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# FINANCE COMMITTEE

**Hundred and Eighty-eighth Session**

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**Programme and Budgetary Transfers in the 2020-21 Biennium**

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### EXECUTIVE SUMMARY

- Conference resolution [CR 13/2019](#) approved the 2020-21 budgetary appropriation of USD 1 005.6 million and the Programme of Work, subject to adjustments based on guidance provided by the Conference. The Council in June 2020 approved the revised distribution of the net appropriation by budgetary chapters in the Further Adjustments to the Programme of Work and budget 2020-21.<sup>1</sup>
- This report presents the updated forecasted biennial budgetary performance against the net appropriation. The report recalls the transfers previously approved by the Finance Committee<sup>2</sup> in accordance with Financial Regulation 4.5(b) to Chapters 1, 2, 3, 4, 5, 8 and 10 from Chapters 6, 9 and 11 arising from the implementation of the 2020-21 Programme of Work, and outlines that the same transfers are requested. The report provides an update on actual expenditure by chapter as at end-August 2021, and the use of the 2018-19 unspent balance. Full expenditure of the 2020-21 budgetary appropriation is currently foreseen.
- Any unspent balances in the Technical Cooperation Programme (Chapter 7), Capital Expenditure (Chapter 13) and Security Expenditure (Chapter 14) will be transferred to the forthcoming biennium as per the Financial Regulations.
- The final 2020-21 budgetary performance, including chapter transfers and any unspent balance, will be reported to the Committee at its session in May 2022.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to take note of the forecasted budgetary chapter transfers arising from implementation of the Programme of Work as shown in *Table 1*, which are in line with the previously approved transfers.

#### Draft Advice

##### **The Committee:**

- **took note of the forecasted budgetary performance against the 2020-21 biennial appropriation and that the final performance will be known after the closure of the 2020-21 accounts and reported in May 2022;**
- **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 forthcoming biennium as per the Financial Regulations;**
- **noted the previously approved transfers to Chapters 1, 2, 3, 4, 5, 8, and 10 arising from implementation of the Programme of Work and that the same transfers continue to be requested; and**
- **looked forward to receiving the final 2020-21 budgetary performance report at its May 2022 session.**

<sup>1</sup> [CL 164/36](#) Table 3, [CL 164/REP](#) paragraph 14.b)

<sup>2</sup> [CL 166/10](#) paragraph 24.c)

## Introduction

1. The Conference in 2019 approved the 2020-21 budgetary appropriation of USD 1 005.6 million and authorized the Director-General, notwithstanding Financial Regulation (RF) 4.2, to use any unspent balance of the 2020-21 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 April-May 2020.<sup>3</sup>
2. The Council in July 2020 approved the revised distribution of the net appropriation by budgetary chapters in the Further Adjustments to the Programme of Work and Budget 2020-21 and noted that further budgetary transfers that could arise as a result of requirements stemming from COVID-19, guidance from the Regional Conferences, further work planning, and from the most efficient and effective modalities of implementation during the biennium, would be handled in accordance with Financial Regulation 4.5.<sup>4</sup>
3. The Council in July 2020 furthermore endorsed the modalities recommended by the Joint Meeting for use of the unspent balance of the 2018-19 appropriations, and looked forward to receiving detailed expenditure information relating to the use of USD 2 million of unspent balance from 2018-19 towards FAO's response to the impact of the COVID-19 pandemic.<sup>5</sup>
4. The Finance Committee in March 2021 authorized the forecasted budgetary transfers in favour of Chapters 1, 2, 3, 4, 5, 8 and 10 from Chapters 6, 9 and 11, and noted that factors driving forecasted budgetary transfers included: support to emerging cross-cutting areas of programmatic priority through the Multidisciplinary Fund; additional expenditure to support multilingualism; progressive implementation of the new cost recovery model; COVID-19 related expenditures; and variances between budgeted and actual staff costs in the biennium.<sup>6</sup>
5. This report presents the updated forecasted budgetary performance against the 2020-21 net appropriation and the forecasted budgetary chapter transfers arising from the implementation of the 2020-21 Programme of Work.

### 2020-21 Forecasted Budgetary Performance

6. The 2020-21 net appropriation figures presented in *Table 1*, column (c), show the chapter distributions endorsed by the Council in July 2020 as presented in the Further Adjustments to the PWB 2020-21. Columns (d) and (e) show the forecasted expenditure and forecasted year-end balance reviewed by the Finance Committee in March 2021. Columns (f) and (g) show the updated forecasted budgetary performance.

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<sup>3</sup> [C 2019/REP paragraph 73.b](#)) and [Conference Resolution 13/2019](#)

<sup>4</sup> [CL 164/3 Table 3](#), [CL 164/REP paragraph 14.b](#)) and 14.c)

<sup>5</sup> [CL 164/REP paragraph 17.a](#)) and 17.b)

<sup>6</sup> [CL 166/10 paragraph 24](#)

**Table 1: Forecasted 2020-21 Budgetary Performance by Chapter (USD 000)**

Ch	Strategic/Functional Objective	Further Adjusted PWB 2020-21 CL 164/3	March 2021 FC 185/9		November 2021 FC 188/5	
			Forecasted Net Expenditure	Forecasted Balance vs Appropriation	Forecasted Net Expenditure	Forecasted Balance vs Appropriation
(a)	(b)	(c)	(d)	(e=c-d)	(f)	(g=c-f)
1	Contribute to the eradication of hunger, food insecurity and malnutrition	85 795	89 597	(3 802)	90 360	(4 565)
2	Make agriculture, forestry and fisheries more productive and sustainable	202 407	205 419	(3 012)	204 855	(2 448)
3	Reduce rural poverty	66 929	70 122	(3 193)	70 442	(3 513)
4	Enable more inclusive and efficient agricultural and food systems	113 766	115 924	(2 158)	113 902	(136)
5	Increase the resilience of livelihoods to threats and crises	55 823	55 963	(140)	56 013	(190)
6	Technical quality, statistics and cross-cutting themes (climate change, gender, governance and nutrition)	67 225	58 385	8 840	57 382	9 843
7	Technical Cooperation Programme	140 788	140 788	0	140 788	0
8	Outreach	72 877	73 818	(941)	75 841	(2 964)
9	Information Technology	36 378	33 798	2 580	34 747	1 631
10	FAO governance, oversight and direction	58 836	61 492	(2 656)	61 400	(2 564)
11	Efficient and effective administration	64 898	60 416	4 482	60 592	4 306
12	Contingencies	600	600	0	0	600
13	Capital Expenditure	16 892	16 892	0	16 892	0
14	Security Expenditure	22 421	22 421	0	22 421	0
<b>Total</b>		<b>1 005 635</b>	<b>1 005 635</b>	<b>0</b>	<b>1 005 635</b>	<b>0</b>

7. The forecasted budgetary transfers under the Strategic Objectives (Chapters 1 through 5) arise mainly from support to emerging cross-cutting areas of programmatic priority through the Multidisciplinary Fund (MDF), which is budgeted in Chapter 6 (USD 8.5 million) and subsequently allocated to the Strategic Objectives. The MDF strengthens collaboration across disciplines by funding selected proposals in the cross-cutting areas of innovation, catalytic support to investment, and support to country needs in line with the SDGs, in particular for unforeseen requirements arising from the COVID-19 pandemic.<sup>7</sup>

8. The forecasted budgetary performance in Chapters 1 through 5 is also impacted by detailed work planning that resulted in realignment of some costs under the most appropriate Strategic Objectives.

9. The forecasted transfer to Chapter 8 (Outreach) is due to additional expenditure to support multilingualism, including translation of Web materials into FAO languages, as well as strengthened media outreach and support to resource mobilization.

<sup>7</sup> [CL 164/3](#) paragraph 62

10. As previously reported, the forecasted transfer of USD 2.6 million to Chapter 10 is required to strengthen high-priority areas including improving multilingualism and document production, and to meet the surge in demand for virtual meetings and secretariat services for Governing Bodies.

11. It is recalled that the forecasted transfer of USD 1.6 million and USD 4.4 million out of Chapter 9 (Information Technology) and Chapter 11 (Administration) respectively, is mainly due to the forecasted change in distribution of recoveries from projects following the progressive implementation of the new cost recovery model. Chapter 11 resources also provided partial funding for the upgrading of catering and kitchen facilities at headquarters to increase capacity and adhere to the latest food and hygiene standards in the wake of the COVID-19 pandemic.<sup>8</sup>

12. 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 *Table 1*. The final performance in these chapters will be reported to the Finance Committee in May 2022 as part of regular reporting on budgetary performance, and to the Governing Bodies as part of the Programme Implementation Report 2020-21.

13. Recoveries under FAO's new cost recovery model continue to be closely monitored. It is recalled that the revised policy is designated to ensure that FAO's costs are correctly measured and distributed among all funding sources, consistent with UN system policy and UN General Assembly encouraged practices.<sup>9</sup> The updated methodology for categorizing and measuring costs ensures that charges closely reflect actual project costs and improves transparency, equitability and accountability to Members and resource partners.

14. The staff cost variance is the difference between budgeted and actual staff costs in a biennium. For the 2020-21 biennium, a USD 12.0 million favourable staff cost variance, net of currency variance, is forecast. The main factors contributing to the favourable variance in 2020-21 are the lower-than-budgeted increases in the professional staff net remunerations in some decentralized locations, the freeze on salary scales for general service staff in Rome and several other duty stations, the appreciation of the US dollar, and the COVID-19 pandemic which caused the postponement of the place-to-place (cost-of-living) surveys and delays in travel plans. Savings are also found in other entitlements and allowances: recruitment and transfer allowances, dependency allowances, rental subsidy, education grant, and pension.

15. While full expenditure of the budgetary appropriation is currently foreseen, some variations in overall budgetary performance and performance by chapter may occur, including on account of variations in the final average percentage of expenditures in Euro compared with the assumptions in the forecasts.

### **Use of the 2018-19 unspent balance**

16. The unspent balance of the 2018-19 net appropriation of USD 3.6 million was allocated for one-time uses in 2020-21, as authorized by the Conference in July 2019, based on a proposal submitted to and agreed by the Joint Meeting of the Programme and Finance Committees, and confirmed by the Council in July 2020.<sup>10</sup> As reported to the Finance Committee in March 2021,<sup>11</sup> the full USD 3.6 million is being used in 2020-21 as shown in *Table 2*. The final performance based on the 2020 and 2021 accounts will be reported in May 2022.

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<sup>8</sup> [CL 164/5](#), paragraph 12.e)

<sup>9</sup> [UN General Assembly Resolution 71/243](#) paragraph 35

<sup>10</sup> [CL 164/REP](#) paragraph 17.a) and 17.b)

<sup>11</sup> [FC 185/9](#)

**Table 2: Use of the 2018-19 unspent balance (USD 000)**

<b>Item</b>	<b>USD</b>
<b>1. Global food systems and food security - FAO's Comprehensive Response to COVID-19:</b>	<b>2 000</b>
Economic Inclusion and Social Protection to Reduce Poverty: supporting governments in addressing child labour for sustainable agricultural transformation in COVID-19 economic recovery	500
Data for Decision-making: harmonization of dietary statistics across FAO and creation of a fit-for-purpose "Food and Diet" on FAOSTAT	500
eTrade and Food Safety Standards. Food Price Monitoring and Analysis (FPMA) tool and Global Agricultural Stress Index System (ASIS)	500
Boosting Smallholder Resilience for Recovery: strengthening governments' capacity for enabling an economic and social recovery post-COVID-19 through investments in agri-food sectors	500
<b>2. Digitalization improvements</b>	<b>580</b>
<b>3. Information security and geospatial data</b>	<b>350</b>
<b>4. Emergency Operations Centre</b>	<b>150</b>
<b>5. Security and crisis management control facilities</b>	<b>500</b>
<b>Grand Total</b>	<b>3 580</b>