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الأغذية والزراعة
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COUNCIL

Hundred and Fifty-fourth Session

Rome, 30 May - 3 June 2016

Report of the 161st Session of the Finance Committee (16-20 May 2016)

Executive Summary

At its first regular session in 2016, the Committee examined the financial position of the Organization and other matters under its mandate. In this report of its 161st Session, the Committee:

- 1) **Makes specific recommendations** to the Council: (i) urging Members to make timely and full payment of assessed contributions (para. 8); (ii) on its endorsement of the Director General's recommendations for extension of Audit Committee members (para 30); and (iii) on the future of the Ethics Committee (para 38).
- 2) **Informs** Council of its decision approving the final budgetary Chapter transfers for the 2014-15 biennium (para. 14).
- 3) **Brings to the attention** of Council its guidance to the Secretariat on the Organization's financial position, budgetary matters, human resources, oversight and other matters.
- 4) **Highlights** to Council initiatives to improve its own work.

Suggested action by Council

The Council is requested to:

- a) **endorse** the recommendations of the Committee on the extension of members of the Audit Committee and on the future of the Ethics Committee;
- b) **take note** of the decision of the Committee on the final budgetary Chapter transfers for the 2014-15 biennium; and
- c) **endorse** the Committee's guidance provided to the Secretariat on all other matters within its mandate, as well as initiatives to improve its own methods of work.



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Introduction

1. The Committee submitted to the Council the following report of its Hundred and Sixty-first Session.
2. In addition to the Chairperson, Mr Khalid Mehboob, the following representatives of Members were present:
 - Mr Carlos Alberto Amaral (Angola)
 - Mr Matthew Worrell (Australia)
 - Mr Antonio Otávio Sá Ricarte (Brazil)
 - Mr Xie Jianmin (China)
 - Mr Khaled M.S.H. Eltaweel (Egypt)
 - Mr Crisantos Obama Ondo (Equatorial Guinea)
 - Mr Heiner Thofern (Germany)
 - Mr Lupino jr. Lazaro (Philippines)
 - Mr Vladimir V. Kuznetsov (Russian Federation)
 - Ms Abla Malik Osman Malik (Sudan)
 - Ms Natalie E. Brown (USA)
3. The Chairperson informed the Committee that:
 - Ms Cathrine Stephenson (Australia) had been designated to replace Mr Matthew Worrell for part of this session;
 - Mr Xie Jianmin (China) had been designated to replace Mr Niu Dun for this session; and
 - Trinidad and Tobago had withdrawn from Membership of the Finance Committee. The election of a member for the seat vacated by Trinidad and Tobago would take place at the upcoming 154th Session of the Council.
4. A summary of the qualifications of the substitute representatives can be downloaded from the Governing and Statutory Body Web site at:
<http://www.fao.org/unfao/govbodies/gsbhome/finance-committee/substitute-representatives/en/>
5. In addition, silent observers from the following Members attended the 161st Session of the Committee:
 - Cyprus
 - Belgium
 - Cameroon
 - Dominican Republic
 - European Union
 - Finland
 - France
 - Ghana
 - Italy
 - Netherlands
 - San Marino
 - Thailand
 - United Kingdom
 - United Republic of Tanzania

Monitoring Financial Position

Financial Position of the Organization

6. The Committee reviewed document FC 161/2, the *Financial Position of the Organization as at 31 December 2015* and cash flow forecast for 2016, including the liquidity of the Organization, the status of outstanding assessed contributions, short and long term investments, staff related liabilities, Technical Cooperation Programme (TCP) expenditure and outstanding balances, the General Fund deficit and voluntary contributions.

7. The Committee was also provided with an updated status of current assessments and arrears of the Organization as at 10 May 2016.

8. **The Committee:**

- a) **noted the latest cash flow forecast information indicated that based on Members' past payment patterns and Regular Programme cash levels, the Organization's liquidity was expected to be sufficient to cover operational needs through to the end of 2016;**
- b) **recognising that the Organization's on-going cash flow health was dependent on the timely payment of assessed contributions, urged all Member Nations to make timely and full payment of assessed contributions;**
- c) **noted that the increase in the General Fund deficit to USD 922.2 million as at 31 December 2015 from USD 862.2 million as at 31 December 2014 was principally due to unfunded Staff Related Liability charges;**
- d) **noted that the underfunding of staff related liabilities continued to be a concern for the Organization and that this shared issue was being reviewed by the Organizations of the United Nations System;**
- e) **encouraged the Secretariat to continue to maintain the TCP expenditure rate at a level that ensures the full implementation of the TCP appropriation as approved by the Conference; and**
- f) **noted the information provided on investment performance, including the impact of the decline of the EUR against the USD, and that this matter would be considered in further detail by the Committee under the agenda item on the *Report on Investments 2015*.**

Report on Investments 2015

9. The Committee reviewed document FC 161/3, *Report on Investments 2015*.

10. **The Committee:**

- a) **noted the solid performance of the short term investment portfolio and encouraged the Secretariat to continue its prudent investment approach for this portfolio;**
- b) **appreciated the results of the long term investment portfolio compared to the benchmarks, particularly given the context of unfavourable and volatile market conditions during 2015; and**
- c) **commended the solid governance arrangements in place, including the high-level advice provided by the external Advisory Committee on Investments.**

2015 Actuarial Valuation of Staff Related Liabilities

11. The Committee reviewed document FC 161/4, *2015 Actuarial Valuation of Staff Related Liabilities*, on the results of the annual valuation by external actuaries and the current financial situation, accounting and funding of the Organization's liability for staff-related plans as at 31 December 2015.

12. **The Committee:**

- a) **noted that total Staff Related Liabilities as at 31 December 2015 amounted to USD 1,124.7 million, representing a decrease of USD 265.7 million from the valuation at 31 December 2014, due mainly to an increase in the discount rate, the decrease in assumed medical trend rates and the movement in year-end Euro-Dollar exchange rates;**
- b) **recalled the previous discussions of the Committee when it had emphasized that the matter of unfunded After Service Medical Coverage (ASMC) liabilities was a complex and highly important issue that concerned the entire UN system;**
- c) **encouraged the continued participation of the secretariat in the UN Common System's search for a solution to this issue; and**
- d) **requested an update at its next regular session in Autumn 2016 on the decisions taken by the United Nations General Assembly following its consideration of the Report of the After Service Health Insurance (ASHI) Working Group of the Finance and Budget Network, and on efforts being made by the Secretariat to contain the costs of the Scheme.**

Budgetary Matters

Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2014-15 biennium

13. The Committee reviewed document FC 161/5, *Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2014-15 biennium*.

14. **The Committee:**

- a) **took note of the final 2014-15 budgetary outturn based on the unaudited accounts of the Organization, and the unspent balance of USD 5.6 million which would be used in 2016-17 to cover additional expenditures of a one-time nature associated with consolidation of transformational change, as authorised by Conference Resolution 6/2015;**
- b) **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 2016-17 biennium as per the Financial Regulations; and**
- c) **approved the final budgetary transfers in favour of Chapters 2 (USD 3.2 million), 3 (USD 1.2 million), 5 (USD 8.9 million), 8 (USD 9.1 million), 10 (USD 6.6 million) from Chapters 1, 4, 6, 9 and 11, as shown in Table 2 of the document (Annex I).**

Report on the Implementation of the FAO Cost Recovery Policy

15. The Committee reviewed document FC 161/6, *Report on the Implementation of the FAO Cost Recovery Policy*.

16. **The Committee:**

- a) **took note of progress on the initial implementation of the FAO Cost Recovery Policy, including on the complex changes required to budgeting, accounting and financial reporting processes to support its full implementation;**
- b) **appreciated and encouraged the efforts being undertaken to inform and communicate with external resource partners on transition and implementation measures, including in applying the new policy to selected projects; and**
- c) **noted and supported the arrangements for monitoring and annual reporting on implementation of the policy to the Finance Committee.**

Proposal to establish a Special Fund for Development Finance Activities

17. The Committee reviewed document FC 161/7, *Proposal to Establish a Special Fund for Development Finance Activities*.

18. **The Committee:**

- a) **welcomed the initiative by the Director-General to consult the Finance Committee on the establishment of a Special Fund for Development Finance Activities and supported the proposal;**
- b) **noted that it was within the authority of the Director-General to authorize the creation of the proposed fund;**
- c) **noted the extra-budgetary nature of the Special Fund established under Financial Regulation 6.7 and recognized that the Special Fund would enable the Organization to engage proactively with the global funds and International Financial Institutions (IFIs), including regional development banks, to meet the growing technical assistance needs of Members;**
- d) **was informed that the Special Fund for Development Finance Activities would be set-up with an initial target level of USD 10 million, noting that this target may be reviewed in the future; and**
- e) **looked forward to receiving information on the status and use of the fund as part of the regular reporting of the Secretariat to the Finance Committee.**

Human Resources

Human Resources Management

19. The Committee reviewed document FC 161/8, *Human Resources (HR) Management* together with the Supplementary Information provided.

20. In the future, the Committee looked forward to receiving in a timely manner HR-related papers containing information adequate for its informed discussions on human resources matters.

21. The Committee appreciated the significant achievements and innovations in Human Resources Management at FAO in recent years, noting these had provided the foundation for the success of the transformational change process.

22. Furthermore, the Committee encouraged the Secretariat in its ongoing efforts to improve human resources management, including in the areas of:

- 1) staff selection and appointment, including in the decentralized offices;
- 2) the APO and JP Programmes;
- 3) performance management, learning, development and mobility;
- 4) workforce planning; and
- 5) streamlining and increased efficiency.

23. The Committee requested the Secretariat to give particular attention to recruitment timeframes, equitable geographical representation and gender balance and to concerns expressed on persistently high vacancy rates.

Recommendations and Decisions of the International Civil Service Commission to the General Assembly (including Changes in Salary Scales and Allowances)

24. The Committee reviewed document FC 161/9, *Recommendations and Decisions of the International Civil Service Commission to the General Assembly (including Changes in Salary Scales and Allowances)* that provided information on recent developments in the activities of the International Civil Service Commission (ICSC) and changes in the conditions of service of staff in the professional and higher categories, as well as general service staff.

25. **The Committee:**

- a) **noted the changes made by the ICSC to the compensation package for the professional and higher categories as well as the resolutions adopted by the United Nations General Assembly (UNGA);**
- b) **noted the authority of the Director-General to amend the Staff Regulations as necessary to give effect to the recommendations of the ICSC which have been approved by the UNGA, pursuant to Staff Regulation 301.12.2.; and**
- c) **encouraged the Secretariat to update the Finance Committee on the applicability of the ICSC findings about the Mandatory Age of Separation to FAO.**

Oversight

2015 Annual Report of the Inspector General

26. The Committee reviewed document FC 161/10, *2015 Annual Report of the Inspector General*.

27. **The Committee:**

- a) **appreciated the quality of the report and the analysis of issues presented, which covered the full range of responsibilities under the mandate of the Office of the Inspector General;**
- b) **welcomed the statement of assurance provided by the Inspector General on the independence of the Office of the Inspector General;**
- c) **welcomed and encouraged the good cooperation and convergence of views on internal control issues, between the Office of the Inspector General and management;**
- d) **urged management to prioritize the implementation of outstanding recommendations, in particular those related to decentralized offices and long outstanding high risk recommendations;**
- e) **highlighted the issues identified at the Shared Services Centre (SSC) and urged management to continue its efforts to address these through the SSC transformation process;**
- f) **noted FAO's action on adverse findings from OIG investigations, in particular the vendor sanctioning process as applied to third parties engaged in FAO activities who have been found to engage in fraud, which had been in full implementation in 2015; and**
- g) **welcomed the acknowledgement by the Director-General of the recommendations in the report and the intention to implement them.**

FAO Audit Committee - 2015 Annual Report to the Director-General

28. The Committee reviewed document FC 161/11, *FAO Audit Committee - 2015 Annual Report to the Director-General*.

29. **The Committee:**

- a) **took note of the FAO Audit Committee's Annual Report for 2015;**
- b) **acknowledged the important role of the FAO Audit Committee in providing independent assurance and advice in the mandated areas under its Terms of Reference;**
- c) **welcomed the report, which included positive conclusions on the operation of the Office of the Inspector-General and relevant advice in relation to FAO's system of internal control, risk management and governance;**
- d) **expressed satisfaction with the FAO Audit Committee's advice in the areas under its mandate, particularly on the filling of vacancies in the Office of the Inspector General; and,**
- e) **noted the Director-General's concurrence with the recommendations presented in the report.**

FAO Audit Committee Membership

30. The Committee reviewed document FC 161/12, *FAO Audit Committee Membership*.

31. **The Committee:**

- a) **considered the document in which the Director-General recommended that Ms. Lesedi Lesetedi and Mr. Juan Manuel Portal Martinez' terms on the Committee be extended for a further three years which will bring them to a total of six years on the Committee. Such extensions would be made by the Director-General effective from the date of approval by the Council;**
- b) **supported the Director-General's recommendation and agreed to submit to the Council its endorsement; and,**
- c) **encouraged the Secretariat to accelerate the process of identification of a candidate to be appointed as a new Audit Committee Member.**

Appointment of the Inspector General

32. The Committee reviewed document FC 161/13, *Appointment of the Inspector General*.

33. **The Committee:**

- a) **took note of the information contained in document FC 161/13 and supported the appointment of Mr. Thierry Rajaobelina to the post of Inspector-General; and**
- b) **expressed its appreciation for the work of the outgoing Inspector-General, Mr. John Fitzsimon.**

Progress Report on Implementation of the External Auditor's Recommendations

34. The Committee reviewed document FC 161/14, *Progress Report on Implementation of the External Auditor's Recommendations*.

35. **The Committee:**

- a) **noted the status of implementation of the recommendations of the External Auditor;**

- b) **welcomed** the progress made in closing recommendations of the External Auditor and urged the Secretariat to continue efforts to close the remaining outstanding recommendations, particularly those which were related to strengthening internal control in decentralized offices and those which had been outstanding for a significant time; and
- c) **requested** the Secretariat to work with the External Auditor to reach agreement on the closure of recommendations where oversight and monitoring mechanisms have been established to address the recommendation but where non-implementation issues had still been identified at decentralized offices.

Ethics Committee - Annual Report 2015

36. The Committee reviewed document FC 161/15.1, *Ethics Committee - Annual Report 2015*.

37. **The Committee**

- a) **took note** of the FAO Ethics Committee's Annual Report for 2015 and endorsed its recommendations, in particular on strengthened education and training programmes on ethics matters; and
- b) **encouraged** FAO to continue to monitor the effectiveness of the system and procedures in place to prevent and mitigate conflicts of interest in partnerships with the private sector.

Review of the work of the Ethics Committee

38. The Committee reviewed document FC 161/15.2, *Review of the work of the Ethics Committee*.

39. **The Committee:**

- a) **recalled** that the Ethics Committee had been established on a trial basis for a four-year period starting in January 2012 and that the CCLM, the Finance Committee and the Council, were to keep the work of the Ethics Committee under review in order to make a determination at the end of that period as to the future of the Ethics Committee;
- b) **noted** that document FC 161/15.2 presented a review of the work of the Ethics Committee since its inception in 2011 up to its last session in August 2015 with the intention to allow the Finance Committee, CCLM and Council to make a determination as to the future of the Ethics Committee;
- c) **expressed** its appreciation to the Members of Ethics Committee and for its work that had been extremely useful to the Organization and for the assistance provided to the Secretariat and to the Membership; and
- d) **noted** the deliberations of the 102nd Session of the CCLM¹ on this matter and **endorsed** its recommendations:
 - i) that the Ethics Committee had fulfilled its mission and there was no justification for its continued operation nor for extending its mandate, and that matters addressed by the Ethics Committee could be within the purview of the Audit Committee, which submitted an annual report to the Finance Committee; and
 - ii) that the Ethics Officer continue to report on the activities of the Ethics Office to the Governing Bodies, possibly in the context of the review by the Finance Committee of the report of the Audit Committee.

¹ (CL 154/2 paras 5-7)

FAO Internal Control Framework

40. The Committee reviewed document FC 161/16, *FAO Internal Control Framework*, which provided an update on the progress made by the Organization on FAO's Accountability Policy and Internal Control Framework.

41. **The Committee:**

- a) **welcomed** the measures taken by FAO to strengthen accountability structures over the delivery of the Programme of Work and Budget, including by reinforcing delivery of Strategic Programmes, creating performance standards to assess the achievements and monitor progress of programme teams, and putting in place an Operational Monitoring Dashboard to provide quantitative and qualitative information to enable managers to assess progress against the performance standards;
- b) **noted** that the FAO Internal Control Framework, approved in 2016, was based on the widely recognized and used COSO² model of internal control; and
- c) **commended** the Secretariat on the significant series of steps planned for the next eighteen months to put in place the processes and provide evidence in order to support the production of a Statement on Internal Control, to be attached to the financial statements at the end of 2017, and which would also reflect segregation of duties.

Improved Methods of Work and Efficiency of the Finance Committee

Working Methods of the Finance Committee

42. The Committee noted the importance of continually reviewing its methods of work in order to achieve its overarching goals and objectives.

43. In this regard, **the Committee:**

- a) **appreciated** that at the current Session the Joint Meeting of the Programme and Finance Committees was held on the first day of the Session and requested the Secretariat to consider repeating this practice at future Sessions;
- b) **encouraged** the Secretariat to consider options which would contribute to reducing the volume of printed documentation prepared for each session, recognizing the opportunities provided in this regard by developments in information technology; and
- c) **recalled** the importance of ensuring that all documents be received by members, in all languages and with uniformity of quality, at least two weeks prior to each session and preferably as early as possible, to allow due consideration and preparation by Members.

Other Matters

Date and Place of the Hundred and Sixty-second Session

44. The Committee was informed that the 162nd Session was scheduled to be held in Rome from 23 to 25 May 2016.

²Internal Control - Integrated Framework; The Committee of Sponsoring Organizations of the Treadway Commission (COSO); 2013 - modified by Guidance on Monitoring Systems; The Committee of Sponsoring Organizations of the Treadway Commission; 2009.

Documents for information

- Status of Current Assessments and Arrears (doc. FC 161/INF/2)
- JIU Reports
 - Review of the Management of implementing Partners in United Nations System Organizations (JIU/REP/2013/4) (doc. FC 161/INF/3)
 - An Analysis of the Resource Mobilization Function within the United Nations System (JIU/REP/2014/1) (doc. FC 161/INF/4)
- Report on the Special Fund for Emergency and Rehabilitation Activities (SFERA) (doc. FC 161/INF/5)

Annex I - Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2014-15 Biennium

EXECUTIVE SUMMARY

- The Finance Committee in November 2015 reviewed the Programme and Budgetary Transfers in the 2014-15 Biennium. It took note of the forecasted unspent balance of USD 5 million against the Conference-approved net appropriation of USD 1,005.6 million, authorized the forecasted budgetary Chapter transfers in favour of Chapters 2, 3, 5, 8 and 10 and looked forward to the final report at its May 2016 session.
- This report presents the final 2014-15 budgetary outturn based on the unaudited accounts of the Organization. Final 2014-15 spending represents 99.4 percent of the USD 1,005.6 million biennial appropriation. The unspent balance of USD 5.6 million will be used in 2016-17 to cover additional expenditures of a one-time nature associated with consolidation of transformational change, as authorised by Conference Resolution 6/2015.
- All Chapter transfers are in line with those previously approved.

Introduction

1. Conference Resolution 7/2013 approved the 2014-15 budgetary appropriation of USD 1,005.6 million and the Programme of Work, subject to adjustments based on guidance provided by the Conference. The Conference also authorised the Director-General, notwithstanding Financial Regulation (FR) 4.2, to use any unspent balance of the 2012-13 appropriations for any additional expenditures of a one-time nature associated with transformational change³.
2. At its 148th session in December 2013, the Council endorsed the Adjustments to the Programme of Work and Budget (PWB) 2014-15⁴, noting that further budgetary transfers could arise as a result of work planning, as well as from using the most efficient and effective modalities of implementation during the biennium, which would be handled in accordance with Financial Regulation 4.5.
3. 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.
4. The Council at its 149th session noted that the Finance Committee in May 2014 endorsed the forecasted chapter distributions of the 2014-15 budgetary appropriation arising from preparation of biennial work plans with the budgetary transfers in favour of Chapters 5, 6, 8 and 10⁵. The Council at its 151st session noted that the Finance Committee in March 2015 had authorized forecasted budgetary transfers in favour of Chapters 2, 5, 8 and 10⁶.
5. The Council at its 153rd session noted that the Finance Committee in November 2015 had authorized an additional forecasted budgetary transfer in favour of Chapter 3 and took note of the forecasted underspending of USD 5 million against the 2014-15 biennial appropriation that would be used in 2016-17 to cover additional expenditures of a one-time nature associated with consolidation of transformational change, as authorised by Conference Resolution 6/2015⁷.
6. This report presents, for discussion and approval, the final budgetary performance against the 2014-15 net appropriation.

Overall Biennial Performance

7. Table 1 summarizes overall budgetary performance versus the 2014-15 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 1.30 established in the PWB 2014-15. 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.

³ Conference Resolution 7/2013 paragraph 2)

⁴ CL 148/3, CL 148/REP paragraphs 7-8

⁵ FC 154/9, CL 149/4 paragraph 21c), CL 149/REP paragraph 18d)

⁶ FC 157/8, CL 151/3 paragraph 18, CL 151/REP paragraph 11d)

⁷ FC 160/7, CL 153/7 paragraphs 18-19, CL 153/REP paragraph 13e).

Table 1: Overview of 2014-15 Regular Programme Performance (USD 000)

	USD 000
2014-15 Net Appropriation (CR 7/2013)	1,005,649
2014-15 Net Expenditure at Budget Rate	1,000,082
Balance against 2014-15 Net Appropriation to be transferred to 2016-17 to cover additional expenditures of a one-time nature associated with consolidation of transformational change	5,567
Carry Over of 2012-13 Unspent Net Appropriation Balance (CR 7/2013)	9,434
2014-15 Net Expenditure at Budget Rate funded from 2012-13 Carry Over	9,417
Balance against 2012-13 Carry Over	17

8. As shown in Table 1, the Organization expended a total of USD 1,000,082,000 against the 2014-15 net appropriation. In addition, the Organization spent USD 9,417,000 of the USD 9,434,000 carryover of the 2012-13 unspent net appropriation balance made available in 2014-15 for expenditure associated with transformational change, as authorised by Conference Resolution 7/2013.

9. An unspent balance of USD 5.6 million is recorded against the 2014-15 net appropriation of US 1,005.6 million (99.4 percent spent). The unspent balance will be used in 2016-17 to cover additional expenditures of a one-time nature associated with consolidation of transformational change, as authorised by Conference Resolution 6/2015.

Budgetary Transfers Between Chapters

10. The final budgetary chapter transfers against the 2014-15 biennial appropriation are tabulated in Table 2. All transfers fall within the limits authorised by the Finance Committee in November 2015. As previously anticipated⁸ some variations by chapter occurred due to percentages of final expenditure in Euro being at variance with those forecasted. Main programmatic changes, comparing to November 2015 forecasts, are summarized below.

11. Additional spending in Chapter 1 (Strategic Objective 1) represents activities which were budgeted under Chapter 6 (Technical quality, knowledge and services), funded from the Multidisciplinary Fund. The increased spending in Chapter 2 (Strategic Objective 2) is mainly due to a technical realignment of regular programme expenditure of the International Plant Protection Convention (IPPC) Secretariat, which was originally planned in Chapter 4 (Strategic Objective 4).

12. The spending in budgetary Chapters 5 (Strategic Objective 5) and 8 (Outreach) was lower than previously anticipated due to commitments that did not materialize at year-end in some headquarters divisions and FAO liaison offices balanced by the higher than previously forecasted spending in Chapter 9 (Information Technology) in other decentralized locations.

13. Chapter 13 (Capital Expenditure) generated a surplus of USD 15.4 million to be carried forward for use in subsequent biennia under the Capital Expenditure Facility. The 2014-15 level of expenditure reflects the fact that no major IT projects, which have a long-term cyclical nature, were programmed in the biennium. Furthermore, as reported in the PWB 2016-17,⁹ innovations introduced

⁸ FC 160/7 paragraph 12

⁹ C 2015/3 paragraph 285

during the 2014-15 biennium reduced the requirements for IT investments, which is also reflected in the reduced appropriation for Capital Expenditure in the 2016-17 biennium.

14. Chapter 14 (Security Expenditure) generated a surplus of USD 10.4 million to be carried forward for use in subsequent biennia under the Security Expenditure Facility. The 2014-15 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.

15. In accordance with the FR 4.5 (b), the Committee is requested to approve the required transfers from budgetary Chapters 1, 4, 6, 9, 11 in favour of Chapters 2 (USD 3.2 million), 3 (USD 1.2 million), 5 (USD 8.9 million), 8 (USD 9.1 million), 10 (USD 6.6 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.

Table 2: 2014-15 Budgetary Performance by Chapter (USD 000)

Ch	Strategic or Functional Objective	Adjusted PWB 2014-15 (CL 148/3)	Forecasted Net Expenditure from November 2015 FC 160/7	Final Net Expenditure funded from 2014-15 Net Appropriation (at Budget Rate)*	Balance vs. Appropriation	Budgetary Chapter Transfers
(a)	(b)	(c)	(d)	(e)	(f=c-e)	(g)
1	Contribute to the eradication of hunger, food insecurity and malnutrition	94,617	80,628	82,664	11,953	(7,250)
2	Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner	198,681	201,029	201,831	(3,150)	3,200
3	Reduce rural poverty	62,142	63,136	63,281	(1,139)	1,150
4	Enable more inclusive and efficient agricultural and food systems	115,217	109,060	107,192	8,025	(8,000)
5	Increase the resilience of livelihoods to threats and crises	37,905	47,526	46,720	(8,815)	8,850
6	Technical quality, knowledge and services	54,746	47,636	45,881	8,865	(8,850)
7	Technical Cooperation Programme	134,721	134,721	134,721	0	
8	Outreach	64,712	75,625	73,738	(9,026)	9,050
9	Information Technology	35,501	33,081	34,876	625	(600)
10	FAO governance, oversight and direction	80,213	86,642	86,768	(6,555)	6,600
11	Efficient and effective administration	81,691	76,661	77,507	4,184	(4,150)
12	Contingencies	600	0	0	600	
13	Capital Expenditure	21,886	21,886	21,886	0	
14	Security Expenditure	23,017	23,017	23,017	0	
Total		1,005,649	1,000,649	1,000,082	5,567	0

*The Net Expenditure total in column (e) excludes USD 9.4 million funded from the 2012-13 carryover, over and above 2014-15 net appropriation.