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# FINANCE COMMITTEE

**Hundred and Sixty-sixth Session**

**Rome, 27 - 31 March 2017**

**Annual Report on Budgetary Performance and Programme and Budgetary  
Transfers for the 2016-17 biennium.**

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### EXECUTIVE SUMMARY

- Conference resolution CR 6/2015 approved the 2016-17 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 December 2015 approved the revised distribution of the net appropriation by budgetary chapters in the Adjustments to the Programme of Work and Budget 2016-17 (CL 153/3).
- This report presents the forecasted biennial performance against the net appropriation updated to take account of the 2016 implementation of biennial work plans and corporate monitoring. Full expenditure of the 2016-17 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 2016-17 net appropriation and in accordance with Financial Regulation 4.5(b), the Committee is requested to approve the forecasted transfers in favor of Chapters 2, 3, 4, 5, 6 and 8.
- The next update on the forecasted performance against the 2016-17 net appropriation will be reported to the Committee for review and approval in November 2017. The final performance based on the 2016 and 2017 accounts will be reported in March 2018.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to approve the forecasted distributions of the 2016-17 budgetary appropriation of USD 1,005.6 million arising from implementation of biennial work plans as shown in Table 1, noting that the forecasted budgetary transfers arising from the implementation of the Programme of Work will be reported to the Finance Committee for review and approval in November 2017.

### Draft Advice

- **The Committee approved the forecasted biennial budgetary performance, as presented in Table 1, and looked forward to receiving an update on forecasted performance in November 2017.**

## Introduction

1. Conference Resolution 6/2015 approved the 2016-17 budgetary appropriation of USD 1,005.6 million and authorised the Director-General, notwithstanding Financial Regulation (FR) 4.2, to use any unspent balance of the 2014-15 appropriations for any additional expenditures of a one-time nature associated with consolidation of transformational change<sup>1</sup>. The Council in December 2015 endorsed the Adjustments to the Programme of Work and Budget (PWB) 2016-17<sup>2</sup>.
2. 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. The 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.
3. This report presents the forecasted budgetary performance against the 2016-17 net appropriation, seeks the Committee's approval for the budgetary chapter transfers arising from the implementation of the 2016-17 programme of work, and provides an update on the use of the 2014-15 unspent balance in 2016-17.

## 2016-17 Forecasted Budgetary Performance

4. 2016-17 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 Synthesis Report 2016<sup>3</sup>. 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.
5. The budgetary transfers arise from detailed work planning that resulted in realignment of some areas of work under the most appropriate Strategic Objectives, and support to emerging areas of programmatic priority. Furthermore, some resources in Regional Offices were reallocated among Strategic Objectives to focus work on the regional initiatives approved by the Regional Conferences in 2016.
6. The forecasted transfer of about USD 2.4 million out of Chapter 1 is primarily due to the reprogramming of staff costs for the Global Perspective Studies Unit, including preparation of the State of Food and Agriculture (SOFA) under Chapter 6. The forecasted transfers of resources into Chapters 2, 3, 4 and 5, respectively, are mostly related to support for accelerated programme delivery in the associated Strategic Objectives, using resources from Chapters 10 and 11. The forecasted transfer of USD 1.6 million into Chapter 6 is primarily due to the above-mentioned reprogramming of the Global Perspectives Studies Unit from Chapter 1, offset by reallocation of a portion of the Multi-disciplinary Fund to the Strategic Objectives.
7. The forecasted transfer of USD 3.0 million into Chapter 8 (Outreach) from Chapters 10 and 11 is due to additional one-time allocations to reinforce outreach and communication network capacity in decentralized offices and to scale-up collaboration with non-state actors through South South Cooperation. The forecasted transfers of USD 3.6 million and USD 2.9 million out of Chapters 10 (Governance) and 11 (Administration), respectively are forecasted based on the streamlining measures put in place in 2016.<sup>4</sup>

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<sup>1</sup> Conference Resolution 6/2015 paragraph 2)

<sup>2</sup> CL 153/3, CL 153/REP paragraphs 7-8

<sup>3</sup> FC 166/6

<sup>4</sup> FC 166/6 paragraph 125, C 2017/3 paragraphs 95-100

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

9. Actual net delivery of 2016 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 2016 unaudited accounts of the Organization prior to closure of the 2016 annual accounts in March 2017 (final figures will be reported in the Audited Accounts - FAO 2016, Statement V). Full expenditure of the 2016-17 net appropriation in Chapters 1 through 6 and 8 through 11 (the Strategic, Technical and Functional Objectives) is currently foreseen.

**Table 1: Forecasted 2016-17 Budgetary Performance by Chapter (USD 000)**

Ch	Strategic/Functional Objective	Adjusted PWB 2016-17 (CL 153/3)	Forecasted Net Expenditure	Forecasted Balance vs. Appropriation	2016 Actual Net Expenditure
(a)	(b)	(c)	(d)	(e=c-d)	(f)
1	Contribute to the eradication of hunger, food insecurity and malnutrition	84,391	82,022	2,369	36,003
2	Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner	200,735	201,367	-632	88,992
3	Reduce rural poverty	65,707	66,897	-1,190	28,484
4	Enable more inclusive and efficient agricultural and food systems	105,266	106,246	-980	45,730
5	Increase the resilience of livelihoods to threats and crises	50,841	52,561	-1,720	22,793
6	Technical quality, knowledge and services	59,215	60,726	-1,511	24,166
7	Technical Cooperation Programme	138,131	138,131	0	
8	Outreach	77,740	80,653	-2,913	32,873
9	Information Technology	35,437	35,443	-6	12,758
10	FAO governance, oversight and direction	76,983	73,345	3,638	28,705
11	Efficient and effective administration	71,275	68,330	2,945	28,023
12	Contingencies	600	600	0	
13	Capital Expenditure	16,892	16,892	0	
14	Security Expenditure	22,420	22,420	0	
<b>Total</b>		<b>1,005,633</b>	<b>1,005,633</b>	<b>0</b>	

\*The Net Expenditure total in column (e) excludes expenditure funded from the USD 5.6 million 2014-15 carryover, which is outside the 2016-17 net appropriation.

### Staff cost variance

10. The staff cost variance is the difference between budgeted and actual staff costs in a biennium. For the 2016-17 biennium, a USD 35.8 million favourable staff cost variance, net of currency variance, is forecasted.

11. The main factors contributing to the favourable variance in 2016-17 are the extended freeze in professional salary scales and GS salary scales for headquarters and for some other duty stations; the change in the Basic Medical Insurance Plan (BMIP); and the decrease estimated in the current service cost of the After-service Medical Coverage (ASMC). As foreseen in the Adjustments to the Programme of Work and Budget 2016-17, the USD 2.7 million savings in staff costs have been achieved.

12. Overall, the effect of the new compensation package for professional staff effective January 2017, based on the decisions of the International Civil Service Commission (ICSC) approved by the United Nations General Assembly in December 2016, is estimated to be close to neutral for this biennium. The significant reduction in the net remuneration is only partially compensated by some increases in other entitlements and allowances.

13. Most of the underlying causes of any difference between the actual and standard unit costs of staff, such as the decisions of the International Civil Service Commission (ICSC), 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.

### Use of the 2014-15 unspent balance

14. As authorised by the Conference in 2015<sup>5</sup>, the unspent 2014-15 balance of USD 5.6 million is being used in 2016-17 to fund additional expenditures of a one-time nature associated with consolidation of transformational change. As of end-2016, the full USD 5.6 million has been earmarked to fund four areas of such one-time expenditure:

- a) USD 0.7 million to fund separation and redeployment costs arising in 2016-17 from the 2014-15 transformational change measures;
- b) USD 1.1 million for the one-time cost of building capacity of decentralized offices to carry out their responsibilities for the project cycle and operations management;
- c) USD 2.9 million to fund the temporary positions of Regional Strategic Programme Coordinators, one in each Regional Office, who were put in place in 2016 to help the decentralized offices better align their work with the Strategic Programmes, as reported in the MTR 2016;<sup>6</sup> these positions are regularized in the PWB 2018-19;<sup>7</sup>
- d) USD 0.9 million for the one-time cost of restructuring the Shared Services Centre in Budapest.

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<sup>5</sup> CR 6/2015 paragraph 2

<sup>6</sup> FC 166/6 paragraph 136

<sup>7</sup> C 2017/3 paragraphs 53 and 82