

C 2017/3 - Medium Term Plan 2018-21 and Programme of Work and Budget 2018-19

Information Note no. 4 – June 2017

Proposal to carry over any unspent balance of the 2016-17 budgetary appropriation to replenish on a one-time basis the Special Fund for Development Finance Activities

This note makes a proposal to authorize the Director-General to utilize any unspent balance of the 2016-17 appropriations to replenish on a one-time basis the Special Fund for Development Finance Activities.

I. Background

1. Each session of the Conference approves the Programme of Work for the next biennium and votes a budgetary appropriation for its implementation. The Conference also provides guidance and authority to the Director-General on other programme and budget matters.
2. In this regard, the Conference has approved carry over of any unspent balances of budgetary appropriations for a range of specific purposes on a number of past occasions.¹ In particular, since the 2008-09 biennium, Conference has authorized the carry-over of the unspent balance of the appropriations for specific one-time uses in the subsequent biennium, which amounted to:
 - USD 2.5 million from 2008-09 to 2010-11 to replenish the Capital Expenditure Facility.
 - USD 8.7 million from 2010-11 to 2012-13 for full implementation of the Immediate Plan of Action for FAO Renewal.
 - USD 9.4 million from 2012-13 to 2014-15 for transformational change.
 - USD 5.6 million from 2014-15 to 2016-17 for consolidation of transformation change.
3. The decision to authorize the carry-over of the unspent balances has been a matter considered solely by and within the authority of the Conference when considering the level of the budget, without discussion by the Council or its Committees.
4. The 156th Session of the Council (24-28 April 2017) recommended to the 40th Session of Conference (July 2017) to approve the Programme of Work and the budget level proposed by the Director-General.
5. Since the Council session in April, the Director-General, cognizant of his duty to fully obligate and spend the budgetary appropriation to implement the Programme of Work, now expects to have a small unspent balance (less than USD 10 million) at the end of the 2016-17 biennium. For the next biennium, the Organization will be subject to increasing demands on the technical expertise and assistance it provides in the context of a flat nominal budget. In addition, there are indications that some Members may face potential constraints in paying their assessed contributions in a full and timely manner in the 2018-19 biennium. Accordingly, the Director-General proposes that any unspent balance of the 2016-17 budgetary appropriation be used to replenish on a one-time basis the Special Fund for Development Finance Activities, as set out below.

¹ This was the case in 1979, 1981, 1983, 1987, 1991, 1997, 1999, 2001, 2009, 2011, 2013 and 2015



II. Replenishment of the Special Fund for Development Finance Activities

6. In May 2016, the Finance Committee supported and the Council noted the establishment by the Director-General of a Special Fund for Development Activities (SFDDFA) under Financial Regulation 6.7 to enable the Organization to engage proactively with the global funds and International Financial Institutions, including regional development banks, to meet the growing technical assistance needs of Members.²

7. The Organization has a mandate to provide technical assistance to Members. Technical assistance is provided through the Programme of Work funded by assessed contributions, and through several special programmes, funds and agreements that have been established over the years to respond to the needs and changing circumstances of Members and partners, funded by both assessed and voluntary contributions.

8. For example, the World Bank Cooperative Programme provides technical assistance for investment formulation missions. The Technical Cooperation Programme makes FAO's know-how and technical expertise available to member countries upon request, drawing from its own resources. The TeleFood Special Fund finances concrete grass-roots level projects. And the Special Fund for Emergency and Rehabilitation Activities was launched in 2004 to enable the Organization to rapidly initiate emergency operations.

9. The environment in which the Organization operates continues to evolve, particularly concerning the provision of development finance. Traditional grant-based Official Development Assistance (ODA) funds much of FAO's technical assistance activity. Achieving the Agenda 2030 will, however, require a substantial increase in investment. More and more development finance, including in the food and agriculture sector, is being provided through special-purpose investment funds (e.g. Global Environment Facility, Green Climate Fund) and regional development banks. These institutions are calling upon FAO to provide technical assistance to Members as they access and apply this type of development finance, which is likely to increase in the future.

10. Given the expansion in the size of global funds and the rise of regional development banks, the Director-General has recognized the need for ready access to resources to provide advance funding for and scaling up of technical assistance for development finance. This would enable the Organization to engage proactively with the global funds and regional development banks to meet the growing technical assistance needs of Members.

11. Therefore, the SFDDFA was established in mid-2016 with two components:

- a) a working capital component to provide advance financing for technical assistance on a fully reimbursable basis with global funds, regional development banks and other entities requiring advance financing of expenditure;
- b) a revolving fund component to support the expansion of FAO's involvement in investment programming partnerships with global funds, international financial institutions and regional development banks.

12. As supported by the Finance Committee and noted by the Council, the SFDDFA has an initial target funding level of USD 10 million and can receive funds from four sources:

- a) direct voluntary contributions from interested donors;
- b) retention/transfer of fund balances on completed non-emergency projects, as authorized by donors;
- c) retention/transfer of interest earnings on non-emergency project fund balances, as authorized by donors;
- d) transfer on a one-time basis of the unspent balance on the budgetary appropriation, to be approved by Conference.

13. To date, the SFDDFA has not received any direct voluntary contributions from donors. Furthermore, no donors have authorized balances on completed non-emergency projects to be

² FC 161/7, CL 154/4 paragraphs 17-18, CL 154/REP paragraph 16c

transferred to the SF DFA, and in the current economic environment short-term interest earnings on project fund balances are no material.

14. There is great demand from member countries for advance financing of technical assistance and investment programming in relation to the Green Climate Fund and regional development banks. In order to meet this demand in the next biennium, and as supported by the Finance Committee and noted by the Council, it is now proposed that Conference authorize the transfer of any unspent balance on the 2016-17 appropriations as a one-time replenishment of the SF DFA.

15. Therefore, the Conference is requested to reflect in its report the following one-time authority:

Authorizes the Director-General, notwithstanding Financial Regulation 4.2, to use any unspent balance of the 2016-17 appropriations resolution to replenish on a one-time basis the Special Fund for Development Finance Activities.