32. At year-end, the total cost of implementing FMIP (from its inception back in 1995) was estimated at 32 million dollars. An amount of 16.4 million dollars had been allocated to the effort, of which 6.2 million dollars was provided from WFP resources. This leaves a funding shortfall of about 16 million dollars, most of which will be required during the 1998-99 biennium. Interim financing has, however, been made possible with the Executive Board's agreement to advance 10 million dollars to FMIP from the 1998-99 budget.

### **Office of the Inspector-General (OEDI)**

33. In 1996 and 1997, the Office of the Inspector-General (OEDI) conducted inspections and investigations at headquarters and in the field. Twenty-six field offices were visited, in addition to several follow-up visits.
34. Investigations dealt mainly with the misappropriation of WFP funds; loss of cash; theft of equipment; unapproved outside business on the part of a staff member; and discrepancy in accounts. Inspections addressed issues such as adherence to policy, organizational structure, beneficiary monitoring, food administration, management of monetized funds, safeguarding of cash, proper handling of safes and use of WFP equipment. OEDI also took part in two cluster meetings in Latin America and Africa, during which accountability issues were addressed.
35. The Office worked closely with key units at headquarters to identify areas in which written guidance was needed and to share lessons learned. The areas included, for example, insurance of cash in transit, bank payment security, and transport contracts.

### **Staff profile adjustment**

36. Vacancy announcements for six Rosters (Programming, Logistics, Finance, Food Procurement, Human Resources and Public Affairs) were issued and completed to constitute a Core Project cadre with diversified functions. WFP staff composition is being changed accordingly.
37. The Programme has identified its core staff needs at about 75 percent of total International Professional staff structure, regardless of the source of funding. Non-core staff will cover the remaining 25 percent. In addition, the use of JPOs, UNVs and locally recruited short-term personnel will enhance staff resources for day-to-day activities.
38. The freeze on the recruitment of the Unified Service has been maintained. Core project staff with suitable skills are being recruited instead.

### **Personnel planning, training and other initiatives**

39. The streamlining of recruitment processes and the delegation of Human Resources authority to managers in country offices/regional offices have been introduced. HR officers have been outposted. The implementation is gradual, and it is expected that these outposted HR officers will be fully operational in one year's time.



40. Incentives for staff in very difficult (non-family) duty stations have been maintained and periodically reviewed. WFP has expanded its stress counselling programme from a headquarters oriented programme to field oriented. The counsellor is visiting high-risk stations to make an assessment of needs, initiate peer group programmes, conduct stress management workshops, and establish links between field staff and the counsellor. Field security coordinators have added duties to provide basic counselling. Stress counsellors are frequently provided when staff are evacuated from a high-risk situation.
41. HRCT implemented the first in a series of leadership and management training initiatives for Executives and Senior Managers; solicited staff and management input into a draft three-year training strategy for WFP; and offered a full schedule of Corporate and Cost-recovery training opportunities for WFP staff including Emergency Operations (EMOPs), Stress Management, Training of Trainers, Performance Management, Communications Skills, English Writing, Editing, Customer Service, and Automation courses. HRCT also coordinated counterpart training, language training, external training, and inter-agency training activities.
42. HRCT was very active in most of WFP's automation activities in 1996 and 1997. In addition to providing staff training, HRCT personnel wrote help sheets and guidelines to assist staff in learning and using new technology, and published helpful tips in the HRCT newsletter. In addition, HRCT led the effort to automate HR forms and use new technologies available to accomplish HR work.
43. In addition to providing the EMOPs workshops (mentioned above), HRCT worked with the Complex Emergencies Training Initiative (CETI), a multi-agency effort to share and improve training information and related training materials for United Nations staff working in complex emergencies.