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# FINANCE COMMITTEE

**Hundred and Seventy-eighth Session**

**Rome, 4 - 8 November 2019**

**Programme and Budgetary Transfers in the 2018-19 Biennium**

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### EXECUTIVE SUMMARY

- Conference resolution 12/2017 approved the 2018-19 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 2017 approved the revised distribution of the net appropriation by budgetary chapters in the Adjustments to the Programme of Work and Budget 2018-19 (CL 158/3);
- 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 1, 2, 3, 4 and 5 arising from the implementation of the 2018-19 Programme of Work, and outlines that the same transfers are requested. The report provides an update on actual expenditure by Chapter as at end-August 2019, and the use of the 2016-17 unspent balance. Full expenditure of the 2018-19 budgetary appropriation is currently foreseen;
- The report also outlines action taken to respond to the request of the Committee, as endorsed by Council, to provide options to fully fund the Joint FAO/WHO Scientific Advice Programme and the IPPC;
- 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 2018-19 budgetary performance, including chapter transfers and any unspent balance, will be reported to the Committee at its session in May 2020; and
- As authorized by the Conference, the Director-General may 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 following review of the proposal presented on the systematic use of unspent balances<sup>1</sup>.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to take note of the forecasted budgetary chapter transfers arising from implementation of the Programme of Work as shown in Table 1, in line with the previously approved transfers.

#### Draft Advice

##### **The Committee:**

- **took note of the forecasted budgetary performance against the 2018-19 biennial appropriation and that the final outturn will be known after the closure of the 2018-19 accounts and reported in May 2020;**
- **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 1, 2, 3, 4 and 5 arising from implementation of the Programme of Work and that the same transfers are requested; and**
- **looked forward to receiving the final 2018-19 budgetary performance report at its May 2020 session.**

<sup>1</sup> C 2019/REP paragraph 73

## Introduction

1. Conference resolution 12/2017 approved the 2018-19 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 2016-17 appropriations for one-time use to support programmes of the Organization, including for the Special Fund for Development Finance Activities (SFDFA), in agreement with the Joint Meeting of the Programme and Finance Committees, and the Council at their meetings in November-December 2017<sup>2</sup>. The Council in December 2017 endorsed the Adjustments to the Programme of Work and Budget (PWB) 2018-19 and approved the modalities recommended by the Joint Meeting for use of unspent balance of the 2016-17 appropriations<sup>3</sup>. The Council at its 159th session noted that the underspending of USD 3.9 million in the 2016-17 net budgetary appropriations expenditure would be entirely transferred to the SFDFA and requested an annual progress report on the funding and activities of the SFDFA<sup>4</sup>.
2. The Finance Committee in March 2019 authorized the forecasted budgetary transfers and took note of the use of the 2016-17 unspent balance, through replenishment of the SFDFA<sup>5</sup>. The Committee also recalled the need for sustainable funding solutions for the Joint FAO/WHO Scientific Advice Programme and the International Plant Protection Convention (IPPC) and requested the Secretariat to provide options to fully fund these programmes when presenting the next update on forecasted budgetary performance and budgetary transfers<sup>6</sup>, as also endorsed by Council.<sup>7</sup>
3. This report presents the updated forecasted budgetary performance against the 2018-19 net appropriation and the forecasted budgetary chapter transfers arising from the implementation of the 2018-19 Programme of Work.

## 2018-19 Forecasted Budgetary Performance

4. The 2018-19 net appropriation figures presented in Table 1, column (c), show the chapter distributions endorsed by the Council in December 2017 as presented in the Adjustments to the PWB 2018-19. Columns (d) and (e) show the forecasted expenditure and forecasted year-end balance reviewed by the Finance Committee in March 2019. Columns (f) and (g) show the updated forecasted budgetary performance. Column (h) shows the actual biennial expenditure as at 31 August 2019 (i.e. 20 months of expenditure).

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<sup>2</sup> C 2017/REP paragraph 76 and Conference Resolution 12/2017 paragraph 1)

<sup>3</sup> CL 158/3 CL 158/REP paragraphs 6-7 and 10 a)

<sup>4</sup> CL 159/REP paragraph 6 h)

<sup>5</sup> CL 161/4 paragraph 19 c) and d)

<sup>6</sup> CL 161/4 paragraph 19 e)

<sup>7</sup> CL 161/REP paragraph 19 d)

**Table 1: Forecasted 2018-19 Budgetary Performance by Chapter (USD 000)**

Ch	Strategic/Functional Objective	Adjusted PWB 2018-19 (CL 158/3)	March 2019 FC 175/8		November 2019 FC 178/5		Actual Net Expenditure as at end-August 2018
			Forecasted net expenditure (d)	Forecasted Balance vs. Appropriation (e=c-d)	Forecasted net expenditure (f)	Forecasted Balance vs. Appropriation (g=c-f)	
(a)	(b)	(c)	(d)	(e=c-d)	(f)	(g=c-f)	(h)
1	Contribute to the eradication of hunger, food insecurity and malnutrition	82,451	86,391	(3,940)	88,056	(5,605)	59,969
2	Make agriculture, forestry and fisheries more productive and sustainable	197,117	198,208	(1,091)	197,598	(481)	145,488
3	Reduce rural poverty	66,527	71,400	(4,873)	70,025	(3,498)	50,826
4	Enable more inclusive and efficient agricultural and food systems	105,879	110,244	(4,365)	109,379	(3,500)	78,407
5	Increase the resilience of livelihoods to threats and crises	54,350	56,670	(2,320)	58,242	(3,892)	35,814
6	Technical quality, statistics and cross-cutting themes (climate change, gender, governance and nutrition)	68,651	60,809	7,842	60,830	7,821	45,228
7	Technical Cooperation Programme	140,788	140,788	0	140,788	0	
8	Outreach	78,630	77,659	971	77,386	1,244	60,394
9	Information Technology	36,244	33,174	3,070	32,767	3,477	19,694
10	FAO governance, oversight and direction	70,548	66,866	3,682	67,106	3,442	54,262
11	Efficient and effective administration	64,535	63,513	1,022	63,544	991	46,197
12	Contingencies	600	600	0	0	600	0
13	Capital Expenditure	16,892	16,892	0	16,892	0	
14	Security Expenditure	22,421	22,421	0	22,421	0	
<b>Total</b>		<b>1,005,635</b>	<b>1,005,635</b>	<b>0</b>	<b>1,005,035</b>	<b>600</b>	

5. It is recalled that 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, which is budgeted in Chapter 6 (USD 10 million) and

subsequently allocated to fund selected proposals in support of the Regional Initiatives and work of the Strategic Programmes at country level. The payment of the FAO cost share contribution of USD 4.7 million for the Resident Coordinator System for 2019, as authorized by Council<sup>8</sup>, is also recorded under these budgetary chapters.

6. The requested transfer into Chapter 4 includes USD 1 million in additional resources allocated for the Joint FAO/WHO Scientific Advice Programme and the IPPC (USD 0.5 million each). The transfer is in line with the request of the Finance Committee as endorsed by the Council<sup>9</sup>, and the funds were identified through one-time efficiencies and cost savings without negatively impacting the delivery of the agreed biennial work plans.

7. Although no transfer is requested into Chapter 10, it is noted that expenditure in this Chapter includes additional resources allocated to the Office of the Inspector General (USD 0.4 million) to ensure sufficient funding for its work plan, in particular for investigations.

8. Recoveries under FAO's new cost recovery model continue to be closely monitored. It is recalled that 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.<sup>10</sup> 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.

9. The staff cost variance is the difference between budgeted and actual staff costs in a biennium. For the 2018-19 biennium, a USD 13.3 million favourable staff cost variance, net of currency variance, is forecast. The main factors contributing to the favourable variance in 2018-19 are the lower post adjustment multiplier for professional staff in Rome as a result of the cost-of-living survey that became effective on a gradual basis from 1 August 2017, as well as lower than budgeted expenditures for education grant, entitlement travel, dependency allowance, and rental subsidy.

10. Most of the underlying causes of any difference between the actual and standard unit costs of staff, such as the results of the cost-of-living survey or 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.

11. The transfers previously approved by the Finance Committee, in accordance with the Financial Regulation 4.5(b), to Chapters 1, 2, 3, 4 and 5 arising from the implementation of the 2018-19 Programme of Work continue to be required.

12. While full expenditure of the budgetary appropriation is currently foreseen<sup>11</sup>, some variations in overall budgetary performance and performance by chapter may occur, including on account of variations in the final average percentage of expenditures in Euro compared with the assumptions in the forecasts.

### **Use of the 2016-17 unspent balance**

13. As authorized by the Council<sup>12</sup>, any unspent balance of the 2016-17 appropriations would be used for one-time use to support programmes of the Organization, including for the SFDFFA, in agreement with the Joint Meeting of the Programme and Finance Committees and the Council. As

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<sup>8</sup> CL 160/REP paragraph 10 c)

<sup>9</sup> CL 161/REP paragraph 19 d)

<sup>10</sup> UN General Assembly Resolution 71/243, paragraph 35

<sup>11</sup> With the exception of Contingencies (Chapter 12)

<sup>12</sup> CL 158/REP paragraph 10 a) and CL 159/REP paragraph 6 h)

reported to the Finance Committee in March 2019<sup>13</sup>, the full USD 3.9 million is being used in 2018-19, through replenishment of the SFDDFA, to support countries in the formulation of and preparation for technically sound Green Climate Fund projects.

14. As of end-August 2019, FAO has spent and committed USD 1.7 million of the USD 3.9 million total (44 percent delivery rate). Spending will accelerate significantly in the fourth quarter of 2019, particularly in view of the RAF regional work plan (Great Green Wall countries) and the four RLC country work plans (Belize, Grenada, Guyana and Haiti) which have been recently finalized and technically cleared by the FAO GCF Team, constituting together a combined amount of USD 1.2 million.

15. In 2019, FAO, as Green Climate Fund (GCF) Implementing Entity, continued to engage with the GCF Secretariat and supported countries in preparing readiness projects or full-scale GCF proposals. The USD 48 million project in Pakistan, approved in July 2019, represents the third FAO full-scale project approved by the GCF Board (following Paraguay and El Salvador in 2018) for a total value of USD 266 million, of which USD 95.9 million in grant funding.

16. Three full-scale projects (Chile, Kyrgyz Republic and Nepal) will be reviewed at the forthcoming GCF Board meeting in November, for a total project value of USD 195.4 million, of which USD 155 million in grant funding. With these new approvals, the FAO GCF project portfolio will reach a total value of USD 461.4 million, of which USD 250.9 million in grants. By the end of 2019, FAO will submit seven new full-scale project proposals for Armenia, Colombia, Congo, Côte d'Ivoire, Cuba, Guatemala and the Sudan, as well as six Concept Notes (Afghanistan, the Gambia, Haiti, Jordan, Mauritania and Zambia).

17. Furthermore, FAO has received approval for an additional eight Green Climate Readiness and National Adaptation Plans (NAP) projects, bringing the total value to USD 10.5 million for twenty projects.

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<sup>13</sup> FC 175/8 paragraphs 15-16, CL 161/4 paragraph 19 d)