

برنامج
الأغذية
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Programme
Alimentaire
Mondial

World
Food
Programme

Programa
Mundial
de Alimentos

**Executive Board
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BUDGETARY PERFORMANCE REPORT FOR 1998

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NOTE TO THE EXECUTIVE BOARD

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.

The WFP focal points for this document are:

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Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Documentation and Meetings Clerk (tel.: 066513-2641).



INTRODUCTION

1. The Executive Director presents this report on budgetary performance for 1998 to the Executive Board for its information. The report was also presented to the FAO Finance Committee and the United Nations Advisory Committee on Administrative and Budgetary Questions (ACABQ), in accordance with WFP General Regulations XIV.4 and XIV.6.
2. This annual report is a much abbreviated version of the biennial report on budgetary performance, and thus includes less detail. In preparing the report, WFP has taken into account the comments made by the Board and by the two advisory bodies when reviewing the 1996 and 1996–97 reports on budgetary performance. In particular, the structure of the report has been revised to exclude information which is duplicative of that contained in the Annual Report of the Executive Director, 1998, and the Strategic and Financial Plan, 2000–2003.
3. The report contains three major sections: the first covers the availability of resources; the second addresses budgetary performance relating to overall WFP operations; and the third covers Programme Support and Administrative (PSA) expenditure.
4. A significant development reflected in this report was the large additional donation of wheat and wheat products by WFP's largest donor. This donation, announced in August 1998, represents over one million tons of commodities and is currently valued at US\$ 389 million. The Executive Director reported this donation as an information item at the Third Regular Session of the Executive Board in October 1998, and informed the Board that she would increase the PSA budget pursuant to her authority and report the details of this increase at a future time. These details are presented in the PSA section of this report.

AVAILABILITY OF RESOURCES

5. WFP's level of operations can be measured in several ways. The four that have been cited in previous reports include: a) the resource base, or the total available for calling forward; b) the shipment base, or the net shipped or purchased locally during the reporting period; c) the delivery base, or the net arrival of food in the country offices; and d) the distribution base, or the total food distributed to beneficiaries.
6. The level of operations in the projections made in WFP's Biennial Budget for the period 1998–99 referred to the delivery base. For this reason, this report includes deliveries as one of the budgetary performance indicators. It is also important in this annual budgetary performance report to indicate the resource base, since a portion of the confirmed contributions received during the first year of the biennium will carry over into the second year and thus give a better picture of the expected operational levels for the biennium as a whole.



7. The 1998–99 WFP Budget (WFP/EB.3/97/4-A), approved by the WFP Executive Board at its Third Regular Session in October 1997, was based on a planned operational level of 4.381 million tons of food aid for the biennium. As indicated in Table 1 below, the total volume estimated to be delivered in 1998 (broken down by programme category) was estimated at 2.207 million tons. In 1998:

- Actual commodities shipped or purchased locally amounted to 2.825 million tons.
- Total commodities delivered amounted to 2.503 million tons, an increase of 296,000 tons from the original estimate.
- Total confirmed contributions amounted to 3.731 million tons. The substantial increase in confirmed pledges was attributable to both the additional contribution by the major donor, and lower commodity prices and transportation rates than those projected in the Budget.
- Of the 2.825 million tons shipped in 1998, approximately two million tons were attributable to 1998 confirmed pledges, with the balance attributable to prior year pledges.

TABLE 1: 1998 CONTRIBUTIONS—COMMODITIES
(in thousand tons)

Programme category	Original estimate	Actual shipment	Actual deliveries	Confirmed contributions
Development	737	773	769	874
Emergency Operations (EMOP)	950	1 563	1 229	2 218
Protracted Relief and Recovery Operations (PRRO)	520	489	505	639
Total	2207	2 825	2 503	3 731

8. With respect to the value of resources, the original estimated value of deliveries during the 1998–99 biennium was \$2.445 billion, of which \$2.241 billion was for food, transport, logistics and other direct operating costs, and \$203.6 million was for the related PSA. The 1998 portion of the original estimate was \$1.247 billion.

Table 2 illustrates that in 1998:

- Actual expenditures amounted to \$1.348 billion, an increase of \$101 million from the original estimate.
- The value of confirmed pledges in 1998 amounted to \$1.727 billion.

9. It should be noted that the 1998 expenditures included the use of resources made available to WFP in earlier periods. In addition, resources carried over into 1999 are expected to be utilized in 1999.



**TABLE 2: 1998 CONTRIBUTIONS: VALUE
(in million dollars)**

Programme category	Original estimate ¹	Actual expenditure	Value of confirmed contributions
Development	333	295	345
EMOP	554	725	1 006
PRRO	261	232	323
Special Operations (SO)	30	37	21
Others ²	69	59	32
Total	1 247	1 348	1 727

¹ As per the 1998–99 approved Budget.

² Others include Bilateral Services, the JPO programme and General Fund income.

10. It should also be noted that actual commodity prices and transport rates in 1998 were significantly lower than those assumed in the 1998–99 Budget document, which were based on 1996–97 actual rates. The effect of the lower prices and freight rates is that WFP was able to procure and ship more commodities in 1998 for the same dollar value.

WFP OPERATIONS

11. As indicated above, the value of WFP's operations in 1998, in terms of actual expenditures and commitments, amounted to \$1.348 billion. This compares to 1997 expenditures of \$1.193 billion, or an increase of \$155 million. A summary of expenditures by programme and cost categories is given in Table 3.



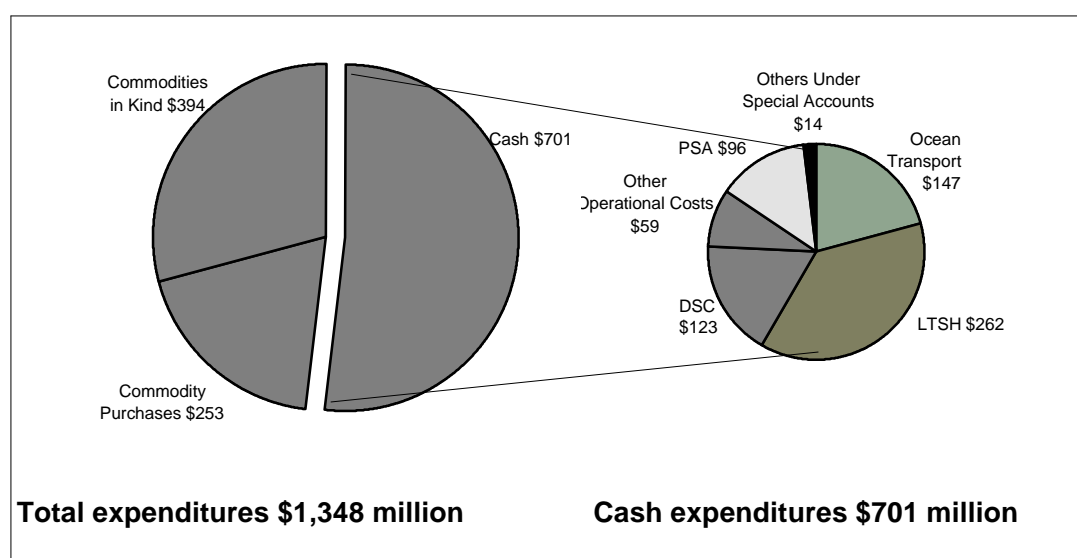
**TABLE 3: 1996–1998 OPERATIONAL AND PSA EXPENDITURES
(in million dollars)**

	1996	1997	1998 ¹
Programme category			
Development	308	380	295
EMOP	513	493	725
PRRO	271	250	232
SO	20	25	37
Bilateral and others	73	45	59
Total	1 185	1 193	1 348
By cost category			
Food	679	695	647
Ocean transport	101	120	147
Air, overland and LTSH	179	105	262
Direct support costs (DSC)	49	92	123
Other operational costs	67	57	59
PSA	107	119	96
Others under special accounts	3	5	14
Total	1 185	1 193	1 348

¹ Based on the provisional 1998 Financial Statement.

12. The figure below illustrates categories of expenditures.

**WFP EXPENDITURES IN 1998 BY COST CATEGORY
(in million dollars)**



13. The main highlights of WFP's operations in 1998 are presented below by programme category.

Development

- Thirty-four new projects and expansions were approved by the Executive Board or by the Executive Director under her delegated authority, at a total value of \$326 million.
- Total expenditures during the period amounted to \$295 million, of which 190 million was for commodities and 105 million for cash expenditures.
- This compares to 1996 expenditures of \$308 million, of which \$232 million was for commodities and \$76 million for cash expenditures; and 1997 expenditures of \$380 million, of which \$271 million was for commodities and \$109 million for cash expenditures.
- After adjustments to project budgets approved before 1998, the value of the balance of commitments on development projects at the end of 1998 was \$908 million, equivalent to 2.3 million tons of commodities.

Emergency Operations (EMOP)

- Fifty-one new operations and expansions were approved by the Board or by the Executive Director under her delegated authority, at a total value of \$1.1 billion.
- Total expenditures amounted to \$725 million, of which \$344 million was for commodities and \$381 million for cash expenditures.
- This compares to 1996 expenditures of \$513 million, of which \$291 million was for commodities and \$222 million for cash expenditures; and 1997 expenditures of \$493 million, of which \$285 million was for commodities and \$208 million for cash expenditures.
- After adjustments to project budgets, the value of the balance of commitments on emergency operations at the end of 1998 was \$945 million, equivalent to 1.8 million tons of commodities.

Protracted Relief and Recovery Operations (PRRO)

- Twelve new PRROs and expansions were approved by the Executive Board or by the Executive Director under her delegated authority, at a total value of \$323 million.
- Total expenditures amounted to \$232 million, of which \$112 million was for commodities and \$120 million for cash expenditures.
- This compares to 1996 expenditures of \$271 million, of which 156 million was for commodities and \$115 million for cash expenditures; and 1997 expenditures of \$250 million, of which \$139 million was for commodities and \$111 million for cash expenditures.
- After adjustments to project budgets approved before 1998, the value of the balance of commitments on PRROs at the end of 1998 was \$155 million, equivalent to 319,000 tons of commodities.



Special Operations (SO)

- WFP-assisted SOs were initiated in nine countries. Total confirmed contributions amounted to \$21 million.
- The major concentration of activities, mainly air-lift, road, rail, port rehabilitation and mine clearing, was in the Africa Region (Great Lakes region, Angola, West Africa region and Sudan).
- The total expenditure for SOs in 1998 was \$37 million.

Bilateral and others

- During 1998, WFP provided bilateral services to donors and operated a specific programme for Junior Professional Officers (JPOs).
- In addition, expenditures of \$13.3 million for the Financial Management Improvement Programme (FMIP) are included in this category.
- Total expenditures in 1998 for these activities amounted to \$59 million, compared to \$73 million in 1996 and \$45 million in 1997.

PROGRAMME SUPPORT AND ADMINISTRATIVE EXPENDITURE

14. In October 1997, the Executive Board approved a PSA Budget of \$205 million for the 1998–99 biennium. The PSA component was later recosted to \$203.6 million in accordance with the lira-dollar exchange rate fixed by the FAO Conference at its November 1997 session. Since the 1998–99 Budget was based on a lower estimated level of operations than that of 1996–97, the PSA for the current biennium was reduced by \$22.8 million, or 10 percent, from the 1996–97 PSA level. Thus, the initial 1998 PSA allotment level was set at \$101.7 million.
15. PSA is funded by a combination of resources, including indirect support cost recoveries, government cash contributions towards local operating costs (GCCC), and the use of miscellaneous income as authorized by the Executive Board. WFP received \$800,000 from recipient governments in 1998 to meet its local operating costs and thus help finance the PSA Budget. In addition, the Executive Board authorized the use of up to \$14 million of miscellaneous income in 1998–99 to finance the PSA Budget.
16. Against an approved PSA Budget of \$203.6 million, WFP allotted \$113.7 million in 1998. Table 4 shows:
 - Indirect support costs earned in 1998 against deliveries totalled \$93.9 million.
 - Indirect support costs received in 1998 totalled \$84.7 million. (The receipt of support costs is normally tied to the call forward of commodities).



**TABLE 4: PSA FUNDING
(in million dollars)**

Programme category	Recosted 1998–99 estimate ¹	ISC earned	ISC received
		From 1998	
Development	79.5	36.1	36.7
EMOP	63.3	41.9	28.4
PRRO	34.8	15.9	13.6
SO	6.4		2.8
Bilateral and others	4.0		3.2
Total ISC	188.0	93.9	84.7

¹ Based on 1998–99 Recosted PSA Budget.

17. Total PSA expenditures amounted to \$96.4 million in 1998.
18. As mentioned in paragraph 4, the major event affecting the PSA budget was the August 1998 announcement that WFP's major donor was making a very generous contribution of wheat and wheat products to WFP, over and above its traditional contribution. The additional indirect support cost income generated by this donation, when all of the tonnage has been called forward, will total approximately \$24.5 million.
19. In order to administer these resources and to meet several key strategic priorities that could not be funded at the reduced PSA levels of the current biennium, the Executive Director exercised the authority delegated to her by the Executive Board at its Third Regular Session of 1997 *"to adjust the Budget in accordance with any variation in volume of operations (as authorized in paragraph 238 of the budget document), when such variations are more than 10 percent from the planned level."* Of the additional \$24.5 million earned from this donation, the Executive Director conservatively increased the PSA budget by \$12 million to carry out these priorities.
20. Details are given below regarding how the additional \$12 million was programmed.
 - **\$3.2 million** was made available for **improving the security of WFP staff**, particularly in the field. These funds represent significant additional steps to increase security awareness among the WFP staff, and to provide additional protection to those staff working in hostile environments. Within this amount, \$1.6 million will be used to provide Security Awareness Training to all WFP staff members around the world; \$250,000 will be used to procure radios and satellite phones for use in the higher threat posts; \$100,000 will be used to conduct Security Assessment Missions for the five field offices currently considered the most vulnerable. Finally, approximately \$1.3 million will be used for specific security upgrades at field offices, ranging from iron grills to electronic surveillance equipment.
 - **\$3 million** was made available to **improve WFP's telecommunications capacity**. By utilizing the existing United Nations satellite communication network, WFP will improve the quality of its voice, data and video transmissions between headquarters and the field, while at the same time dramatically reducing the per unit cost of communication. The Enhanced Telecommunications Network (ETNet) project will



provide an end-to-end Integrated Voice and Data Network between headquarters and the 19 field offices that currently account for 80 percent of WFP's telecommunications costs, and thus: a) ensure lower unit costs for voice and fax and reliable data communications; b) support WFP staff security by providing backbone telecommunications, often independent of the public telephone network; and c) enhance WFP's decentralization efforts by supporting corporate information-sharing applications, particularly the corporate strategic information systems.

- **\$1.3 million** was made available to **further strengthen accountability and improve the organization's business practices**; \$345,000 of this amount will be devoted to enhancing the Inspector-General's inspection coverage, expanding internal audit coverage over the next 12 months, and conducting mid-term evaluations of the Organizational Change and Commitments to Women programme. Of this amount, \$385,000 has been made available to finalize several manuals and directives, including the WFP Manual, the Programme Design Manual, and the Commitments/Obligations section of the Finance Manual; \$300,000 of the additional funds will be used to implement WFP's new Resource and Long-term Financing policies that were formally approved by the Executive Board in January 1999. And \$250,000 has been distributed among the field offices in order to enhance their ability to function in a more decentralized fashion.
 - **\$3 million** was made available to support **priority field office programmes**, including \$1 million for enhanced support to field-based gender activities; \$1 million for increased technical support to Vulnerability Analysis and Mapping (VAM) Units in the field; and \$1 million for common premises/common services, priority office improvements, and other field activities.
 - **\$629,000** was made available to provide **additional specialized training** to selected WFP staff in the areas of procurement, transport and logistics, and financial management.
 - **\$266,000** was made available to **strengthen WFP's public communications capacity**, including an additional \$100,000 to selected field offices for donor field trips and in-country advocacy materials.
 - **\$534,000** was made available to hire **additional temporary staff** to ensure that the additional food assistance is effectively implemented. These temporary staff will be funded to December 1999.
21. It is important to note that 80 percent of these funds, or approximately \$9.6 million, will be used to support WFP field operations, while 20 percent, or approximately \$2.4 million, will be devoted to headquarters activities.
22. Total PSA expenditures and obligations in 1998 were, in aggregate, 85 percent of annual allotments. Each object of expenditure was within the biennial budget, but some objects of expenditure exceeded the annual budget allotment. In most cases, over-expenditures in 1998 will be compensated by under-expenditures in 1999. In some cases, additional allotments will be made through a transfer from other objects within the approved budget.



23. Table 5 shows the 1998 PSA Budget by object of expenditure.

**TABLE 5: PSA BUDGET SUMMARY BY OBJECT OF EXPENDITURE
(in thousand dollars)**

	1998-99 Approved budget	1998-99 Recosted budget	1998 Budget allotment ¹	1998 Expenditures and obligations ²
Headquarters	115 002	113 541	66 344	50 591
Staff cost	81 848	80 388	40 770	36 729
Overtime	466	466	211	105
Consultants	2 664	2 664	3 503	1 112
Travel	3 113	3 113	1 469	1 391
Books and periodicals	125	125	56	51
Information and publications	3 007	3 007	1 353	841
Documents/Meetings	1 877	1 877	1 845	1 150
Training	3 170	3 170	3 663	1 303
Communications	2 953	2 953	4 598	1 141
Management information systems/Computer	4 604	4 604	2 072	1 944
Other operating expenses	4 856	4 856	3 645	2 581
Services from FAO	4 720	4 720	2 360	1 518
Services from other United Nations organizations	1 600	1 600	800	725
Country offices	90 572	90 572	46 328	45 275
International staff	47 786	47 786	23 893	23 431
Local staff	22 446	22 446	11 223	11 044
Total staff costs	70 232	70 232	35 116	34 475
Local operating costs	20 341	20 341	11 212	10 800
Statutory requirements	2 065	2 035	1 038	523
External Audit	511	511	256	488
Contributions to other United Nations organizations	1 554	1 524	783	35
Total	207 640	206 149	113 710	96 389
Less: Reduction through management of transfers	(2 549)	(2 549)		
Grand total	205 091	203 600	113 710	96 389

¹ Includes \$12 million of additional allotment made in the last quarter of 1988.

² Based on provisional 1998 Financial Statement.

Note: Totals do not add up owing to rounding off.

