



# COUNCIL

## Hundred and Seventy-fifth Session

Rome, 10-14 June 2024

### Report of the 199th Session of the Finance Committee (Rome, 20-24 May 2024)

#### Executive summary

In this report of its 199th Session, the Committee:

- 1) **Makes specific recommendations for decision by the Council on:** (i) the Report of the Joint Inspection Unit of the United Nations System (JIU): *Review of management and administration in the Food and Agriculture Organization of the United Nations* (JIU/REP/2023/5) (paragraph 26).
- 2) **Brings to the attention of the Council for its endorsement its conclusions regarding:** (i) the Financial Position of the Organization (paragraph 8); (ii) the Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2022-23 Biennium (paragraph 14); (iii) Recommendation 7 of the JIU Report *Review of the state of the investigation function: progress made in the United Nations system organizations in strengthening the investigation function* (JIU/REP/2020/1) (paragraph 24); and (iv) the Appointment of the External Auditor for the period 2026-31 (paragraph 28).
- 3) **Informs the Council of the Finance Committee's considerations related to the updates it received on:** (i) the Report on Investments 2023 (paragraph 10); (ii) the 2023 Actuarial Valuation of Staff Related Liabilities (paragraph 12); (iii) the Human Resources Annual Report 2023 (paragraph 16); (iv) the FAO Oversight Advisory Committee – 2023 Annual Report (paragraph 18); (v) the 2023 Annual Report of the Inspector General (paragraph 20); (vi) the 2023 Annual Report of the Ethics Office (paragraph 22); (vii) progress to develop a robust business plan and roadmap for efficiency gains and savings initiatives (paragraph 32); and (viii) progress of the in-depth analysis relating to the balance between voluntary and assessed contributions (paragraph 34).

### **Suggested action by the Council**

The Council is invited to:

- 1) **endorse** the recommendations of the Committee on:
  - a) the Report of the Joint Inspection Unit of the United Nations System: *Review of management and administration in the Food and Agriculture Organization of the United Nations (JIU/REP/2023/5)*;
- 2) **endorse** the conclusions of the Committee on:
  - a) the Financial Position of the Organization;
  - b) the Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2022-23 Biennium;
  - c) Recommendation 7 of the JIU Report *Review of the state of the investigation function: progress made in the United Nations system organizations in strengthening the investigation function (JIU/REP/2020/1)*; and
  - d) the Appointment of the External Auditor for the period 2026-31;
- 3) note the Committee's considerations on:
  - a) the Report on Investments 2023;
  - b) the 2023 Actuarial Valuation of Staff Related Liabilities;
  - c) the Human Resources Annual Report 2023;
  - d) the FAO Oversight Advisory Committee – 2023 Annual Report;
  - e) the 2023 Annual Report of the Inspector General;
  - f) the 2023 Annual Report of the Ethics Office;
  - g) progress to develop a robust business plan and roadmap for efficiency gains and savings initiatives; and
  - h) progress of the in-depth analysis relating to the balance between voluntary and assessed contributions.

*Queries on the substantive content of this document may be addressed to:*

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## Introduction

1. The Committee submitted to the Council the following report of its Hundred and Ninety-ninth Session.

2. In addition to the Chairperson, Mr Mina Rizk (Egypt), the following representatives of Members were present:

- |                                                         |                                                                                    |
|---------------------------------------------------------|------------------------------------------------------------------------------------|
| • Ms Emma Hatcher<br>(Australia)                        | • Mr Miguel Jorge García Winder<br>(Mexico)                                        |
| • Mr LI Bo<br>(China)                                   | • Mr Abdellah Larhmaid<br>(Morocco)                                                |
| • Mr Bienvenu Ntsouanva<br>(Congo)                      | • Ms Fadia Aljamal<br>(Oman)                                                       |
| • Ms Berioska Morrison González<br>(Dominican Republic) | • Ms Pernilla Ivarsson<br>(Sweden)                                                 |
| • Mr Jujjavarapu Balaji<br>(India)                      | • Mr Christopher Mace<br>(United Kingdom of Great Britain<br>and Northern Ireland) |
| • Mr Sultan Alotaibi<br>(Kuwait)                        | • Mr Rodney Hunter<br>(United States of America)                                   |

3. The Chairperson informed the Committee that:

- Mr GUO Su (China) had been designated to replace Mr LI Bo as the representative of China for part of this session;
- Mr Massimo Ziad Ammar (Kuwait) had been designated to replace Mr Sultan Alotaibi as the representative of Kuwait for part of this session;
- Mr José Luis Delgado Crespo (Mexico) had been designated to replace Mr Miguel Jorge García Winder as the representative of Mexico for part of this session; and
- Mr Christopher Tatum and Mr James Shuster (United States of America) had been designated to replace Mr Rodney Hunter as the representatives of the United States of America for part of this session.

4. A summary of the qualifications of the substitute representatives can be downloaded from the Governing and Statutory Body website at: <http://www.fao.org/unfao/govbodies/gsbhome/finance-committee/substitute-representatives/en/>

5. In addition, silent observers from the following Members attended the 199th Session of the Committee:

- |                     |                                      |
|---------------------|--------------------------------------|
| • Belgium           | • Netherlands (Kingdom of the)       |
| • Cabo Verde        | • Norway                             |
| • Cuba              | • Pakistan                           |
| • El Salvador       | • Philippines                        |
| • Equatorial Guinea | • Portugal                           |
| • European Union    | • Russian Federation                 |
| • Finland           | • Slovakia                           |
| • France            | • South Sudan                        |
| • Germany           | • Sudan                              |
| • Greece            | • Switzerland                        |
| • Guatemala         | • Ukraine                            |
| • Iceland           | • Venezuela (Bolivarian Republic of) |
| • Iraq              |                                      |

## Monitoring Financial Position

### Financial position of the Organization

6. The Committee reviewed document FC 199/2, *Financial Position of the Organization* as at 31 December 2023 and cash flow forecast, including the liquidity of the Organization, the status of outstanding assessed contributions, short- and long-term investments, staff-related liabilities, Technical Cooperation Programme (TCP) expenditure and outstanding balances, the General Fund deficit and voluntary contributions.

7. The Committee was also provided with an updated status of current assessments and arrears of the Organization as at 14 May 2024.

#### 8. The Committee:

- a) **noted that based on the latest Regular Programme cash levels and projected payment patterns of Member Nations, the Organization's liquidity was expected to be sufficient to cover operational needs through 31 December 2024;**
- b) **recognizing that the Organization's ongoing cash flow health was dependent on the timely payment of assessed contributions, urged Member Nations to make payments of assessed contributions and arrears on time and in full, while also recognizing that timely payment of assessed contributions was essential for maintenance of a steady flow of working capital to the Organization;**
- c) **noted that the largest cause of the overall deficit in the General Fund was primarily due to unfunded charges for staff-related liabilities, and requested Management to provide additional details on other factors affecting the deficit in future reports;**
- d) **noted the information provided on TCP approval and expenditure rates and emphasized the importance of maintaining TCP expenditure at a level that ensured full implementation of the TCP appropriation as approved by the Conference;**
- e) **noted the information provided on investment performance and that this matter would be considered in further detail by the Committee under the agenda item on the *Report on Investments 2023*;**
- f) **noting that 80 percent of interest accrued on voluntary contributions was reimbursed to resource partners, the Committee requested detailed information with regard to its impact on the financial health of the Organization, to be presented at its next regular session; and**
- g) **requested Management to provide its assessment of FAO's significant financial risks and mitigation strategies at future sessions of the Committee.**

### Report on Investments 2023

9. The Committee reviewed document FC 199/3 Rev.1, *Report on Investments 2023*.

#### 10. The Committee:

- a) **appreciated the comprehensive information on: the short-term investment portfolio of USD 2 853 million; the long-term investment portfolio of USD 611 million representing the accumulated assets set aside over a period of decades to fund the Organization's share of staff-related liabilities; and investment governance arrangements presented in the report; and**
- b) **took note of the positive performance of both the short-term and long-term investment portfolios during 2023 with the returns on both portfolios exceeding the benchmark.**

## 2023 Actuarial Valuation of Staff Related Liabilities

11. The Committee reviewed document FC 199/4, *2023 Actuarial Valuation of Staff Related Liabilities*.

12. The Committee:

- a) noted that total staff-related liabilities as at 31 December 2023 were estimated at USD 982.3 million, representing a net decrease of USD 10.4 million from the valuation at 31 December 2022 and which were underfunded by USD 374.3 million;
- b) noted that despite the decrease in total liabilities, the After Service Medical Coverage (ASMC) liability remained seriously underfunded;
- c) encouraged the efforts of Management to contain the cost of the health plans, including through integrating national health insurance schemes into ASMC, and looked forward to receiving information on the impact of these efforts at a future session, including on the cost of administering such schemes; and
- d) welcomed the update provided on the review of options to reduce the funding gap for ASMC liabilities and recommended that the analysis be further developed and presented at a future session, including through provision of information on the approaches already adopted or under consideration by other organizations of the United Nations common system.

## Budgetary Matters

### Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2022-23 Biennium

13. The Committee reviewed document FC 199/5, the *Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2022-23 Biennium*.

14. The Committee:

- a) took note of the final 2022-23 budgetary performance based on the unaudited accounts of the Organization and the unspent balance of USD 2.1 million;
- b) recalled that any unspent balances in the Technical Cooperation Programme (Chapter 6), Capital Expenditure (Chapter 12) and Security Expenditure (Chapter 13) would be transferred to the 2024-25 biennium as per the Financial Regulations; and
- c) approved the final budgetary transfers in favour of Chapters 1 (USD 5.8 million), 2 (USD 1.4 million) and 9 (USD 4.8 million) as shown in Table 2 of document FC 199/5 (attached as Annex I), noting that transfers to Chapters 3 and 4 were no longer required.

## Human Resources

### Human Resource Annual Report 2023

15. The Committee reviewed the *Human Resources Annual Report 2023*, presented in documents FC 199/6.1 Rev.1, FC 199/6.2 and FC 199/6.3.

16. The Committee:

- a) noted the reported progress made towards the achievement of outcomes and outputs, and key performance indicators under the Human Resources (HR) Strategic Action Plan;

- b) **urged** Management to continue its efforts to ensure that gender parity targets be met, in particular at senior level (P-5 and above), and to select from as wide a geographical basis as possible, with due consideration attributed for candidates from non- and under-represented Members, whilst maintaining merit and technical competence as the primary factors in selecting staff;
- c) noted Management's work with an external contractor to identify gaps and bottlenecks in the recruitment process, and **requested** that the results of this assessment be presented to the next regular session of the Finance Committee;
- d) noting that the underlying procedure determining the equitable geographical representation of human resources was more than two decades old, **requested** a detailed report on this matter at a future session, in order to better appreciate its application and changes required, if any, in the changing global context;
- e) **emphasized** the importance of introducing improvements in the recruitment and selection procedures in order to reduce substantially both the recruitment timeframe and the vacancy rate in headquarters and Decentralized Offices;
- f) **encouraged** the Organization in its implementation of recommendations, formal and informal, arising from relevant Joint Inspection Unit (JIU) reports, including the *Review of management and administration in the Food and Agriculture Organization of the United Nations (JIU/REP/2023/5)* and the *Review of the use of non-staff personnel and related contractual modalities in the United Nations system organizations (JIU/REP/2023/8)*, taking into consideration the ongoing discussion on the repositioning of the United Nations development system;
- g) noting the important contribution by the Affiliate Workforce to the work of the Organization, **looked forward** to the early completion of the work on the updated guidelines for their recruitment, including transparent procedures;
- h) **looked forward** to the presentation of the new HR Strategic Action Plan 2024-27, and the policy covering all forms of workplace misconduct, to the Committee at its March 2025 session;
- i) **encouraged** greater transparency on former FAO staff hired as consultants in the Organization and **requested** information on the deployment, including the procedures governing their engagement, of such staff as consultants within FAO at its next regular session; and
- j) recalling its recommendation at the 195th Session of the Finance Committee for Management to develop an outreach plan to attract applicants from non-represented and under-represented countries to participate in the recruitment process, **requested** that the plan be developed and presented to the Committee at its next regular session.

## Oversight

### FAO Oversight Advisory Committee – 2023 Annual Report

17. The Committee reviewed document FC 199/7, *FAO Oversight Advisory Committee – 2023 Annual Report*.

#### 18. The Committee:

- a) **welcomed** the report, which included observations and a number of positive conclusions on the Organization's oversight, the operation of the Office of the Inspector General and the work carried out under the ethics and ombuds functions, as well as providing relevant advice in relation to FAO's system of internal control, risk management and governance;

- b) **expressed satisfaction** with the Oversight Advisory Committee's (OAC) advice in the areas under its mandate; and
- c) **appreciated** the progress in implementing the OAC's recommendations and **encouraged** Management to expedite implementation of the outstanding recommendations.

### **2023 Annual Report of the Inspector General**

19. The Committee reviewed the *2023 Annual Report of the Inspector General* presented in documents FC 199/8.1 and FC 199/8.2.

#### **20. The Committee:**

- a) **appreciated** the quality of the Annual Report of the Inspector General and the analysis of issues presented, which provided a comprehensive overview of the Office of the Inspector General's (OIG) activities during 2023;
- b) **welcomed** the changes introduced to the OIG office structure to enable it to achieve the most impact from its work;
- c) noted the increase in staff positions for OIG, especially the creation of the position of a Deputy Inspector General at the D-1 level, and **encouraged** OIG to expedite the filling of vacant positions;
- d) noted the large growth in the number of incoming complaints and its potential impact on OIG's ability to investigate such cases with the required expediency and to effectively perform its other functions;
- e) **urged** Management, in collaboration with OIG and other relevant offices, to identify solutions for the increase in complaints pertaining to harassment and abuse of authority, including by working with the Ombuds Office to develop and promote improved conflict resolution tools, considering improvements to managerial intervention awareness and skills sets, and working with the Ethics Office to address underlying fears of retaliation that currently appear to discourage personnel from taking greater advantage of FAO's informal conflict resolution options;
- f) **emphasized** the importance of OIG as an increasingly trusted institution to receive reports of sexual exploitation and abuse (SEA) incidents for potential investigation, in line with the FAO zero tolerance policy for SEA;
- g) **expressed concern** about the recurring control weaknesses identified by OIG in its audits of Decentralized Offices and **urged** Management to identify timebound solutions to address the underlying causes, including by drawing on applicable lessons learned from other large UN system organizations with comparable field presences;
- h) **urged** Management to work closely with OIG and other relevant offices to inform the way forward with the Country Office network;
- i) **encouraged** Management to prioritize the effective implementation of action plans to address risks to the Organization as identified by OIG;
- j) noted with appreciation the close collaboration between OIG and Management in enabling the closure of Agreed Actions/Management Action Plans, especially through the comprehensive review of the relevance of outstanding actions, and **urged** Management to continue expediting implementation of the open actions, in particular those assessed as high risk and with a due date in 2024;
- k) **encouraged** Management to facilitate easy access to information on audits of Decentralized Offices through the FAO website;

- l) **noted with appreciation the rating of “Generally Conforms” achieved by OIG in the External Quality Assessment of its internal audit function; and**
- m) **was reassured by the Inspector General’s confirmation that OIG activities were free from interference and obstruction, and welcomed the Director-General’s support for the work of OIG.**

### **2023 Annual Report of the Ethics Office**

- 21. The Committee reviewed document FC 199/9, *2023 Annual Report of the Ethics Office*.
- 22. **The Committee:**
  - a) **appreciated the quality of the report and the analysis of issues presented, which covered the full range of responsibilities under the mandate of the Ethics Office, noting that the work carried out was of great importance to help foster an ethical work environment across the Organization;**
  - b) **noted the Ethics Office’s observations that highlighted the need for the Organization to support efforts to build and sustain psychological safety and a strong speak-up culture;**
  - c) **urged Management to give due attention to monitoring and addressing risks of unethical conduct perpetrated among and against FAO’s affiliate personnel and requested the Ethics Office to continue to monitor these risks, in particular in Decentralized Offices;**
  - d) **encouraged the Ethics Office to continue working with its partner oversight offices within FAO to strengthen and advance confidence in FAO’s informal conflict resolution mechanisms;**
  - e) **noting the disparity between women and men contacting the Ethics Office on interpersonal issues, including alleged harassment and abuse of authority, encouraged the Ethics Office to work closely with the Office of Youth and Women to promote a safe and respectful workplace for FAO’s employees; and**
  - f) **appreciated the need for further work to strengthen risk management activities on conflicts of interest, in all processes and all layers of the Organization, and looked forward to seeing this in the 2024 Annual Report of the Ethics Office.**

### **Recommendation 7 of the JIU Report *Review of the state of the investigation function: progress made in the United Nations system organizations in strengthening the investigation function* (JIU/REP/2020/1)**

- 23. The Committee reviewed *Recommendation 7 of the JIU Report “Review of the state of the investigation function: progress made in the United Nations system organizations in strengthening the investigation function”* (JIU/REP/2020/1) presented in documents FC 199/10 and FC 199/10 Add.1.
- 24. **The Committee:**
  - a) **noted the update presented by Management on the development of formal procedures for the investigation of complaints of misconduct by executive heads (“Recommendation 7”) and the oral update on recent developments in other UN system organizations;**
  - b) **noted the Report of the 120th Session of the Committee on Constitutional and Legal Matters (CCLM) regarding matters relating to the implementation of “Recommendation 7”;**
  - c) **reiterated the recommendations of its 198th Session in the development of procedures to implement Recommendation 7;**



- d) **urged members of the Finance Committee and CCLM to work together in the intersession period in advance of their fall 2024 sessions to provide express detailed guidance on the key components of draft investigation procedures identified by the Legal Counsel as requiring Members' guidance, and recommended that the Chairpersons of each Committee serve as co-facilitators for these sessions with appropriate support from Management and advice from the Oversight Advisory Committee (OAC); and**
- e) **looked forward to considering draft procedures at its next regular session in November 2024.**

**Report of the Joint Inspection Unit of the United Nations System: *Review of management and administration in the Food and Agriculture Organization of the United Nations* (JIU/REP/2023/5) and Management response and reflections**

25. The Committee reviewed document CL 175/14, *Report of the Joint Inspection Unit of the United Nations System: "Review of management and administration in the Food and Agriculture Organization of the United Nations" (JIU/REP/2023/5)*. Its consideration was supported by a presentation by the Lead Inspector of the Joint Inspection Unit of the United Nations (JIU) of the review, as well as the *Management response and reflections* presented in document CL 175/14 Sup.1.

**26. The Committee:**

- a) **expressed its appreciation to the Joint Inspection Unit of the United Nations (JIU) Inspectors for the quality of the report which provided a constructive overview of the state of management and administration in FAO, including proposals for consideration aimed at supporting continued improvement;**
- b) **noted the Management response on the four formal recommendations addressed to Management, including the response provided on one recommendation which had been partially agreed by Management, and encouraged Management to implement the recommendations to the extent accepted;**
- c) **requested that Management provide its observations and reflections on the informal recommendations;**
- d) **requested that regular updates on progress on formal and informal recommendations be provided to future sessions of the Committee until these recommendations have been addressed;**
- e) **welcomed the Management reflections on the six formal recommendations addressed to the Council and endorsed them for the Council's consideration when determining whether to accept each such recommendation, and if so, how and when to implement it, and requested that a process of consultations be initiated with all Members led by the Independent Chairperson of the Council;**
- f) **requested that, subject to the Council's acceptance of the formal and informal recommendations to it, the Council request Management to produce papers in advance of the next Finance Committee, as appropriate, providing options and information needed for the Committee to give specific guidance to the Council in advance of the next Conference;**
- g) **urged Management to engage with and solicit regular input from the OAC on the development of its approach to addressing the recommendations provided in the JIU Review of management and administration;**
- h) **encouraged Management to make available to all Members the status of recommendations, both formal and informal; and**
- i) **looked forward to further considering those recommendations that fall within its mandate, both formal and informal, at its next regular session in November 2024.**

### **Appointment of the External Auditor for the period 2026-31**

27. The Committee reviewed document FC 199/12, *Appointment of the External Auditor for the period 2026-31*.

**28. The Committee:**

- a) reviewed and noted the arrangements for the selection and appointment of the External Auditor for the six-year period 2026-31;
- b) requested that the Secretariat initiate the selection process by inviting proposals from eligible Auditors-General of Members of FAO;
- c) noting that Financial Regulation 12.8 allows for an External Auditor to engage the services of a subcontractor, requested that Management's solicitation of proposals specifically include a request that candidates clarify how they would assure Members of a subcontractor's adherence to all selection criteria applied to the lead auditor; and
- d) agreed that the following members of the Finance Committee: Australia; China; Congo; Dominican Republic; Oman; United Kingdom of Great Britain and Northern Ireland; and United States of America would participate in the Working Group that will prepare a shortlist of the best proposals, following which the shortlisted Auditors-General would be invited to deliver an oral presentation to the Finance Committee.

### **Improved Methods of Work and Efficiency of the Finance Committee**

#### **Status of Outstanding Recommendations of the Finance Committee**

29. The Committee took note of the status of outstanding recommendations of the Finance Committee as presented in document FC 199/13 Rev.1 and looked forward to receiving an updated status report at its next regular session.

#### **Working Methods of the Finance Committee**

**30. The Committee:**

- a) supported the practice of holding informal meetings of the Committee between its main sessions; and
- b) emphasized the importance of receiving documents in all FAO languages in accordance with the established time limits in order that the Committee would have sufficient time to review documentation prior to the session.

### **Other Matters**

#### **Update on progress to develop a robust business plan and roadmap for efficiency gains and savings initiatives**

31. The Committee considered a verbal update on progress to develop a robust business plan and roadmap for efficiency gains and savings initiatives.

**32. The Committee:**

- a) welcomed the update provided on progress to develop a robust business plan and roadmap for efficiency gains and savings initiatives;
- b) appreciated the information provided on efficiency gains and savings achieved during the previous biennium as reported in the Programme Implementation Report 2022-23; and

- c) **looked forward to receiving further information on the business plan and roadmap at its session in November 2024, including on the planned form of reporting on efficiencies and savings, both accrued and anticipated.**

#### **Update on progress of the in-depth analysis relating to the balance between voluntary and assessed contributions**

33. The Committee considered a verbal update on progress of the in-depth analysis relating to the balance between voluntary and assessed contributions.

**34. The Committee:**

- a) **welcomed the update provided on progress in preparing an analysis of the balance between voluntary and assessed contributions, including risks and opportunities that this presents and ways to address them, as well as on the transparency initiatives that are ongoing to communicate on the use of voluntary contributions mobilized;**
- b) **looked forward to further information being provided by Management on the analysis and of this informing the Organization's planning and reporting documents, with regular updates to be reported to Members through FAO's informal and formal communication channels; and**
- c) **commended the efforts and achievements of Management in mobilizing record funding resources, especially the voluntary contributions, while appreciating the resource partners fostering trust in FAO as a valued partner.**

#### **Date and Place of the Two hundredth Session**

35. The Committee was informed that the next session was scheduled to be held in Rome from 29 to 31 May 2024.

**Annex I****Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2022-23 Biennium****EXECUTIVE SUMMARY**

- The Finance Committee in November 2023 reviewed the Programme and Budgetary Transfers in the 2022-23 biennium. It took note of the forecasted 2022-23 budgetary performance arising from implementation of the Programme of Work; noted the previously approved transfers to Chapters 1, 2, 3, 4 and 9; and looked forward to the final report at its May 2024 session.<sup>1</sup>
- This report presents the final 2022-23 budgetary performance based on the unaudited accounts of the Organization. Final 2022-23 spending represents 99.8 percent of the biennial appropriation, resulting in an unspent balance of USD 2.1 million.
- Final performance by budgetary chapter is in line with the previously approved transfers, with the transfers to Chapters 3 and 4 no longer required.

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<sup>1</sup> [CL 174/9, paragraph 16](#)

## Introduction

1. Conference resolution CR 8/2021 approved the 2022-23 budgetary appropriation of USD 1 005.6 million and the Programme of Work and provided guidance on the substance of the proposals.<sup>2</sup> The Council in December 2021 approved the revised distribution of the net appropriation by budgetary chapters in the Adjustments to the Programme of Work and Budget (PWB) 2022-23.<sup>3</sup>
2. The Finance Committee in March 2023 authorized the forecasted budgetary transfers in favour of Chapters 1, 2, 3, 4 and 9 from Chapters 5, 7, 8 and 10.<sup>4</sup> The Finance Committee in November 2023 noted that the previously approved transfers continued to be requested.<sup>5</sup>
3. This report presents, for discussion and approval, the final budgetary performance against the 2022-23 net appropriation.

## Overall Biennial Performance

4. *Table 1* summarizes overall budgetary performance versus the 2022-23 net appropriation. The performance is based on the actual expenditure in the unaudited accounts of the Organization, adjusted for the budget rate of exchange of Euro 1 = USD 1.22 established in the PWB 2022-23.

**Table 1: Overview of 2022-23 Regular Programme Performance (USD 000)**

	USD 000
2022-23 Net Appropriation (CR 8/2021)	1 005 635
2022-23 Net Expenditure at Budget Rate	1 003 546
Balance against 2022-23 Net Appropriation	2 089

5. As shown in *Table 1*, the Organization expended a total of USD 1 003.5 million against the 2022-23 net appropriation of USD 1 005.6 million, resulting in an unspent balance of USD 2.1 million (99.8 percent spent).
6. Actual expenditures in 2022-23 are affected by the favourable staff cost variance, i.e. the difference between budgeted and actual unit staff costs. The final favourable variance, previously estimated at USD 18 million,<sup>6</sup> was USD 20.6 million, with the main factor being the lower-than-budgeted current service cost of after-service staff benefits as per the 2022 actuarial valuation of staff related liabilities, combined with lower-than-budgeted increases in net remunerations of staff in decentralized locations and General Service staff in Rome.

## Budgetary Transfers between Chapters

7. The final budgetary chapter transfers against the 2022-23 biennial appropriation are presented in *Table 2*. All transfers fall within those authorized by the Finance Committee in November 2023. The authorized transfers into Chapters 3 and 4 are no longer necessary.
8. It is recalled that the factors driving the budgetary transfers<sup>7</sup> include: for Chapters 1 through 5, support to FAO regions to strengthen country-level delivery through the Multidisciplinary Fund (MDF); adjustments to FAO's work planning to address evolving needs and mounting challenges of the global food crisis and its contributing factors; and, in Chapter 9, allocation of USD 0.8 million to the Office of the Inspector General to ensure sufficient funding for its workplan, including investigations; additional expenditure for multilingualism support; and the establishment and functioning of the Data Protection Unit. The final performance by budgetary chapter is also impacted by the progressive implementation of the FAO cost recovery model and the variances between budgeted and actual unit staff costs for the biennium.

<sup>2</sup> [C 2021/REP, paragraphs 65-70](#) and CR 8/2021

<sup>3</sup> [CL 168/REP, paragraphs 11 and 12](#)

<sup>4</sup> [CL 172/9, paragraph 26\(b\)](#)

<sup>5</sup> [CL 174/9, paragraph 16](#)

<sup>6</sup> [FC 198/5, paragraph 11](#)

<sup>7</sup> [FC 195/9](#), [FC 198/5](#), paragraphs 2, 5 through 10, PC 135/2-FC 195/8, C 2025/8

9. Final expenditures under the *four betters* and Objective 5 (Chapters 1 through 5) include the MDF fund of USD 8.5 million, budgeted in Objective 5 and allocated to the *four betters* to fund catalytic and innovative cross-cutting initiatives and to strengthen country programme operations in response to national priorities. This allocation aims to effectively leverage FAO's comparative advantage and technical capacities on the ground. Chapters 1 and 2, reflecting detailed work planning adjustments, also include expenditures targeting strategic initiatives to advance sustainable agricultural practices and agrifood systems transformation at global, regional and country levels. Notably, Chapter 2 includes USD 0.5 million for Codex activities, primarily addressing the increased costs associated with interpretation and translation services.<sup>8</sup>

10. As previously anticipated,<sup>9</sup> some variations by chapter occurred due to percentages of final expenditure in Euro being at variance with those forecasted, mainly in Chapters 8 (ICT) and 10 (Administration).

**Table 2: 2022-23 Budgetary Performance by Chapter (USD 000)**

Ch	Strategic or Functional Objective	Adjusted PWB 2022-23 (CL 168/3)	Forecasted Net Expenditure November 2023 (FC 198/5)	Final Net Expenditure (at Budget Rate)	Balance vs. Appropriation	Budgetary Chapter Transfers
(a)	(b)	(c)	(d)	(e)	(f=c-e)	(g)
1	Better Production	156 438	159 434	162 237	(5 799)	5 800
2	Better Nutrition	129 590	134 083	130 919	(1 329)	1 350
3	Better Environment	118 218	118 661	117 823	395	0
4	Better Life	123 752	123 842	123 207	545	0
5	Technical quality, statistics, cross-cutting themes and accelerators	71 292	65 260	65 282	6 010	(6 000)
6	Technical Cooperation Programme	140 788	140 788	140 788	0	
7	Outreach	71 189	71 068	71 121	68	(50)
8	Information and Communications Technology (ICT)	35 547	34 784	34 388	1 159	(1 150)
9	FAO governance, oversight and direction	59 419	65 715	64 209	(4 790)	4 800
10	Efficient and effective administration	62 381	55 579	57 151	5 230	(4 750)
11	Contingencies	600	0	0	600	0
12	Capital Expenditure	14 000	14 000	14 000	0	
13	Security Expenditure	22 421	22 421	22 421	0	
<b>Total</b>		<b>1 005 635</b>	<b>1 005 635</b>	<b>1 003 546</b>	<b>2 089</b>	<b>0</b>

11. The unspent balances in the Technical Cooperation Programme (Chapter 6), Capital Expenditure (Chapter 12) and Security Expenditure (Chapter 13) are transferred for use in the subsequent financial period in line with the Financial Regulations and are therefore shown as fully spent in *Tables 1* and *2*. Additional information on these special chapters is provided below.

12. Under Chapter 6 (Technical Cooperation Programme) total expenditure at budget rate against the appropriation for the 2022-23 biennium of USD 140.8 million is USD 56.6 million. The unspent balance against the 2022-23 appropriation of USD 84.2 million is available for TCP obligations until 31 December 2025 in accordance with [Financial Regulation 4.3](#). In addition, during 2022-23, USD 89.3 million in project expenditures were charged against the unspent balance carried forward from the 2020-21 TCP appropriation which is now fully spent.

<sup>8</sup> [CX/CAC 23/46/23, paragraph 6.iii](#)

<sup>9</sup> [FC 198/5, paragraph 13](#)

13. Chapter 12 (Capital Expenditure) generated an overspend of USD 0.9 million to be covered from the USD 52.2 million balance available under the Capital Expenditure Account brought forward from previous biennia, leaving USD 51.3 million available for use in subsequent biennia as per the Financial Regulations.
14. Chapter 13 (Security Expenditure) generated a surplus of USD 0.7 million to be carried forward for use under the Security Expenditure Account in subsequent biennia as per the Financial Regulations.
15. In accordance with the [Financial Regulation 4.5\(b\)](#), the Committee is requested to approve the required transfers from budgetary Chapters 5, 7, 8 and 10 in favour of Chapters 1 (USD 5.8 million), 2 (USD 1.4 million) and 9 (USD 4.8 million) as shown in columns (g) of *Table 2*.

**Annex II****Documents for information**

- Status of Current Assessments and Arrears as at 31 December 2023 (doc. FC 199/INF/2)
- Report on the Special Fund for Emergency and Rehabilitation Activities (SFERA) (doc. FC 199/INF/3)