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منظمة الأغذية والزراعة للأمم المتحدة | 联合国粮食及农业组织 | Food and Agriculture Organization of the United Nations | Organisation des Nations Unies pour l'alimentation et l'agriculture | Organización de las Naciones Unidas para la Agricultura y la Alimentación

FINANCE COMMITTEE

Hundred and Nineteenth Session

Rome, 3 – 7 September 2007

Programme and Budgetary Transfers in the 2006-07 Biennium

Highlights

1. Full expenditure of the 2006-07 budgetary appropriation is foreseen, with the exception of a surplus of approximately US$ 1.5 million under *Chapter 9: Security Expenditure*, and under the Technical Cooperation Programme (TCP), where the financial regulations permit carry over of unspent balances between biennia.

2. The 2006-07 performance continues to be mainly impacted by a hold-back of funds to cover: a significant forecasted unfavourable staff cost variance, currently estimated at US$ 19 million for the biennium; and redeployment costs for incumbents of abolished posts (US$ 11 million).

3. In accordance with Financial Regulation 4.5(b), the Committee is requested to authorise transfers from budgetary *Chapters 2, 3* and *4* in favour of *Chapters 1* (US$ 1.7 million), *5* (US$ 2.8 million), and *8* (US$ 2.0 million).

4. The Committee's approval is sought to apportion any overall budgetary surplus, including that arising under C*hapter 9*, but excluding any unspent balance of the TCP, to cover to the extent possible the excess terminal payments in 2006-07.

INTRODUCTION

5. Conference Resolution 7/2005 on the budgetary appropriations for 2006-07 approved a budget of US$ 765.7 million, and Financial Regulation (FR) 4.1(a) authorises the Director-General to incur obligations up to the amount voted. Financial Regulation 4.5(b) requires transfers from one chapter to another to be approved by the Finance Committee. This document provides updated estimates of the chapter transfers foreseen in 2006-07, for approval by the Finance Committee.

OVERALL BIENNIAL FORECAST

6. At its 118th session in May 2007, the Finance Committee reviewed the Fortieth Annual Report on Budgetary Performance and Programme and Budgetary Transfers[1], which was subsequently endorsed by the Council at its 132nd Session in June 2007. The document tentatively indicated that transfers between budgetary chapters for the biennium would be required from *Chapters 2* and *4* in favour of *Chapters 1* (US$ 0.3 million), *3* (US$ 1.1 million), *5* (US$ 2.0 million) and *8* (US$ 2.3 million). The Committee acknowledged that the formal request for transfers would be presented at the September 2007 session, based on updated information.

7. The Committee also took note of under-budgeted items, totalling approximately US$ 39 million, affecting the forecasted 2006-07 Regular Programme performance. These included a significant forecasted unfavourable staff cost variance (US$ 19 million[2]) and redeployment costs for incumbents of abolished posts (US$ 11 million). The Committee appreciated that, in accordance with Financial Regulation 4.1, these under-budgeted items were being managed within the Regular Programme appropriation of US$ 765.7 million approved by the Conference, largely through priority-based reductions in allotments ranging from 0.3% to 5.3%.

8. In accordance with Financial Regulation 4.3, unutilized 2006-07 appropriations for the Technical Cooperation Programme (TCP), net of transfers previously estimated at US$ 3 million[3], shall remain available for obligations during 2008-09. Full expenditure of the remaining 2006-07 budgetary appropriation is foreseen, with the exception of *Chapter 9: Security Expenditure*.

BUDGETARY TRANSFERS BETWEEN CHAPTERS

9. As tabulated below, the pattern of the requested transfers is broadly consistent with the previous tentative estimates provided in document FC 118/2, although some adjustments have occurred to the forecasted amounts, as further outlined below[4].

[1] FC 118/2

[2] This excluded the general service salary increase of US$13.9 million which was covered by the 2006-07 assessed contribution of the Russian Federation and the Special Reserve Account.

[3] FC 118/2, paragraph 11

[4] Assuming, under Chapter 4, that all but US$ 3 million of the TCP biennial appropriation is spent.

Table 1.

2006-07 Forecasted Budgetary Performance (in US$ millions)				
	Chapter	**Revised Budget**	**Forecasted Expenditure**	**Surplus/ (Deficit)**
1	Corporate Governance	18.1	19.8	(1.7)
2	Sustainable Food and Agricultural Systems	209.6	206.0	3.6
3	Knowledge Exchange, Policy and Advocacy	189.1	188.8	0.3
4	Decentralization, UN Cooperation and Programme Delivery	212.7	210.2	2.5
5	Management and Supervision Services	110.5	113.2	(2.7)
6	Contingencies	0.6	0.6	0.0
8	Capital Expenditure	4.7	6.7	(2.0)
9	Security Expenditure	20.4	18.9	1.5
Total Appropriation (Net)		**765.7**	**764.2**	**1.5**

10. The transfer requested into *Chapter 1* is mainly as a result of significant deficits expected in the Translation, Interpretation, and Internal Printing pools due to unanticipated drops in volume.

11. Compared with the estimates provided in document FC 118/2, the forecasted surplus in *Chapter 2* has increased, with an offsetting decrease under *Chapter 4*, mainly as a result of a shifting of FAO Representatives staff time in regions outside of Africa.

12. *Chapter 9: Security Expenditure* was established by the 2005 Conference in recognition of the need for consolidated and comprehensive coverage for security costs. In view of the unpredictable nature of such costs, the Conference also allowed for any balance of funds in *Chapter 9* of the budget at the end of each biennium to be transferred for use in a subsequent financial period. *Chapter 9* is likely to achieve a surplus in 2006-07 of up to US$ 1.5 million, based on the latest information on FAO's 2006-07 cost-share of the United Nations Department of Safety and Security (UN-DSS) expenditure, the requirements for security equipment and operating costs in the decentralized offices and field security staff vacancies. Notwithstanding the eligibility for carry-over to the next biennium of *Chapter 9* surpluses, an alternative proposal is presented below.

13. Finally, it is recalled that budgetary reporting at the end of the biennium is based on the US Dollar/Euro exchange rate established in the PWB 2006-07 of Euro 1 = US$ 1.19 (the budget rate). The forecasted budgetary performance figures in the table above are reflected at the budget rate of exchange. Some variations by Chapter may occur if the final percentage of expenditures in Euro differs significantly from the assumptions used in the budget, or due to fluctuations of the US Dollar against the Euro.

FUNDING OF TERMINAL PAYMENTS

14. At its May 2007 Session, the Committee discussed at length the two additional items where expenditures in 2006-07 would exceed the amounts budgeted, namely terminal payments (US$ 6.8 million) and a portion of current service costs of After-service Medical Coverage (ASMC) (US$ 14.2 million).

15. Members appreciated the desirability of addressing all under-budgeted costs in a manner which avoided further deterioration of the Organization's General Fund deficit. The Council concurred with the assessment of the Finance Committee that very few programme activities

could be cut at this stage of the biennium, and that the under-budgeted ASMC current service costs should remain charged to the General Fund. Regarding the forecasted excess 2006-07 expenditure on terminal payments (US$ 6.8 million), which had an immediate cash impact, many Members stressed the importance of protecting the Technical Cooperation Programme (TCP) from programme reductions should it be decided to cover these costs from within the Regular Programme (RP) appropriation.

16. In light of the above, the Secretariat was requested to review the viability of alternative solutions for funding the excess terminal payments from within the RP appropriation while protecting the TCP programme and to report thereon to the September 2007 session of the Finance Committee.

17. The Secretariat reviewed forecasted divisional expenditures and noted the difficulty in identifying unprogrammed resources at this stage in the biennium. The 2006-07 allotments are already significantly lower than budgeted for most divisions, as a consequence of the substantial level of under-budgeted items this biennium. In most cases, remaining resources are expected to be fully spent, with a large proportion already committed under staff expenditures or forecasted as non-staff obligations to complete activities that cannot be postponed such as servicing planned meetings of the governing bodies.

18. Support to National and Regional Programmes for Food Security has some US$ 2.5 million in non-staff resources that are planned to be committed during the tail-end of the biennium. A deliberate curtailment of this support during the remaining months of 2007 could generate some under-spending in *Programmes 3A and 4C*, but such action would have to be considered on a case by case basis, to ensure minimal harm to the Organization's services to Members. Furthermore, the Secretariat is actively monitoring areas where excess expenditure is currently forecasted, for example translation, interpretation and printing pools, to reduce such expenditures to the extent possible and re-allocate resources for excess terminal payments.

19. It is also possible that fortuitous gains under the Regular Programme may eventuate, for example as a result of unforeseen delays in planned activities; high levels of Regular Programme income earnings at the end of the biennium which remain unspent; or from unforeseen exchange rate movements. With this in mind, the Committee's approval is sought to re-apportion any overall budgetary surplus, including that already foreseen to arise under *Chapter 9*, to cover to the extent possible the excess terminal payments in 2006-07.

DECISION SOUGHT

20. In accordance with FR 4.5(b), the Finance Committee is requested to approve the transfer of approximately US$ 6.5 million from budgetary *Chapters 2, 3* and *4* in favour of *Chapters 1* (US$ 1.7 million), *5* (US$ 2.8 million), and *8* (US$ 2.0 million).

21. The Committee's approval is also sought to re-apportion any overall budgetary surplus, including that arising under *Chapter 9: Security Expenditure*, but excluding any unspent balance of the TCP, to cover to the extent possible the excess terminal payments in 2006-07.

22. The forecast budgetary performance and the required transfers are partially influenced by factors that are largely outside the Organization's direct control, including currency movements. The precise amounts transferred can only be determined after the finalisation of the 2006-07 Regular Programme accounts in early 2008.

23. As per past practice, the Director-General will report to the Finance Committee, at its first session in 2008, the exact amounts transferred.