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FINANCE COMMITTEE

Hundred and Forty-third Session

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**Annual Report on Budgetary Performance and Programme and Budgetary
Transfers in the 2010-11 Biennium**

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EXECUTIVE SUMMARY

- The Finance Committee in October 2011 reviewed the report on Programme and Budgetary Transfers in the 2010-11 Biennium.¹ It took note of the forecasted underspending which, along with any deferred one-time IPA investment costs, would be carried over to 2012-13, as authorized by the Conference in July 2011.² The Committee 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) would be transferred to the forthcoming biennium, and authorized the forecasted budgetary transfers from budgetary Chapters 1, 2, 3, 4, 5, 7, 13, and 14 in favour of Chapters 6, 8, 9, 10, 11 and 12.
- This report presents the final 2010-11 budgetary outturn based on the unaudited accounts of the Organization. Final 2010-11 spending represents 99.1% of the USD 1,000.5 million biennial appropriation. The surplus balance of USD 8.7 million will be carried forward, as authorized by the Conference in July 2011, and includes USD 0.5 million of deferred 2010-11 one-time IPA investment costs and USD 8.2 million to contribute to further efficiency gains, one-time savings, and forecasted use of unspent 2010-11 balance amounting in aggregate to USD 34.5 million.
- The Chapter transfers are in line with those previously approved, with the transfer into Chapter 12 no longer required.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is requested to take note of the overall budgetary outturn for 2010-11, including the carry-over of USD 8.7 million for full implementation of the IPA as authorized by Conference Resolution 5/2011. The Committee is also requested to approve the transfers between budgetary chapters; and recall 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) are transferred to the 2012-13 biennium.

Draft Advice

The Committee:

- a) took note of the final 2010-11 budgetary outturn based on the unaudited accounts of the Organization, and that the surplus balance of USD 8.7 million which would be carried forward as authorized by the Conference in July 2011, included USD 0.5 million of deferred 2010-11 one-time IPA investment costs and USD 8.2 million to contribute to further efficiency gains, one-time savings, and forecasted use of unspent 2010-11 balance;**
- b) 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) would be transferred to the 2012-13 biennium;**
- c) approved the final budgetary transfers from Chapters 1, 2, 3, 4, 5, 7 and 13 in favour of Chapters 6 (USD 1.5 million), 8 (USD 1.65 million), 9 (USD 0.7 million), 10 (USD 1.3 million) and 11 (USD 4.55 million), as shown in Table 2.**

¹ FC 140/9

² C 2011/REP – Resolution 5/2011 Budgetary Appropriations 2012-13, paragraph 2

Introduction

1. 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.
2. 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 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.³
3. In November 2011, the Council endorsed the report of the Finance Committee which took note of the forecasted underspending of USD 6.0 million in Chapters 1 through 14 (the Strategic and Functional Objectives and FAORs) against the 2010-11 biennial appropriation, that, along with any deferred one-time IPA investment costs, would be carried over to 2012-13 as authorized by the Conference. The Committee also authorized the budgetary transfers from Chapters 1, 2, 3, 4, 5, 7, 13 and 14 in favour of Chapters 6, 8, 9, 10, 11 and 12.⁴
4. This document summarizes, for information and discussion, the budgetary aspects of the final budgetary performance against the 2010-11 biennial appropriation, including details of the final budgetary transfers between chapters.

Overall Biennial Performance

5. Table 1 summarizes overall budgetary performance versus the 2010-11 appropriation. The performance is based on the actual expenditure in the unaudited accounts of the Organization, adjusted for the budget US dollar/euro exchange rate of 1.385 established in the PWB 2010-11. Any unspent balances in the Technical Cooperation Programme (Chapter 15), Capital Expenditure (Chapter 17) and Security Expenditure (Chapter 18) are transferred for use in the subsequent financial period in line with the financial regulations, and are therefore shown as fully spent.

Table 1: Overview of 2010-11 Regular Programme Performance (USD millions)

	2010-11
2010-11 Net Appropriation (CR 3/2009)	1,000.5
Net Expenditure at Budget Rate	991.8
Net Expenditure vs. Net Appropriation	8.7
Deferred one-time IPA investment costs	0.5
Transfer of the unspent 2010-11 balance for full Implementation of the IPA (CR 5/2011)	8.2
Final Variance	-

³ Conference Resolution 5/2011, operative paragraphs 2 and 3

⁴ CL 143/8 paragraphs 18 and 19

6. As shown above, a surplus balance of USD 8.7 million is recorded against the 2010-11 biennial appropriation of USD 1,000.5 million (99.1% spent). The surplus balance will be carried over to 2012-13 as authorized by Conference Resolution 5/2011. Of this amount, USD 0.5 million is for deferred 2010-11 one-time IPA investment costs. The remainder of USD 8.2 million, previously estimated at USD 6.0 million, will offset 2012-13 IPA investment costs and will contribute to further efficiency gains, one-time savings, and forecasted use of unspent 2010-11 balance amounting in aggregate to USD 34.5 million.

7. As previously reported to the Committee⁵, actual expenditure in 2010-11 is mainly affected by higher than budgeted reimbursements for support costs, particularly in the decentralized offices.

Budgetary Transfers between Chapters

8. The final budgetary chapter transfers against the 2010-11 biennial appropriation are tabulated in Table 2 below. The final transfers follow largely the same pattern and reasoning as in March and October 2011, arising from adjustments to biennial work plans based on actual performance.

9. The forecasted transfers by Chapter are in line with those authorized by the Finance Committee in October 2011, with some variations in the final amounts. The previously authorized transfer into Chapter 12 (Functional Objective X) is no longer required.

10. Additional spending in Chapter 8 (Strategic Objective H) mainly arises from the reform process of the Committee on World Food Security (CFS), and establishment of the Agricultural Market Information System (AMIS) in June 2011.

11. The higher transfer into Chapter 10 (Strategic Objective K) arises from activities of the Gender, Equity and Rural Employment Division (ESW) in follow-up to recommendations from the Gender Audit and the Evaluation of FAO's role and work related to gender and development.

12. The underspending in Chapter 12 (FO X) is mainly due to the unspent balances generated by IPA actions in this chapter and some additional savings by the decentralized offices.

13. Chapter 17 (Capital Expenditure) generated a balance of USD 6.13 million to be carried forward to 2012-13 under the Capital Expenditure Facility and includes USD 0.5 million of deferred one-time 2010-11 IPA investment costs.

14. Chapter 18 (Security) generated a balance of USD 0.8 million to be carried forward to 2012-13 under the Security Expenditure Facility.⁶ The surplus mainly represents the lower than budgeted expenditure by the United Nations Department of Safety and Security (UN-DSS) against FAO's budgeted cost share.

⁵ FC 140/9 paragraph 10

⁶ The resulting 2012-13 balances in Capital Expenditure and Security Expenditure Facilities were partially re-programmed in the relevant Chapters in the PWB 2012-13 (C 2011/3, tables above paragraphs 287 and 295)

Table 2: 2010-11 Budgetary Performance by Chapter (USD 000)

Ch	Strategic and Functional Objective	2010-11 Net Appropriation (after Adjustments) FC 140/9	Net Expenditure (at Budget Rate)	Balance vs. Appropriation	Budgetary Chapter Transfers
1	A - Sustainable Intensification of Crop Production	49,181	46,543	2,638	(2,600)
2	B - Increased sustainable livestock production	31,637	28,578	3,059	(3,050)
3	C - Sustainable management and use of fisheries and aquaculture resources	55,626	54,164	1,462	(1,450)
4	D - Improved quality and safety of food at all stages of the food chain	24,445	23,883	562	(550)
5	E - Sustainable management of forests and trees	42,054	41,304	750	(700)
6	F - Sustainable management of land, water and genetic resources and improved responses to global environmental challenges affecting food and agriculture	53,192	54,650	(1,458)	1,500
7	G - Enabling environment for markets to improve livelihoods and rural development	40,878	37,659	3,219	(100)
8	H - Improved food security and better nutrition	58,454	60,056	(1,602)	1,650
9	I - Improved preparedness for, and effective response to, food and agricultural threats and emergencies	7,311	7,987	(676)	700
10	K - Gender equity in access to resources, goods, services and decision-making in the rural areas	9,838	11,105	(1,267)	1,300
11	L - Increased and more effective public and private investment in agriculture and rural development	36,571	41,110	(4,539)	4,550
12	X - Effective collaboration with member states and stakeholders	220,680	217,228	3,452	-
13	Y - Efficient and effective administration	118,582	117,328	1,254	(1,250)
14	FAOR	88,294	87,013	1,281	
15	TCP	111,694	111,694		
16	CNT	600	-	600	
17	CapEx	26,803	26,803		
18	Security	24,686	24,686		
	Total	1,000,526	991,791	8,735	-