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FINANCE COMMITTEE

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Programme and Budgetary Transfers in 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 updated forecasted biennial budgetary performance against the net appropriation. The report recalls the transfers previously approved by the Finance Committee in accordance with Financial Regulation 4.5(b) to Chapters 2, 3, 4, 5, 6, 8 and 9 arising from the implementation of the 2016-17 Programme of Work, and notes that the transfer to Chapter 2 is no longer necessary. The report also provides an update on actual expenditure by Chapter as at end-August 2017, and the use of the 2014-15 unspent balance.
- An unspent balance of USD 5 million is currently forecast in Chapters 1-6 and 8-12 at the end of 2017. As authorized by the Conference, the Director-General will use any unspent balance of the 2016-17 appropriations for one-time use to support programmes of the Organization, including for the special Fund for Development Finance Activities, in agreement with the Joint Meeting of the Programme and Finance Committees, and the Council at their meetings in November-December 2017.
- 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.
- The final 2016-17 budgetary performance, including chapter transfers and unspent balance, will be reported to the Committee at its session in May 2018.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to take note of the forecasted balance of USD 5 million and to take note of the forecasted budgetary chapter transfers arising from implementation of 2016-17 work plans as shown in Table 1, in line with the previously approved transfers.

Draft Advice

The Committee:

- **took note of the forecasted unspent balance of USD 5 million against the 2016-17 biennial appropriation and that the final level will be known after the closure of the 2016-17 accounts and reported in May 2018;**
- **recalled that any unspent balances in the Technical Cooperation Programme (Chapter 7), Capital Expenditure (Chapter 13) and Security Expenditure (Chapter 14) would be transferred to the forthcoming biennium as per the Financial Regulations;**
- **noted the previously-approved transfers to Chapters 2, 3, 4, 5, 6, 8 and 9 arising from implementation of the programme of work and that the transfer to Chapter 2 is no longer required; and,**
- **looked forward to receiving the final 2016-17 budgetary performance report at its May 2018 session.**

Introduction

1. Conference Resolution 6/2015 approved the 2016-17 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 2014-15 appropriations for any additional expenditures of a one-time nature associated with consolidation of transformational change¹. The Council in December 2015 endorsed the Adjustments to the Programme of Work and Budget (PWB) 2016-17².
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. The Council at its 156th session noted that the Finance Committee in March 2017 had reviewed the Annual Report on Budgetary Performance and Programme and Budgetary Transfers for the 2016-17 biennium³ and authorized forecasted budgetary chapter transfers arising from implementation of the 2016-17 Programme of Work in favour of Chapters 2, 3, 4, 5, 6, 8 and 9 from Chapters 1, 10 and 11⁴.
4. This report presents the updated forecasted budgetary performance against the 2016-17 net appropriation and the forecasted budgetary chapter transfers arising from the implementation of the 2016-17 programme of work.

2016-17 Forecasted Budgetary Performance

5. The 2016-17 net appropriation figures presented in Table 1, column (c), show the chapter distributions endorsed by the Council in December 2015 as presented in the Adjustments to the PWB 2016-17. Columns (d) and (e) show the forecasted expenditure and forecasted year-end balance reviewed by the Finance Committee in March 2017. Columns (f) and (g) show the updated forecasted budgetary performance. Column (h) shows the actual biennial expenditure as at 31 August 2017 (i.e. 20 months of expenditure).
6. Comparing with the update presented in March 2017, the main change in forecasted chapter expenditure results from the budgetary realignment of resources allocated from the Multidisciplinary Fund (MDF). In mid-2017, USD 3 million of the MDF resources, previously earmarked for expenditure in Chapter 2, was reallocated to Chapter 6, Outcome 6.6-Quality and coherence of FAO's work on climate change ensured in line with the climate change strategy, to reflect the cross-cutting nature of support provided for development of climate projects for submission to the Green Climate Fund. As a result of this budgetary realignment, the transfer into Chapter 2 forecasted in March 2017 is no longer necessary.
7. The remaining share of the forecasted increase in Chapter 6 is mainly due to the progressive implementation of Council decisions⁵ to raise the profile and strengthen FAO's work on climate change by establishing a Climate, Biodiversity, Land and Water Department (CB), and to strengthen the programme management function and linkages to Chief Statistician function under a new Deputy

¹ Conference Resolution 6/2015 paragraph 2)

² CL 153/3, CL 153/REP paragraphs 7-8

³ FC 166/7

⁴ CL 156/REP paragraph 13 d)

⁵ CL 155/REP paragraph 18

Director-General (Programmes). As requested by the Council, the changes were implemented on a budget neutral basis, transferring resources from Chapters 10 and 11.

8. The forecasted transfers of USD 7.3 million and USD 4.3 million out of Chapters 10 (Governance) and 11 (Administration) respectively stem from the implementation of efficiency gains and savings during the 2016-17 biennium relating to outsourcing of printing and distribution work and streamlining language services and restructuring of the Shared Services Centre.⁶

9. Actual expenditure as at 31 August 2017 (i.e. for 20 months) is shown in column (h) for Chapters 1-6 (Strategic Objectives and Objective 6) and 9-11 (Functional Objectives). The forecasted unspent balance is currently estimated at USD 5 million mainly as a result of the continuing favourable variance in staff costs.

⁶ C 2017/3 paragraph 58 a) and FC 166/6 paragraph 125, C 2017/3 paragraphs 95-100

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

Ch	Strategic/Functional Objective (a) (b)	Adjusted PWB 2016-17 CL 153/3 (c)	March 2017 FC 166/7		November 2017 FC 169/7		Actual expenditure as at end-August 2017 (h)
			Forecasted expenditure (d)	Forecasted Balance vs. Appropriation (e=c-d) (e)	Forecasted expenditure (f)	Forecasted Balance vs. Appropriation (g=c-f) (g)	
1	Contribute to the eradication of hunger, food insecurity and malnutrition	84,391	82,022	2,369	82,097	2,294	57,781
2	Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner	200,735	201,367	(632)	198,127	2,608	146,295
3	Reduce rural poverty	65,707	66,897	(1,190)	67,383	(1,676)	46,147
4	Enable more inclusive and efficient agricultural and food systems	105,266	106,246	(980)	105,942	(676)	73,856
5	Increase the resilience of livelihoods to threats and crises	50,841	52,561	(1,720)	51,946	(1,105)	34,918
6	Technical quality, knowledge and services	59,215	60,726	(1,511)	64,505	(5,290)	41,021
7	Technical Cooperation Programme	138,131	138,131	0	138,131	0	
8	Outreach	77,740	80,653	(2,913)	80,955	(3,215)	58,574
9	Information Technology	35,437	35,443	(6)	35,580	(143)	24,927
10	FAO governance, oversight and direction	76,983	73,345	3,638	69,634	7,349	59,465
11	Efficient and effective administration	71,275	68,330	2,945	67,022	4,253	62,285
12	Contingencies	600	600	0	0	600	0
13	Capital Expenditure	16,892	16,892	0	16,892	0	
14	Security Expenditure	22,420	22,420	0	22,420	0	
Total		1,005,633	1,005,633	0	1,000,633	5,000	

*The expenditure columns exclude expenditure funded from the USD 5.6 million 2014-15 carryover, which is outside the 2016-17 net appropriation.

10. The transfers previously approved by the Finance Committee, in accordance with Financial Regulation 4.5(b), to Chapters 3, 4, 5, 6, 8 and 9 arising from the implementation of the 2016-17 Programme of Work continue to be required. The transfer to Chapter 2 is no longer necessary.

11. 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 with the assumptions in the forecasts.

Staff cost variance

12. The staff cost variance is the difference between budgeted and actual staff costs in a biennium. For the 2016-17 biennium, a USD 39.1 million favourable staff cost variance, net of currency variance, is forecasted.

13. The main factors contributing to the favourable variance in 2016-17 relate to the strengthened United States Dollar in the Decentralized Offices, 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).

14. 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

15. As authorized by the Conference in 2015⁷, 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 reported to the Finance Committee in March 2017⁸, the full USD 5.6 million is being utilized to fund four areas of such one-time expenditure: redeployment costs (USD 0.7 million), one-time investment to build capacity of Decentralized Offices in project cycle and operations management (USD 1.1 million), funding of Regional Programme Leaders in each Regional Office (USD 2.9 million), and one-time Shared Service Centre restructuring costs (USD 0.9 million).

⁷ Conference Resolution 6/2015 paragraph 2

⁸ FC 166/7 paragraph 14