

Item 3 of the Provisional Agenda
FIRST SPECIAL SESSION OF THE GOVERNING BODY
7 – 8 December 2021
Secretariat Response to the points raised in connection with Agenda Item 3 and the related documents: IT/GB-Sp1/21/3, <i>Draft Interim Budget for 2022</i>, and Information document, IT/GB-Sp1/21/3/Inf.1, <i>Interim Financial Report and Financial Statements</i>

In response to the comments and questions raised by Canada, similar to Japan (in regard to **Paragraph 10 of the document, IT/GB-Sp1/21/3**, which is noted), the Financial Rules of the International Treaty, under Rule 5 (Provision of Funds), state:

- 5.1 *“The resources of the Treaty shall comprise:*
h. The uncommitted balance of voluntary contributions from previous financial periods carried forward”.

As such, the Secretariat is *obliged* to take into consideration any available, unused funds in the preparation of subsequent budgets. While the unspent funds appearing at the end of the current period may seem to be available to be included in the next biennium’s budget, however, this is not the case since several additional factors need to be considered:

- The outstanding funds at the end of 2021 will have to cover the cost of the Ninth Session of the Governing Body (GB), now planned to be held in May 2022, since this item is budgeted for in the current 2020-21 budget. Based on the costs of previous sessions of the GB, and being one of the largest expenditure items of the budget, this will cause a major reduction in the level of the apparently unused funds from the current period.
- The final (or actual) level of unused funds from previous periods (2021 and prior) cannot known at the time the Interim Budget (and related funding) for the following 2022 will be adopted.
- Therefore, allocation against future Core Administrative Budget (CAB) of any unused balance could only take place following the finalisation of GB-9 and audit at the end of the period in question.

As previously announced, the Ninth Session of the Governing Body is scheduled to hold from 9 to 14 May 2022, in New Delhi, India. The Secretariat is in constant communication with the Host Government, and regularly updates and seeks the guidance of the Bureau as it continues to monitor developments relevant to the arrangements.

Japan raised a number of further points and questions:

In regard to **paragraph 8.b** of the **document, IT/GB-Sp1/21/3**: *“Can the Secretariat please elaborate/provide information on this point? (e.g. “x” percent of contributions are paid in the second half of the budget year, etc.)”.*

The table below shows the receipts to the Core Administrative Budget (including receipts to the Working Capital Reserve and Third-Party Beneficiary Operational Reserve) over a ten-year period. It can be seen that the general trend is that a greater amount is received in the first year of the biennium, largely due to the fact that a number of Contracting Parties pay the full contribution for the biennium in the first year.

Year	Budget 1/	Receipts 2/	
2021	\$ 5,809,274	\$ 2,280,418	39%
2020		\$ 2,800,555	48%
2019	\$ 5,809,269	\$ 2,697,446	46%
2018		\$ 2,676,843	46%
2017	\$ 5,105,517	\$ 2,015,203	39%
2016		\$ 2,579,212	51%
2015	\$ 4,943,284	\$ 1,667,811	34%
2014		\$ 2,533,500	51%
2013	\$ 4,480,713	\$ 1,343,909	30%
2012		\$ 2,412,108	54%

1/Voluntary contributions only, excluding FAO contribution

2/ Amounts received include WCR, TPB-OR and arrears

The table shows the receipts at 31 December of the given year. Several Contracting Parties pay their contributions in the latter part of the year due to internal budgetary considerations. This fact makes challenging for the Secretariat to organize a major meeting like the Governing Body, with the consequent commitment of resources since Financial Rule 4.1 specifies that the funds must have been received at the time the commitment is incurred:

“After the Core Administrative Budget has been adopted, the appropriations therein shall, subject to Rule III.6, constitute the authority for the Secretary to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted, provided that commitments shall be covered by related contributions received or funds available in the Working Capital Reserve, ...”

Accordingly, it is essential that sufficient funds be received in good time to be able to proceed with the organization of GB sessions and the funds received in the first year of the biennium (which may exceed the resources required during that period) are instrumental in assuring this.

The funds available under the part of the Core Administrative Budget financed by voluntary contributions by Contracting Parties are held in a Trust Fund (MTF/INT/017/MUL) and can be carried forward from one accounting period to another.

Document IT/GB-Sp1/21/3, Footnotes to the Indicative Scale of Contributions

With regard to the comment in footnote 2/, the UN Scale of Contributions, which is the basis for the FAO Scale and consequently the Treaty Indicative Scale, is adopted for a three-year period, whereas FAO adopts a scale for the biennium. It therefore follows that the same UN Scale may be used across two biennia and that some of the data will necessarily be slightly outdated. Nonetheless, the FAO Scale for 2022-23 has been adopted by the FAO Conference based on the 2019 UN Scale (as is being proposed for the Treaty), as follows:

Scale of Contributions 2022-23

73. *The Conference noted that at its 166th Session the Council had recommended that the FAO proposed Scale of Contributions for 2022-23 be derived from the UN Scale of Assessments in force during 2021.*

74. *The Conference then adopted the following Resolution:*

THE CONFERENCE,

Having noted the recommendations of the Hundred and Sixty-sixth Session of the Council;

Confirming that as in the past, FAO should follow the United Nations Scale of Assessments subject to adaptation for the different membership of FAO;

1. Decides that the FAO Scale of Contributions for 2022-2023 should be derived directly from the United Nations Scale of Assessments in force during 2021;

2. Adopts for use in 2022 and 2023 the Scale as set out in the Appendix G of this Report.¹

It should be borne in mind that, since the membership of FAO and of the International Treaty are different, the Treaty's Indicative Scale has to be recalculated and prorated to add up to a full 100 percent. The Indicative Scale is then submitted by the Secretariat for consideration and adoption by the Governing Body. It follows that the Secretariat may not base the calculation of its scale on anything other than the UN/FAO Scale in force at the time of the GB session.

What may be considered a possible proposition is that a revised Indicative Scale, based on the UN Scale for 2022-24, (due to be adopted by the UNGA in late December 2021), be prepared and presented to the Ninth Session of the Governing Body in May 2022. The "revised" Scale would then supersede the one to be adopted at the Special Session of the Governing Body. The request for such a revised scale could be included in the Draft Resolution to be prepared for the consideration of the Ninth Session of the Governing Body.

It is to be noted that the proposed amendment to footnote 3/ refers to the indicative scale previously adopted for 2020-21 and as such may not be changed. As stated in the document, the 2020-21 scale is shown solely for comparative purposes.

The European Regional Group proposes the addition of text, ["Notes that not all Contracting Parties have contributed to the Core Administrative Budget and"], at the beginning of paragraph 3 of the Draft Resolution. Given that it is an important factual statement, the Governing Body may wish to consider the suggested text.

In response to the questions raised by Brazil, given the *interim* nature of the budget proposal for 2022, as there is no work programme adopted yet for 2022, the estimation of costs for "B. Meetings - Statutory Bodies" is being suggested at fifty percent of the allocation currently in the budget for 2020-21, without any reference, at this stage, to the meetings that will actually be held in 2022. This provision, like the rest of the Interim Budget, may be adjusted based on the Programme of Work adopted by the Ninth Session of the Governing Body, which would include the relevant meetings of the standing committees and any ad hoc committees the Governing Body may decide to convene.

¹ *Report of the 42nd Session of the FAO Conference*, available at: <https://www.fao.org/3/ng170en/ng170en.pdf>

However, subject to the adoption of the Interim Budget, it is expected that the meetings of the Bureau, the Standing Committee on the Funding Strategy and Resource Mobilisation, and the Compliance Committee would almost certainly be held because of the ongoing nature of their mandates. The dates and modality of these meetings will, of course, depend on the global epidemiological conditions, the ease of international travel and ability to hold physical gatherings.