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FINANCE COMMITTEE

Hundred and Eighty-fifth Session

22 - 26 March 2021

**Annual Report on Budgetary Performance and Programme and Budgetary
Transfers for the 2020-21 Biennium**

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EXECUTIVE SUMMARY

- Conference resolution CR 13/2019 approved the 2020-21 budgetary appropriation of USD 1 005.6 million and the Programme of Work, subject to adjustments based on guidance provided by the Conference. The Council in June 2020 approved the revised distribution of the net appropriation by budgetary chapters in the Further Adjustments to the Programme of Work and Budget 2020-21.¹
- This report presents the forecasted biennial performance against the net appropriation updated to take account of the 2020 implementation of biennial work plans and corporate monitoring. Full expenditure of the 2020-21 net appropriation in Chapters 1 through 6, and 8 through 11 (the Strategic, Technical and Functional Objectives) is currently foreseen as shown in *Table 1*. In line with current practice, any unspent balances in the Technical Cooperation Programme (Chapter 7), Capital Expenditure (Chapter 13) and Security Expenditure (Chapter 14) will be transferred to the forthcoming biennium as per the Financial Regulations.
- Based on the forecasted performance against the 2020-21 net appropriation and in accordance with Financial Regulation 4.5(b), the Committee is requested to approve the forecasted transfers in favour of Chapters 1, 2, 3, 4, 5, 8 and 10 from Chapters 6, 9 and 11.
- The unspent balance of the 2018-19 net appropriation of USD 3.6 million was allocated for one-time uses in 2020-21, as authorized by the Conference in July 2019, based on a proposal submitted to and agreed by the Joint Meeting of the Programme and Finance Committees, and confirmed by the Council in July 2020.²
- The next update on the forecasted performance against the 2020-21 net appropriation will be reported to the Committee for review and approval in November 2021. The final performance based on the 2020 and 2021 accounts will be reported in May 2022.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to take note of the forecasted 2020-21 budgetary performance arising from the implementation of the Programme of Work as shown in Table 1 and to authorize the forecasted budgetary transfers.

Draft Advice

The Committee:

- **took note of the forecasted 2020-21 budgetary performance arising from implementation of the Programme of Work; and**
- **authorized the forecasted budgetary Chapter transfers in favour of Chapters 1, 2, 3, 4, 5, 8 and 10 from Chapters 6, 9 and 11.**

¹ CL 164/3 Table 3, CL 164/REP, paragraph 14.b)

² CL 164/REP, paragraph 17.a) and b)

Introduction

1. The Conference in 2019 approved the 2020-21 budgetary appropriation of USD 1 005.6 million and authorized the Director-General, notwithstanding Financial Regulation (FR) 4.2, to use any unspent balance of the 2018-19 appropriations for one-time uses in 2020-21, based on a proposal to be submitted to and agreed by the Joint Meeting of the Programme and Finance Committees and the Council at their meetings in April-May 2020.³
2. The Council in June 2020 approved the revised distribution of the net appropriation by budgetary chapters in the Further Adjustments to the Programme of Work and Budget 2020-21,⁴ endorsed the modalities recommended by the Joint Meeting for use of the unspent balance of the 2018-19 appropriations, and looked forward to receiving detailed expenditure information relating to the use of USD 2 million of unspent balance from 2018-19 towards FAO's response to the impact of the COVID-19 pandemic.⁵
3. Financial Regulation (FR) 4.1 authorizes the Director-General to incur obligations up to the budgetary appropriation voted by the Conference. In accordance with FR 4.6, the Director-General manages the appropriations so as to ensure that adequate funds are available to meet expenditures during the biennium. FR 4.5 (a) calls for the Finance Committee to be notified of certain transfers between divisions and FR 4.5 (b) requires transfers from one chapter to another to be approved by the Finance Committee.
4. This report presents the forecasted budgetary performance against the 2020-21 net appropriation, seeks the Committee's approval for the forecasted budgetary chapter transfers arising from the implementation of the 2020-21 Programme of Work, and provides an overview of the use of the USD 3.6 million unspent balance from 2018-19.

2020-21 Forecasted Budgetary Performance

5. The 2020-21 Programme of Work is implemented based on FAO's results-based monitoring framework. The extent to which FAO is on track to deliver the Outputs against indicators and targets at global, regional and national level is reported in the Mid Term Review (MTR) Synthesis Report - 2020.⁶ The resulting overall forecasted budgetary transfers arising from work planning and other implementation considerations are presented in column (e) of *Table 1* for approval by the Finance Committee, and elaborated below.
6. Actual net delivery of 2020 net appropriation resources is shown in column (f) for Chapters 1 to 6 (Strategic Objectives and Objective 6) and 8-11 (Functional Objectives). It is based on expenditures and income as recorded in the 2020 unaudited accounts of the Organization prior to closure of the 2020 annual accounts in March 2021 (final figures will be reported in the Audited Accounts - FAO 2020, Statement V). Full expenditure of the 2020-21 net appropriation in Chapters 1 through 6 and 8 through 11 (the Strategic, Technical and Functional Objectives) is currently foreseen.

³ C 2019/Rep paragraph 73 b) and Conference Resolution 13/2019

⁴ CL 164/3

⁵ CL 164/3 Table 3, CL 164/REP, paragraph 14b) and CL 164/REP, paragraph 17 a) and b)

⁶ PC 130/2 - FC 185/8

Table 1: Forecasted 2020-21 Budgetary Performance by Chapter (USD 000)

| Chapter | Strategic/Functional Objective | Further Adjusted PWB 2020-21 CL 164/3 | Forecasted Net Expenditure* | Forecasted Balance vs Appropriation | 2020 Actual Net Expenditure |
|--------------|---|---------------------------------------|-----------------------------|-------------------------------------|-----------------------------|
| (a) | (b) | (c) | (d) | (e=c-d) | (f) |
| 1 | Contribute to the eradication of hunger, food insecurity and malnutrition | 85 795 | 89 597 | (3 802) | 36 658 |
| 2 | Make agriculture, forestry and fisheries more productive and sustainable | 202 407 | 205 419 | (3 012) | 83 727 |
| 3 | Reduce rural poverty | 66 929 | 70 122 | (3 193) | 28 905 |
| 4 | Enable more inclusive and efficient agricultural and food systems | 113 766 | 115 924 | (2 158) | 46 821 |
| 5 | Increase the resilience of livelihoods to threats and crises | 55 823 | 55 963 | (140) | 22 470 |
| 6 | Technical quality, statistics and cross-cutting themes (climate change, gender, governance and nutrition) | 67 225 | 58 385 | 8 840 | 23 426 |
| 7 | Technical Cooperation Programme | 140 788 | 140 788 | 0 | |
| 8 | Outreach | 72 877 | 73 818 | (941) | 31 754 |
| 9 | Information Technology | 36 378 | 33 798 | 2 580 | 14 751 |
| 10 | FAO governance, oversight and direction | 58 836 | 61 492 | (2 656) | 26 660 |
| 11 | Efficient and effective administration | 64 898 | 60 416 | 4 482 | 23 251 |
| 12 | Contingencies | 600 | 600 | 0 | 0 |
| 13 | Capital Expenditure | 16 892 | 16 892 | 0 | |
| 14 | Security Expenditure | 22 421 | 22 421 | 0 | |
| Total | | 1 005 635 | 1 005 635 | 0 | |

*The Net Expenditure total in column (d) excludes expenditure funded from the USD 3.6 million 2018-19 carryover, which is outside the 2018-19 net appropriation.

7. The forecasted budgetary transfers under the Strategic Objectives (Chapters 1 through 5) arise partially from support to emerging cross-cutting areas of programmatic priority through the Multidisciplinary Fund. To strengthen collaboration across disciplines, to work together and support delivery at country level, the Multidisciplinary Fund of USD 8.5 million budgeted in Chapter 6 is allocated to the Strategic Objectives to fund selected proposals in the cross-cutting areas of innovation, catalytic support to private sector involvement and investment, and to support country needs in line with the SDGs, in particular for unforeseen requirements arising from the COVID-19 pandemic.⁷

8. The forecasted budgetary performance in Chapters 1 through 5 is also impacted by detailed work planning that resulted in realignment of some costs under the most appropriate Strategic Objectives.

9. The forecasted transfer of USD 0.9 million to Chapter 8 (Outreach) is largely due to additional expenditure to support multilingualism, including translation of web materials into official languages. The transfer of USD 2.7 million to Chapter 10 is required to strengthen a number of high-priority corporate initiatives including streamlining management information systems for regional, subregional and national teams, providing seed money to support country offices in the formulation of the new UN Sustainable Development Cooperation Frameworks and resulting Country Programming Frameworks, improving multilingualism and document production, and strengthening FAO legal advice especially in areas that FAO is increasingly exploring such as digital developments and expanded use of new technologies.

⁷ CL 164/3 paragraph 62

10. The forecasted transfers of USD 2.6 million and USD 4.5 million out of Chapter 9 (Information Technology) and Chapter 11 (Administration) respectively, is mainly due to the forecasted change in distribution of recoveries from projects following the progressive implementation of the new cost recovery model.

11. Any unspent balances in the Technical Cooperation Programme (Chapter 7), Capital Expenditure (Chapter 13) and Security Expenditure (Chapter 14) are transferred for use in the subsequent financial period in line with the Financial Regulations, and are therefore shown as fully spent in *Table 1*.

12. In this biennium, as a result of the COVID-19 pandemic, an increase in expenditures related to staff safety and security at headquarters and in decentralized offices budgeted in Chapter 14 (Security Expenditure) has occurred. At end-2020, actual expenditure reached USD 15.1 million against the net appropriation of USD 22.4 million (67 percent). Any final resulting deficit will be transferred to the Security Account in line with the Financial Regulation 6.12 (d).

13. The 2020 expenditure in Chapter 14 includes USD 2.2 million spent on procurement of personal protective equipment and implementation of full mental health and wellbeing support plan and work place safety monitoring, communication and follow-up. It also includes USD 1.4 million in FAO's contribution to the United Nations Medical Evacuation (MEDEVAC) Framework which covers all UN personnel and their eligible dependents. COVID-19-related expenses associated with staff safety are expected to continue into 2021 and will be reported to the Finance Committee in the Annual Reports on Budgetary Performance in accordance with Financial Regulations.

14. The staff cost variance is the difference between budgeted and actual staff costs in a biennium. For the 2020-21 biennium, a USD 12.0 million favourable staff cost variance, net of currency variance, is forecasted. The main factors contributing to the favourable variance in 2020-21 are the lower-than-budgeted increases in the professional staff net remunerations in some decentralized locations, the freeze on salary scales for general service staff in Rome and several other duty stations, the appreciation of the United States Dollar, and the COVID-19 pandemic which caused the postponement of the place-to-place (cost-of-living) surveys and delays in travel plans. Savings are also found in other entitlements and allowances: recruitment and transfer allowances, dependency allowances, rental subsidy, education grant, and pension.

15. Most of the underlying causes of any difference between the actual and standard unit costs of staff, such as the actuarial valuations, are beyond the control of the Organization. The staff cost variance is centrally monitored and any surplus or deficit is charged at the end of the year to the financial accounts across all programmes in proportion to the staff costs incurred at standard rates.

16. FAO's new Cost Recovery Policy, based on the Comprehensive Financial Framework for cost recovery approved by the FAO Council in 2015⁸ was gradually introduced starting in January 2018. The revised policy is designed to ensure that FAO's costs are correctly measured and distributed among all funding sources, consistent with UN-system policy and UN General Assembly-encouraged practices.⁹ The updated methodology for categorizing and measuring costs ensures that charges closely reflect actual project costs and improves transparency, equitability and accountability to Members and resource partners. The recoveries against budgeted amounts are being closely monitored and any foreseen variances will be reported in November 2021.

17. Some other variations in budgetary performance by Chapter may still occur, including on account of variations in the final average percentage of expenditures in Euro compared with the assumptions in the forecasts.

⁸ CL 164/5 Sup.1, CL 151/REP paragraph 11 e) and FC 157/10

⁹ UN General Assembly Resolution 71/243, paragraph 35

Use of the 2018-19 unspent balance

18. The unspent balance of the 2018-19 net appropriation of USD 3.6 million was allocated for one-time uses in 2020-21, as authorized by the Conference in July 2019, based on a proposal submitted to and agreed by the Joint Meeting of the Programme and Finance Committees, and confirmed by the Council in July 2020.¹⁰ The Council looked forward to receiving detailed expenditure information relating to the use of USD 2 million of unspent balance from 2018-19 towards FAO's response to the impact of the COVID-19 pandemic.

19. The items approved for use of the unspent balance are presented in the table below. Under item 1, FAO's Comprehensive Response to COVID-19, four projects were identified on the basis of their thematic priority, catalytic value, cross-regional aspects, potential impact, and the extent of cross cutting elements, as shown below. Updated information will be presented to the Committee in November 2021. The final performance based on the 2020 and 2021 accounts will be reported in May 2022.

Table 2: Use of the 2018-19 unspent balance (USD 000)

| Item | |
|---|--------------|
| 1. Global food systems and food security - FAO's Comprehensive Response to COVID-19: | 2 000 |
| Economic Inclusion and Social Protection to Reduce Poverty: supporting governments in addressing child labour for sustainable agricultural transformation in COVID-19 economic recovery | 500 |
| Data for Decision-making: harmonization of dietary statistics across FAO and creation of a fit-for-purpose "Food and Diet" on FAOSTAT | 500 |
| eTrade and Food Safety Standards. Food Price Monitoring and Analysis (FPMA) tool and Global Agricultural Stress Index System (ASIS) | 500 |
| Boosting Smallholder Resilience for Recovery: strengthening governments' capacity for enabling an economic and social recovery post-COVID-19 through investments in agri-food sectors | 500 |
| 2. Digitalization improvements | 580 |
| 3. Information security and geospatial data | 350 |
| 4. Emergency Operations Centre | 150 |
| 5. Security and crisis management control facilities | 500 |
| Grand Total | 3 580 |

¹⁰ CL 164/REP, paragraph 17 a) and b)