

Technical Cooperation Department Field Programme Coordination and Monitoring Service (TCOM)

Monthly Progress Report on the Field Programme: Situation as at 30 September 2006

Overview

Available budgets and new approvals: At the beginning of 2006, the Organization had US\$636 million in approved budgets to deliver. By September 2006, additional budgets in the order of US\$369 million had been approved for new projects and revisions, of which US\$155 million for technical cooperation and US\$213 million for emergency/rehabilitation assistance (total 2005: US\$302 million for technical cooperation and US\$218 million for emergency/rehabilitation). During the month of September 2006, US\$30 million were recorded in the DWH as new approvals, both for emergency (US\$15 million) and technical cooperation (US\$15 million).

Delivery of FAO assistance has reached US\$336 million, i.e. about 91 percent of the new approvals, whereby:

- the delivery of technical cooperation in 2006 was 21 percent higher than approvals for new projects and revisions during the same period; and
- the delivery of emergency assistance was 69 percent of the approvals for new projects and revisions during the same period.

This means that approval of technical cooperation needs to accelerate to keep up with the delivery pace in order to keep available budgets at a stable level, while in the case of emergency/rehabilitation assistance the delivery rate needs to be increased as otherwise there will be a build-up in available budgets.

Sources and Application Analysis (in US\$ million)¹				
	2005 (Final)	2006 (at Aug)	2006 (at Sep)	2006 in % of 2005
Budgets available at beginning of period (= opening balance)	1022	768	768	75
Of which - Closed (in 2006) ²		132	133	
Net Opening balance	1022	636	636	62
Technical Cooperation	474	488	488	103
Emergency	551	279	279	51
Approvals (including increases through revisions)	522	340	369	71
Technical Cooperation	302	140	155	51
Emergency	218	198	213	98
Delivery	418	306	336	80
Technical Cooperation	246	170	188	76
Emergency	171	134	147	86
Not equalized and accounting adjustments³	-361	-32	-32	9
Technical Cooperation	-42	-27	-27	64
Emergency	-319	-5	-5	2
Budgets available at end of period (=Carry Forward)⁴	768	616	637	83
Technical Cooperation	488	390	407	83
Emergency	279	226	228	82

¹ Please refer to attachment for definitions.

² Budgets that were available at the beginning of 2006 from projects closed in any prior year. Main contributor to the amount is a project for Iraq (US\$87 million) that has been closed but for which the budget has not been equalized to the actual delivery. For more detailed definition, please refer to the attachment.

³ Accounting transaction against projects closed during the current financial year, i.e. equalization of budgets to expenditure as well as to funds to be claimed.

⁴ The carry forward for emergency assistance was underreported in the August report; this has been rectified.

Field programme delivery

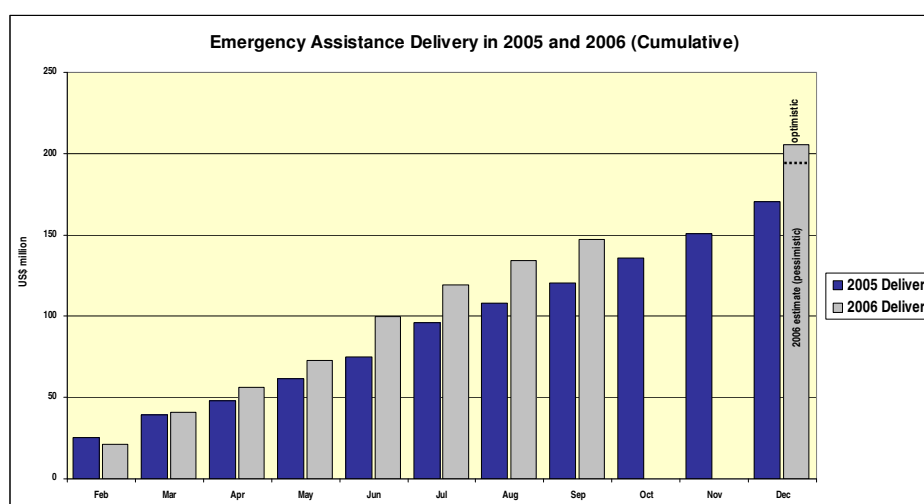
The following analytical review compares the cumulative **Field Programme Approval and Delivery** during the period **January - September 2006** with the corresponding period in 2005.

Overall cumulative field programme delivery (i.e. emergencies plus technical cooperation) continues to be significantly higher than during the comparative period in 2005 (plus 10 percent) mainly because of the acceleration in emergency assistance, which is limited only to extrabudgetary funding:

Overall delivery (values in US\$ million)

Field Programme Category	Total 2005	Budget Holder estimates for 2006 (adjusted) ⁵	Jan.-Sep. 2005	Jan.-Sep. 2006	Change
Emergency	170.5	194.4	120.4	146.7	22%
<i>(of which TCP)</i>	9.7	4.8	7.5	3.8	-49%
Technical Cooperation	247.6	222.1	185.8	189.1	2%
- DF ⁶ TC	202.2	192.9	153.0	168.2	10%
- RP (TCP and SPFS)	45.4	29.1	32.8	20.7	-37%
TOTAL	418.1	416.5	306.2	335.8	10%

- **Emergency assistance** delivery is 22 percent above the corresponding 2005 level and has already reached almost US\$150 million or about 76 percent of the 2006 delivery estimate⁶. At the beginning of October 2006, the budget available for emergency delivery was in the order of US\$228 million. The boost in emergency delivery relates to the Tsunami and Avian Influenza programmes, the emergency/rehabilitation programmes in Iraq, Sudan, Southern Africa, Somalia and Pakistan as well as the assistance to drought-affected countries in Northern Africa. It is now very certain that 2006 emergency delivery will exceed the results of 2005.

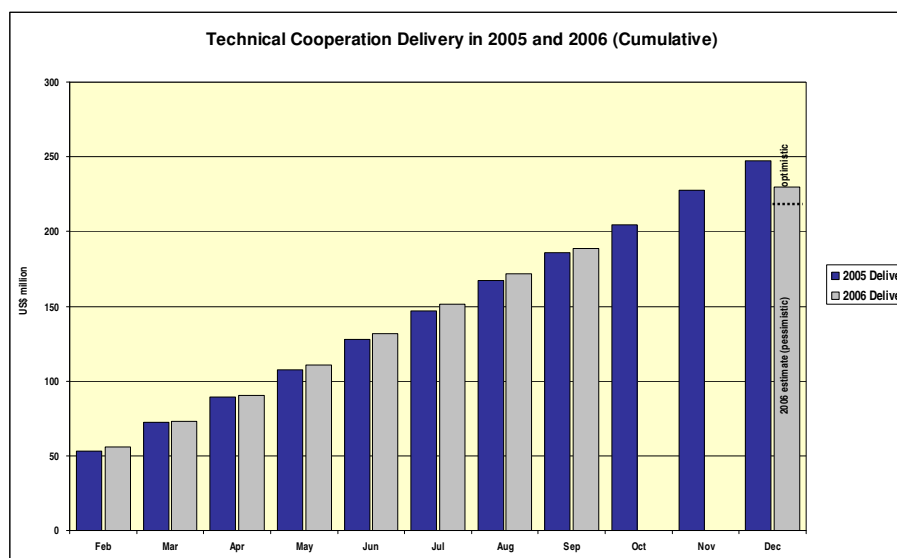


- Delivery of **technical cooperation** continues the trend observed since the beginning of 2006 and is slightly above 2005 levels with very divergent trends for the various funding sources, whereby the significant slowdown (-37 percent) in the delivery of Regular Programme-funded technical cooperation (TCP/SPFS), is compensated by the accelerating delivery of donor-funded technical cooperation (DF⁶TC) which is 10 percent higher than in 2005. Based on approved projects, budget

⁵ The budget holders estimate total delivery for each project. The figure quoted is obtained by taking the total annual delivery estimate, minus the actual delivery up to the reporting date, and applying a position (80 percent) and pessimistic (65 percent) factor to the balance and adding the result to the actual delivery. For this report, only the pessimistic adjustment is reported.

⁶ The graph for December 2006 shows the range of expected delivery for the end of 2006, taking into account actual delivery and the budget holder delivery estimates for the entire year that are adjusted to the optimistic and pessimistic scenario (80 percent and 65 percent of budget holder estimates, respectively).

holders estimate that 2006 delivery will be in the range of US\$222-\$230 million. Together with delivery from pipeline yet to be approved, total 2006 delivery may be in the same order of magnitude as in 2005 but probably lower than in 2005 (US\$248 million).



The three major funding sources of DFTC contributed 93 percent of total DFTC delivery, of which nearly 60 percent by GCP-funded projects. Delivery of UTF and “Other Trust Fund”⁷ funded projects continues to grow over-proportionately even though UTF delivery seems to be slowing down compared to prior months. Nonetheless, it is likely that DFTC-related delivery will exceed 2005 delivery levels (2005: US\$202 million) by 5-10 percent.

The improving performance of DFTC will partially compensate for the drop in delivery of technical cooperation funded by the Regular Programme (TCP/SPFS), which at US\$20.7 million is only 63 percent of what was achieved by September 2005.

It is unlikely that the budget holders’ (mainly FAORs) delivery estimates for actual operational TCP projects will be achieved in 2006, and even taking into account TCP-funded emergency assistance, total TCP-funded delivery may just be around US\$30 million, unless the current delivery trends for TCP are reversed. The lower TCP delivery is caused by the following factors:

- projects approved in 2004/05 are nearly entirely delivered (78 percent) and only US\$24 million remain to be delivered in 2006/07⁸;
- total approvals in 2005 were very low (US\$21 million) which impacts on the 2006/07 delivery level and projects approved in 2006 (US\$29 million) have been slow in starting and will only marginally contribute to delivery in 2006 (so far US\$4 million).

Average monthly delivery for TCP funded projects in 2006 is so far in the order of US\$2.4 million. Implementation of the SPFS-funded programme has also slowed down compared to 2005.

⁷ Most of the increased delivery is due to the FAO Norway Programme, the multidonor project on responsible fisheries and the General Fisheries Commission for the Mediterranean (GFCM).

⁸ Mainly because the 2004/05 biennium (86 percent) was already committed, as per Senior Management instruction.

Technical cooperation delivery by fund type (values in US\$ million)

Funding Source	Total 2005	Budget Holder estimates for 2006 (adjusted)	Jan.-Sep. 2005	Jan.-Sep. 2006	Change
DFTC	202.2	193.0	153.0	168.5	10%
- TF/APO	8.9	7.1	8.0	7.4	-8%
- TF/GCP	122.1	117.4	91.3	100.9	10%
- TF/GCPD	0.8	1.3	0.6	1.0	66%
- TF/UTF	45.6	43.1	33.9	36.8	8%
- Other Trust Funds	18.6	20.3	14.5	18.8	30%
- TeleFood	2.0	0.7	1.1	1.1	-1%
- UNDP (all types)	4.2	3.1	3.5	2.5	-27%
Regular Programme	45.4	29.1	32.8	20.7	-37%
- SPFS	2.0	1.0	1.4	0.9	-36%
- TCP	43.4	28.1	31.4	19.8	-37%
Total Technical Cooperation	247.6	222.1	185.8	189.1	2%

The current performance of the TCP is having an impact on overall delivery and in particular on the delivery by the FAO Representatives (FAORs) who may have difficulties reaching their 2005 performance (US\$127 million). Delivery of the Technical Cooperation Department is lower because projects approved in 2004/2005 have largely been delivered, while the technical departments stand out as they have, in the first nine months, achieved more than 93 percent of their 2006 delivery estimates⁹. Their share of total technical cooperation has increased from 25 percent (2005) to 35 percent (2006) at the expense of the FAORs whose share is declining from 51 percent (2005) to 44 percent (2006).

Technical cooperation delivery by operator (values in US\$ million)

Operators of Technical Cooperation	Total 2005	Budget Holder estimates for 2006 (adjusted)	Jan.-Sep. 2005	Jan.-Sep. 2006	Change
ROBs	47.2	42.7	32.2	33.6	4%
FAOR Offices	127.4	102.9	93.2	83.5	-10%
TC Department	10.5	6.2	8.3	6.3	-23%
Technical Departments	62.5	70.3	52.1	65.7	26%
Total Technical Cooperation	247.6	222.1	185.8	189.1	2%

These findings are confirmed from a **global and regional perspective** even though the five regions show different delivery trends (see table below):

- Asia and Latin America are continuing with their increase observed in past months, and both regions may achieve their delivery estimates but may have difficulties achieving their 2005 results; while
- it is now very likely that overall delivery in Africa, Near East and Europe will be lower than the 2005 performance, with differences depending on whether projects are operated by FAORs or the ROBs.

Overall, it appears that the slowdown in delivery at FAO country office level is the main factor for this trend in the regions, while all the regional operations branches (ROBs) seem to be improving their delivery performance compared with 2005, with the exception of Europe and Latin America.

⁹ Among which EC/FAO Food Security Programme; Responsible Fisheries, Africa Stockpiles Programme; ICARRF; National Forest Programme Facility; Mountain Partnership Secretariat.

Technical cooperation delivery by region (value in US\$ million)

Delivery by region and operator	Total 2005	Budget Holder estimate for 2006 (adjusted)	Jan.-Sep. 2005	Jan.-Sep. 2006	Change
Africa	55.4	44.4	40.3	34.2	-16%
- FAOR Offices	46.2	35.6	34.0	27.1	-21%
- ROBs	9.2	8.7	6.3	7.1	8%
Asia	46.6	41.1	33.3	35.0	7%
- FAOR Offices	35.3	30.6	25.7	26.7	5%
- ROBs	11.3	10.5	7.5	8.3	14%
Latin America	40.5	35.5	29.9	30.0	5%
- FAOR Offices	34.4	30.4	25.1	25.4	6%
- ROBs	6.1	5.1	4.8	4.6	-2%
Near East	23.2	17.5	16.6	13.3	-13%
- FAOR Offices	11.3	6.1	8.2	4.3	-46%
- ROBs	11.9	11.4	8.4	9.1	19%
Europe	8.9	7.1	5.3	4.6	-20%
- FAOR Offices	0.2	0.1	0.1	0.1	-47%
- ROBs	8.7	7.0	5.1	4.5	-19%
HQ	73.0	76.5	60.3	72.0	18%
Total Technical Cooperation	247.6	222.1	185.8	189.1	3%

Conclusions

The year started positively and overall 2006 delivery may remain slightly below the 2005 level, particularly if current trends continue:

- mainly because of the significant slowdown in the delivery of TCP-funded projects and the delays in the approval of the currently known DFTC pipeline; and
- despite the better than expected performance in the delivery of emergency assistance and of DFTC.

By the end of 2006, overall technical cooperation delivery by FAO country offices may run below the 2005 levels while the ROBs may be able to maintain their 2005 performance. TC delivery will be lower than in 2005, while delivery by technical departments may exceed 2005 delivery. It is likely that emergency delivery will achieve its 2006 estimates, and exceed 2005 delivery levels.

Overall, field programme delivery, comprising emergency assistance and technical cooperation, may exceed the 2005 delivery performance, mainly because emergency assistance delivery will compensate for the slowdown in technical cooperation delivery.

Definitions for Sources and Application Analysis

Opening Balance: the amount of approved budgets available for delivery at the beginning of the reporting period. The approved budgets are not synonymous with the cash balance of funds deposited but represent the commitment of donors to fund projects or programme activities for the field programme. The Opening Balance at the beginning of a reporting period (year) is identical with the Carry Forward at the end of the preceding reporting period.

Of which closed in 2006: Budgets that were available at the beginning of 2006 from projects closed in any prior year. This is the contribution of closed projects to the Opening Balance. Ideally this portion of the Opening Balance will not be available to be commitment

Net Opening balance: This is the contribution of operationally active projects to the Opening Balance. This is the portion of the Opening Balance will be available to be commitment

New Approvals: the total budget of all projects newly approved during the reporting period, as reported by the DataWareHouse (DWH) at the time of data retrieval (stated in the title of the table). This figure does not include commitments by donors for projects that have not yet entered the DWH.

Revisions (increase): budgets revisions, as reported in the DWH, during the reporting period that increase the approved project budgets.

Delivery: cumulative actual expenditure plus hard and soft commitment during the reporting period. The same amount is reported in the monthly delivery statistics.

Net increase/decrease during reporting period: total net effect on the budget available for delivery and is the difference between new approvals plus revisions minus delivery. It can be negative or positive and requires further analysis as it can be caused by many factors (e.g. inability to deliver approved budgets, implementation of approved budgets faster than new approvals, etc.). Calculated as: New Approvals + Revisions (increase) - Delivery

Accounting Adjustments: Accounting transaction against projects closed during the current financial year, i.e. equalization of budgets to expenditure as well as to funds to be claimed. The adjustments can refer to:

Equalized budgets: budget reductions resulting from the equalization process at the time when a project is financially closed; as a result of this process, the budgets are set equal to the total delivery, and the remaining budget balances are cancelled and in some cases returned to the donor.

Closed Unequalized: budgets in excess of total delivery for projects closed during the year and for which no formal equalization has been performed. Normally the value under this item should be nil.

To be claimed: deficits in budget for projects closed during the year, i.e. total delivery exceeding total donor commitment.

Closing Balance: Opening Balance + Net increase/decrease during period + Accounting Adjustments

Not equalized: approved budgets but that will no longer be implemented as the corresponding projects have completed their activities in the current period. Ideally, the amount relating to Not equalized should be zero.

Carry Forward: Closing Budget - Not Yet Equalized. The Carry Forward at the end of the current reporting period is equal to the Opening Balance at the beginning of the next reporting period (year).

