

C 2023/3 – Medium Term Plan (Reviewed) 2022-25 and Programme of Work and Budget 2024-25

Information Note 3 – April 2023

Sources and purposes of voluntary funding in the Programme of Work and Budget 2024-25

1. This note provides further information on the sources and purposes of voluntary funding presented in the Medium Term Plan (Reviewed) 2022-25 and Programme of Work and Budget 2024-25.

The integrated budget

2. FAO works with an integrated budget, bringing together all sources of funds made available through Members' assessed contributions as well as voluntary contributions from Members and other resource partners, to form a consolidated basis of means available for the implementation of the agreed programme of work.¹ This budgeting method has been in place at the request of the membership since the Independent External Evaluation and resulting Immediate Plan of Action² and is considered good practice in other UN organizations.

3. The principles of the integrated budget entail that voluntary contributions be accepted only where these are fully aligned with the Organization's Strategic Framework and contribute to agreed Programme Priority Areas.³ In line with the Organization's cost recovery policy, all projects funded by voluntary contributions cover the full cost of implementation, including indirect costs, and are not subsidized by assessed contributions. An increase in voluntary contributions therefore enables FAO to achieve additional or more impactful results, within its Strategic Framework, including where such contributions are earmarked geographically and to specific activities.

4. Unearmarked or lightly earmarked voluntary funding provides the significant additional advantage of allowing FAO and its Members to ensure funds are allocated where they generate the greatest benefit under specific priorities, based on changing needs or underfunded priorities. Lightly earmarked funding also allows for more agility and rapid adaptation to changing circumstances or priorities, which is particularly important in an increasingly volatile environment. It is therefore fundamental that Members and other resource partners consider increasing their unearmarked or lightly earmarked contributions as a means of achieving greater impact with the same amount of funds. In order to encourage a programmatic approach and reduce transaction costs, FAO currently makes available to resource partners specialized pooled and funding mechanisms, including the FAO Flexible Voluntary Contributions (FVC, formerly FMM), the Special Fund for Emergency and Rehabilitation Activities (SFERA), the Special Fund for Development Finance Activities (SFDFA) and the Africa Solidarity Trust Fund (ASTF), and stands ready to look at other modalities as needed, that would make it easier or more attractive for donors to contribute in this manner.

Forecasted extrabudgetary expenditure

5. The extrabudgetary resources included in the Programme of Work and Budget 2024-25 reflect the preliminary estimates for expenditures from voluntary contributions in 2024-25, comprising 75 percent (USD 2 979 million) of overall resource requirements (*Table 1*, column A). The estimates are based on an analysis of trends, operational projects that will continue their implementation into the next biennium, proposed projects in the pipeline and likely to be approved and positive contacts with partners. As a significant amount of the estimate refers to projects which have already been approved, it is only partially impacted by resources expected to be mobilized in the biennium 2024-25. The forecasts are overall substantially in line with the 2022 actual project delivery, and based on the historically high levels of voluntary contribution mobilization over the 2020-22 period.

¹ E.g. Strategic Framework 2022-31 (C 2021/7) paragraphs 94-105; and the MTP 2022-25/PWB 2024-25 (C 2023/3) paragraphs 97-101, paragraph 149, Annexes 2 and 5

² Basic Texts, Volume II F, Conference Resolution No. 10/2009, paragraph 1(b)ii

³ Financial Regulation 6.7

6. Climate and environment finance provided through vertical funds - the Global Environment Facility (GEF) and the Green Climate Fund (GCF) - represent a large share of extrabudgetary resources (*Table 1*, column B) and are estimated at approximately 16 percent of the total. GEF is a financial mechanism aiming to conserve and sustainably utilize biodiversity, mitigate and adapt to climate change, combat desertification and remove hazardous agricultural chemicals, while the GCF is the primary financial mechanism of the Paris Agreement and aims to support Members face the challenges of climate change. The partnerships with GCF and GEF are fully aligned with the priorities in the Strategic Framework.
7. More than half of the overall forecasted extrabudgetary resources relates to funding of emergency and rehabilitation interventions, to build the resilience of people's livelihoods against a growing number of threats and crises (*Table 1*, column C). The forecasted expenditures in 2024-25 include funding mechanisms such as Central Emergency Response Fund (CERF), as well as bilateral contributions and have been estimated based on trends.
8. Other development projects (*Table 1*, column D), representing around 30 percent of the total, comprise spending on development projects, mainly funded by bilateral resource partners including the European Union. Unilateral trust funds (UTF) are also included in this category, a large and growing funding modality which in 2022 accounted for 14 percent of all voluntary contributions, where projects are financed by a government and implemented in its own country and which have gained increasing importance in recent years. This column also includes smaller amounts for funds received in support of Functional Objectives.
9. Forecasts are affected by future events and are therefore by definition uncertain, all the more so in the current volatile global environment. Developments will therefore be monitored carefully, and forecasts adjusted accordingly as necessary, in particular in connection with the Adjustments to the PWB 2024-25 which will be presented to the Programme and Finance Committees and the Council in November-December 2023. It is important to note that while a shortfall in resources mobilized would negatively impact the Organization's overall delivery, it would not cause a deficit, as no commitments are made against voluntary contributions until these have been received.

Table 1

Sources of Extrabudgetary expenditure	A	B	C	D
Budget Chapter	Extra-budgetary	Vertical funds	Emergency and rehabilitation	Other development projects
1.1: Innovation for sustainable agriculture production	143 042	28.5%	0.0%	71.5%
1.2: Blue transformation	105 391	13.2%	0.0%	86.8%
1.3: One Health	114 662	7.3%	41.9%	50.8%
1.4: Small-scale producers' equitable access to resources	146 484	12.8%	0.0%	87.2%
1.5: Digital Agriculture	13 630	0.0%	0.0%	100.0%
1: Better production	523 209	15.6%	9.2%	75.2%
2.1: Healthy diets for all	28 657	1.1%	0.0%	98.9%
2.2: Nutrition for the most vulnerable	189 042	0.6%	84.6%	14.8%
2.3: Safe food for everyone	25 516	6.7%	0.0%	93.3%
2.4: Reducing food loss and waste	4 227	59.8%	0.0%	40.2%
2.5: Transparent markets and trade	15 567	0.0%	0.0%	100.0%
2: Better nutrition	263 010	2.1%	60.8%	37.0%
3.1: Climate change mitigating and adapted agrifood systems	233 221	89.7%	0.0%	10.3%
3.2: Bioeconomy for sustainable food and agriculture	38 998	36.8%	0.0%	63.2%
3.3: Biodiversity and ecosystem services for food and agriculture	179 333	70.3%	0.0%	29.7%
3.4: Achieving sustainable urban food systems	16 685	0.3%	0.0%	99.7%
3: Better environment	468 237	74.7%	0.0%	25.3%
4.1: Gender equality and rural women's empowerment	23 615	1.1%	0.0%	98.9%
4.2: Inclusive rural transformation	69 363	23.5%	0.0%	76.5%
4.3: Agriculture and food emergencies	1 287 394	0.0%	98.2%	1.8%
4.4: Resilient agrifood systems	274 817	11.0%	46.6%	42.4%
4.5: Hand-in-Hand (HiH) Initiative	8 862	0.0%	0.0%	100.0%
4.6: Scaling up investment	17 188	8.3%	0.0%	91.7%
4: Better life	1 681 239	2.9%	82.8%	14.3%
5: Technical quality, statistics, cross-cutting themes and accelerators	22 772	0.2%	0.0%	99.8%
7: Outreach	8 975	25.4%	0.0%	74.6%
8: Information and Communications Technology (ICT)	222	0.0%	0.0%	100.0%
9: FAO governance, oversight and direction	4 740	39.4%	0.0%	60.6%
10: Efficient and effective administration	6 943	8.4%	0.0%	91.6%
Total	2 979 347	16.5%	53.7%	29.8%