

**Chairs' Aide Mémoire - Joint Meeting of CoC-IEE WG I & WG III
19 September 2008, 09.30 – 12.30**

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Possible Chapter Structure for the FAO Budget

1) It was noted that between Chapter transfers required the agreement of the Council or its Finance Committee. Members appreciated the FAO management paper (Annex 1) and considered the suggested overall Chapter structure for the Budget satisfactory with the exception of that part relating to the Technical Programmes where only two Chapters had been suggested, plus one for the Technical Cooperation Programme (TCP). In discussion it was noted that the Chapter Structure should:

- a) reflect the Strategic Framework and Medium Term Plan results-based framework;
- b) permit adequate Governing Body oversight of significant proposals for resource shifts between priorities in the Strategic Framework and Medium-term Plan;
- c) clarify the division between administrative costs and those for technical work;
- d) avoid any tendency towards micromanagement by the Governing Bodies;
- e) permit adequate flexibility to management to deliver against Strategic Objectives in the results-based framework and address any emerging issues, balancing the use of assessed contributions and extra-budgetary resources; and
- f) facilitate cross-disciplinary work.

2) Any proposals for Chapter transfers in the technical area should receive the advice of the Programme Committee and not be limited to discussion in the Finance Committee (this would require a Basic Text change).

3) The subject would be further discussed in 2009 as the Medium-Term Plan was developed.

Annex 1: Possible Chapter Structure for Budgetary Appropriations Resolution (Management Note)

Current Regulations and Practice

1. Financial Regulation III on the budget states that biennial budget estimates shall be prepared by the Director-General on a programme-budget basis, divided into chapters and programme objectives, and where necessary into programmes and sub-programmes. The budget is voted by Conference through a Budgetary Appropriations Resolution at chapter level.
2. Financial Regulation IV on appropriations provides for the financial management of the appropriations voted, including the responsibility of the Director-General to manage the appropriation so that obligations and expenditures follow, in general, the financial plans contemplated by the PWB approved by the Conference and the requirement that transfers between chapters be approved in advance by the Finance Committee or Council (FR 4.5b)¹.
3. Governing Body financial oversight of spending against plan is provided at chapter level through an Annual Report on Budgetary Performance to the Finance Committee, and programme performance is in part examined through the biennial Programme Implementation Report to Conference (through the Council and its Committees). These arrangements provide financial latitude to implement programmes flexibly, with Governing Body oversight focused on delivery of results.

Implications of the new results-based programme framework

4. At the Working Group meeting of 28-29 July on integration of Strategic Objectives, Management alerted Members that the Budgetary Appropriations Resolution to be approved by the Conference for the biennial PWB from 2010-11 would need to be adapted to be in line with the new results framework.
5. In this context, it was envisaged to equate the strategic objectives with the hitherto programme level and the organizational results with the hitherto programme entity level of the current PWB. For the purposes of the Budgetary Appropriations Resolution it would be necessary to define a chapter level above the strategic objectives.

Basic Texts	Proposed Framework
Chapters ↓ Programme Objectives ↓ Sub-programmes	Aggregation of Strategic Objectives ↓ Strategic Objectives ↓ Organizational results

6. For the biennia 2000-01 to 2004-05, the Appropriations Resolution had seven Chapters (see Annex 1). For the 2006-07 biennium, the chapter structure was modified in two ways:

¹ The Finance Committee will review the procedures regarding chapter transfers (FR 4.5b) at its October session (FC 123/12 Review of Procedures regarding Financial Regulation 4.5b).

- consolidation of the seven chapters into six under Reforms in the Organization (CR 6/2005); and
- creation of two new special purpose chapters on Capital Expenditure (CR 10/2003) and Security Expenditure (CR 5/2005).

7. In the Working Group 1 meeting of 28-29 July, Members were generally satisfied with the more aggregated presentation of the Strategic Objectives into two groups, which provided a possible basis for chapters in the Budgetary Appropriations Resolution. The possible chapter structure (see below) from the PWB 2010-11, which was outlined at the meeting:

- draws on the proposed grouping of strategic objectives (Chapters 1 and 2);
- reinstates a separate chapter for the Technical Cooperation Programme (Chapter 3);
- establishes separate chapters for the two functional objectives (Chapters 4 and 5) to allow for recognition of an administrative budget (i.e. Chapter 5); and
- maintains special purpose chapters on Capital Expenditure and Security Expenditure.

Possible Chapter Structure from 2010-11

1. Sustainable food production and management of natural resources
2. Enabling environment for food security and improved livelihoods
3. Technical Cooperation Programme
4. Governance, oversight and partnerships
5. Management and administration
6. Contingencies
8. Capital Expenditure
9. Security Expenditure

Annex 1 – Past and Current Chapter Structure of Budgetary Appropriation Resolution

2000-01 to 2004-05

1. General policy and direction
2. Technical and economic programmes
3. Cooperation and partnerships
4. Technical cooperation programme
5. Support services
6. Common services
7. Contingencies

2006-07 and 2008-09

1. Corporate governance
2. Sustainable food and agricultural systems
3. Knowledge exchange, policy and advocacy
4. Decentralization, UN cooperation and programme delivery
5. Management and supervision services
6. Contingencies
8. Capital expenditure
9. Security expenditure