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## **RESOURCE AND FINANCIAL MATTERS**

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### **WFP PLEDGING TARGET FOR 1999-2000**

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## NOTE TO THE EXECUTIVE BOARD

**This document contains recommendations for review and approval by the Executive Board.**

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

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## INTRODUCTION

1. This document presents the Executive Director's recommendation for the Executive Board's approval of the proposed pledging target for WFP's development activities for the next biennium, 1999-2000. The resources are required to cover WFP's assistance for development activities, both approved and under preparation.
2. The proposed target is submitted to the 1997 Annual Session of the Board in order to permit the United Nations Economic and Social Council (ECOSOC) and the FAO Council to consider the Board's recommendations in June/July 1997, for subsequent presentation to the United Nations General Assembly and the FAO Conference for their approval in September/October 1997.
3. At its Fortieth Session in November 1995, the Committee on Food Aid Policies and Programmes (CFA) adopted the new resourcing and long-term financing policies, on a trial basis (document CFA 40/5). The policies include new financing modalities that have been used in calculating the proposed pledging target for 1999-2000.

## TARGETS AND ACHIEVEMENTS

4. The proposed target is lower than the one set for the current biennium. This reduction is proposed because of the decreasing level of resources made available for development, as shown in the table below.
5. Pledges made for development during the past five completed biennia were as follows:

| Period  | Commodity<br><i>value</i> | Cash  | Total   | Target | Percentage of<br>target achieved |
|---------|---------------------------|-------|---------|--------|----------------------------------|
|         |                           |       |         |        | <i>(in million US dollars)</i>   |
| 1987-88 | 943.4                     | 293.3 | 1 236.7 | 1 400  | 88                               |
| 1989-90 | 905.8                     | 298.2 | 1 204.0 | 1 400  | 86                               |
| 1991-92 | 802.7                     | 349.7 | 1 152.4 | 1 500  | 77                               |
| 1993-94 | 635.7                     | 346.1 | 981.8   | 1 500  | 65                               |
| 1995-96 | 576.4                     | 252.3 | 828.7   | 1 500  | 55                               |

6. For the most recently completed biennium (1995-96), 57 countries pledged 829 million dollars, reaching only 55 percent of the approved target. This figure confirms the current downward trend for development assistance experienced by WFP.
7. For the current biennium (1997-98), the Thirty-ninth Session of the CFA agreed to the target of 1.3 billion dollars, which is lower than the target of 1.5 billion dollars approved for the previous two biennia (1991-92 and 1993-94). This reduction was made in order to adjust the pledging target to the prevailing situation whereby some major donors were experiencing economic constraints and budgetary cutbacks, resulting in lower levels of assistance directed to development. The pledging conferences held biennially confirm this



downward trend. The CFA at its Thirty-ninth Session considered it prudent to revise the target accordingly.

8. The proposed target for the next biennium is higher than the level of resources projected in the Strategic and Financial Plan for 1998-2001. It takes into account the downward trend in resources made available for development, but also reflects an aspiration based on needs. Global food aid requirements remain at a very high level and WFP will continue to provide an appropriate medium for targeting development resources to the hungry poor in the poorest countries, particularly in the light of commitments made at the World Food Summit.

## DEVELOPMENT ACTIVITIES IN 1999-2000

9. There are approximately 800 million chronically malnourished people in the world today. This level is likely to persist in the coming years unless action is taken. Development assistance is vital to address the underlying causes of food insecurity and to contribute to lasting economic and social development. The utilization of food aid through well designed development interventions, which also address disaster mitigation and rehabilitation, will continue to be of high priority to WFP.
10. During the previous biennium (1995-96), over 20 million people were reached through WFP development activities each year. A similar level is expected for the current biennium, 1997-98.
11. In 1996, WFP's development portfolio consisted of 174 projects in 76 countries, representing a total commitment of 5.5 million tons (valued at 1.9 billion dollars), of which 2.4 million tons is still to be disbursed.
12. The limited availability of resources reduces WFP's capacity to expand its development assistance to a larger number of people. In addition, contributions are increasingly being channelled through the directed multilateral window, which curtails WFP's flexibility to prioritize allocations according to specific criteria based on poverty and food security parameters.
13. The Country Programme Approach (CPA) is steadily being incorporated into the design of WFP development assistance. This strengthens WFP's development role and leads to improvements in the quality of WFP interventions. Through the CPA, WFP's activities are better integrated in the recipient country's national priorities, and a stronger linkage is established with United Nations agencies' programmes and with other development partners.
14. Development resources are also channelled for rehabilitation activities. Development-oriented activities initiated in relief operations provide development opportunities which support recovery efforts and diminish the risk of relapse into insecurity. They warrant continuation after the emergency phase through the development programme category.
15. Funding for development projects, or development activities within country programmes, will be required to cover the following cost elements:
  - commodities;
  - ocean transport;
  - landside transport, storage and handling (LTS) costs;



- direct support costs; and
- indirect support costs.

16. LTSH and direct support costs are based on averages for all projects. The indirect support costs support the execution of projects, but cannot be directly linked with implementation. These costs are recovered on the basis of rates established by the Board, based on the results of periodic cost measurement studies.

17. The overall funding requirement is taken into account when establishing a pledging target. This requirement relates to activities already approved and those to be approved from 1997 to 2000. As at 1 January 1997, the outstanding balance of commitments (i.e., originally approved commitments for development projects minus the tonnages already resourced) stood at some 2.4 million tons. This is the lowest level of outstanding balance of commitments attained during the past five biennia. New commitments to be made during 1997-98 are likely to reach a total of approximately 1.3 million tons. The key will be to maintain a balance between commitments and the likely availability of resources. WFP will continue to de-earmark commitments when warranted. New commitments will be made to enable continued support through development assistance targeted to the hungry poor.

18. The pledging target proposed for the 1999-2000 biennium is 2.1 million tons. This level should accommodate not only development activities, but also rehabilitation activities carried out under the development programme category; it should also make allowances for modest growth in the development portfolio.

19. To convert the tonnage target into dollar terms, the following average per ton cost has been projected for the 1999-2000 biennium: 320 dollars for food, 61 dollars for transport and 16.7 dollars for LTS defense. An average of 4.6 percent over the total has been applied for the direct support costs and 13.9 percent for indirect support costs. This leads to a total target (i.e., food plus cash component) of one billion dollars for the biennium.

