

برنامج
الأغذية
العالمي



Programme
Alimentaire
Mondial

World
Food
Programme

Programa
Mundial
de Alimentos

**Executive Board
First Regular Session**

Rome, 21 - 23 January 1997

UPDATE ON OUTSTANDING BALANCE OF COMMITMENTS FOR ONGOING DEVELOPMENT PROJECTS



Distribution: GENERAL
WFP/EB.1/97/INF/9
22/11/01
ORIGINAL: ENGLISH

INFORMATION NOTE

This document is produced in a limited number of copies. Delegates and observers are kindly requested to bring it to the meetings and to refrain from asking for additional copies.

1. During 1996, the Programme pursued its efforts to bring the year-end outstanding balance of commitments (OBC)¹ in line with the expected commodity availability. This resulted in a further significant decrease in the level of outstanding project commitments.
2. As at 31 December 1996, the crude² OBC at 2.4 million metric tons, was some 400,000 metric tons lower than the level registered a year earlier. The Programme achieved this primarily through very prudent levels of new commitments and keeping budget increases and extensions in time to a strict minimum. In 1996, only some 481,000 metric tons of new food commitments were approved. This was the lowest level since 1974.

The following table shows the systematic decline in OBC over a four-year period:

Year	End-year Crude OBC (million mt)
1994	3.17
1995	2.81
1996	2.40
1997 (est.)	2.04

3. The 1996 crude OBC adjusted for the 10 percent delivery performance ratio (DPR)³, indicates that relative to the objective set for the end of 1996, the Programme is slightly below the target. If the future resource base were to remain at least at its 1996 level, the OBC of 2.4 million metric tons - to be delivered to recipient countries in 1997 and subsequent years - could be disbursed in a normal manner, while allowing new activities to take place. However, estimates indicate that for 1997 and beyond, a further decrease in contributions is expected.
4. The 1997 estimated availability for delivery to recipient countries is approximately 720,000 metric tons. This represents some 16 percent less than contributions made available in 1996 and about 30 percent lower than the commodity availability in 1995.
5. The sharp yearly decreases in contributions have put the Programme in an extremely difficult position: while development and rehabilitation activities are approved for a duration of up to five years, the availability of commodities is hardly ever known with any precision until the actual year of allocation. Due to the increasing shortfall in availability, constant and sometimes painful adjustments have to be made to the development portfolio, sometimes at the expense of well-performing activities.
6. In order to continue keeping the OBC in line with the estimated future availability, the Programme is in the process of de-earmarking commitments. This will further reduce the OBC by approximately 150,000 metric tons which, along with the normal termination of projects, will provide some scope for approval of new projects, as illustrated below.

¹ "Outstanding balance of commitments" (OBC) indicates the volume of approved commitments for ongoing projects that remains to be delivered.

² "Crude" OBC represents the total outstanding balance of commitments which becomes a "net" OBC when adjusted to expected future de-earmarkings.

³ The DPR is an empirical adjustment factor, defined as the ratio of final deliveries over total approved commitments. Globally, the DPR is currently estimated at 90 percent. The end-year target for 1996 was 2.17 million metric tons.



DEVELOPMENT PORTFOLIO: OBC ANALYSIS
--

	metric tons
a) Crude OBC as at 31.12.1996	2 406
b) De-earmarkings in progress	-150
c) Expected deliveries ¹ in 1997	-720
d) Potential for new commitments to be approved in 1997	500
e) Expected crude OBC as of 31.12.97	2 036
f) Adjustment for the DPR ²	-224
g) Adjusted balance as at 31.12.97	1 812
h) Target ³ OBC as at 31.12.97	1 800

7. In the case of sharply decreasing resource levels, the challenge in determining future levels of commitment is twofold. Approved, well-performing projects deserve to be given a chance to adjust to a significantly lower level of resources in a manner which does not unduly disrupt their implementation. On the other hand, the Programme has to ensure a timely influx of new activities to enable it to continue providing an appropriate medium for targeting development resources to the hungry poor.
8. Taking all these elements into account, the Programme has established a tentative ceiling for new commitments of 500,000 metric tons for 1997. The Programme will continue to monitor closely that incremental proposals for approval of these new commitments and yearly allocations will maintain a reasonable equilibrium between the level of outstanding commitments and the actual availability of resources.

¹ Corresponding to the planned level of resources available for delivery in 1997.

² Greater than 10 percent of the crude OBC because of the additional de-earmarkings in progress.

³ Equal to 2.5 times the estimated availability i.e. 2.5 X 720,000=1,800,000.



