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FINANCE COMMITTEE

Hundred and Fifty-first Session

Rome, 11 - 15 November 2013

Programme and Budgetary Transfers in the 2012-13 Biennium

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

Mr Boyd Haight

Director, Office of Strategy, Planning and Resources Management

Tel: +3906 5705 5324

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EXECUTIVE SUMMARY

- The Finance Committee in March 2013 reviewed the Annual Report on Budgetary Performance and Budgetary Transfers in the 2012-13 Biennium. It took note of the forecasted biennial performance against the net appropriation of USD 1,005.6 million approved by the Conference and authorized the forecasted budgetary Chapter transfers in favour of Chapters 7 and 13. It requested that future reports include an indication of actual expenditure to date by budgetary chapter, and looked forward to an updated report at its November 2013 session. The Council in April 2013 took note of the authorized budgetary Chapter transfers.
- The Finance Committee also reviewed the Final Management Report on IPA implementation and the FAO Reform Process and requested that a report on 2013 IPA expenditure be presented to the Autumn session of the Committee. The Council in April 2013 and the 38th Conference in June urged completion in 2013 of outstanding IPA actions under the responsibility of the Secretariat and acknowledged the process for mainstreaming future reporting to the FAO governing bodies.
- The Conference authorized the Director-General through the Budgetary Appropriations Resolution for 2014-15 “to use any unspent balance of the 2012-13 appropriations for any additional expenditures of a one-time nature associated with transformational change”. A balance of USD 5 million is currently forecast in Chapters 1-13. 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.
- This report presents the updated forecasted budgetary performance against the 2012-13 net appropriation and seeks Committee’s approval for the forecasted budgetary chapter transfers arising from the implementation of the 2012-13 Programme of Work. It also provides an update on actual expenditure by Chapter and on 2013 IPA expenditure.
- Based on forecasted performance against the 2012-13 net appropriation and, in accordance with Financial Regulation 4.5(b), the Committee is requested to authorize the forecasted transfers in favour of Chapters 1, 8, 9 and 11, in addition to those previously authorized for Chapters 7 and 13, from the other budgetary Chapters in 1 through 12. The final carry-over amount and budgetary Chapter transfers will be reported to the Committee at its session in May 2014.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is requested to take note of the forecasted balance of USD 5 million and to authorize the forecasted budgetary chapter transfers arising from the implementation of the 2012-13 Programme of Work as shown in column (g) of Table 1. The Committee is invited to note the forecasted 2013 IPA expenditure as shown in Table 4.

Draft Advice

The Committee:

- **took note of the forecasted under spending of USD 5 million against the 2012-13 biennial appropriation and that the final level, which will be used in 2014-15 to cover additional expenditures of a one-time nature associated with transformational change as authorized by Conference Resolution 7/2013, will be known after closure of the 2012-13 accounts and reported in May 2014;**
- **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 transfers in favour of Chapters 1, 8, 9 and 11, in addition to previously authorized Chapters 7 and 13, from the other budgetary Chapters in 1 through 12, and looked forward to the final 2012-13 budgetary performance report at its May 2014 session; and**
- **took note that the planned budgetary allocation for the IPA in 2013 was forecasted to be fully spent.**

Introduction

1. Conference Resolution 5/2011 approved the 2012-13 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, at its 143rd session in December 2011 and its 144th and 145th sessions in 2012, approved adjustments and transformational changes to the Programme of Work and the resulting budgetary chapter distribution of the net appropriation.¹
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 2013, the Finance Committee reviewed the forecasted budgetary performance against the adjusted 2012-13 budgetary chapter distribution approved by the Council in December 2012.² At that time, full expenditure of the appropriation was foreseen in Chapters 1 through 13 (the Strategic and Functional Objectives). The Committee authorized the budgetary transfers in favour of Chapters 7 and 13 from the other budgetary Chapters in 1 through 12, and requested that future reports include an indication of actual expenditure to date by budgetary chapter³.
4. The Finance Committee also reviewed the Final Management Report on IPA implementation and the FAO Reform Process⁴ and requested that a report on 2013 IPA expenditure be presented to the autumn session of the Committee.⁵ The Council in April 2013 and the Conference in June urged completion in 2013 of outstanding IPA actions under the responsibility of the Secretariat and acknowledged the process for mainstreaming future reporting to the FAO governing bodies.⁶
5. In June 2013, the Conference authorized the Director-General, notwithstanding Financial Regulation 4.2, “to use any unspent balance of the 2012-13 appropriations for any additional expenditures of a one-time nature associated with transformational change”.⁷
6. This report presents the updated forecasted budgetary performance against the 2012-13 net appropriation, including actual expenditure by budgetary chapter as at end-August 2013, and seeks the Committee’s approval for the forecasted budgetary chapter transfers arising from the implementation of the 2012-13 Programme of Work. It also summarizes the modalities for reporting on open IPA actions and provides an update on 2013 IPA expenditure, as requested by the Finance Committee.

2012-13 Forecasted Budgetary Performance

7. The 2012-13 net appropriation figures presented in Table 1, column (c), show the chapter distributions endorsed by the Council in December 2012. Columns (d) and (e) show the forecasted expenditure and chapter transfers approved by the Finance Committee in March 2013. Columns (f) and (g) show the updated forecasted budgetary performance and the resulting chapter transfers from implementing the programme of work. Column (h) shows the actual biennial expenditure as at end-August 2013 by budgetary chapter as requested by the Committee.

¹ CL 143/3, CL 144/3, CL 145/3, CL 145/REP paragraph 13c)

² FC 148/10

³ CL 146/3 paragraphs 20-22

⁴ C 2013/26

⁵ CL 146/3, paragraph 17f)

⁶ CL 146/REP, paragraph 12, C 2013/REP paragraph 111c)

⁷ Conference Resolution 7/2013 paragraph 2)

Table 1: Forecasted 2012-13 Budgetary Performance by Chapter (USD 000)

| Chapter (a) | Strategic and Functional Objective (b) | Transformational Changes in 2012-13 (CL 145/3) (c) | March 2013, FC 148/10 | | November 2013, FC 151/7 | | Actual expenditure as at end-August 2013 (h) |
|----------------|--|---|-------------------------------|-----------------------------|-------------------------------|-----------------------------|---|
| | | | Forecasted expenditure (d) | Forecasted transfer (e=c-d) | Forecasted expenditure (f) | Forecasted transfer (g=c-f) | |
| 1 | A - Sustainable Intensification of Crop Production | 60,191 | 60,082 | 109 | 60,273 | (82) | 43,649 |
| 2 | B - Increased sustainable livestock production | 37,145 | 37,121 | 24 | 36,264 | 881 | 25,346 |
| 3 | C - Sustainable management and use of fisheries and aquaculture resources | 67,614 | 66,979 | 635 | 65,152 | 2,462 | 45,971 |
| 4 | D - Improved quality and safety of food at all stages of the food chain | 33,022 | 32,823 | 199 | 31,979 | 1,043 | 21,656 |
| 5 | E - Sustainable management of forests and trees | 51,410 | 50,976 | 434 | 49,747 | 1,663 | 35,247 |
| 6 | F - Sustainable management of land, water and genetic resources and improved responses to global environmental challenges affecting food and agriculture | 72,250 | 71,750 | 500 | 71,253 | 997 | 49,025 |
| 7 | G - Enabling environment for markets to improve livelihoods and rural development | 48,223 | 48,460 | (237) | 49,357 | (1,134) | 33,520 |
| 8 | H - Improved food security and better nutrition | 95,196 | 93,907 | 1,289 | 96,192 | (996) | 61,362 |
| 9 | I - Improved preparedness for, and effective response to, food and agricultural threats and emergencies | 8,177 | 8,040 | 137 | 8,693 | (516) | 6,579 |
| 10 | K - Gender equity in access to resources, goods, services and decision-making in the rural areas | 21,756 | 21,338 | 418 | 21,368 | 388 | 12,435 |
| 11 | L - Increased and more effective public and private investment in agriculture and rural development | 39,885 | 39,694 | 191 | 39,897 | (12) | 33,691 |
| 12 | X - Effective collaboration with member states and stakeholders | 207,784 | 206,971 | 813 | 204,407 | 3,377 | 182,016 |
| 13 | Y - Efficient and effective administration | 95,111 | 99,621 | (4,510) | 98,783 | (3,672) | 90,963 |
| 15 | Technical Cooperation Programme | 116,027 | 116,027 | 0 | 116,027 | 0 | |
| 16 | Contingencies | 600 | 0 | 600 | 0 | 600 | 0 |
| 17 | Capital Expenditure | 26,439 | 26,439 | 0 | 26,439 | 0 | see Table 2 |
| 18 | Security Expenditure | 24,809 | 24,809 | 0 | 24,809 | 0 | see para 13 |
| Total | | 1,005,640 | 1,005,040 | 600 | 1,000,640 | 5,000 | 641,460 |

8. Actual expenditure as at end-August in column (h) is within 70 percent of the forecasted biennial expenditure for most Chapters. This spend-rate is characteristic for two trimesters where a significant share of expenditures is still recorded as hard commitments on the accounts. It is noted that the spend-rate in Chapter 10, SO K, is slower than the average, at about 60 percent of budget. The biennial spending in this Chapter, however, is foreseen to remain closely within the authorized level.

9. The Council at its 145th session in December 2012 supported the initiatives resourced by the Multidisciplinary Fund (USD 11.3 million) consistent with the proposed Strategic Objectives and regional priorities, in particular the programmatic regional initiatives.⁸ During the first trimester of 2013, MDF resources, provisionally assigned to Chapters 1 to 7 and 10 to 12, were reallocated to Chapters 1, 6 to 10, 12 and 13 in line with approved utilization. The resulting net transfers mainly out of Chapters 2 to 5 and into Chapters 7 to 9 reflect the multidisciplinary nature of the work supported.

10. Apart from the above change, the forecasted chapter balances against Net Appropriation remain largely unchanged, with up to USD 0.5 million variances from March forecasts. The slight variances in forecasts are mainly due to the cumulative effect of small shifts in spending patterns in the regional and subregional offices as reported by budget holders at the end of August 2013.

11. The forecasted unspent balance is currently estimated at USD 5 million mainly as a result of the under spending forecasted in Chapter 12 (FO X). The under spending is due to vacant posts in liaison and regional and subregional offices and by higher than previously anticipated income reimbursements.

12. As authorized by Conference, any unspent balance will be carried over to 2014-15 to fund additional expenditures of a one-time nature associated with transformational change. 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.

13. Table 2 provides an overview of budgetary performance for Chapter 17, Capital Expenditure. Resources available in the biennium comprise USD 26.4 million budgeted under the net appropriation and USD 14.8 million carried over from the previous biennia. Expenditures in 2012-13 are forecasted at USD 39.6 million (USD 28.3 of which was recorded as at end-August 2013) resulting in a forecasted carryover of USD 1.6 million for use in 2014-15.

Table 2: Chapter 17 Capital Expenditure - budgetary performance in 2012-13

| | USD million |
|--|-------------|
| Net Appropriation 2012-13 (CL 145/3) | 26.4 |
| Carryover to Capital Expenditure Account for use in 2012-13 (C 2013/5 A) | 14.8 |
| Total Resources available in 2012-13 | 41.2 |
| Forecasted expenditure at budget rate | 39.6 |
| Forecasted Carryover to Capital Expenditure Account for use in 2014-15 | 1.6 |

14. For Chapter 18, Security Expenditure, a balance of USD 0.5 million is forecasted to be carried forward to 2014-15 under the Security Expenditure Facility. The balance represents the under-expenditure by the UN Department of Security and Safety against FAO's cost share.

15. Based on forecasted performance against the 2012-13 net appropriation and, in accordance with Financial Regulation 4.5(b), the Committee is requested to authorize the forecasted transfers in favour of Chapters 1, 8, 9 and 11, in addition to those previously authorized for Chapters 7 and 13, from the other budgetary Chapters in 1 through 12, as shown in Table 1 column g).

16. 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 2012-13 of Euro 1 = USD 1.36 (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.

17. The final report on 2012-13 budgetary performance will be provided to the Finance Committee at its session in May 2014.

⁸ CL 145/3 paragraphs 27-29 and CL 145/REP paragraph 13f

IPA implementation and expenditure

18. Table 3 sets out the reporting arrangements to the governing bodies on 22 IPA actions which are currently open. This section reports on IPA actions 3.55 and 5.57, and provides an update on 2013 IPA expenditure in Table 4.

Table 3: IPA reporting arrangements

| IPA Action | | Governing Body | Reporting arrangement |
|------------|--|---|--|
| 2.18 | Council to recommend the budget level to Conference | Council | These actions are the responsibility of Members and no management reporting is foreseen |
| 2.100, c | Desirable qualifications for the post of Director-General | Council | |
| 4.4 | Changes in size and representation of the Council | Council | |
| 3.103 | Review reorganization with a view to further improvements | Conference | Verbal update given by Director IPA Programme Management Unit at 38 th session of Conference; no further reporting is foreseen |
| 7.19 | Change Translation Service Model | Conference | |
| 4.1 | The Council will monitor IPA implementation | Conference | |
| 3.36a | Appointment of the Ombudsman | Conference | |
| 2.83 | Independent Evaluation of the evaluation function every 6 yr | Programme Committee | Target date of 2016; no report is foreseen for the Programme Committee in 2013-2014 |
| 3.88 | Benchmarks and a performance based reporting for DOs | Joint Meeting Programme and Finance Committees | <i>Report on structure and functioning of decentralized offices network⁹, and Programme Implementation Report 2012-13 (Joint Meeting, May 2014)</i> |
| 2.74 | Assess governance reforms with an independent review as an input | Joint Meeting Programme and Finance Committees/ Council | <i>Arrangements for an independent review of governance reforms¹⁰</i> |
| 7.2 | New Planning and Budgeting Model | Finance Committee | <i>Adjustments to the Programme of Work and Budget 2014-15¹¹</i> |
| 3.32 | Culture Change | Joint Meeting Programme and Finance Committees | <i>Adjustments to the Programme of Work and Budget 2014-15¹¹, Programme Implementation Report 2012-13 (Joint Meeting, May 2014)</i> |
| 3.109 | Partnerships with civil society and private sector | Joint Meeting Programme and Finance Committees | <i>Annual Report on Partnerships (Joint Meeting, May 2014)</i> |
| 3.42 | Field version of Oracle in FAORs | Finance Committee | <i>Progress report on the Global Resource Management Programme¹²</i> |
| 7.24 | Implementation of IPSAS | Finance Committee | |
| 7.22 | Overhaul the FAO Manual | Finance Committee | |
| 3.66 | Competency profiles for RR/ADGs, Sub-regional coordinators and FAORs | Finance Committee | <i>Progress report on implementation of the human resources strategic framework and action plan 2012-13¹³</i> |
| 3.61 | Incentive based rotation policy | Finance Committee | |
| 3.71 | Introduce dual grading for P5/D1 and D1/D2 posts | Finance Committee | |
| 3.54 | Full Implementation of ERM | Finance Committee | <i>Accountability and internal control framework¹⁴</i> |
| 3.55 | A budget will be set aside for technical publishing | Finance Committee | <i>Programme and Budgetary transfers in 2012-13¹⁵</i> |
| 3.57 | Separate mirror Web sites will be developed for Arabic and Chinese | Finance Committee | |

⁹ JM 2012.2/3¹⁰ CL 148/10¹¹ CL 148/3¹² FC 151/13¹³ FC 151/11¹⁴ FC 151/20¹⁵ FC 151/7

IPA action 3.55 - A budget will be set aside for technical publishing in each FAO language

19. Following the decision by Members to assign a “parked” status to IPA Action 3.55 so that further action could be taken to increase the language coverage of technical information products, a fund of USD 250,000 was set up under the management of the Office for Corporate Communication (OCC). Departments and regional offices were requested to propose existing products for which there was proven demand for publication in an FAO language other than that of the original edition. Of 31 titles submitted for final selection, 23 were approved for funding as follows: Arabic (3), Chinese (2), French (7), Russian (7) Spanish (4). One title received a subsidy for publication in more than one language.

20. By accepting an allocation, authoring units committed to using the full amount for translation and/or editorial production of the title in the selected language(s) and also warranted that all subsequent publication processes would be completed so as to ensure dissemination of the final product online and/or in print.

IPA action 3.57: Separate mirror Web sites to the FAO Web site will be developed for Arabic and Chinese.

21. To respond to Members’ recommendation for additional work to be undertaken, the Organization is studying various options for automatic translation systems and their implementation in a corporate environment. The objective is to implement an online automatic translation system (based on statistical machine translation) that will allow for on-demand translation of Web pages. The system will be piloted on the FAO Intranet to obtain feedback from users, in a restricted environment, and once results are satisfactory it will be incorporated as a standard feature in the www.fao.org Web site.

2013 IPA Expenditure

22. The Final Management Report on Immediate Plan of Action Implementation and the FAO Reform Process¹⁶ recalled that the composition of the 2012-13 biennium IPA budget (gross) of USD 50.72 million comprised USD 49.69 million of assessed contribution and USD 1.03 million carried forward from the 2010-11 biennium.

23. The report further recalled that the 2013 expenditure plan amounted to USD 27.64 million and was determined as the available balance resulting from actual 2012 expenditure of USD 23.08 million. Following publication of the report, the latter amount was reduced by 0.1 million to USD 22.98 million and the 2013 expenditure plan accordingly adjusted to USD 27.74 million and distributed amongst the different IPA projects as shown in Table 4.

24. IPA expenditure and commitments as at end-August marks two thirds of the way into 2013 and totalled USD 16.38 million (or 59% of total 2013 IPA expenditure plan), leaving a balance of USD 11.36 million to be expended during the remainder of 2013, as shown in Table 4. Plans are in place for full expenditure of the balance under each IPA project, which is closely monitored by the Office of Strategy, Planning and Resources Management.

¹⁶ C2013/26 paras 111-119

Table 4: 2013 IPA expenditure plan and actual expenditure as at 31 August 2013 (USD million)

| IPA Project | 2013 Budget | Expenditure and Commitments as at end-August | Balance |
|--|--------------|--|--------------|
| Project 1. Governing Body Reform | 1.38 | 0.806 | 0.575 |
| Project 2. Audit | 0.18 | 0.134 | 0.046 |
| Project 3. Evaluation | 1.01 | 0.947 | 0.058 |
| Project 4. Ethics | 0.57 | 0.354 | 0.216 |
| Project 5. Reform of Programming, budgeting and RBM | 1.25 | 0.629 | 0.621 |
| Project 6. Publishing in all languages of the Organization | 0.45 | 0.153 | 0.297 |
| Project 7. Resource Mobilization and Management | 0.76 | 0.537 | 0.222 |
| Project 12. Partnerships | 2.41 | 0.874 | 1.536 |
| Project 13. Procurement | 2.08 | 1.278 | 0.797 |
| Project 14. Travel | 0.17 | 0.063 | 0.109 |
| Project 15. Translation and Printing | 0.09 | 0.09 | 0.000 |
| Project 16. Registry | 0.57 | 0.529 | 0.044 |
| Project 17. Administrative Service Model and FAO Manual | 1.60 | 0.847 | 0.753 |
| Project 19. Improve Telecoms Connectivity to DOs | 2.54 | 1.044 | 1.496 |
| Project 20. Oracle R12 | 0.60 | 0.238 | 0.362 |
| Project 21. Other IT Actions | 0.80 | 0.583 | 0.215 |
| Project 22. Enterprise risk management | 0.48 | 0.333 | 0.142 |
| Project 23. Culture Change | 1.50 | 0.359 | 1.141 |
| Project 24. PEMS | 0.70 | 0.384 | 0.316 |
| Project 25. Competency Framework | 2.76 | 1.772 | 0.989 |
| Project 26. Mobility | 1.45 | 1.4 | 0.050 |
| Project 27. Other Human Resources Actions | 3.13 | 1.945 | 1.187 |
| Project 28. IPA Programme Management Unit | 0.94 | 0.77 | 0.167 |
| Project 29. IPA Communications | 0.33 | 0.315 | 0.016 |
| Total IPA | 27.74 | 16.38 | 11.36 |