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FINANCIAL REPORT AND STATEMENTS: VOLUME II

UNITED NATIONS DEVELOPMENT PROGRAMME 1986-87

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FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

UNITED NATIONS DEVELOPMENT PROGRAMMEINTRODUCTION

1. This report and the attached Financial Statements reflect the Food and Agriculture Organization's participation in the United Nations Development Programme (UNDP) during the biennium 1986-1987, pursuant to Resolution 15/81 of the Twenty-First Session of the Conference of FAO.
2. FAO participates in the execution of UNDP projects as Executing Agency or as Associated/Cooperating Agency using funds provided by UNDP partly from their own resources and partly from the host Governments' contributions.
3. The funds provided by UNDP are budgeted and accounted for under three main programme groups: (i) Indicative Planning Figures (which also include any Government Cost Sharing received by UNDP), (ii) Special Programme Resources and (iii) Special Measures for Least Developed Countries. These budgets do not include Programme Support Costs, which are reimbursed separately from UNDP funds.
4. In addition, some of the funds used for local project expenditures are also channeled from the host government via UNDP to FAO; these expenditures are reported as Government Cash Counterpart Contributions; they are budgeted including Programme Support Costs.
5. Statement 1 shows the resources made available to FAO by UNDP and the expenditure incurred by FAO during the 1986-87 biennium. Schedule 1 shows the total expenditure charged to projects by source of fund, and programme support costs. Schedule 2 shows expenditure by country distinguishing between disbursements and unliquidated obligations.

BUDGETS (ALLOCATIONS)

6. A comparative statement of the project budgets approved during the biennium, together with the expenditures during those years and the unspent balances is shown below:

UNDP allocations excluding Programme Support Costs and Government Cash Counterpart Contributions including Programme Support Costs	1984-5 US\$ '000	1986-7 US\$ '000
Unspent Balance at the beginning of the biennium	246,477	222,612
Budgets approved during the biennium	<u>199,846</u>	<u>317,300</u>
	446,323	539,912
Less: Expenditures (delivery)	<u>223,711</u>	<u>264,874</u>
Unspent Balance at the end of the biennium	222,612	275,038
	=====	=====

PROJECT DELIVERY

7. The accounting policies used in determining project delivery are described on page 28 ; as mentioned there, delivery includes (i) cash disbursements and (ii) unliquidated obligations, constituting legal liabilities incurred. A summarized analysis of project delivery into these two constituent parts and by main programme groups is shown in Schedule 1; a detailed analysis, by recipient countries and by main programme groups is shown in Schedule 2.

8. The table below is a summarized analysis of project delivery by main expenditure components.

UNDP Project Delivery

	<u>1984-5</u>	<u>1986-7</u>
<u>UNDP Contributions (excluding Programme</u>	<u>US\$ '000</u>	<u>US\$ '000</u>
Support Costs)		
Project Personnel	134,665	139,069
Sub-Contracts	5,601	9,546
Training	24,294	28,214
Equipment	47,132	64,251
Miscellaneous	<u>13,463</u>	<u>16,067</u>
	225,155	257,147
Adjustment to unliquidated obligations, recorded after the closure of the 1984-85 accounts	<u>(5,000)</u>	<u>5,000</u>
	220,155	262,147
<u>Government Cash Counterpart Contribution (including Programme Support Costs)</u>	<u>3,556</u>	<u>2,727</u>
Total Project Delivery	<u>223,711</u>	<u>264,874</u>
	=====	=====

9. The unliquidated obligations included in the project delivery above were \$25.5 million for UNDP Contributions.

10. All local project cash expenditure reports received in time at Headquarters before the closure of the accounts are reflected in project delivery; however, some 12 reports from field offices were received or processed late. Project cash disbursements included in these reports are estimated to amount to approximately \$0.2 million and will be included in the accounts for 1988; however, the major part of these disbursements is already included in the current year's project delivery in the form of unliquidated obligations.

11. The unliquidated obligations referred to in paragraph 9 do not include all the legal commitments which FAO has incurred on the FAO/UNDP Programme's behalf, only those contracted relevant to the 1986-87 project budgets. Commitments incurred against future years' budgets were approximately \$5.9 million; of this figure \$4.1 million related to training, and \$1.4 million to personnel.

COST OF FIELD EXPERTS' SERVICES

12. As seen from the analysis in paragraph 8, project personnel costs constitute the greatest component of project delivery. Within that component, the cost of field experts is the largest item. Expert costs, in turn, can be sub-divided into (i) payments made at recurrent intervals (salary, social contributions etc.) and (ii) "common staff costs", (appointment and repatriation travel, termination indemnities, etc; see also paragraph 5 in the description of Accounting Principles, on page 28).

13. The proportion of total staff costs represented by common staff costs was 34.9% in 1986 and 40.8% in 1987.

14. The costs of experts showed the following movement over the past five years:

	Average Salary and Common Staff Costs per staff-month US\$	% Increase over previous year
1983	6,423	2.0%
1984	6,713	4.5%
1985	6,624	(1.3)%
1986	7,084	6.9%
1987	7,770	9.7%

PROGRAMME SUPPORT COSTS

15. FAO receives from UNDP reimbursement for the "backstopping" of projects which the FAO Regular Programme provides to the FAO/UNDP Programme.

16. In accordance with the decision of the UNDP Governing Council adopted at the General Assembly and agreed by the FAO Conference, as from 1 January 1982 FAO received 13% reimbursement on project delivery from UNDP contributions. There was a proviso that if during 1982-1986 in any year the 13% would yield an amount lower than that received for 1981 then reimbursements would continue at 14% subject to a maximum amount equal to that received for 1981. In view of the reduced project expenditure under the UNDP Programme FAO was reimbursed at the rate of 14% in 1986. For 1987 the rate of reimbursement was 13%.

17. On Government Cash Counterpart Contributions the standard rate of reimbursement is at 3.5%.

18. In the case of 7 projects funded from UNDP Contributions, FAO agreed, in view of the particular circumstances of the projects concerned, to waive a part, or all, of the Programme Support Costs; the amount so waived was \$112,488.

OPERATING FUNDS FROM UNDP

19. The financial resources required to finance the activities of the FAO/UNDP Programme are put at FAO's disposal by UNDP; these cover not only the project expenditure but also the net assets possessed by the programme. Statement I shows (i) the movement during 1986-87 of the resources placed at the FAO/UNDP programme's disposal and (ii) the summarized position of the programme's assets and liabilities at the end of 1987. The notes which follow contain comments upon certain items in Statement I.

20. The Miscellaneous income and exchange adjustments (net) charged to the FAO/UNDP Programme's Operating Fund represent losses on exchange, bank interest earned and net loss from the operations of the fishing fleet, managed by FAO on UNDP's behalf, as follows:

	<u>US\$</u>
Fleet Receipts	1,384,743
Less:	
Fleet Payments	<u>2,060,033</u>
Net Receipts (loss)	<u>(675,290)</u> =====

21. The Miscellaneous items refunded to UNDP by way of credits to the Operating Fund comprise refunds of earlier expenditures obtained by FAO on closed projects and other non-project related income.

22. The main items included in accounts receivable are salary and other advances (mainly on account of salaries payable) \$2.2 million, and advances for fellowships \$2.5 million.

23. Major items among accounts payable are accrued salary costs, \$2.2 million, unliquidated obligations carried over from previous years, \$1.4 million, accrued report preparation costs, \$1.4 million and balances due to other UN Agencies, \$1.5 million.

FUNDS FROM GOVERNMENT SOURCES

24. Apart from the funds reflected in these accounts, some of the Organization's experts in the field were in possession of minor amounts held by them in a personal capacity on behalf of Governments of the countries in which they were working. Expenditures from these sums are accounted for directly to the Governments concerned by the individual experts.

FURNITURE, EQUIPMENT AND AUTOMOBILES

25. The cost of non-expendable equipment carried in the Organization's inventory records on behalf of UNDP was \$96.3 million. This amount is subject to reconciliation with inventory reports from the field. It includes items paid for but not yet delivered to projects.

26. During the biennium, arrangements were finalized for the transfer to governments, upon the closure of completed projects, of equipment which had originally cost US\$17.6 million.

EX-GRATIA PAYMENTS

27. In one instance in 1987, an ex-gratia payment of US\$3,500.00 was approved in accordance with Staff Regulation X, para. 10.3. It was part of an education grant advance in respect of a late staff member's son.

31 March 1988

Edouard Saouma
Director-General

UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING AS AT 31 DECEMBER 1987 THE STATUS OF FUNDS ADVANCED TO THE FOOD AND AGRICULTURE ORGANIZATION BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

GENERAL

1. The Statement and supporting Schedules relating to the participation of the Food and Agriculture Organization (FAO) in the United Nations Development Programme for the financial period ended 31 December 1987 are in the form prescribed by UNDP. My audit of them has been carried out in conjunction with my audit of the Regular Programme and subsidiary funds of the Organization. The common accounting systems have been examined and tested having regard to the work of the Office of Internal Audit, Inspection and Management Control. I have examined and reviewed the internal audit reports and supporting papers relating to UNDP and have taken account of their findings. Their work has materially assisted my examination.

2. During the 1986-87 biennium, as part of their continuing review of FAO's operational activities my staff reviewed the procedures established and used by FAO in its administration of UNDP funded projects (paragraphs 3-53). My staff also carried out a parallel review of FAO's administration of projects supported by Trust Fund donors the results of which are recorded in my report on the accounts of the FAO Regular Programme for the 1986-87 biennium. In addition, my staff reviewed progress made by FAO in the introduction of improvements in the inventory control system on which my predecessor reported in the 1984-85 biennium (paragraphs 54 to 58).

FAO ADMINISTRATION OF UNDP PROJECTS

3. FAO executes on behalf of UNDP some 880 projects in more than 130 countries. The average project value is \$920,000, and their planned duration is normally 3 to 4 years. During 1986-87 FAO's expenditure on behalf of UNDP was \$257 million, excluding support costs but including commitments, against a final budgeted expenditure of \$323 million for the period. FAO was responsible for administering some 19 per cent of UNDP's field expenditure in 1986-87.

4. During 1986-87 my staff undertook a review of FAO's procedures for administering UNDP projects to determine:

- a. whether procedures for project formulation and appraisal were satisfactory;
- b. whether controls ensured adequate monitoring of progress and of the resources required in project implementation;
- c. whether arrangements for evaluation were satisfactory

and useful to management.

5. The scope of the review was discussed and agreed with FAO. It included an analysis of headquarters information, monitoring and control systems, an examination of headquarters file documentation relating to 32 projects in 20 countries, discussions with headquarters staff and field visits to 15 of the projects in 6 countries. My staff developed questionnaires to assist them in identifying the issues to be addressed in their review of projects at headquarters and in the field. The selection of projects to be reviewed or visited was discussed with FAO. The basis of project selection took into account, so far as possible, the balance of activities between the Agriculture, Fisheries and Forestry Departments and the regional distribution of projects. However, resource and geographical considerations constrained the selection of the 15 projects visited. The review concentrated on ongoing projects in order to achieve coverage of current issues. The 32 UNDP projects selected for examination by my staff represented about 3.6 per cent by number of those in operation during the biennium.

Project Planning

6. Project planning involves two distinct stages of formulation and appraisal. Project formulation is the process by which an identified need for technical assistance is translated into a project document. UNDP defines appraisal as the independent critical examination of the design and potential effectiveness of proposed projects. Although ultimately formulation is a government responsibility, FAO frequently provides technical advice to UNDP and member governments in its role as the UN specialized agency for food and agriculture. As part of UNDP's new dimensions policy, governments are increasingly fulfilling the responsibility for formulation without such assistance. Where involved, FAO Representatives have, since 1985, carried out a preliminary in-country appraisal of requests for technical assistance including an initial assessment of feasibility. The final project document, which specifies the needs for UNDP assistance, is submitted by the government to UNDP for consideration and appraisal in accordance with arrangements referred to in paragraphs 10 to 13 below.

7. Guidance on procedures to be applied during formulation are contained in the UNDP Policy and Procedures Manual. Since 1985 UNDP has substantially revised the procedures established in 1976 in close consultation with agencies and governments. After a period of trial running, these were further revised in April 1988. The latest procedures include, inter alia, the following main improvements:

- a. revised project document format incorporating an explicit relationship between objectives, outputs and activities;

- b. standard work plan format;
 - c. a simplified project formulation framework based on a questionnaire and including a requirement to identify significant risks which could seriously delay or prevent the achievement of project outputs and objectives;
 - d. a checklist for use by UNDP for their appraisal as well as by those concerned during formulation as an additional guidance for issues to be addressed during this process.
8. The capability and experience of those responsible for formulation will remain the most important determinant of its effectiveness even under these more detailed guidelines. Not all of those involved, whether consultants or the staff of governments, FAO or UNDP, have experience or training in project formulation. Following comments in the External Auditor's Report on the 1982-83 Accounts, FAO have acted to improve their input to the formulation process. Since December 1985 a training course on project formulation has been attended by some 300 FAO staff but my staff noted that the course has not been extended to government staff whose inexperience in project design has been recognized by agencies and UNDP as an increasing problem. This problem arises particularly in projects under the new dimensions arrangements which involve greater use of national staff. However, the Organization does provide training to government staff on project planning and design as part of other courses held in the field and at headquarters.
9. The Organization told my staff that a process of continuing adjustments and revisions takes place during formulation and implementation in agreement with the different parties concerned. It said that in many cases a rigid adherence to procedures, to the provisions of project documents and to the work plan would lead to serious delays or deadlocks among the parties concerned and be detrimental to efficient management.
10. Appraisal is primarily a UNDP responsibility carried out in accordance with procedures detailed in the UNDP Programme and Projects Manual. These procedures require that project documents be sent to the executing agency for their review and comment. Working papers and other documentation prepared during formulation are not normally available to the appraisal function and there is no requirement for these to be submitted in support of the project proposal.
11. The objectives of FAO's review function have not been formally defined nor have detailed instructions and documentation been developed to ensure that for example technical and operational feasibility have been considered. The Organization told my staff that responsibility for project appraisal lay with UNDP and the government and not with the executing agency. FAO said

that the objective of its review is to ensure that UNDP's formulation guidelines have been followed and more particularly that the proposed project is technically sound.

12. FAO's Development Department is responsible for the review and final scrutiny and approval of project proposals prior to signature by the Organization. It conducts a preliminary review of proposals to confirm their compatibility with FAO's mandate and country priorities and then passes them to technical and other divisions to obtain their specialist advice. The extent of review by these divisions varies according to the quality of the proposal presented to the Organization. At this stage a major reformulation of the projects may be found to be necessary. The Development Department conducts a final review of project proposals prior to their submission to UNDP along with FAO's comments. In most cases, submission is effected through the FAO Representative, who is normally authorized to sign the document for the Organization following its clearance by Government and UNDP.

13. The arrangements under which technical and other divisions review project proposals differ according to the type of project. For fishery and forestry projects, the review is coordinated by the respective operations services. For agricultural projects, which account for some 80% of all projects executed by FAO, Development Department designate a lead technical division to be responsible for establishing a Formulation Task Force to coordinate review of the proposal and report its findings to Development Department. The Task Force comprises representatives from the operations divisions and other concerned divisions, including Development Department.

14. In more than half of the 23 agricultural projects reviewed my staff found no evidence of the formal establishment of a Formulation Task Force and it appeared that operations and technical divisions acted independently in their review role. The Organization told my staff that the nature or size of some projects did not always justify establishment of a Formulation Task Force, but this did not mean that review by the different units involved had not been carried out and its results conveyed to Development Department.

15. In their review of the evidence available in Development Department of technical division clearance of project documents, my staff noted that the extent and quality of documentation varied considerably within the group of 32 projects reviewed. Comments were provided only where changes to the project document were considered necessary. In particular they found three cases where technical division clearance of the document was missing from the file or not provided to Development Department, and two examples of technical division disagreement with the project document although the projects were signed by FAO without the technical deficiencies apparently being

brought to the specific attention of UNDP and Government. In one of the latter cases the FAO Representative apparently signed the project document without authority from headquarters; and in the other case the document was signed by FAO with the intention of making the necessary technical changes during the implementation of the project.

16. The most common criticism made by evaluation missions continued to be the absence of a well defined link between activities, outputs and objectives, including development objectives. The establishment of a clear relationship between these factors is an essential element in project design and is the subject of precise guidance by UNDP and since April 1988, a statement explicitly detailing this relationship is required in project documents. Although the projects reviewed by my staff were formulated earlier, almost half contained such statements. My staff asked Development Department how, in the absence of working papers supporting the formulation of projects (paragraph 10 above), the existence of a clear relationship between activities, outputs and objectives was confirmed in the balance of the projects they reviewed. The Development Department replied that this relationship was usually clear from the technical contents of the project document and this was corroborated by the subsequent approvals of the project document by UNDP and the government.

17. My staff found that there was often no specific evidence to support review by the Development Department. They were informed by the Organization that the formal communication to the FAO Representative, which contains FAO's comments on project proposals for on-ward transmission to UNDP, is regarded by the Organization as implicit evidence of final appraisal and approval by Development Department. My staff found that this documentation varied in extent from three or four lines in a cable to a formal memorandum mainly repeating operations and technical division comments. FAO assured my staff that, however brief the documentation, final appraisal by Development Department was always carried out before the signature of a project document by the Organization.

18. The extent to which my staff could review the operation of formulation and appraisal procedures was therefore limited by the lack of supporting documentation and the number of varied units involved in formulation. Consequently, their enquiries centred mainly on the effectiveness of FAO's scrutiny and review in detecting and remedying deficiencies in formulation which fall within the Organization's competence to assess as a specialised and executing agency. Some of the issues raised reflect on the effectiveness of appraisal undertaken by UNDP and government and, by implication, on the formulation process itself. My staff's examination identified three main problems in the formulation and appraisal process which may have led to delays in project implementation or the extension of project duration.

- a. the accuracy of the assessment of the recipient country's capacity to contribute planned inputs;
- b. the utilisation of national staff in project management;
- c. the realism of output targets and the timescale of implementation.

Implementation of projects

19. The 1986-87 FAO Field Programme Review reported that evaluation missions had found that in 64 per cent of cases examined output targets were poorly defined or absent. My staff's review of 32 projects found that in 27 cases the scope of the project was too ambitious within the timeframe planned: in over one-third of these, the scope was reduced or substantially altered in order to make objectives achievable. These factors were confirmed by evaluation missions in those projects where they had been mounted.

20. Over two-thirds of the 32 projects reviewed by my staff experienced delays in implementation as a result of problems which, having regard to the experience of UNDP and FAO within the countries concerned, might possibly have been identified during project planning. The effect of such delays varied. In some projects they had no significant effect on the achievement of objectives, whilst in many they proved to be an impediment to the completion of significant activities or the achievement of one or more objectives. In particular, 20 of the projects had been extended for periods from a few months up to two years, two had been terminated with major activities outstanding, one had been suspended pending the outcome of an evaluation and three were experiencing difficulties which suggested that an extension would be necessary to achieve objectives. Projects can be extended for a variety of reasons and often there is a mix of factors rather than a single cause and paragraphs 21 to 25 identify the factors that emerged from my staff's review of projects. The Organization informed my staff that other examples of the reasons for project extension include re-orientation of project design, new government requests, political changes and environmental causes.

21. The most common cause of delay on project implementation affecting over half of the 32 projects reviewed was the problems experienced by governments in providing their planned inputs. FAO's Review of Field Programmes for 1986-87 drew attention to this aspect in its assessment of project implementation. It noted that severe implementation problems arose in 65 per cent of cases because of delay in the provision of national staff, and in 60 per cent of cases because of insufficient government financial support.

22. In one of the countries visited by my staff, the

policy of UNDP agreed with the government, was to use National Project Directors instead of full-time international staff. My staff noted from their review of four projects in that country that progress reports were not being submitted in accordance with the required frequency or in the prescribed format. Headquarters staff confirmed that a similar position often applied to other nationally-managed projects executed by FAO in that country. Difficulties extended across the range of project management responsibilities, including work plans, equipment procurement and terminal reporting, and frequently resulted in delayed implementation. FAO staff confirmed that difficulties of this type are frequently experienced in other countries where national staff have responsibility for project management.

23. Project Directors receive the guidance material issued to all FAO projects. Almost all this guidance is printed in English, with selected translations into French. Very little is available in Spanish, Chinese or Arabic, which are the other official languages of the Organization. When visiting nationally managed projects in two Asian countries, my staff noted that project staff were generally unable to make adequate use of this guidance because of language constraints as well as general unfamiliarity with FAO and UNDP procedures and terminology. The scope of the material received was considered by them to be beyond their needs.

24. Measures taken by FAO to alleviate these problems include provision of training courses and briefing sessions for selected national staff. Additionally UNDP have funded a number of projects with the specific objective of providing training to national staff, usually on a country basis, and one Asian country has agreed with UNDP and FAO to include a budget of \$5,000 in new projects for training purposes. More recently, UNDP have agreed with FAO to fund the course fees of national staff receiving training at FAO, Rome, provided governments agree to projects meeting the related travel and per diem costs. My staff noted that policy guidelines defining the detailed training and other requirements of national project managers and how these are to be met, have not been issued by UNDP or FAO.

25. My staff observed that particular problems attached to long lead activities where a number of projects experienced significant delays because the time planned for implementation had not been realistic. This applied particularly to contracts where the time necessary to prepare for and obtain bids was frequently underestimated. This had led to project extensions in some cases. Contracts for the procurement of high technology equipment appeared more susceptible to such delays.

26. Other activities which require careful consideration during the planning of a project include construction works, and the procurement of scarce or difficult to obtain materials. A specific example of the latter

concerns an oil palm breeding project where a budget of \$5,000 was initially provided for the procurement of germ-plasm. The activity is about 2 years behind schedule because this product proved difficult to obtain and new requirements were identified during implementation. Negotiations are currently taking place with a possible supplier but estimated costs are now in excess of \$200,000.

27. FAO's new system of project monitoring has recognised the need to identify critical activities during the formulation process but such identification is not a requirement of UNDP's formulation procedures.

Supply of equipment

28. In the majority of projects examined by my staff, equipment was a significant element of project cost. They found that many of these projects had experienced delays in the delivery of part of the equipment required. These delays had sometimes arisen from local factors including difficulties in deliveries to land-locked countries or problems with customs clearance procedures in recipient or neighbouring countries. The staff of some projects visited told my staff that the time required to satisfy HQ's procedures and their limited authority to place orders directly were also common causes of delay. The Organization pointed out to my staff that this limited delegated authority and the strict procedures reflect the Organization's accountability for the use of international public funds. My staff noted that the financial limit on the direct placing of orders by projects from the field was raised in April 1988 to US\$ 20,000 from its 1977 level of US\$ 10,000.

29. Whilst contracts let by headquarters account for only 4 per cent of total project expenditure they were often critical to timely project implementation. Eight of the projects reviewed by my staff contained contract activities. They found that seven of these had experienced substantial delay in the progression of some or all contract activities, which had necessitated project extensions of up to 2 years.

30. My staff also identified instances where FAO's contract procedures were not followed. They noted a case where the project document provided for a contract for aerial photography which, contrary to FAO procedures, was completed locally using imprest purchase arrangements because of expected delays in using headquarters contract procedures. In another case, because of its urgency a contract for US\$ 49,700 had been negotiated in the UNDP office locally without prior involvement of FAO's Contract Branch which subsequently gave retrospective approval. They also observed that procedural problems appeared to contribute to delays. These included the unavailability of authorized signatories for contracts, the need for Contracts Branch to route documents through each operations division rather than direct to staff concerned,

and apparent misunderstanding by staff concerning their responsibilities and role during the award of contracts.

31. My staff were informed by the Organization that measures to improve procurement procedures are under consideration but that no decision on their implementation had yet been made. In particular, a review of the FAO manual section dealing with contract activities had been completed by Contracts Branch during early 1987 and was now under further consideration by other units although a date for issue has still to be agreed.

Monitoring of projects

32. In 1987 UNDP issued revised procedures for project monitoring and reporting which had been developed in consultation with executing agencies and finalised after field trials in which governments had also been involved. The new procedures, effective from July 1987, form part of a strategy for evaluation of projects in which routine monitoring and reporting functions are an integral part. The revisions introduced included a move from six-monthly to annual reporting, and a more systematic and standardised format for periodic monitoring reports compiled by project directors. FAO has decided to maintain in addition to the annual report a simplified six-monthly reporting system in recognition of the importance of more frequent progress reports for adequate monitoring of project implementation.

33. Progress reports are required to arrive at headquarters within one month of the end of the reporting period to allow timely consideration of matters requiring attention. Since 1983 the largest operating division has used a computerised system to monitor the timeliness of progress reports and remind responsible officers of those due or overdue. A review by the Organization in August 1987 revealed that more than half of the six-monthly progress reports for UNDP projects failed to reach the office of the Director within the month following the end of the reporting period. By 31 March 1988 there had been, following management action, a significant improvement in the timeliness of receipt of progress reports.

34. My staff examined the progress reporting arrangements in each of the 32 projects reviewed and found that although the timeliness and format of reports were generally satisfactory difficulties continued to exist in five projects managed by national staff. In those cases FAO staff and consultants were either assisting project managers in the completion of progress reports or were providing reports of their own to FAO headquarters.

35. Where project work plans have not been prepared during formulation they should be prepared by field project staff at the start of projects. These plans should link inputs, activities and outputs to facilitate monitoring of progress against plans for early identification of problems that required action. In the early

1970s, FAO introduced computerised network analysis techniques into field programme management and work planning but by the end of 1975 it proved impractical and usage of the system had virtually ceased. In response to comments by the External Auditor in his Report on the 1975 Accounts, the Organization said that the computer system had been over-ambitious and not readily adaptable to constantly changing project conditions. Nevertheless, they recognised the need for sound planning and proposed to undertake in-depth studies to identify a more suitable system.

36. The External Auditors report on the 1982-83 Accounts drew attention to continuing deficiencies in work plans. The Organization replied that important recommendations made by the Field Programme Committee would be adopted during 1984 including the improvement and greater standardisation of project work plans and their use, and continuing progress on their computerisation. Standard work plans have now been introduced by UNDP but FAO have decided not to proceed with full computerisation in favour of more practical and realistic procedures being developed for headquarters monitoring of programmes and projects (PROSYS).

37. My staff reviewed compliance with the requirement to submit work plans to headquarters and the extent to which they were used by operating divisions as a monitoring tool. They found that work plans were held in diverse files under various file headings and as a result they could not be immediately located in 17 of the 32 projects reviewed. Operations division staff subsequently provided seven of the outstanding work plans but in ten cases it appeared that they had not been submitted to headquarters. Moreover, discussions with operations staff indicated that work plans were seldom used as a monitoring tool. The 1986-87 Field Programme Review recorded that, although there had been a definite improvement since 1981-82 and work plans were now an essential feature of all field projects, some 50 per cent were judged to be unsatisfactory.

38. The Organization told my staff that in addition to formalized procedures involving work plans and periodic reports more immediate action to remedy problems etc, is taken on the basis of routine correspondence, field visits by the staff of headquarters and FAO country representations.

Computerised Monitoring Arrangements

39. In 1981 the Organization introduced IFIS - the Integrated Field Programme Information System - to expand and improve the collection, maintenance and reporting of information relevant to FAO's field programme activities. A particular aim of IFIS was to enhance operational monitoring and control by linking existing independent management information systems. The intention was to consolidate project-related data in order to provide a

basis for assessing the performance of projects and of the field programmes as a whole, with the aim of improved operational decisions and policies. An essential feature was the need for user divisions to ensure that the standing information on each project was fully up-to-date.

40. My staff noted that the IFIS system now referred to as FIELDATA has not been fully developed or used as planned. A major problem has been the inability of some divisions to provide the continuous up-date which the system required, particularly in the case of Fishery and Forestry Divisions which are located outside the main building and do not have direct access to the main FAO computer. Additionally user divisions have continued to develop local management systems and this has contributed further to a decline in their use of IFIS/FIELDATA with the exception of regularly updated financial and some other information from the official project accounts.

41. The IFIS/FIELDATA system included a module (PIPELINE) which has recently been subject to substantial re-development. It is now used by Development Department to store data on UNDP pipeline project ideas and to monitor the progress of projects through formulation and appraisal. Regular and ad-hoc reports generated by the system are widely used within the Organization and by FAORs for management purposes. PIPELINE will only be fully operational after the transfer of data on to micro-computer. It will eventually be part of a larger monitoring system, currently under development and described below.

42. The Director-General approved in early 1988 the introduction of PROSYS - a computerised system for headquarters monitoring of field programmes and projects. Through PROSYS, including the PIPELINE module, FAO propose to monitor the planning and implementation of all field projects against clearly defined events and target dates. PROSYS will be used not only to monitor individual projects but also for the analysis of data relating to the field programme as a whole. The system will provide for regular and ad hoc management reports.

43. With the PROSYS development FAO has recognised the need to improve systems and procedures in a number of key areas. These include improvements in the project formulation process, the establishment of an appraisal group independent of project formulation, the codification of guidelines for formulation and appraisal, and the preparation of a comprehensive FAO Field Programme Manual. Discussions are continuing with the Organization to finalize these arrangements and agree the detailed guidance necessary for their effective implementation.

Evaluation and review of projects

44. Evaluation is the assessment of the design, implementation, results and effectiveness of a project by persons not directly concerned with its formulation or

implementation. The main purpose of the evaluation of projects is to assess their relevance, efficiency and effectiveness through the systematic identification and critical review of their direct and indirect results. The outcome of project evaluations should be used by FAO's management, recipient governments and funding sources to:-

- a. assist in improving the design and implementation of on-going projects and programmes;
- b. identify critical issues and lessons to help improve the formulation and execution of future programmes and projects;
- c. provide an objective assessment of the effects and impact of FAO's activities in relation to their objectives and resource cost;
- d. assemble and analyse evaluation material for submission to FAO's governing bodies.

45. A provision for evaluation is normally included in project documents. UNDP is responsible for the organization of evaluation missions which invariably include at least one FAO representative as well as a representative of the recipient government and UNDP. The number of UNDP projects executed by FAO and subject to evaluation has increased from 56 in 1982-83 to 97 in 1986-87 (including 4 completed projects) although the total number of projects has decreased from 927 to 880 in the same period. Seven of the evaluations undertaken during 1986-87 involved participation by a member of FAO's Evaluation Service.

46. FAO's Evaluation Service was formally established in 1968. In 1984, the Director-General issued a bulletin (DGB 84/28) which reinforced the objectives of evaluation, described the procedures for conducting evaluation activities and clarified the functions and responsibilities of the units concerned, including that of the Evaluation Service. Under these arrangements the Evaluation Service is responsible for the development of evaluation methodology and procedures and coordinating all evaluation activities in FAO. For this purpose, in October 1984, the Evaluation Service issued FAO's new "Guidelines for the Evaluation of Technical Cooperation Projects". My staff have noted that the number of evaluation officer posts including the chief of service was increased from eight to nine in the 1986-87 Programme of Work and Budget, though one senior post has not been filled since 1984. Four of the Evaluation Service's 13 filled posts are funded from the contribution to support costs made by trust funds, while three are funded from UNDP support costs.

47. Existing FAO guidance provides that the Evaluation Service should be able to decide its participation in project evaluations on the basis of annual plans drawn up by operations units in consultation with Development

Department. My staff found that such plans had been prepared on a regular basis only for Forestry projects and that the Evaluation Service was therefore constrained in adequately planning their input to evaluations. The Organization told my staff that the number of units providing annual evaluation plans was increasing but that coverage was still incomplete.

48. The Evaluation Service produces its own annual work plan based on information available to it of evaluations planned by operations divisions or others. The organization told my staff that in this plan project evaluation missions were programmed three months ahead and constantly updated. The Organization added that, while an evaluation plan is useful, in practice it is often changed.

49. The Evaluation Service maintains a computerised database of summarised findings from evaluation missions. It is required to produce an annual synthesis of these findings but in practice it is produced every two years. This information is used in the preparation by the Evaluation Service of an assessment of the performance and short-comings of projects that is published in the biennial Review of Field Programmes. My staff noted that successive Field Programme Reviews have acknowledged deficiencies in the quality of reporting by evaluation missions, attributing these inter alia to the inexperience of mission participants, a lack of time for the work required and the short notice at which missions were mounted. They also noted that routine analysis of evaluation findings e.g. by country or by sector of activity, are not produced from the database although the Organization told them that divisions are increasingly requesting ad hoc reports.

50. Development Department is responsible for monitoring the implementation by operations units of recommendations arising from individual evaluations. The Organization told my staff that, in order to monitor the implementation of recommendations resulting from evaluations, staff of the Development Department attend mission debriefings, hold regular informal discussions with operations staff on the progress of projects and regularly review the periodic reports of FAO Representatives. However my staff found that no specific procedures had been established to guide staff in the follow-up of evaluation findings nor was the recording of action taken required.

51. The Development Department is also responsible for ensuring, in conjunction with technical divisions, the feedback of all findings from the evaluation of projects and programmes into the programming, formulation and appraisal of new programmes and projects. To fulfil this responsibility DGB 84/28 requires it to designate a focal point for liaison with Evaluation Service and other Departments to ensure the feedback of all findings arising from evaluation of field activities. My staff found that Development Department had not designated a single formal

focal point nor had procedures been established to ensure such feedback on a regular basis. However, the Organization pointed out to my staff that the Secretary of the Field Programme Review Committee acted as a focal point for general feedback from evaluation in the Field Programme Review produced at two yearly intervals. With regard to the feedback from reviews and evaluation of specific projects, the Development Department designates individual officers to participate in the relevant Task Force meeting as noted in para 50 above.

52. The co-ordination and monitoring of field programmes is overseen by the Field Programme Committee, which comprises directors of operating units and of two Development Department divisions under the chairmanship of the Assistant Director-General, Development Department. This committee is required inter alia to review "overall problems and questions relating to quality, efficiency and effectiveness in the organization's programming and delivery of its field programme". It is also required to review regularly the effectiveness of the feedback of evaluation findings.

53. My staff asked how the Committee discharged this responsibility. The Organization replied that the Field Programme Committee relied on its members' practical experience in their day-to-day monitoring of their division's activities, on periodic reports from individual projects and from FAO Representatives, and on the biennial Review of Field programmes. The Organization told my staff that the only direct involvement of the Committee as a whole was its joint consideration of the completed draft of the review although individual members of the Committee are consulted in the course of the Review's preparation. The Organization added that members of the Committee are also requested to review findings relevant to their divisions from evaluations of trust fund and UNDP projects falling under special action programmes. Three such evaluations were reported to governing bodies in 1987.

INVENTORY CONTROL SYSTEM

54. An inventory of non-expendable UNDP equipment is maintained at FAO Headquarters. At 31 December 1987 the inventory was valued at \$96.3 million. Items are recorded at cost (purchase) price but are not included in the annual financial statements although they are referred to by the Director-General in his report on the Accounts. On termination of a UNDP project, title to the equipment purchased by FAO is usually transferred to the Government concerned to provide continued support to the project.

55. In his report on the 1984-85 Accounts, my predecessor drew attention to the need for revisions and improvements to the inventory systems and procedures. As a consequence FAO proposed:

- (a) the introduction of an improved system of inventory

control and reporting by managers on field projects including review of existing procedures, documentation and staff responsibilities;

- (b) redevelopment of the existing Headquarters computerised inventory recording system, including improved interrogation, monitoring and reporting facilities;
- (c) revision of the FAO Manual to take account of developments in computerisation of records and other procedural changes arising from items (a) and (b) above.

56. My staff have reviewed the progress made by the Organization in introducing the proposed changes. They found that although all proposed improvements had not been fully implemented, some measures for specific aspects of the inventory control system had been introduced:

- improved briefing of project managers;
- inventory checks to be made by headquarters staff visiting field projects;
- re-design of the year-end inventory report form.

Improvements to date have resulted in the percentage of year-end inventory reports for UNDP projects decreasing from 60% in 1985 to 17% in 1986. (The 1987 results will not be available until later this year). A factor to be taken into account is the increasing number of field projects without any international experts or headed by national officers who were generally unfamiliar with the Organization's Administrative procedures and rules.

57. Revisions to the FAO Manual sections have not been issued. The drafts had been completed, but have remained in draft pending completion of improvements in the system of control and the development of an enlarged Headquarter's computer system for inventory control; this work has been delayed by resource constraints.

58. The proposal to develop an improved computerised inventory system was approved in September 1986, but is not yet in operation. The main reason for the delay was lack of resources due to financial constraints. Nevertheless the Organization accepts the importance of a sound inventory control system and they expect to implement fully improvements, including computer development work, in the third quarter of 1989.

FINDINGS AND RECOMMENDATIONS

On project administration

59. My staff's review has focussed on FAO's participation in the planning, implementation, monitoring and evaluation of projects funded by UNDP. It has not extended to a

detailed examination of the role of UNDP or governments who also have important responsibilities for project design and management.

60. In carrying out its administration of UNDP projects the Organization has not only to take account of the wishes of UNDP and governments but also the demanding and changing conditions encountered in the field. In my findings and recommendations I have sought to take account of these factors and I recognise that a number of operational problems that have been identified lie outside FAO's direct responsibility.

61. My main findings are:-

- a. Government staff who are increasingly responsible for formulation often have little experience in project design but FAO is continuing to extend its training courses in project formulation to them. Beyond the existing general guidelines of UNDP for project review by the specialized agencies, the Organization has not yet defined formally the extent of, or procedures for, its review or to document fully its input to the appraisal process. This may have affected its ability to detect and remedy deficiencies in formulation. Because some weaknesses in formulation remained undetected by the review process, and because of the nature of project activities and other factors mentioned in paragraph 60 above and sub-paragraph (b) below, projects are often extended or undergo adjustments in their scope in order to achieve objectives (paragraphs 6 to 17);
- b. over two-thirds of projects reviewed by my staff experienced delays in implementation. There were a variety of reasons for this and many projects were affected by more than one factor. Apart from over-ambitious or unrealistic planning which might have been detected during the appraisal process the most common cause of delay were changes in the local conditions which could not be anticipated and problems experienced by governments in providing planned inputs (paragraphs 18 to 21). Other factors contributing to delays include:
 - the inexperience of national staff in project management, their unfamiliarity with FAO and UNDP procedures and language difficulties; FAO are providing increased training to overcome this (paragraphs 22 to 24);
 - some project plans may not always allow adequate time for critical activities such as the setting of contracts for high technology equipment or scarce materials (paragraphs 25 and 26);
 - the extent of time required to obtain equipment, caused by difficult delivery locations, climatic extremes, administrative problems in recipient

countries or cumbersome administrative procedures (paragraph 28).

- c. In a few cases FAO procurement procedures were not followed by Field Officers (paragraph 30). A review of the relevant FAO Manual Sections on procurement is underway which, along with the related training courses, will take into consideration the problems experienced by Field Officers (paragraph 31);
- d. the timeliness and format of project progress reports was generally satisfactory although difficulties exist in projects managed by national staff (paragraphs 32 to 34). Work plans are not always submitted to headquarters in accordance with requirements, their quality is variable and they are not routinely used by headquarters staff as a monitoring tool (paragraph 35 to 37);
- e. the Organization's computerised database for project monitoring introduced in 1981 was only partially successful and has not been fully developed. The Organization is currently developing a new computerised system for headquarters monitoring of field programmes and projects which will subsume most of the objectives of the earlier system and will permit analysis of data relating to the field programme as a whole (paragraphs 39 to 43);
- f. the Evaluation Service is responsible for development and co-ordination of evaluation procedures and activities and Development Department should ensure with other donors that the findings of evaluation missions are used to benefit the individual project concerned and those being planned. Requirements that divisions should prepare annual plans of projects requiring evaluation have not been met fully although the number of divisions doing so is increasing. The Evaluation Service maintains a data-base of evaluation mission findings which is used in the preparation of the biennial Review of Field Programmes. Beyond the discussion by project Task Forces and in tripartite review meetings and the development of training material in project formulation and use of project format for FAO staff, no other formal procedures have been established to ensure that the findings of evaluations are used systematically to improve the operation of individual projects and to use them to benefit the planning of new projects. (paragraphs 44 to 53).

62. In my view the Organization's procedures for the administration of UNDP projects would be enhanced if the Organization took steps to:

- a. maintain its efforts to improve the formulation process through continued staff training, including the participation of government staff in FAO's courses;

- b. define the objectives of its review of project documents and develop procedures and documentation to guide and evidence the process;
 - c. ensure that the new UNDP guidelines are fully applied so that project documents more clearly relate objectives to outputs, activities and inputs, thus providing a firm basis for monitoring;
 - d. ensure that a realistic assessment of the ability of governments to provide inputs to projects is made during formulation and appraisal and during subsequent project reviews at the implementation stage: cost and time budgets should take full account of the results;
 - e. in consultation with UNDP and government, ensure that the formulation process identifies critical activities and provides whenever possible recommendations on specifications, lead times and other detailed arrangements necessary for timely implementation;
 - f. complete as soon as possible their review of the Manual Section on contract procedures taking account of the issues referred to in paragraphs 28 to 30;
 - g. ensure for all projects, preparation and submission to headquarters of work plans and their systematic use as a basis for improved monitoring by headquarters staff; take steps to improve the quality of work plans so as to facilitate effective monitoring at headquarters;
 - h. improve the use made of the findings of project evaluations in order to further assist in the management of current projects and inform the formulation and appraisal of project proposals;
 - i. improve the quality of evaluation reports through
 - (i) increased participation of Evaluation Service staff in project evaluations;
 - and
 - (ii) improved planning of missions and, whenever possible, the selection of FAO's participants with relevant evaluation experience.
63. In view of the difficulties experienced by national project managers, which frequently delay project implementation I further recommend that:
- a. FAO consult with UNDP and governments on the ways in which the problems caused by the delays in the provision of suitable national staff can be overcome and the identification of the training needs of such staff;
 - b. simplified guidance packs, especially designed for

national project managers, should be devised by FAO; printing in local languages may also be advantageous in certain circumstances.

64. I wish to acknowledge that the Organization has also recognised the need for improvements in many of the issues referred to above and that these were addressed, inter alia, in the consultations which UNDP had with FAO and other specialized agencies in the preparation of its new guidelines. These are being further addressed in the development of FAO project support systems and related computerized monitoring procedures. However, the computerized systems will not be fully operational for some time and I note that, in the interim, the Organization intends to take such steps as are necessary to ensure as soon as possible effective improvements in the formulation and appraisal process by issuing the necessary guidelines and revised procedures, prior to the implementation of the computerized controls.

On inventory control

65. My findings are that although some measures have been taken to improve specific aspects of the inventory control system since my predecessor's report on 1984-85 Account, the main proposals for improvement approved in 1986 have not been fully implemented. I note that the implementation of the improved system has been delayed by resource constraints but the Organization hope to overcome these and introduce the improved system before the end of 1989.

LOSSES ETC

66. I have examined with satisfactory results, details of compensation payments, ex-gratia payments, losses and writes off to the value of \$714,446 submitted to me by the Director-General with the Account in accordance with Financial Regulation 10.4. I am satisfied with the information and explanations which I have obtained about these cases and I have no observations to make.

ACKNOWLEDGEMENT

67. I wish to record my appreciation for the co-operation and assistance extended by the Director-General and the staff of the Organization during my audit.

JOHN BOURN
(Comptroller and Auditor General,
United Kingdom)
External Auditor

September 1988

OPINION OF THE EXTERNAL AUDITOR

To: The Conference of the Food and Agriculture Organization

I have examined the following Status of Funds Statement I and Schedules 1 and 2 of the Food and Agriculture Organization as Executing Agency of the United Nations Development Programme for the financial period ended 31 December 1987, in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of my examination I am of the opinion that the Statement and Schedules present fairly the financial position at 31 December 1987 and the results of the operations for the period then ended; that they were prepared in accordance with the Organization's stated accounting policies which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

JOHN BOURN
Comptroller and Auditor General, United Kingdom
External Auditor

September 1988

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

UNITED NATIONS DEVELOPMENT PROGRAMME

Summary of Significant Accounting Policies

1. Accounting period

The financial period of the Programme is the calendar year. However audited accounts are prepared on a biennial basis to coincide with the FAO Regular Programme biennium.

2. Basis of accounting

The financial statements of the Programme have been prepared under the historic cost convention.

3. Translation policy

Assets and liabilities in currencies other than United States dollars are translated at the U.N. operational rates of exchange which approximate to market rates.

Income and expenditure items in currencies other than United States dollars have been recorded at the U.N. operational rates of exchange in effect at the date of the transaction.

Exchange differences arise:

- i) When purchasing non-dollar currencies as a result of differences between market rate and the UN exchange rate.
- ii) When revaluing non-dollars currency holdings upon changes in the UN rate.

These differences are credited or charged to the programme or project to which they relate unless this cannot be determined, in which case they are credited or charged to Miscellaneous Income.

4. Cash/accruals basis of accounting

The concepts used in the preparation of these financial statements combine both the accruals and cash bases of accounting, as prescribed by the Regulations of the UNDP.

The specific treatment of the major categories of income and expenditure is as described below:

- (a) Contributions are recorded on a cash basis. These are shown as "Cash drawings from UNDP" if received by the Programme from the UNDP and as "IOV's and other charges" if paid directly by the UNDP or other U.N. Agencies at the Organization's request on its behalf.
- (b) Miscellaneous Income is recognised on a cash basis except for bank interest and investment income which are recorded on an accrual basis.

(c) Expenditure, apart from staff costs, includes:

- i) disbursements with regard to the current biennium's budget;
- ii) outstanding obligations defined as prospective liabilities as follows:
 - for experts: on the basis of services rendered to the end of the year;
 - for travel: on the basis of travel starting before the end of the year and completed within the first 10 days of the subsequent year;
 - for equipment: on the basis of purchase orders or signed contractual agreements issued before the end of the year;
 - for training: on the basis of the costs incurred for fellowships to the end of the year;
 - for sub-contracts: on the basis of the payment schedule included in the contract with the sub-contractor;
 - for miscellaneous: on the basis of orders placed before the end of the year;
- iii) any excess or shortfall in the settlement of amounts reported in the previous biennium as outstanding obligations.

(d) The cost of equipment for projects is charged to expenditure when purchased.

5. Staff costs

Staff costs directly relating to a project are charged to that project.

Monthly salaries, social security and pension contributions are charged at cost. Other staff costs (allowances, etc.) are charged at the actual average cost per person.

Terminal payments to field staff and repatriation costs are charged when incurred.

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

Status of Funds as at 31 December 1987
(Expressed in US dollars)

Operating Fund

	\$	\$
Balance at 1 January 1986		(6,761,521)
Add: Cash drawings from UNDP	139,113,391	
IOVs and other charges (net)	150,348,852	
Miscellaneous income and exchange adjustments (net)	(232,919)	
Miscellaneous items refunded to UNDP (net)	<u>226,547</u>	<u>289,455,871</u>
		282,694,350
Less: Expenditure during 1986-1987		
For projects		
Disbursements (Schedule 1)	239,284,868	
Unliquidated obligations (Schedule 1)	25,495,419	
For programme support costs (Schedule 1)	<u>35,258,639</u>	<u>300,038,926</u>
Balance at 31 December 1987		(17,344,576) =====

Represented by:

Cash at banks, on hand and in-transit		7,139,770
Accounts receivable		<u>8,823,066</u>
		15,962,836
Less: Accounts payable	7,811,993	
1986-87 Unliquidated obligations (Schedule 1)	<u>25,495,419</u>	<u>33,307,412</u>
		(17,344,576) =====

The amounts shown in the
statements properly reflect
the recorded financial
transactions for the period.

APPROVED:

Frederic A. Heim
Director
Financial Services Division

Edouard Saouma
Director-General

Schedule 1UNITED NATIONS DEVELOPMENT PROGRAMMEFOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

Expenditure by Source of Funds
for the biennium ended 31 December 1987
 (Expressed in US dollars)

Programme expenditure

<u>Source of fund ^{a/}</u>	<u>Disbursements</u> <u>1986-1987</u>	<u>Unliquidated</u> <u>obligations as at</u> <u>31 December 1987</u>	<u>Total</u> <u>expenditure</u> <u>1986-1987</u>
Country IPF	204,177,003	23,243,825	227,420,828
Regional IPF	22,621,836	2,008,979	24,630,815
Interregional IPF	1,441,758	50,393	1,492,151
Global IPF	534,345	17,479	551,824
Sub-total (Schedule 2)	228,774,942	25,320,676	254,095,618
Special Programme Resources	1,118,580	40,605	1,159,185
Special Measures Fund for LDC	1,773,499	119,231	1,892,730
Special Industrial Services	-	-	-
IPF Add-on Funds	-	-	-
	231,667,021	25,480,512	257,147,533
Add: Reduction of unliquidated obligations in 1984/85 after closure of books of accounts, offset against 1986/87 expenditures	5,000,000	-	5,000,000
Sub-total (Schedule 2)	236,667,021	25,480,512	262,147,533
Government cash counterpart contribution	2,617,847	14,907	2,632,754
	239,284,868	25,495,419	264,780,287
<u>Programme support cost</u>			<u>35,258,639</u>
GRAND TOTAL			300,038,926
			=====

^{a/} Including cost-sharing, where applicable.

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

UNITED NATIONS DEVELOPMENT PROGRAMME

Expenditure by Country and by Source of Fund for the biennium 1986/87
(Expressed in US dollars)

COUNTRY PROJECTS	IPF (including cost-sharing and add-on funds)		Special Programme Resources		Special Measures Fund for Least Developed Countries		TOTAL	
	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations
	\$	\$	\$	\$	\$	\$	\$	\$
AFGHANISTAN	3 585 186	844 232					3 585 186	844 232
ALBANIA	242 966	28 890					242 966	28 890
ALGERIA	2 518 099	428 640					2 518 099	428 640
ANG-ZIMBABWE	749						749	
ANGOLA	3 841 934	339 710					3 841 934	339 710
ARGENTINA	926 162	133 739					926 162	133 739
BAHAMAS	4 623-						4 623-	
BAHRAIN	55 392	1 836					55 392	1 836
BANGLADESH	12 334 115	932 326					12 334 115	932 326
BELIZE	237	1 613					237	1 613
BENIN	2 113 354	52 061					2 113 354	52 061
BERMUDA	217-						217-	
BRUTAN	2 184 799	159 166					2 184 799	159 166
BOLIVIA	871 292	208 912					871 292	208 912
BOTSWANA	846 099	24 268					856 796	24 268
BRAZIL	1 495 629	52 116			10 697		1 495 629	52 116
BULGARIA	65 347	2 834					65 347	2 834
BURKINA FASO	5 532 303	297 894					6 146 503	308 352
BURMA	3 680 112	602 360			10 450	224 045	3 680 112	602 360
BURUNDI	1 683 802	164 361					1 680 110	164 361
CAMEROON	1 942 095	47 310					1 942 095	47 310
CAPE VERDE ISLANDS	307 788	4 560					307 788	4 560

SCHEDULE 2 (CONT.D)

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

UNITED NATIONS DEVELOPMENT PROGRAMME

Expenditure by Country and by Source of Fund for the biennium 1986/87
(Expressed in US dollars)

COUNTRY PROJECTS	IPV (including cost-sharing and aid-on funds)		Special Programme Resources		Special Measures Fund for Least Developed Countries		TOTAL	
	Disburse- ments	Unliquidated Obligations	Disburse- ments	Unliquidated Obligations	Disburse- ments	Unliquidated Obligations	Disburse- ments	Unliquidated Obligations
	\$	\$	\$	\$	\$	\$	\$	\$
CENTRAL AFRICAN REP	1 676 086	117 560					1 676 086	117 560
CHAD	5 311 264	124 700	196 195	1 500			5 527 459	132 376
CHILE	962 351	101 628					962 351	101 628
CHINA PEOPLE'S REP	5 012 664	1 946 024					5 012 664	1 946 024
COLOMBIA	300 403						300 403	
COMOROS ISLANDS	865 554	19 181					865 554	19 181
CONGO	2 281 853	125 650					2 281 853	125 650
COOK ISLANDS	12 757	26 203					12 757	26 200
COSTA RICA	293 203	4 805					293 203	4 805
COTE D'IVOIRE	1 585 286	4 157					1 585 286	4 357
CUBA	553 045	722 864					553 045	722 869
CYPRUS	253 882	10 400					253 882	10 400
CZECHOSLOVAKIA	27 311	11					27 311	11
DEM PEOP'L REP KOREA	1 049 681	527 036					1 049 681	527 036
DJIBOUTI	40 706						40 706	
DOMINICAN REPUBLIC	694 198	17 823					694 198	17 823
ECUADOR	962 894	160 477					962 894	160 477
EGYPT	1 270 825	601 758					1 270 825	601 758
EL SALVADOR	1 415 711	15 196					1 415 711	15 196
EQUATORIAL GUINEA	58 327	5 220					58 327	5 220
ETHIOPIA	7 704 103	645 128			14 380		8 082 258	699 708
FIJI	792 700	40 663					792 700	40 663
					377 955			

SCHEDULE 2 (CONT.D)

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

UNITED NATIONS DEVELOPMENT PROGRAMME

Expenditure by Country and by Source of Fund for the biennium 1986/87
(Expressed in US dollars)

COUNTRY PROJECTS	IPP (including cost-sharing and add-on funds)		Special Programme Resources		Special Measures Fund for Least Developed Countries		TOTAL	
	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations
	\$	\$	\$	\$	\$	\$	\$	\$
GABON	967 298	5 761					967 298	5 763
GAMBIA	344 983	11 820					344 983	11 820
GHANA	1 656 010	352 687					1 656 010	352 687
GREECE	420 579	99 579					420 579	99 579
GUENADA	126 287	1 250					126 287	1 250
GUATEMALA	575 116	29 169					575 116	29 169
GUINEA	3 468 493	128 834			6 748		3 475 241	128 834
GUINEA-BISSAU	1 055 376	88 994					1 055 376	88 994
GUYANA	219 817	49 753					219 817	49 753
HAITI	1 779 926	96 589	39 662	4 800	151 193		1 972 781	101 389
HONDURAS	1 422 773	80 283					1 422 773	80 283
HUNGARY	37 178						37 178	
INDIA	9 432 457	2 108 099					9 432 457	2 108 099
INDONESIA	5 409 674	292 353					5 409 674	292 353
IRAN	1 725 605	82 048					1 725 605	82 048
IRAQ	774 633	11 106					774 633	11 106
JAMAICA	37 545						37 545	
JORDAN	53 868	6 187					53 868	6 187
KENYA	3 066 082	267 378					3 066 082	267 378
KIRIBATI	2 908-	101-					2 908-	101-
KOREA, REP. OF	790 394	11 341					790 394	11 341
KUWAIT	392 665	13 672					392 665	13 672

SCHEDULE 2 (CONT.D)

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

UNITED NATIONS DEVELOPMENT PROGRAMME

Expenditure by Country and by Source of Fund for the biennium 1986/87
(Expressed in US dollars)

COUNTRY PROJECTS	IPP (including cost-sharing and add-on funds)		Special Programme Resources		Special Resources Fund for Least Developed Countries		TOTAL	
	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations
	\$	\$	\$	\$	\$	\$	\$	\$
LAO PEOPLE A DEM	5 562 410	252 259			94 110	5 500	5 656 548	257 759
LEBANON	310 025	91 727					310 025	91 727
LESOTHO	737 004	17 344					737 004	17 344
LIBERIA	542 875	65 380					542 875	65 380
LIBYA	140 595	9 273					140 595	9 273
MADAGASCAR	3 324 356	534 228					3 324 356	534 228
MALAWI	701 372	207 063					701 372	207 063
MALAYSIA	692 996	42 719					692 996	42 719
MALDIVES	204 175	23 231					204 175	23 231
MALI	1 077 949	180 651			16 406-		1 061 463	180 651
MAURITANIA	3 224 456	191 940			43 145	23 254	3 267 601	215 194
MAURITIUS	400 075	3 496					400 075	3 496
MEXICO	621 569	40 033					621 569	40 033
MONSERRAT	9 021	1 040					9 021	1 040
MOROCCO	1 010 193	103 074					1 010 193	103 074
MOZAMBIQUE	6 634 221	344 747					6 634 221	344 747
NAMIBIA	29 452	10 603					29 452	10 603
NEPAL	2 202 509	83 064					2 202 509	83 064
NICARAGUA	274 031				13 380		285 211	
NIGER	3 150 097	91 404			209 789		3 360 496	91 404
NIGERIA	2 632 972	160 501					2 632 972	160 501
NUEVE ISLAND	12 956	2 061-					12 956	2 061-

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

UNITED NATIONS DEVELOPMENT PROGRAMME

Expenditure by Country and by Source of Fund for the biennium 1986/87
(Expressed in US dollars)

COUNTRY PROJECTS	IPP (including cost-sharing and Adq-on funds)		Special Programme Resources		Special Measures Fund for Least Developed Countries		TOTAL	
	Disburse-ments	Unliquidated Obligations	Disburse-ments	Unliquidated Obligations	Disburse-ments	Unliquidated Obligations	Disburse-ments	Unliquidated Obligations
OMAN	233 732	10 504					233 732	10 584
PAC-AZANIA	164 428						164 428	
PAKISTAN	5 096 393	447 450					5 096 393	447 450
PALESTINIAN PEOPLE	109 290-		191 943				82 653	
PANAMA	434 581	4 365					434 581	4 365
PAPUA NEW GUINEA	596 495	98 143					596 495	98 143
PARAGUAY	579 353	7 821					579 353	7 821
PERU	210 929						210 929	
PHILIPPINES	1 106 541	251 852					1 106 541	251 852
POLAND	195 713	55 130					195 713	55 130
ROMANIA	62 905	6 686					62 905	6 686
RWANDA	3 196 818	121 407			110 112		3 306 950	121 407
SAHOA	70 570	8 133					70 570	8 133
SAO TOME & PRINCIPE	276 654	23 402					276 654	23 402
SAUDI ARABIA	1 372 960	4 766					1 372 960	4 766
SENEGAL	2 168 641	89 174					2 168 641	89 174
SEYCHELLES	244 266	38 118					244 266	38 118
SIERRA LEONE	2 879 118	359 585			31 383		2 910 521	359 585
SINGAPORE	32 074						32 074	
SOLOMON ISLANDS	24 083	1 208	27 482	6 200			51 565	7 408
SOMALIA	2 995 952	262 926			4 802		3 000 834	262 926
SRI LANKA	3 813 976	396 051					3 813 976	396 051

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

UNITED NATIONS DEVELOPMENT PROGRAMME

Expenditure by Country and by Source of Fund for the biennium 1986/87
(Expressed in US dollars)

COUNTRY PROJECTS	IPF (including cost-sharing and add-on funds)		Special Programme Resources		Special Measures Fund for Least Developed Countries		TOTAL	
	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations
ST. CHRISTOPHER NEVIS	112 101	26 015					132 383	26 035
ST. VINCENT	59						59	
SUDAN	894 714	15 795			940-		893 766	35 795
SURINAME	192 475	16 101					192 475	16 181
SWAPO-NAMIBIA	27 039						27 039	
SWAZILAND	191 772	1 240					191 772	1 240
SYRIA	1 512 037	145 331					1 512 037	145 331
TANZANIA	4 179 167	1 104 200			511 843	28 517	4 691 010	1 212 717
THAILAND	1 998 578	125 491					1 998 578	325 491
TOGO	1 359 172	121 961					1 359 172	121 961
TONGA	177 269	894					177 269	894
TRINIDAD AND TOBAGO	617 131	11 321					617 131	11 321
TRUST TERR OF PACIF	11 779	4 672					11 779	4 672
TUNISIA	484 943	21 718					484 943	21 718
TURKEY	815 292	102 655					815 292	102 655
TURKS AND CAICOS IS.	10 229						10 229	
TUVALU	33 393						33 393	
UGANDA	1 333 210	157 548					1 333 210	157 548
UNITED ARAB EMIRATES	228						228	
URUGUAY	27 417						27 417	
VANUATU	59						59	
VENEZUELA	326 845	8 732					326 845	8 732

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

UNITED NATIONS DEVELOPMENT PROGRAMME

Expenditure by Country and by Source of Fund for the biennium 1986/87
(Expressed in US dollars)

COUNTRY PROJECTS	IPF (including cost-sharing and add-on funds)		Special Programme Resources		Special Measures Fund for Least Developed Countries		TOTAL	
	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations	Disbursements	Unliquidated Obligations
VIENTIANE	10 055 033	2 147 810					10 055 033	2 147 810
YEMEN ARAB REPUBLIC	1 007 608	16 619					1 007 608	16 619
YEMEN PDR	1 582 774	76 801	45 587	8 112	1 295	47 580	1 631 656	92 493
YUGOSLAVIA	421 141	102 061					421 141	102 061
ZAMBIA	4 784 219	475 618					4 784 219	475 618
ZAMBIA	796 853	69 785					796 853	69 785
ZIMBABWE	776 666	63 316					776 666	63 316
TOTAL COUNTRIES	204 177 003	23 243 825	1 091 024	13 158	1 771 499	119 231	207 041 526	21 396 214

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

UNITED NATIONS DEVELOPMENT PROGRAMME

Expenditure by Country and by Source of Fund for the biennium 1986/87
(Expressed in US Dollars)

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REGIONAL PROJECTS	IPF (including cost-sharing and aid-on funds)		Special Programme Resources		Special Measures Fund for Least Developed Countries		TOTAL	
	Disburse- ments	Unliquidated Obligations	Disburse- ments	Unliquidated Obligations	Disburse- ments	Unliquidated Obligations	Disburse- ments	Unliquidated Obligations
AFRICA	6 434 236	262 375					6 434 236	262 375
ARAB STATES	4 781 908	582 986					4 781 908	582 986
ASIA AND PACIFIC	10 109 422	1 118 334					10 109 422	1 118 334
EUROPE	758 331	45 095					758 331	45 095
LATIN AMERICA	537 939	189					537 939	189
TOTAL REGIONAL	22 621 816	2 009 979					22 621 816	2 009 979
INTER. REGIONAL	1 441 758	50 393	27 556	7 407			1 469 314	57 840
GLOBAL PROJECTS	534 345	17 479					534 345	17 479
GRAND TOTAL	22 774 942	25 320 676	1 118 500	40 605	1 773 499	119 231	231 667 021	25 480 512

Add: Reduction of unliquidated obligations
in 1984/85 after closure of books of accounts,
offset against 1986/87 expenditures

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