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## JOINT MEETING

**Hundred and Twenty-seventh Session of the Programme Committee and  
Hundred and Seventy-eighth Session of the Finance Committee**

**Rome, 4 November 2019**

**Proposal for the use of unspent balances of biennial appropriations  
(*cf. CCLM 109/3*)**

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### **Executive Summary**

This document outlines a proposal on the possible approach to unspent balances of biennial appropriations for review by the Committee on Constitutional and Legal Matters (CCLM) and the Joint Meeting, based on a request of the Conference at its Forty-first session in June 2019. The Conference “recalled Council’s request for a proposal to be presented on the systematic use of unspent balances of biennial appropriations, following review by the Committee on Constitutional and Legal Matters (CCLM) and the Joint Meeting of the Programme and Finance Committees,<sup>1</sup> and requested that such a proposal be presented to their next sessions in October-December 2019”.<sup>2</sup>

The CCLM, after reviewing the document at its 109<sup>th</sup> session, **reaffirmed** the importance of Financial Regulation 4.2 and **recommended** that the Conference consider using specific language in anticipation of unspent balances of budgetary appropriations in its report or in the appropriations resolution. The CCLM **agreed** that, subject to the review and adjustments by the Joint Meeting of the Programme and Finance Committees and the Council, detailed approval procedures, set out in the CCLM report and reproduced below, be recommended to the Conference for adoption.

### **Suggested action by the Joint Meeting**

#### **The Joint Meeting is invited to:**

- provide its feedback on the proposal for use of unspent balances of biennial appropriations, including on the proposed uses of the carryover of unspent balances outlined in **paragraph 10.3**); and
- **endorse** the CCLM recommendation that, subject to review and adjustments by the Joint Meeting of the Programme and Finance Committees and the Council, the approval procedures set out in paragraph 12 of the CCLM Report be recommended to the Conference for adoption.

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<sup>1</sup> CL 158/REP, para 10c)

<sup>2</sup> C 2019/REP, paragraph 73 (a)

## Extract of the Report of the 109th Session of the Committee on Constitutional and Legal Matters (CCLM) - Rome, 21-22 October 2019<sup>3</sup>

### IV. Proposal for use of unspent balances of biennial appropriations

9. The CCLM considered document CCLM 109/3 “*Proposal for use of unspent balance of biennial appropriations*”. Following presentations by the Legal Counsel and the Director of the Office of Strategy, Planning and Resources Management (OSP), the Committee deliberated on the legal and constitutional aspects of this matter, bearing in mind that it would also be the subject of consideration by the forthcoming Joint Meeting of the Programme and Finance Committees for policy comments, especially on the use of the carryover of unspent funds.

10. The CCLM reaffirmed the importance of Financial Regulation 4.2 which states the Organization’s policy regarding unobligated appropriations at the end of the financial period.

11. It recommended that the Conference consider using the following language in anticipation of unspent balances of budgetary appropriations, either in the appropriations resolution or in its report:

*“The Conference authorises the Director-General, notwithstanding Financial Regulation 4.2, to submit a proposal for one-time use of unspent balances of the [current biennium] appropriations for approval by the Joint Meeting of the Programme and Finance Committees, and the Council at their respective meetings in [dates for first sessions in the subsequent biennium]”.*

12. The CCLM agreed that, subject to the review and adjustments by the Joint Meeting of the Programme and Finance Committees and the Council, the following approval procedure be recommended to the Conference for adoption:

- a) Following closure of the accounts, the Secretariat prepares information regarding the balance of unspent funds in the previous biennium and the proposed uses of those funds.
- b) The proposed uses of the carryover of unspent balances would be for specific one-time, high priority organization-wide matters, and would generally fall in the following categories:
  - one-time expenditures on critical measures required to achieve greater efficiency and effectiveness of the Organization, without negatively impacting FAO’s ability to deliver the approved programme of work;
  - one-time expenditures associated with transformational change of the Organization; including strengthening accountability, governance and impacts of activities;
  - non-budgeted expenditures of a one-time nature required as a result of the decisions or recommendations of external bodies such as the UN General Assembly.
- c) The proposal for use of unspent funds would be referred to the Joint Meeting based on input derived from the Annual Report on Budgetary Performance and Budgetary Transfers (ARBP) which is submitted to the Finance Committee for approval as a standing item at its first session of the new biennium.
- d) The Council approves the proposed use of carryover funds, based on recommendations from the Joint Meeting.
- e) The Secretariat implements the Council’s guidance and reports on the use of carryover funds, in line with the established reporting practice and rules.

13. The CCLM further recalled that, if there is no approval by the Council, the unobligated appropriations at the close of the financial period shall be cancelled and the unspent balance would revert to the General Fund.

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<sup>3</sup> CL 163/2

## Proposal for use of unspent balance of biennial appropriations<sup>4</sup>

### I. Introduction

1. This document is submitted to the Committee on Constitutional and Legal Matters (CCLM) and to the Joint Meeting of the Programme and Finance Committees (“the Joint Meeting”) following a request of the Conference at its Forty-first Session in June 2019. The Conference “*recalled Council’s request for a proposal to be presented on the systematic use of unspent balances of biennial appropriations, following review by the Committee on Constitutional and Legal Matters (CCLM) and the Joint Meeting of the Programme and Finance Committees (CL 158/REP, para 10c), and requested that such a proposal be presented to their next Sessions in October-December 2019*”<sup>5</sup>.

2. This document presents some considerations related to the institutional framework on budgetary execution and outlines a proposal on the possible approach to unspent balances of biennial appropriations for review by the CCLM and the Joint Meeting.

### II. Some considerations on FAO’s institutional background on budgetary forecasting and execution

3. Under the Basic Texts of the Organization, with particular reference to the General Rules of the Organization and the Financial Regulations, budgetary performance should match the Programme of Work and Budget approved by the Conference.

4. Under the Financial Regulations, the Director-General is required to prepare budget estimates for the financial period to which they relate (Financial Regulations 3.1 and 3.2). The budget estimates are presented on a programme-budget basis and divided into chapters and programme objectives and, where necessary, into programmes and subprogrammes. The budget estimates include the programme of work for the financial period, such information, annexes or explanatory statements as may be requested on behalf of the Conference or the Council and such further annexes or statements as the Director-General may deem appropriate (Financial Regulation 3.3).

5. The current provisions on the format of the budget of FAO were approved by the Conference in 1971 following a review of the matter carried out in parallel to similar processes in other organizations of the UN System. The underlying concept of a budget structured on a programme basis - rather than on an organizational, departmental or administrative basis as was the case before 1971 - was that the new budget structure and format would allow for greater clarity on the definition of the objectives of the Organization and for increased clarity in the definition of the priorities and the activities of the Organization. At the same time, it was deemed to allow for better budget execution, monitoring of performance and evaluation<sup>6</sup>. In general, it was also considered that this would allow for better preservation of the integrity of the Programme of Work and Budget for the fulfilment of the objectives of the Organization.

6. A similar effort to improve the execution of the Programme of Work and Budget was made in the context of the implementation of the FAO Reform and resulted in the adoption by the Conference of Resolution 10/2009 on “(…) *Reform of the Programming, Budgeting and Results-based Monitoring System*”. This Resolution introduced revised programme and budget documentation consisting of a

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<sup>4</sup> CCLM 109/3

<sup>5</sup> C 2019/REP, paragraph 73 (a)

<sup>6</sup> CL 55/4, Report of the 17<sup>th</sup> Session of the Programme Committee, 4-15 May 1970, paragraphs 91-95; CL 55/5, Report of the 18<sup>th</sup> Session of the Programme Committee, 9-13 November 1970, paragraphs 66-70; CL 55/4, Report of the 23<sup>rd</sup> Session of the Finance Committee, 11-22 May 1970, paragraphs 10-16; CL 55/6, Report of the 24<sup>th</sup> Session of the Finance Committee, 9-13 November 1970, paragraphs 6-11; CL55/REP, paragraphs 251-256.

Strategic Framework, a Medium Term Plan and a Programme of Work and Budget which are expected to be closely aligned. It also introduced a revised system for the monitoring of performance and a revised schedule of sessions of the Governing Bodies allowing for better budgetary preparation, adjustments and monitoring.

7. Seen in this light, budgetary execution should, as far as possible, conform to the budgetary estimates approved by the Conference. Some provisions of the Financial Regulations reflect these general objectives. Thus, for example, the Director-General is required to apportion and manage appropriations so as to ensure that adequate funds will be available to meet expenditures during the entire financial period and that the obligations and expenditures follow, in general, the financial plans contemplated by the Programme of Work and Budget approved by the Conference (Financial Regulation 4.6). Financial Regulation 4.5 (b) requires transfers from one chapter to another to be approved by the Finance Committee.

8. Under the above system, budgetary execution should adhere to the appropriations and allotments issued thereunder. This is implicit in above-mentioned Financial Regulation 4.6, as well as in Financial Regulations 4.1 (a) and 4.1 (b)<sup>7</sup>. In order to comply with these Regulations, resources are managed with the aim of reaching full implementation of the biennial appropriation while also ensuring no over-expenditure. In this regard, the Secretariat reports to the Finance Committee during the biennium on forecasted budgetary performance and the forecasted budgetary chapter transfers arising from the implementation of the programme of work. While underspends are not sought, it is inherent in prudent management consistent with these Regulations, that underspends may occur.

9. The following proposal is referred for consideration by the CCLM and by the Joint Meeting of the Programme and Finance Committees. It deals primarily with a procedure to be adhered to by the Secretariat and the relevant Governing Bodies in the event that there should be unspent funds at the end of the biennium, or in anticipation of possible unspent funds. The proposed uses of the carryover of unspent balances reflects the practice followed in the past, whereby unspent balances would be used for specific one-time, high priority purposes.

### III. Possible proposal

10. A proposal for the use of any unspent Regular Programme funds at the end of a biennium could be along the following lines:

- 1) The Conference authorizes the Director-General, notwithstanding Financial Regulation 4.2, to use any unspent balance of the biennial appropriations for one-time uses in the subsequent biennium. Under Financial Regulation 4.2, "*appropriations shall be available for obligations during the financial period to which they relate and unobligated appropriations at the close of the financial period shall be cancelled*"<sup>8</sup>. In accordance with this Financial Regulation, and as confirmed by practice, use of any surpluses from one financial period during the subsequent financial period requires a derogation decision by the Conference. The Conference requests a proposal on the use of any such funds to be submitted to and agreed by the Joint Meeting of the Programme and Finance Committees and the Council at their first Sessions in the year following the closure of the biennium.

<sup>7</sup> 4.1 (a) "*The appropriations voted by the Conference for the ensuing financial period shall constitute an authorization to the Director-General to incur obligations and make payments for the purpose for which the appropriations were voted, and up to the amounts so voted.* (b) *The Director-General may also incur obligations against future periods before appropriations are voted when such obligations are necessary for the continued effective functioning of the Organization, provided such obligations are restricted to administrative requirements of a continuing nature not exceeding the scale of such requirements as authorized in the budget of the current financial period*" (emphasis added).

<sup>8</sup> This excludes any unspent balances in the Technical Cooperation Programme, Capital Expenditure and Security Expenditure, which are transferred to the subsequent financial period in line with Financial Regulations.

- 2) Following closure of the accounts, the Secretariat prepares information regarding the balance of unspent funds in the previous biennium and the proposed use of those funds.
- 3) The proposed uses of the carryover of unspent balances would be for specific one-time, high priority organization-wide matters, and would generally fall in the following categories:
  - one-time expenditures on critical measures required to achieve greater efficiency and effectiveness of the Organization, without negatively impacting FAO's ability to deliver the approved programme of work;
  - one-time expenditures associated with transformational change of the Organization; including strengthening accountability, governance and impacts of activities;
  - non-budgeted expenditures of a one-time nature required as a result of the decisions or recommendations of external bodies such as the UN General Assembly<sup>9</sup>.
- 4) The proposal for use of unspent funds would be referred to the Joint Meeting based on input derived from the Annual Report on Budgetary Performance and Budgetary Transfers (ARBP) which is submitted to the Finance Committee for approval as a standing item at its first session of the new biennium.
- 5) The Council approves the proposed use of carryover funds, based on recommendations from the Joint Meeting.
- 6) The Secretariat implements the Council's guidance and reports on the use of carryover funds, in line with the established reporting practice and rules.

11. The Report of the Conference would have to include a general enabling clause allowing for the implementation of the above process. Bearing in mind the observations put forward in paragraph 10.1. above, the Conference may wish to reflect the following language in its Reports on a systematic basis:

*“The Conference (...) authorise[s] the Director-General, notwithstanding Financial Regulation 4.2, to use any unspent balance of the [current biennium] appropriations for one time use in [subsequent biennium], 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 respective meetings in [dates for first sessions in the subsequent biennium] (...).”*

12. Because the Session of the Conference is held in June/July and, at that time, it will not be known if there will be a surplus, this paragraph would be inserted on the understanding that there could be no surplus at the end of the biennium. However, this paragraph would provide the required legal authorisation from the Conference for the implementation of the procedure should a surplus arise.

#### **IV. Suggested action by the Committees**

13. The Committees are invited to review this document and make such observations thereon as appropriate.
14. The Committees are invited to endorse the procedure proposed in this document for the use of any unspent balances of biennial appropriations.

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<sup>9</sup> As an example, UNGA Resolution 72/279 decided to double UNDG cost-sharing arrangements among United Nations development system entities, including FAO. This was included in the latest Programme of Work and Budget, but it is possible that not all requests can be budgeted appropriately.