

## C 2021/3 – Medium Term Plan 2022-25 and Programme of Work and Budget 2022-23

### Information Note 1 – April 2021

#### *Sources and purposes of voluntary funding in the Programme of Work and Budget 2022-23*

1. This note provides further information on the sources and purposes of voluntary funding presented in the Medium Term Plan 2022-25 and Programme of Work and Budget 2022-23.

#### *The integrated budget*

2. FAO works with an integrated budget, bringing together all sources of funds made available through Members' assessed contributions as well as voluntary contributions from Members and other resource partners, to form a consolidated basis of means available for the implementation of the agreed programme of work.<sup>1</sup> This budgeting method has been in place at the request of the Membership since the Independent External Evaluation and resulting Immediate Plan of Action<sup>2</sup> and is considered good practice in other UN organizations.

3. The principles of the integrated budget entail that voluntary contributions be accepted only where these are fully aligned with the Organization's Strategic Framework and contribute to agreed Strategic Framework outcomes.<sup>3</sup> In line with the Organization's cost recovery policy, all projects funded by voluntary contributions cover the full cost of implementation, including indirect costs, and are not subsidized by assessed contributions. An increase in voluntary contributions therefore enables FAO to achieve additional or more impactful results, within its Strategic Framework, also where such contributions are earmarked geographically and to specific activities.

4. Unearmarked or lightly earmarked voluntary funding provides the significant additional advantage of allowing FAO and its Members to ensure funds are allocated where they generate the greatest benefit under specific priorities. Lightly earmarked funding also allows for more agility and rapid adaptation to changing circumstances or priorities, which is particularly important in an increasingly volatile environment. It is therefore fundamental that Members and other resource partners consider increasing their unearmarked or lightly earmarked contributions as a means of achieving greater impact with the same amount of funds. FAO currently operates four specialized pooled and funding mechanisms to facilitate and streamline unearmarked and lightly earmarked funding,<sup>4</sup> and stands ready to look at other modalities as needed, that would make it easier or more attractive for donors to contribute in this manner.

#### *Forecasted extrabudgetary expenditure*

5. The extrabudgetary resources included in the Programme of Work and Budget 2022-23 reflect the preliminary estimates for expenditures from voluntary contributions in 2022-23, comprising 69 percent (USD 2 250 million) of overall resource requirements (*Table 1*, column A). The estimates are based on operational projects that will continue their implementation into the next biennium, proposed projects in the pipeline and likely to be approved, prospects based on project ideas and positive contacts with partners and an analysis of resource mobilization trends. As a significant amount of the estimate refers to projects which have already been approved, it is only partially impacted by resources expected to be mobilized in the biennium 2022-23. The forecasts are, overall, substantially in line with the 2020 actual project delivery, and based on the historically high levels of voluntary contribution mobilization over the 2017-20 period.

---

<sup>1</sup> See for example Strategic Framework 2022-31 (C 2021/7) paragraphs 94-105; and the MTP 2022-25/PWB 2022-23 (C 2021/3) paragraphs 73-78, paragraph 149, Annex 2 and Annex 5

<sup>2</sup> See Basic Texts, Volume II F, Conference Resolution No. 10/2009, paragraph 1(b)ii.

<sup>3</sup> See Financial Regulation 6.7

<sup>4</sup> C 2021/7, paragraph 97

6. Climate and environment finance provided through vertical funds - the Global Environment Facility (GEF) and the Green Climate Fund (GCF) represent a growing share of extrabudgetary resources (*Table 1*, column B) and are estimated at approximately 13 percent of the total. GEF is a financial mechanism aiming to conserve and sustainably utilize biodiversity, mitigate and adapt to climate change, combat desertification and remove hazardous agricultural chemicals, while the GCF is the primary financial mechanism of the Paris Agreement and aims to support Members face the challenges of climate change. The partnerships with GCF and GEF are fully aligned with the priorities in the Strategic Framework.

7. More than half of the overall forecasted extrabudgetary resources relates to funding of emergency and resilience interventions, to build the resilience of people's livelihoods against a growing number of threats and crises (*Table 1*, column C). The forecasted expenditures in 2022-23 include funding mechanisms such as Central Emergency Response Fund (CERF), as well as bilateral contributions and have been estimated based on trends.

8. Other development projects (*Table 1*, column D), representing around ¼ of the total, comprises spending on development projects, mainly funded by bilateral resource partners including the EU. Unilateral trust funds (UTF) are also included in this category, a funding modality where projects are financed by a government and implemented in its own country and which have gained increasing importance in recent years. In view of a foreseen negative trend in resources mobilized in this category following the COVID-19 pandemic in particular among bilateral resource partners, expected delivery in 2022-23 is forecast to decrease slightly.

9. The category Other voluntary contributions (*Table 1*, column E) comprises contributions from the World Bank and other International Financial Institutions for the Cooperative Programme with the FAO Investment Centre. A small portion, mainly under the Functional Objectives, is related to resources received from UN and other resource partners directly supporting the programme of work or contributing to non-project activities, such as the Evaluation Trust Fund, and from host governments for offices established in their countries.

10. Forecasts are affected by future events and are therefore by definition uncertain, all the more so in the volatile global environment caused by the COVID-19 crisis. Developments will therefore be monitored carefully, and forecasts adjusted accordingly as necessary, in particular in connection with the Adjustments to the PWB 2022-23 which will be presented to the Programme and Finance Committees and the Council in November-December 2021. It is important to note that while a shortfall in resources mobilized would negatively impact the Organization's overall delivery, it would not cause a deficit, as no commitments are made against voluntary contributions until these have been received.

Table 1

Sources of Extrabudgetary expenditure	A	B	C	D	E
Budget Chapter	Extra-budgetary	Vertical funds	Emergency and rehabilitation	Other development projects	Other voluntary contributions
1.1: Green Innovation	87 225	50.3%		48.9%	0.7%
1.2: Blue Transformation	68 862	50.3%		48.9%	0.7%
1.3: One Health	99 789	16.0%	42.1%	41.4%	0.5%
1.4: Small-Scale Producers' Equitable Access to Resources	174 143	8.3%	55.1%	36.0%	0.5%
1.5: Digital Agriculture	13 772	50.3%		48.9%	0.7%
<b>1: Better Production</b>	<b>443 791</b>	<b>26.1%</b>	<b>31.1%</b>	<b>42.2%</b>	<b>0.6%</b>
2.1: Healthy Diets for All	33 814			94.9%	5.1%
2.2: Nutrition for the Most Vulnerable	115 307		83.2%	15.9%	0.9%
2.3: Safe Food for Everyone	14 678	0.9%		94.1%	5.0%
2.4: Reducing Food Loss and Waste	15 813	10.8%		86.5%	2.7%
2.5: Transparent Markets and Trade	16 514	6.8%		89.9%	3.3%
<b>2: Better Nutrition</b>	<b>196 125</b>	<b>1.5%</b>	<b>48.9%</b>	<b>47.3%</b>	<b>2.3%</b>
3.1: Climate Change Mitigating and Adapted Agri-food Systems	138 646	35.4%	20.2%	43.9%	0.5%
3.2: Bioeconomy for Sustainable Food and Agriculture	64 087	47.4%		51.7%	0.9%
3.3: Biodiversity and ecosystem services for food and agriculture	114 770	50.3%		48.9%	0.7%
<b>3: Better Environment</b>	<b>317 502</b>	<b>43.2%</b>	<b>8.8%</b>	<b>47.3%</b>	<b>0.7%</b>
4.1: Gender Equality and Rural Women's Empowerment	8 118	18.8%		80.3%	0.9%
4.2: Inclusive Rural Transformation	27 833	17.9%		80.0%	2.1%
4.3: Achieving Sustainable Urban Food Systems	15 248	4.7%		91.2%	4.1%
4.4: Agriculture and Food Emergencies	768 003		100.0%		
4.5: Resilient Agri-Food Systems	351 222	6.1%	59.8%	34.0%	0.1%
4.6: Hand-in-Hand (HiH) Initiative	8 000				100.0%
4.7: Scaling up Investment	58 126	1.6%		4.1%	94.3%
<b>4: Better Life</b>	<b>1 236 550</b>	<b>2.4%</b>	<b>79.1%</b>	<b>13.3%</b>	<b>5.2%</b>
<b>6: Technical quality, statistics. cross cutting themes and accelerators</b>	<b>20 427</b>			<b>94.1%</b>	<b>5.9%</b>
<b>8: Outreach</b>	<b>6 064</b>				<b>100.0%</b>
<b>10: FAO governance, oversight and direction</b>	<b>10 512</b>				<b>100.0%</b>
<b>11: Efficient and effective administration</b>	<b>19 153</b>				<b>100.0%</b>
<b>Total</b>	<b>2 250 125</b>	<b>13%</b>	<b>55%</b>	<b>27%</b>	<b>5%</b>