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# FINANCE COMMITTEE

**Hundred and Seventieth Session**

**Rome, 21 - 25 May 2018**

**Annual Report on Budgetary Performance and Programme and Budgetary  
Transfers in the 2016-17 Biennium**

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### EXECUTIVE SUMMARY

- The Finance Committee in November 2017 reviewed the Programme and Budgetary Transfers in the 2016-17 Biennium<sup>1</sup>. It took note of the forecasted unspent balance of USD 5 million against the Conference-approved net appropriation of USD 1,005.6 million, noted the previously approved transfers to Chapters 2, 3, 4, 5, 6, 8 and 9 and that the transfer in Chapter 2 was no longer required; and looked forward to the final report at its May 2018 session.
- This report presents the final 2016-17 budgetary outturn based on the unaudited accounts of the Organization. Final 2016-17 spending represents 99.6 percent of the biennial appropriation, resulting in a unspent balance of USD 3.9 million.
- Transfers to Chapters 3, 4, 5, 6 and 8 are in line with those previously approved and the transfer to Chapter 9 is no longer necessary.
- As authorised by the Conference at its 40th Session in July 2017 and confirmed by the Council at its 158th Session in December 2017, the unspent balance of USD 3.9 million will be allocated in 2018-19 through replenishment of the Special Fund for Development Finance Activities (SFDFA).

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to take note of the overall budgetary outturn for 2016-17, including the unspent balance of USD 3.9 million that will be used in 2018-19 to provide technical assistance and investment programming for development finance through replenishment of the Special Fund for Development Finance Activities (SFDFA). The Committee is requested to approve the transfers between budgetary chapters and recall that any unspent balances in the Technical Cooperation Programme (Chapter 7), Capital Expenditure (Chapter 13) and Security Expenditure (Chapter 14) are transferred to the 2018-19 biennium as per the Financial Regulations.

#### Draft Advice

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

- **took note of the final 2016-17 budgetary outturn based on the unaudited accounts of the Organization, and the unspent balance of USD 3.9 million;**
- **recalled that the unspent balance would be allocated in 2018-19 to provide technical assistance and investment programming for development finance through replenishment of the Special Fund for Development Finance Activities (SFDFA), as authorised by the Conference at its 40<sup>th</sup> Session in July 2017 and confirmed by the Council at its 158<sup>th</sup> Session in December 2017;**
- **recalled that any unspent balances in the Technical Cooperation Programme (Chapter 7), Capital Expenditure (Chapter 13) and Security Expenditure (Chapter 14) would be transferred to the 2018-19 biennium as per the Financial Regulations; and**
- **approved the final budgetary transfers in favour of Chapters 3 (USD 2.9 million), 4 (USD 1.4 million), 5 (USD 2.5 million), 6 (USD 1.9 million), and 8 (USD 1.8 million), as shown in Table 2.**

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<sup>1</sup> FC 169/7

## Introduction

1. Conference Resolution 6/2015 approved the 2016-17 budgetary appropriation of USD 1,005.6 million and authorised the Director-General, notwithstanding Financial Regulation (FR) 4.2, to use any unspent balance of the 2014-15 appropriations for any additional expenditures of a one-time nature associated with consolidation of transformational change<sup>2</sup>. The Council in December 2015 endorsed the Adjustments to the Programme of Work and Budget (PWB) 2016-17<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. The 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. The Finance Committee at its November 2017 session noted the previously-approved transfers to Chapters 2, 3, 4, 5, 6, 8 and 9 arising from implementation of the Programme of Work and that the transfer to Chapter 2 was no longer required. It took note of the forecasted unspent balance of USD 5 million against the 2016-17 biennial appropriation.
4. The Conference authorized the Director-General, notwithstanding Financial Regulation 4.2, to use any unspent balance of the 2016-17 appropriations for one-time use to support programmes of the Organization, including for the Special Fund for Development Finance Activities, in agreement with the Joint Meeting of the Programme and Finance Committees, and the Council at their meetings in November-December 2017<sup>4</sup>.
5. The Council at its 158<sup>th</sup> session approved the recommendation by the Joint Meeting to allocate the unspent balance of the 2016-17 appropriations through replenishment of the Special Fund for Development Finance Activities (SDFDA), to advance financing to provide technical assistance and investment programming for development finance. In addition, it approved allocation of fifty percent of unspent balance above a threshold of USD 5 million, up to a maximum of USD 1 million, towards the Blind Trust fund aimed at supporting a sustainable funding solution for FAO's work relating to scientific advice for food safety and the Codex Alimentarius.<sup>5</sup>
6. This report presents, for discussion and approval, the final budgetary performance against the 2016-17 net appropriation.

## Overall Biennial Performance

7. Table 1 summarizes overall budgetary performance versus the 2016-17 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 1.22 established in the PWB 2016-17. Any unspent balances in the Technical Cooperation Programme (Chapter 7), Capital Expenditure (Chapter 13) and Security Expenditure (Chapter 14) are transferred for use in the subsequent financial period in line with the Financial Regulations, and are therefore shown as fully spent.

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<sup>2</sup> Conference Resolution 6/2015 paragraph 2

<sup>3</sup> CL 153/3, CL 153/REP paragraphs 7-8

<sup>4</sup> C 2017/REP paragraph 76

<sup>5</sup> CL 158/REP paragraph 10.a)

Table 1: Overview of 2016-17 Regular Programme Performance (USD 000)

	USD 000
2016-17 Net Appropriation (CR 6/2015)	1,005,635
2016-17 Net Expenditure at Budget Rate	1,001,767
Balance against 2016-17 Net Appropriation to be transferred to 2018-19 to SFDFA	3,868
Carry Over of 2014-15 Unspent Net Appropriation Balance (CR 6/2015)	5,567
2016-17 Net Expenditure at Budget Rate funded from 2014-15 Carry Over	5,567
Balance against 2014-15 Carry Over	0

8. As shown in Table 1, the Organization expended a total of USD 1,001,767,000 against the 2016-17 net appropriation. In addition, as forecast in November 2017 and reported in the PIR 2016-17,<sup>6</sup> the Organization fully spent the carryover of the 2014-15 unspent net appropriation balance made available in 2016-17 for any additional expenditures of a one-time nature associated with consolidation of transformational change, as authorised by Conference Resolution 6/2015.

9. An unspent balance of USD 3.9 million is recorded against the 2016-17 net appropriation of US 1,005.6 million (99.6 percent spent). As authorised by the Conference at its 40<sup>th</sup> Session in July 2017 and confirmed by the Council at its 158th Session in December 2017, the unspent balance of USD 3.9 million will be allocated in 2018-19 through replenishment of the Special Fund for Development Finance Activities (SFDFA) to advance financing to provide technical assistance and investment programming for development finance.

10. As reported to the Finance Committee<sup>7</sup>, a favourable staff cost variance, i.e. the difference between budgeted and actual staff costs, was anticipated in the 2016-17 biennium. The main factors contributing to the final favourable variance of USD 41.1 million relate to the strengthened United States Dollar in the Decentralized Offices, the extended freeze in professional salary scales and GS salary scales for headquarters and for some other duty stations; the change in the Basic Medical Insurance Plan (BMIP); and, the decrease estimated in the current service cost of the After-service Medical Coverage (ASMC). The resulting savings covered the USD 2.7 million savings requested by Conference and contributed to strengthened programme delivery.

### Budgetary Transfers between Chapters

11. The final budgetary chapter transfers against the 2016-17 biennial appropriation are tabulated in Table 2. All transfers fall within the limits authorised by the Finance Committee in November 2017; the transfer into Chapter 9 forecast in November 2017 is no longer necessary.

12. As anticipated to the Finance Committee in November 2017<sup>8</sup>, additional efficiencies were achieved in 2016-17 in Chapters 10 (Governance) and 11 (Administration) stemming from restructuring of the Shared Services Centre (USD 2.2 million) and the outsourcing of printing and distribution work and streamlining of language services undertaken by the Conference, Council and

<sup>6</sup> FC169/7, paragraph 15 and C 2019/8

<sup>7</sup> FC 169/7, paragraphs 12 - 14

<sup>8</sup> FC 169/7, paragraph 8

Protocol Affairs Division (CPA) (USD 4.6 million). Additional underspending in these two chapters was mainly the result of the lower than budgeted actual staff costs.

13. The USD 6.8 million in efficiency savings achieved in the Functional Objectives was reallocated to the five Strategic Programmes and to Objective 6 (Technical quality, knowledge and services) which allowed for accelerated programme delivery and for additional support in the development of climate projects.

Table 2: 2016-17 Budgetary Performance by Chapter (USD 000)

Ch (a)	Strategic or Functional Objective (b)	Adjusted PWB 2016- 17 CL 153/3 (c)	Forecasted Net Expenditure from November 2017 FC 169/7 (d)	Final Net Expenditure funded from 2016-17 Net Appropriation (at Budget Rate)* (e)	Balance vs. Appropriation (f=c-e)	Budgetary Chapter Transfers (g)
1	Contribute to the eradication of hunger, food insecurity and malnutrition	84,391	82,097	83,759	632	0
2	Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner	200,735	198,127	199,623	1,112	0
3	Reduce rural poverty	65,707	67,383	68,523	(2,816)	2,850
4	Enable more inclusive and efficient agricultural and food systems	105,266	105,942	106,638	(1,372)	1,400
5	Increase the resilience of livelihoods to threats and crises	50,841	51,946	53,316	(2,475)	2,500
6	Technical quality, knowledge and services	59,215	64,505	61,048	(1,833)	1,850
7	Technical Cooperation Programme	138,131	138,131	138,131	0	
8	Outreach	77,740	80,955	79,510	(1,770)	1,800
9	Information Technology	35,437	35,580	35,120	317	
10	FAO governance, oversight and direction	76,983	69,634	68,858	8,126	(7,900)
11	Efficient and effective administration	71,275	67,022	67,928	3,347	(2,500)
12	Contingencies	600	0		600	
13	Capital Expenditure	16,892	16,892	16,892	0	
14	Security Expenditure	22,420	22,420	22,420	0	
<b>Total</b>		<b>1,005,635</b>	<b>1,000,635</b>	<b>1,001,767</b>	<b>3,868</b>	<b>0</b>

\* The Net Expenditure total in column (e) excludes USD 5.6 million funded from the 2014-15 carryover, over and above 2016-17 net appropriation.

14. Compared to the forecast in November 2017, the spending in Chapter 6 (Technical quality, knowledge and services) was lower than anticipated primarily due to lower expenditure for the development of projects for submission to the Green Climate Fund; this lower-than-anticipated spending contributed to the overall unspent balance.

15. As previously anticipated<sup>9</sup>, some variations by chapter occurred due to percentages of final expenditure in Euro being at variance with those forecasted, mainly in Chapters 10 (FAO governance) and 11 (Administration).
16. Chapter 13 (Capital Expenditure) generated a surplus of USD 12.0 million to be carried forward for use in subsequent biennia under the Capital Expenditure Facility. The 2016-17 level of expenditure reflects the fact that no major IT projects, which have a long-term cyclical nature, were programmed in the biennium.
17. Chapter 14 (Security Expenditure) generated a surplus of USD 2.7 million to be carried forward for use in subsequent biennia under the Security Expenditure Facility. The 2016-17 level of expenditure reflects the ongoing rationalization of corporate services that resulted in the consolidation of headquarters security services with the field security unit in DDO, as well as efforts to ensure appropriate financing of all security-related expenditures from assessed and voluntary contributions.
18. In accordance with the FR 4.5 (b), the Committee is requested to approve the required transfers from budgetary Chapters 10 and 11 in favour of Chapters 3 (USD 2.9 million), 4 (USD 1.4 million), 5 (USD 2.5 million), 6 (USD 1.9 million) and 8 (USD 1.8 million) as shown in column (g) of Table 2. Any unspent balances in the Technical Cooperation Programme (Chapter 7), Capital Expenditure (Chapter 13) and Security Expenditure (Chapter 14) will be transferred for use in the subsequent financial period in line with the Financial Regulations, and are therefore shown as fully spent.

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<sup>9</sup> FC 169/7, paragraph 11