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FINANCE COMMITTEE

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**Annual Report on Budgetary Performance and 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 57055324

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EXECUTIVE SUMMARY

- The Finance Committee in November 2013 reviewed the Programme and Budgetary Transfers in the 2012-13 Biennium. It took note of the forecasted underspending and that the final level would 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. 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) will be transferred to the forthcoming biennium, and authorized the forecasted budgetary transfers in favor of Chapters 1, 7, 8, 9, 11 and 13 from other budgetary chapters in 1 through 12. The Committee took note that all open IPA actions being implemented by the Secretariat would be completed by the end of 2013 and the planned budgetary allocation for the IPA in 2013 was forecasted to be fully spent for this purpose.

- This report presents the final 2012-13 budgetary outturn based on the unaudited accounts of the Organization. Final 2012-13 spending represents 99% of the USD 1,005.6 million biennial appropriation. The unspent balance of USD 9.6 million, including USD 0.3 million for the IPA, 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.

- The transfers into Chapters 1, 7, 8, and 9 are no longer required and other chapter transfers are in line with those previously approved.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is requested to take note of the overall budgetary outturn for 2012-13, including the unspent balance of USD 9.6 million that 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. The Committee is 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 2014-15 biennium. The Committee is also requested to note that all open IPA actions being implemented by the Secretariat were completed.

Draft Advice

The Committee:

- a) **took note of the final 2012-13 budgetary outturn based on the unaudited accounts of the Organization, and the unspent balance of USD 9.6 million which would 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;**
- 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 2014-15 biennium;**
- c) **approved the final budgetary transfers in favor of Chapters 11 (USD 1.4 million) and 13 (USD 8.4 million) from Chapters 2, 3, 4, 5, 6, 8 and 12, as shown in Table 2;**
- d) **took note that all open IPA actions being implemented by the Secretariat were completed within the resources allocated.**

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. As reported to the Finance Committee in May 2012 and to the Council in June 2012,¹ USD 8.7 million of unspent balance of the 2010-11 appropriations was carried over to 2012-13 for full implementation of the IPA, including one-time IPA investment costs to be incurred during the 2012-13 financial period.²
3. 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”.³
4. In November 2013, the Council endorsed the report of the Finance Committee⁴, which took note of the forecasted underspending of USD 5 million in Chapters 1 through 13 and 16 (the Strategic and Functional Objectives and Contingencies) against the 2012-13 biennial appropriation that would 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. The Committee authorized the forecasted budgetary transfers in favor of Chapters 1, 7, 8, 9, 11 and 13 from other budgetary chapters in 1 through 12 and took note that all open IPA actions being implemented by the Secretariat would be completed by the end of 2013 and the planned budgetary allocation for the IPA in 2013 was forecasted to be fully spent for this purpose.
5. This document summarizes, for information and discussion, the budgetary aspects of the final budgetary performance against the 2012-13 biennial appropriation, including details of the final budgetary transfers between chapters.

Overall biennial performance

6. Table 1 summarizes overall budgetary performance versus the 2012-13 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 1.36 established in the PWB 2012-13. 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 Financial Regulations, and are therefore shown as fully spent.

Table 1: Overview of 2012-13 Regular Programme Performance (USD 000)

	USD 000
2012-13 Net Appropriation (CR 5/2011)	1,005,639
2012-13 Net Expenditure at Budget Rate	996,011
Balance against 2012-13 Net Appropriation to be transferred to 2014-15 for One Time Expenditure on Transformational Change (CR 7/2013)	9,628
Carry Over of 2010-11 Unspent Net Appropriation Balance (CR 5/2011)	8,735
2012-13 Net Expenditure at Budget Rate funded from 2010-11 Carry Over	8,735
Balance against 2010-11 Carry Over	-

¹ FC 143/7, paragraph 6 and CL 144/12 paragraph 17

² Conference Resolution 5/2011, operative paragraph 2

³ Conference Resolution 7/2013, operative paragraph 2

⁴ CL 148/6, paragraphs 19-20

7. As shown in Table 1, FAO expended a total of USD 996,011,000 against the 2012-13 net appropriation and fully spent the USD 8.7 million carryover of the 2010-11 unspent net appropriation balance made available in 2012-13 biennium to fund IPA investment costs, as authorized by Conference Resolution 5/2011.

8. An unspent balance of USD 9.6 million is recorded against the 2012-13 biennial appropriation of USD 1,005.6 million (99% spent), including USD 0.3 million for the IPA. The unspent balance will be used in 2014-15 to fund any additional expenditures of a one-time nature associated with transformational change, as authorized by Conference Resolution 7/2013.

9. Actual expenditure in 2012-13 was lower than previously anticipated⁵ due to higher income reimbursements, commitments that did not materialize at year-end, and the delay in filling vacant posts in decentralized offices pending finalization of corporate exercises related to 2014-15 post-planning and skill mix review.

Budgetary transfers between chapters

10. The final budgetary chapter transfers against the 2012-13 biennial appropriation are tabulated in Table 2 below. The transfers largely follow the same pattern and reasoning as forecasted in November 2013. The net expenditure by Chapter is consistently lower than previously anticipated with the exception of chapters 11, 12 and 13 where the final expenditure is higher as explained below.

11. Additional spending in Chapter 11 (Strategic Objective L) is mainly due to a technical realignment of expenditure and income in the Investment Centre Division (TCI) at year-end and reconfiguration of work contributing to Strategic Objective H and Strategic Objective L in the South South and Resource Mobilization Division (TCS) following the review of functions and programmes of TC Department.

12. The increased spending in Chapter 12 (Functional Objective X) represents refocussing of activities carried out by the Office for Communication, Partnerships and Advocacy (OCP), which were previously planned in Chapter 8 (Strategic Objective H), in favor of corporate communications, partnerships and advocacy perspective and to ensure proper alignment with the corporate communications activities carried out by OCP.

13. The overspending in Chapter 13 (Functional Objective Y) is driven by factors which were previously anticipated⁶ such as transitional costs required to achieve some of the 2012-13 savings for the full 24-month period, lower income recoveries in this chapter, and the reallocation of a share of corporate staff development costs from other chapters. In addition, expenditures in this chapter include USD 3.6 million of costs, which were originally work planned under Chapter 18 (Security Facility) but expended on activities relating to efficient and effective administration and recurrent up-keep of premises.

14. As explained in the footnote to Table 2, spending in Chapter 17 (Capital Expenditure) includes USD 4.7 million of IPA investment costs, funded from the USD 8.7 million carry over of 2010-11 unspent net appropriation balance. This chapter generated an overspending to be covered through a transfer of USD 4.1 million from the USD 14.8 million balance available under the Capital Expenditure Facility in 2012-13, leaving USD 10.7 million available for use in the 2014-15.

15. Chapter 18 (Security) generated a surplus of USD 3.5 million to be carried forward to 2014-15 under the Security Expenditure Facility.

⁵ FC 151/7, paragraph 11

⁶ FC 148/10, paragraph 7

Table 2: 2012-13 Budgetary Performance by Chapter (USD 000)

Chapter	Strategic and Functional Objective	2012-13 Net Appropriation (after Transf. Changes CL 145/3)	Net Expenditure funded from 2012-13 Net Appropriation (at Budget Rate)*	Balance vs. Appropriation	Budgetary Chapter Transfers
		(a)	(b)	(c)=a-b	(d)
1	A - Sustainable intensification of crop production	60,191	59,607	584	-
2	B - Increased sustainable livestock production	37,145	35,676	1,469	(900)
3	C - Sustainable management and use of fisheries and aquaculture resources	67,614	63,822	3,792	(2,500)
4	D - Improved quality and safety of food at all stages of the food chain	33,022	31,136	1,886	(1,000)
5	E - Sustainable management of forests and trees	51,410	49,228	2,182	(1,650)
6	F - Sustainable management of land, water and genetic resources and improved responses to global environmental challenges affecting food and agriculture	72,250	69,391	2,859	(1,000)
7	G - Enabling environment for markets to improve livelihoods and rural development	48,223	47,920	303	-
8	H - Improved food security and better nutrition	95,196	92,186	3,010	(2,000)
9	I - Improved preparedness for, and effective response to, food and agricultural threats and emergencies	8,177	8,056	121	-
10	K - Gender equity in access to resources, goods, services and decision-making in the rural areas	21,756	19,947	1,809	-
11	L - Increased and more effective public and private investment in agriculture and rural development	39,885	41,281	(1,396)	1,400
12	X - Effective collaboration with Member States and stakeholders	207,784	207,042	742	(700)
13	Y - Efficient and effective administrator	95,111	103,445	(8,334)	8,350
15	Technical Cooperation Programme	116,027	116,027	-	
16	Contingencies	600	-	600	
17	Capital Expenditure	26,439	26,439	-	
18	Security Expenditure	24,809	24,809	-	
Total		1,005,639	996,011	9,628	-

* The Net Expenditure total in column (b) excludes USD 8.7 million funded from the 2010-11 carryover (USD 1.5 million in Chapter 12, USD 2.5 million in Chapter 13, and USD 4.7 million in Chapter 17), over and above the 2012-13 net appropriation.

2013 IPA Expenditure

16. The 2013 expenditure plan for the remaining resources under the Immediate Plan of Action amounted to USD 27.74 million.⁷ By the end of 2013, all open IPA actions being implemented by the Secretariat had been completed as anticipated.⁸ The final IPA 2013 outturn recorded a slight underspending of USD 0.3 million against budget, as summarized in Table 3. The underspending arose mainly due to some commitments that did not materialize in time for the 2013 accounts closure.

17. In line with Conference Resolution 7/2013, the unspent balance will be used in 2014-15 for additional expenditure of a one-time nature associated with transformational change, including the cost of the Independent Review of Governance Reforms (IPA Action 2.74), currently estimated at USD 162,000.

Table 3: 2013 IPA Final Expenditure (USD million)

IPA Project	2013 Budget	Final Expenditure	Balance
Project 1. Governing Body Reform	1.38	1.71	(0.33)
Project 2. Audit	0.18	0.18	-
Project 3. Evaluation	1.01	1.05	(0.04)
Project 4. Ethics	0.57	0.46	0.11
Project 5. Reform of Programming, budgeting and RBM	1.25	1.10	0.15
Project 6. Publishing in all languages of the Organization	0.45	0.57	(0.12)
Project 7. Resource Mobilization and Management	0.76	0.66	0.10
Project 12. Partnerships	2.41	2.47	(0.06)
Project 13. Procurement	2.08	2.03	0.05
Project 14. Travel	0.17	0.14	0.03
Project 15. Translation and Printing	0.09	0.09	-
Project 16. Registry	0.57	0.72	(0.15)
Project 17. Administrative Service Model and FAO Manual	1.60	1.50	0.10
Project 19. Improve Telecoms Connectivity to DOs	2.54	2.53	0.01
Project 20. Oracle R12	0.60	0.92	(0.32)
Project 21. Other IT Actions	0.80	0.75	0.05
Project 22. Enterprise risk management	0.48	0.47	0.01
Project 23. Culture Change	1.50	1.03	0.47
Project 24. PEMS	0.70	0.68	0.02
Project 25. Competency Framework	2.76	2.64	0.12
Project 26. Mobility	1.45	1.46	(0.01)
Project 27. Other Human Resources Actions	3.13	2.99	0.14
Project 28. IPA Programme Management Unit	0.94	0.91	0.03
Project 29. IPA Communications	0.33	0.33	-
Total IPA	27.74	27.41	0.33

⁷ FC 151/7 paragraph 23

⁸ FC 151/7 Table 3