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FINANCE COMMITTEE

Hundred and Eightieth Session

Rome, 18-22 May 2020

**Annual Report on Budgetary Performance and Programme and
Budgetary Transfers in the 2018-2019 Biennium**

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EXECUTIVE SUMMARY

- The Finance Committee in November 2019 reviewed the Programme and Budgetary Transfers in the 2018-19 Biennium. It took note of the 2018-19 budgetary performance arising from implementation of the Programme of Work and the use of the 2016-17 unspent balance; noted the previously approved transfers to Chapters 1, 2, 3, 4 and 5; and looked forward to the final report at its May 2020 session.¹
- This report presents the final 2018-19 budgetary performance based on the unaudited accounts of the Organization. Final 2018-19 spending represents 99.6 percent of the biennial appropriation, resulting in an unspent balance of USD 3.6 million.
- As authorized by the Conference in July 2019, the unspent balance of USD 3.6 million is available for one-time uses in 2020-21, based on a proposal to be submitted to, and agreed by the Joint Meeting of the Programme and Finance Committees, and the Council at their meetings in May-June 2020.² Information regarding the proposed uses of the unspent balance is presented in *Annex 1*.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

Draft Advice

The Committee:

- **took note of the final 2018-19 budgetary performance based on the unaudited accounts of the Organization, and the unspent balance of USD 3.6 million;**
- **recalled that the unspent balance would be allocated for one-time uses in 2020-21, based on a proposal to be submitted to, and agreed by the Joint Meeting of the Programme and Finance Committees, and the Council, as authorized by the Conference at its 41st Session;**
- **noted the information provided on the use of the unspent balance of the 2016-17 appropriation;**
- **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 2020-21 biennium as per the Financial Regulations; and**
- **approved the final budgetary transfers in favour of Chapters 1, 2, 3, 4 and 5, as shown in *Table 2*.**

¹ [CL 163/5](#) paragraph 15

² [C 2019/REP](#) paragraph 73

Introduction

1. Conference Resolution 12/2017 approved the 2018-19 budgetary appropriation of USD 1 005.6 million and authorized the Director-General, notwithstanding Financial Regulation (FR) 4.2, to use any unspent balance of the 2016-17 appropriations for one-time use to support programmes of the Organization, including for the Special Fund for Development Finance Activities (SFDFA), in agreement with the Joint Meeting of the Programme and Finance Committees, and the Council at their meetings in November-December 2017.³ The Council in December 2017 endorsed the Adjustments to the Programme of Work and Budget (PWB) 2018-19 and approved the modalities recommended by the Joint Meeting for use of unspent balance of the 2016-17 appropriations.⁴ The Council at its 159th session noted that the underspending of USD 3.9 million in the 2016-17 net budgetary appropriations expenditure would be entirely transferred to the SFDFA and requested an annual progress report on the funding and activities of the SFDFA.⁵
2. The Finance Committee in November 2019 took note of the 2018-19 budgetary performance arising from the implementation of the Programme of Work, noted that the requested budgetary transfers had been previously approved by the Finance Committee at its March 2019 Session, and noted the information provided on the use of the unspent balance of the 2016-17 appropriation.⁶
3. The Conference at its 41st session, authorized the Director-General, notwithstanding Financial Regulation 4.2, to use any unspent balance of the 2018-19 appropriations for one-time uses in 2020-21, based on a proposal to be submitted to, and agreed by the Joint Meeting of the Programme and Finance Committees, and the Council at their meetings in May-June 2020 following review of the proposal presented on the systematic use of unspent balances.⁷
4. This report presents, for discussion and approval, the final budgetary performance against the 2018-19 net appropriation.
5. Annex 1 presents a proposal on the use of the unspent balance of the 2018-19 appropriation, for discussion by the Joint Meeting of the Programme and Finance Committees (JM 2020.1/2).

³ [C 2017/REP](#) paragraph 76 and Conference Resolution 12/2017 paragraph 1)

⁴ [CL 158/3](#), [CL 158/REP](#) paragraphs 6-7 and 10 a)

⁵ [CL 159/REP](#) paragraph 6 h)

⁶ [CL 163/5](#) paragraph 15 a), b) and f)

⁷ [C 2019/REP](#) paragraph 73

II. Overall Biennial Performance

6. *Table 1* summarizes overall budgetary performance versus the 2018-19 appropriation. The performance is based on the actual expenditure in the unaudited accounts of the Organization, adjusted for the budget United States Dollar/Euro exchange rate of 1.22 established in the PWB 2018-19.

Table 1: Overview of 2018-19 Regular Programme Performance (USD 000)

2018-19 Net Appropriation (CR 12/2017)	1,005,635
2018-19 Net Expenditure at Budget Rate	1,002,056
Balance against 2018-19 Net Appropriation that may be transferred to 2020-21	3,579
Carry Over of 2016-17 Unspent Net Appropriation Balance (CR 12/2017)	3,868
2018-19 Net Expenditure at Budget Rate funded from 2016-17 Carry Over	3,868
Balance against 2016-17 Carry Over	0

7. As shown in *Table 1*, the Organization expended a total of USD 1 002.1 million against the 2018-19 net appropriation. In addition, as forecast in November 2019 and reported in the PIR 2018-19,⁸ the Organization fully spent the carryover of the 2016-17 unspent net appropriation balance made available in 2018-19 for one-time use to support programmes of the Organization, including for the SFDFA.⁹

8. An unspent balance of USD 3.6 million is recorded against the 2018-19 net appropriation of USD 1 005.6 million (99.6 percent spent). As authorized by the Conference at its 41st Session in July 2019, the unspent balance of USD 3.6 million would be available for one-time uses in 2020-21, based on a proposal to be submitted to, and agreed by the Joint Meeting of the Programme and Finance Committees, and the Council.¹⁰ The proposal is elaborated in *Annex 1*.

9. As reported to the Finance Committee,¹¹ a favourable staff cost variance, i.e. the difference between budgeted and actual staff costs, was anticipated in the 2018-19 biennium. The main factors contributing to the final favourable variance of USD 16.1 million relate to the lower post adjustment multiplier for professional staff in Rome as a result of the cost-of-living survey that became effective on a gradual basis from 1 August 2017, as well as lower than budgeted expenditures for education grant, entitlement travel, and dependency allowance.

III. Budgetary Transfers between Chapters

10. The final budgetary chapter transfers against the 2018-19 biennial appropriation are presented in *Table 2*. All transfers fall within the limits authorized by the Finance Committee in November 2019.

11. It is recalled that the budgetary transfers under the Strategic Objectives (Chapters 1 through 5) arise partially from the payment of the FAO cost share contribution of USD 4.7 million for the Resident Coordinator System for 2019 and support to emerging cross-cutting areas of programmatic priority through the Multidisciplinary Fund, which is budgeted in Chapter 6 (USD 10 million) and subsequently allocated to fund selected proposals in support of the Regional Initiatives and work of the Strategic Programmes at country level as reported in the PIR 2018-19.¹²

12. Compared with the forecast in November 2019, the final expenditure in Chapter 1 includes additional resources for the Food Insecurity Experience Scale (FIES) data collection service, one of

⁸ C 2021/8

⁹ [CL 158/REP](#) paragraph 10 a) and [CL 159/REP](#) paragraph 6 h)

¹⁰ [C 2019/REP](#) paragraph 73

¹¹ FC 178/5, paragraph 9

¹² [FC 178/5](#) paragraph 5 and C 2021/8

the SDG2 indicators, previously forecasted in Chapter 6 (Technical quality, statistics and cross-cutting themes).

13. As previously reported,¹³ the transfer into Chapter 4 includes USD 1 million additional resources allocated for the Joint FAO/WHO food safety scientific advice programme and the International Plant Protection Convention (IPPC) (USD 0.5 million each). The transfer is in line with the request of the Finance Committee as endorsed by the Council.¹⁴

14. Although no transfer is requested into Chapter 10, it is recalled that expenditure in this Chapter includes additional resources allocated to the Office of the Inspector General (USD 0.4 million) to ensure sufficient funding for its work plan, in particular for investigations.

15. As previously anticipated,¹⁵ some variations by chapter occurred due to percentages of final expenditure in Euro being at variance with those forecasted, mainly in Chapters 10 (FAO governance) and 11 (Administration).

Table 2: 2018-19 Budgetary Performance by Chapter (USD 000)

Ch	Strategic or Functional Objective	Adjusted PWB 2018-19 (CL 158/3)	Forecasted Net Expenditure from November 2019 FC 178/5	Final Net Expenditure funded from 2018-19 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	82,451	88,056	91,213	(8,762)	8,800
2	Make agriculture, forestry and fisheries more productive and sustainable	197,117	197,598	198,101	(984)	1,000
3	Reduce rural poverty	66,527	70,025	70,237	(3,710)	3,750
4	Enable more inclusive and efficient agricultural and food systems	105,879	109,379	110,308	(4,429)	4,450
5	Increase the resilience of livelihoods to threats and crises	54,350	58,242	56,776	(2,426)	2,450
6	Technical quality, statistics and cross-cutting themes	68,651	60,830	59,620	9,031	(9,000)
7	Technical Cooperation Programme	140,788	140,788	140,788	0	
8	Outreach	78,630	77,386	77,172	1,458	(1,450)
9	Information Technology	36,244	32,767	31,731	4,513	(4,500)
10	FAO governance, oversight and direction	70,548	67,106	66,822	3,726	(3,700)
11	Efficient and effective administration	64,535	63,544	59,973	4,562	(1,800)
12	Contingencies	600	0	0	600	
13	Capital Expenditure	16,892	16,892	16,892	0	
14	Security Expenditure	22,421	22,421	22,421	0	
Total		1,005,635	1,005,035	1,002,056	3,579	0

* The Net Expenditure total in column (e) excludes USD 3.9 million funded from the 2016-17 carryover, over and above 2018-19 net appropriation.

¹³ FC 178/5, paragraph 6

¹⁴ CL 161/REP paragraph 19 d)

¹⁵ [FC 178/5](#) paragraph 12

16. 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 in *Tables 1* and *2*. Additional information on these special chapters is provided below.

17. Under Chapter 7 (Technical Cooperation Programme) total expenditure at budget rate against the appropriation for the 2018-19 biennium of USD 140.8 million is USD 54.9 million. The unspent balance against the 2018-19 appropriation of USD 85.9 million is available for TCP obligations until 31 December 2021 in accordance with Financial Regulation 4.3. In addition, during 2018-19, USD 74 million in project expenditures were charged against the unspent balance carried forward from the 2016-17 TCP appropriation.

18. Chapter 13 (Capital Expenditure) generated a surplus of USD 10.3 million to be carried forward for use in subsequent biennia under the Capital Expenditure Facility. The 2018-19 level of expenditure reflects the fact that no major IT projects, which have a long-term cyclical nature, were programmed in the biennium.

19. Chapter 14 (Security Expenditure) generated a surplus of USD 3.5 million to be carried forward for use in subsequent biennia under the Security Expenditure Facility. The 2018-19 level of expenditure reflects the rationalization of corporate services with simplified reporting lines and cost effective support to staff and membership in all locations.

20. In accordance with the FR 4.5 (b), the Committee is requested to approve the required transfers from budgetary Chapters 6, 8, 9, 10 and 11 in favour of Chapters 1 (USD 8.8 million), 2 (USD 1 million), 3 (USD 3.8 million), 4 (USD 4.5 million) and 5 (USD 2.5 million) as shown in column (g) of *Table 2*.

IV. Use of the 2016-17 unspent balance

21. As authorized by the Council¹⁶ and anticipated to the Finance Committee in November 2019,¹⁷ the full USD 3.9 million of unspent 2016-17 net appropriation balance was used in 2018-19, through replenishment of the SDFDA, to support countries in the formulation of, and preparation for technically sound Green Climate Fund (GCF) projects.

22. In 2018-19, FAO supported the formulation of GCF Funding Proposals and Readiness Programme grants across all regions, with focus on least developed countries, small island developing states, and countries in the Africa region.

23. FAO, as GCF Accredited Entity, continued to engage with the GCF Secretariat. A total of six Funding Proposals prepared by FAO were approved by the GCF Board in 2018-19 (El Salvador and Paraguay in 2018, Chile, Kyrgyz Republic, Nepal and Pakistan in 2019) for a total of USD 426.6 million. GCF grants for the six approved Funding Proposals amount to USD 228.8 million. In addition, FAO is also involved as Implementing Partner or Executing Entity in four other projects (Mozambique, Paraguay, West Bank and Gaza Strip, and Zambia).

24. FAO has also submitted six Funding Proposals (Armenia, Colombia, Congo, Côte d'Ivoire, Cuba and Guatemala) to the GCF Secretariat. Approval of the project in Cuba was granted at the GCF Board Meeting in March 2020, while the other proposals are expected to be reviewed at the forthcoming GCF Board meetings for a total project value of USD 318.7 million, of which USD 159 million in grant funding. In addition, thirteen new Funding Proposals are under development (Argentina, Benin, Bhutan, Bolivia, the Gambia, Haiti, Jamaica, Jordan, Mauritania, Philippines, the Sudan, Tunisia and the United Republic of Tanzania) and FAO is supporting other countries, across all regions, in more preliminary stages of access to the GCF through baseline study development and concept note formulation (Afghanistan, Algeria, Guyana, Kenya, Myanmar, Papua New Guinea, Great Green Wall Multi-Country programme).

¹⁶ [CL 158/REP](#) paragraph 10 a) and [CL 159/REP](#) paragraph 6 h)

¹⁷ [FC 178/5](#) paragraphs 13 through 17

25. In 2018-19, 24 FAO-led Readiness Programme proposals were approved by the GCF Board. Combined with the five projects approved previously or in early 2020, the FAO GCF Readiness Programme portfolio has reached a total of 29 projects for a total value of USD 16 million.

26. Finally, FAO supported the Great Green Wall countries in Africa in developing a regional project proposal concept paper on “Scaling-Up Resilience in Africa’s Great Green Wall” which was submitted to the Green Climate Fund in early 2020. FAO is now leading the formulation of the full regional project with the strong support of national institutions, which will also be involved in the implementation of the project. Letters of Agreement to carry out technical studies have been signed with the Pan African Agency of the Great Green Wall (PAGGW), the Natural Gums and Resins Network in Africa (NGARA), the African Forest Forum (AFF), CSIR-Forestry Research Institute of Ghana (FORIG), and Kenya Agricultural and Livestock Research Organization (KALRO). This USD 180 million multi-country project targeting Burkina Faso, Chad, Mali, the Niger, Nigeria and Senegal, aims at scaling up the successful land restoration activities carried out by the Great Green Wall in order to reduce emissions and increase resilience of smallholder farmers in the Sahel through a value chain approach.

Annex 1: JM 2020.1/2 Use of the Unspent Balance of the 2018-19 Biennial Appropriation

27. The Conference at its 41st Session in July 2019, authorized the Director-General, notwithstanding Financial Regulation 4.2, to use any unspent balance of the 2018-19 appropriations for one-time uses in 2020-21, based on a proposal to be submitted to and agreed by the Joint Meeting of the Programme and Finance Committees, and the Council at their meetings in May-June 2020.¹⁸ It is furthermore recalled that the broader discussion on the systematic use of unspent balances is still ongoing.¹⁹

28. The Director-General, cognizant of his duty to fully obligate and spend the budgetary appropriation to implement the Programme of Work, closed the 2018-19 biennium with a small unspent balance of USD 3.6 million (0.4 percent) recorded on the unaudited accounts of the Organization.

29. As authorized by the Conference, the Director-General presents for the agreement of the Joint meeting and Council a proposal for the use of the unspent balance of the 2018-19 appropriations for one-time uses.

30. The COVID-19 pandemic and its health and socio-economic impacts, combined with the impacts of extreme weather events, pest infestations and other unanticipated events, present a threat to modern food systems unprecedented in modern times. Furthermore, the protection of staff and premises worldwide, as well as the health and psychosocial well-being of staff are key concerns. In this context, six elements for the use of the unspent balance of the 2018-19 appropriation are presented in *Table A-1.1* and further outlined below.

Table A-1.1: Proposal for use of the 2018-19 unspent balance (USD 000)

Item	Amount in USD
1 Short-term increase in human resources to meet country- and territory-specific data, analysis and policy support needs	0.7
2 Digitalization improvements	0.6
3 Information security and geospatial data	0.3
4 Emergency Operations Centre	0.2
5 Security and crisis management control facilities	0.5
6 Streamlined catering and kitchen facilities	1.3
Total	3.6

31. FAO has responded quickly and effectively to the onset of the COVID-19 crisis by drawing upon the varied experiences of past food crises to identify the most likely sources of food security and food system disruption that arise through a variety of channels that include financial crises, food shortages, health pandemics, border closings, production shocks and demand collapses, as well as a host of local disruptions.

32. The Organization has established a working model of food systems to identify channels of transmission of crisis, adapted its newly launched geospatial platform to capture and integrate a wide array of relevant real-time information, assessed regions and countries against identified risks, and

¹⁸ C 2019/REP paragraph 73

¹⁹ The Council in December 2019 noted the outcomes of the CCLM and the Joint Meeting on the use of unspent balances, and accordingly requested that the Secretariat submit for the benefit of a more fundamental discussion by the Council and its Committees a related paper. The paper shall take into account the need for consistency with the rule established in Financial Regulation 4.2 and other applicable Financial Rules and Regulations of the Organization, as well as related practices at UN and other relevant entities (CL 163/REP, paragraph 9a). A document has been prepared for consideration by the CCLM at its first session in 2020 (CCLM 110/3).

moved swiftly to engage political leaders with timely policy advice to minimize unintended impacts of policy actions to suppress pandemic or respond to economic recession.

33. Even before the current crisis, FAO has been moving to support new country engagement models, in particular within the context of the repositioning of the UN Development System, that strengthens the Organization's capacity to deliver relevant and timely data and analysis, technical and policy support, partnerships, and public and private finance. This repositioning gives FAO enormous leverage and reach, but still requires a minimum cadre of human resources to enable the Organization to meet global needs in the coming months and through the end of the year.

34. It is expected that the period of greatest need will be in the coming months when there is a growing gap between burgeoning demands for immediate support and a significant shortfall in available extrabudgetary resources. The funding gap is expected to be closed toward the end of 2020 as new grants and loans become available as part of the global stimulus for post-recession recovery. The proposal put forward is to enable the Organization to:

- i. recruit additional human resources on short-term contracts to at least partially fill the gap between currently available professional staff and the minimum required to perform the required functions (**Table A-1.1, item 1, USD 0.7 million**).

35. The importance of moving forward rapidly with a Digital FAO has also been put into stark focus. In this regard, two proposals are put forward to modernize ways of working, enhance agility of staff through collaborative tools, and strengthen IT support to key/priority programmes, as follows:

- ii. modernization and digitalization improvements including purchase of portable devices and encoders for videoconferencing (**Table A-1.1, item 2, USD 0.6 million**); and
- iii. information security and geospatial data storage improvements, including to support the Hand-in-Hand Initiative (**Table A-1.1, item 3, USD 0.3 million**).

36. The need to provide improved, state-of-the art tools for the protection of staff and premises worldwide, as well as to facilitate emergency response and corporate level scaled up emergencies, has also been highlighted in the current context of COVID-19. In this regard, the following two proposals are put forward:

- iv. upgrade the current Emergency Management Centre for Animal Health and Corporate Scaled Up Emergencies to create a full-fledged Emergency Operations Centre (**Table A-1.1, item 4, USD 0.2 million**); and
- v. modernization and enhancement of Security and Crisis Management Control Room and creation of a Crisis Management Room to allow interaction with FAO offices worldwide during crises (**Table A-1.1, item 5, USD 0.5 million**).

37. The health and psychosocial well-being of staff are also key concerns in the wake of COVID-19, as is the need to be able to efficiently and effectively serve large numbers of delegates and meeting participants given that the Organization is often the venue for a number of conferences, workshops and seminars that it either hosts, or for which it offers its facilities to other entities. In that light, a project is put forth which is part of a larger plan for the modernization of the premises begun under the new Administration:

- vi. modernization and enhancement of main catering free flow and kitchen facilities to create a modern food court with new equipment for the provision of streamlined service, increased capacity, adherence to the latest food and hygiene standards, and a more welcoming atmosphere for staff and guests (**Table A-1.1, item 6, USD 1.3 million**).

Guidance Sought

38. The Joint Meeting of the 168th session of the Programme Committee and the 180th session of the Finance Committee is requested to:

- a) recommend to Council that the unspent balance of the 2018-19 appropriations of USD 3.6 million be agreed for the six proposed one-time uses presented in *Annex 1* of document FC 180/6;
- b) take note that implementation of the projects for the six proposed one-time uses would be reported to the Finance Committee as part of regular reporting on budgetary performance, and to the governing bodies as part of the Programme Implementation Report 2020-21.

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