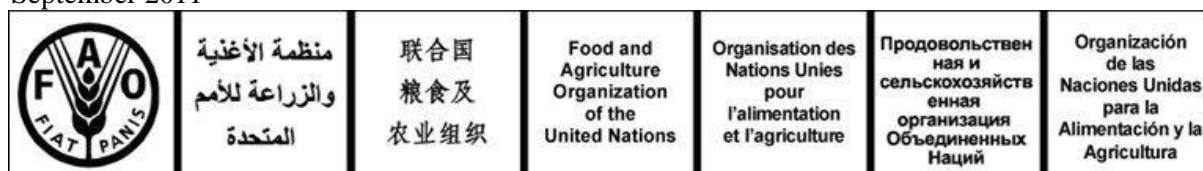


September 2011



## FINANCE COMMITTEE

**Hundred and Fortieth Session**

**Rome, 10 - 14 October 2011**

**Programme and Budgetary Transfers in the 2010-11 Biennium**

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

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### EXECUTIVE SUMMARY

- The Finance Committee in March 2011 reviewed the Annual Report on Budgetary Performance 2010-11 and Budgetary Transfers in the 2010-11 Biennium. It took note of the forecasted biennial performance against the net appropriation of USD 1,000.5 million approved by the Conference, endorsed the forecasted budgetary Chapter transfers arising from implementation of the Programme of Work, and looked forward to an updated report at its October 2011 session.<sup>1</sup>
- This report presents the updated forecasted budgetary performance against the 2010-11 adjusted net appropriation and seeks the Committee's approval for the forecasted budgetary chapter transfers arising from the implementation of the 2010-11 Programme of Work.
- In July 2011, the Conference authorized the Director-General through the Budgetary Appropriations Resolution for 2012-13 "to use any unspent balance of the 2010-11 appropriations for full implementation of the IPA, including one-time IPA investment costs to be incurred during the 2012-13 financial period".<sup>2</sup> A balance of USD 6.0 million is currently foreseen. In addition, any deferred one-time IPA investment costs will be carried forward for the IPA in 2012-13. Furthermore, in line with current practice, any unspent balances in the Technical Cooperation Programme (Chapter 15), Capital Expenditure (Chapter 17) and Security Expenditure (Chapter 18) will be transferred to the forthcoming biennium.
- Based on forecasted performance against the 2010-11 net appropriation and, in accordance with Financial Regulation 4.5(b), the Committee is requested to authorize the forecasted transfers from budgetary Chapters 1, 2, 3, 4, 5, 7, 13, and 14 in favour of Chapters 6, 8, 9, 10, 11 and 12. The previously authorized transfer into Chapter 4 is no longer foreseen. The final carry-over amount and budgetary Chapter transfers will be reported to the Committee at its Session in May 2012.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is requested to take note of the forecasted carry-over balance of USD 6.0 million and to authorize the forecasted budgetary chapter transfers arising from the implementation of the 2010-11 Programme of Work as shown in column (g) of the Table 1.

#### Draft Advice

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

- **took note of the forecasted under spending of USD 6.0 million against the 2010-11 biennial appropriation, which, along with any deferred one-time IPA investment costs, would be carried over to 2012-13 for the full implementation of the IPA, as authorized by Conference Resolution 5/2011;**
- **recalled that, in line with current practice, any unspent balances in the Technical Cooperation Programme (Chapter 15), Capital Expenditure (Chapter 17) and Security Expenditure (Chapter 18) will be transferred to the forthcoming biennium;**
- **authorized the forecasted budgetary Chapter transfers from budgetary Chapters 1, 2, 3, 4, 5, 7, 13, and 14 in favour of Chapters 6, 8, 9, 10, 11 and 12, and looked forward to the final 2010-11 budgetary performance report at its May 2012 session.**

<sup>1</sup> CL 141/9 paragraphs 26-27 and Annex II

<sup>2</sup> Conference Resolution 5/2011, operative paragraph 2)

## Introduction

1. Conference Resolution 3/2009 approved the 2010-11 budgetary appropriation of USD 1,000.5 million, including an amount of USD 22.8 million for unidentified efficiency gains and one-time savings. The Finance Committee reviewed the actions taken by the Secretariat to achieve the further efficiencies and savings at its sessions in April and October 2010 and endorsed the forecasted chapter distributions of the 2010-11 budgetary appropriation of USD 1,000.5 million arising from initiatives and measures to achieve the required savings.<sup>3</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. 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. In March 2011, the Finance Committee reviewed the forecasted budgetary performance against the revised 2010-11 budgetary appropriation. At that time, full expenditure of the appropriation was foreseen in Chapters 1 through 14 (the Strategic and Functional Objectives and FAORs). The Committee also authorized the forecasted budgetary transfers against the adjusted net appropriation, namely from Chapters 1, 2, 3, 5, 7, 13, and 14 in favour of Chapters 4, 6, 8, 9, 10, 11, and 12.<sup>4</sup>
4. In July 2011, the Conference authorized the Director-General, notwithstanding Financial Regulation 4.2, to use any unspent balance of the 2010-11 appropriations for full implementation of the IPA, including one-time IPA investment costs to be incurred during the 2012-13 financial period. The Conference also requested the Director-General to propose adjustments to the 2012-13 Programme of Work for the further efficiency gains, one-time savings, and forecasted use of unspent 2010-11 balance for 2012-13 IPA activities amounting in aggregate to USD 34.5 million.<sup>5</sup>
5. This report presents the updated forecasted budgetary performance against the 2010-11 adjusted net appropriation and seeks the Committee's approval for the forecasted budgetary chapter transfers arising from the implementation of the 2010-11 Programme of Work.

## 2010-11 Forecasted Budgetary Performance

6. The 2010-11 net appropriation figures presented in Table 1, column (c), show the adjusted chapter distributions for efficiency gains and one-time savings that have been reviewed and endorsed by the Finance Committee at its March 2011 session.<sup>6</sup> The forecasted expenditure and chapter transfers approved by the Finance Committee at the same session are shown in columns (d) and (e). The updated forecasted budgetary performance and the resulting chapter transfers from implementing the Programme of Work are shown in columns (f) and (g).

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<sup>3</sup> FC 132/7 and FC 135/6

<sup>4</sup> CL 141/9 paragraphs 26-27 and Annex II

<sup>5</sup> CR 5/2011, operative paragraphs 2 and 3

<sup>6</sup> FC 138/6, Annex I, paragraph 5

**Table 1: 2010-11 Forecasted Budgetary Performance**

Ch	Strategic and Functional Objective	March 2011, FC 138/6 Annex I			Oct 2011, FC 140/9	
		2010-11 NAP (after adjustments)	Forecasted Expenditure	Balance vs. NAP	Forecasted Expenditure	Balance vs. NAP
(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	A - Sustainable Intensification of Crop Production	49,181	47,242	1,939	46,393	2,788
2	B - Increased sustainable livestock production	31,637	29,436	2,201	28,556	3,081
3	C - Sustainable management and use of fisheries and aquaculture resources	55,626	55,379	247	54,972	654
4	D - Improved quality and safety of food at all stages of the food chain	24,445	24,765	-320	23,855	590
5	E - Sustainable management of forests and trees	42,054	41,688	366	41,173	881
6	F - Sustainable management of land, water and genetic resources and improved responses to global environmental challenges affecting food and agriculture	53,192	55,775	-2,583	54,833	-1,641
7	G - Enabling environment for markets to improve livelihoods and rural development	40,878	38,483	2,395	37,934	2,944
8	H - Improved food security and better nutrition	58,454	59,937	-1,483	58,789	-335
9	I - Improved preparedness for, and effective response to, food and agricultural threats and emergencies	7,311	8,533	-1,222	8,394	-1,083
10	K - Gender equity in access to resources, goods, services and decision-making in the rural areas	9,838	10,969	-1,131	10,670	-832
11	L - Increased and more effective public and private investment in agriculture and rural development	36,571	42,919	-6,348	41,281	-4,710
12	X - Effective collaboration with member states and stakeholders	220,680	221,073	-393	220,863	-183

13	Y - Efficient and effective administration	118,582	113,959	4,623	117,638	944
14	FAO Representatives	88,294	86,586	1,708	85,991	2,303
15	Technical Cooperation Programme	111,694	111,694	0	111,694	0
16	Contingencies	600	0	600	0	600
17	Capital Expenditure	26,803	26,803	0	26,803	0
18	Security Expenditure	24,686	24,686	0	24,686	0
<b>Total</b>		<b>1,000,526</b>	<b>999,926</b>	<b>600</b>	994,526	<b>6,000</b>

7. The forecasted unspent balance is currently estimated at USD 6.0 million mainly as a result of reprioritization of some planned activities. The unspent balance will be carried over to 2012-13 for full implementation of the IPA, as authorized by the Conference in July 2011. In addition, any deferred one-time IPA investment costs will be carried forward for the IPA in 2012-13. An IPA Progress Report, including further detail on forecasted IPA recurrent and investment costs, will be presented to the Finance Committee in November 2011.

8. Furthermore, in line with the current practice, the Technical Cooperation Programme (Chapter 15), Capital Expenditure (Chapter 17) and Security Expenditure (Chapter 18) are shown as fully spent, as any unspent balances will be transferred to the forthcoming biennium.

9. The forecasted chapter transfers follow largely the same pattern and reasoning as in March 2011, arising from adjustments to biennial work plans based on actual performance and the Mid-term Review. The reprioritization of some planned activities has resulted in lower forecasted expenditure in most chapters, and the transfer into Chapter 4 is no longer foreseen.

10. In 2011, a selected number of critical safety and infrastructure projects were undertaken under Chapter 13 (FO Y), including replacement of obsolete chillers and HVAC units and upgrading of lifts at headquarters, while other upgrades are in progress in decentralized offices. This has resulted in a lower surplus than previously forecasted under this chapter. The forecasted surplus under Chapter 14 (FAOR) is a result of higher than budgeted corporate AOS earnings, which may not be fully utilized by country offices.

11. Based on forecasted performance against the 2010-11 net appropriation and, in accordance with Financial Regulation 4.5(b), the Committee is requested to authorize the forecasted transfers from budgetary Chapters 1, 2, 3, 4, 5, 7, 13 and 14 in favour of Chapters 6, 8, 9, 10, 11 and 12.

12. It is recalled that 2010-11 is the first biennium in which reporting is taking place against 18 chapters rather than the previous eight. While this level of disaggregation at chapter level provides a clear and comprehensive view of budgets and expenditures against the results framework, it increases the likelihood of final chapter transfers being at variance with those currently requested.

13. Furthermore, it is recalled that budgetary reporting at the end of the biennium is based on the US Dollar/Euro exchange rate established in the PWB 2010-11 of Euro 1 = USD 1.385 (the budget rate). The Secretariat is monitoring the situation carefully, but some variations may occur if the final average percentage of expenditure in Euro differs significantly from the assumptions in the forecasts.

14. The final report on 2010-11 budgetary performance will be provided to the Finance Committee at its session in May 2012.