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الأغذية والزراعة
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FINANCE COMMITTEE

Hundred and Ninety-fifth Session

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**Annual Report on Budgetary Performance and Programme and Budgetary
Transfers for the 2022-23 Biennium**

Queries on the substantive content of this document may be addressed to:

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EXECUTIVE SUMMARY

- Resolution CR 8/2021, adopted at the 42nd Session of the Conference, approved the 2022-23 budgetary appropriation of USD 1 005.6 million and the Programme of Work and provided guidance on the substance of the proposals.¹ The 168th Session of the Council in December 2021 approved the revised distribution of the net appropriation by budgetary chapters in the Adjustments to the Programme of Work and Budget 2022-23.²
- This report presents the forecasted biennial performance against the net appropriation updated to take account of the 2022 implementation of biennial workplans and corporate monitoring. Full expenditure of the 2022-23 net appropriation in Chapters 1 through 5, and 7 through 10 (the four betters, objective five and functional objectives) is currently foreseen as shown in *Table 1*. In line with current practice, any unspent balances in the Technical Cooperation Programme (Chapter 6), Capital Expenditure (Chapter 12) and Security Expenditure (Chapter 13) will be transferred to the forthcoming biennium as per the Financial Regulations.
- Based on the forecasted performance against the 2022-23 net appropriation and in accordance with Financial Regulation 4.5(b), the Committee is requested to approve the forecasted transfers in favour of Chapters 1, 2, 3, 4 and 9 from Chapters 5, 7, 8 and 10.
- The next update on the forecasted performance against the 2022-23 net appropriation will be reported to the Committee for review and approval in November 2023. The final performance based on the 2022 and 2023 accounts will be reported in May 2024.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to take note of the forecasted 2022-23 budgetary performance arising from the implementation of the Programme of Work as shown in *Table 1* and to authorize the forecasted budgetary transfers.

Draft Advice

The Committee:

- **took note of the forecasted 2022-23 budgetary performance arising from implementation of the Programme of Work; and**
- **authorized the forecasted budgetary Chapter transfers in favour of Chapters 1, 2, 3, 4 and 9 from Chapters 5, 7, 8 and 10.**

¹ [C 2021/REP paragraphs 65-70](#) and CR 8/2021

² [CL 168/REP paragraphs 11 and 12](#)

Introduction

1. Resolution CR 8/2021, adopted by the 42nd Session of the Conference, approved the 2022-23 budgetary appropriation of USD 1 005.6 million and the Programme of Work and provided guidance on the substance of the proposals.³ The 168th Session of the Council in December 2021 approved the revised distribution of the net appropriation by budgetary chapters in the Adjustments to the Programme of Work and Budget 2022-23.⁴

2. Financial Regulation (FR) 4.1 authorizes the Director-General to incur obligations up to the budgetary appropriation voted by the Conference. In accordance with FR 4.6, the Director-General manages the appropriations so as to ensure that adequate funds be available to meet expenditures during the biennium. FR 4.5 (a) calls for the Finance Committee to be notified of certain transfers between divisions and FR 4.5; (b) requires transfers from one chapter to another to be approved by the Finance Committee.

3. This report presents the forecasted budgetary performance against the 2022-23 net appropriation and seeks the Committee's approval for the forecasted budgetary chapter transfers arising from the implementation of the 2022-23 Programme of Work.

2022-23 Forecasted Budgetary Performance

4. The 2022-23 Programme of Work is implemented based on FAO's results-based framework which provides for measurement of the *four betters* and Programme Priority Areas (PPAs) through Sustainable Development Goal (SDG) indicators and Objective 5, Functional Objectives, and Special Chapters through specific key performance indicators (KPIs) as reported in the Mid-term Review Synthesis Report (MTR) - 2022.⁵

5. The resulting overall forecasted budgetary transfers arising from work planning and other implementation considerations are presented in column (e) of *Table 1* for approval by the Finance Committee and elaborated below.

Table 1: Forecasted 2022-23 Budgetary Performance by Chapter (USD 000)

Ch (a)	Budgetary Chapter (b)	Adjusted PWB 2022-23 (CL 168/3) (c)	Forecasted Net Expenditure (d)	Forecasted Balance vs. Appropriation (e)
1	Better Production	156 438	159 538	(3 100)
2	Better Nutrition	129 590	134 346	(4 756)
3	Better Environment	118 218	119 853	(1 635)
4	Better Life	123 752	123 989	(237)
5	Technical quality, statistics, cross cutting themes and accelerators	71 292	64 159	7 133
6	Technical Cooperation Programme	140 788	140 788	0
7	Outreach	71 189	70 459	730
8	Information and Communications Technology (ICT)	35 547	33 630	1 917
9	FAO governance, oversight and direction	59 419	63 052	(3 633)
10	Efficient and effective administration	62 381	59 400	2 981
11	Contingencies	600	0	600
12	Capital Expenditure	14 000	14 000	0
13	Security Expenditure	22 421	22 421	0
	Total Appropriation (Net)	1 005 635	1 005 635	0

³ [C 2021/REP paragraphs 65-70](#) and CR 8/2021

⁴ [CL 168/REP paragraphs 11 and 12](#)

⁵ PC 135/2 - FC 195/8

6. The forecasted budgetary transfers under the *four betters* and Objective 5 (Chapters 1 through 5) arise from support to FAO regions through the Multidisciplinary Fund (MDF). To strengthen collaboration across disciplines and to work together to support delivery at country level, the MDF fund of USD 8.5 million, budgeted in Objective 5, is allocated to the *four betters* to fund catalytic and innovative cross-cutting areas and to enhance country-level support to the Common Country Analysis (CCA) and UN Sustainable Development Cooperation Framework (UNSDCF).
7. Although not resulting in significant budgetary chapter transfers, the forecasted budgetary performance in the four betters is also impacted by detailed work planning to enhance and consolidate FAO's dynamic response to changes in the external environment and emerging issues, while mitigating risks and minimizing trade-offs. FAO is adjusting its work to address the evolving situation and mounting challenges of the global food crisis and its contributing factors, including the war in Ukraine, other ongoing conflicts, climate change/weather extremes and the ongoing economic downturn. As reported in the MTR, FAO is on track to deliver most of its contributions on time and with quality.
8. The forecasted transfer to Chapter 9 (FAO governance, oversight and direction) is largely due to additional expenditure to meet the increased requirements for coordination and implementation of the corporate strategic policy framework for multilingualism endorsed by the Council. Expenditures in this chapter also include USD 0.5 million allocated to the Office of the Inspector General to support the investigation workload and to enhance FAO stakeholders' ability to report accurate and confidential allegations.
9. The forecasted transfers of USD 0.7 million, USD 1.9 million and USD 3.0 million out of Chapter 7 (Outreach), Chapter 8 (ICT), and Chapter 10 (Administration) respectively, are mainly due to the forecasted distribution of recoveries from projects under the cost recovery model.
10. Any unspent balances in the Technical Cooperation Programme (Chapter 6), Capital Expenditure (Chapter 12) and Security Expenditure (Chapter 13) 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 2024 as part of regular reporting on budgetary performance, and to other Governing Bodies as part of the Programme Implementation Report 2022-23.
11. Recoveries under FAO's cost recovery model continue to be closely monitored. It is recalled that the revised policy is designed 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.⁶ The approved 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.
12. The staff cost variance is the difference between actual and standard unit costs of staff budgeted in a biennium. For the 2022-23 biennium, approximately USD 7.0 million favourable staff cost variance, net of currency variance, is forecast. The favourable variance in 2022-23 is largely due to the lower-than-budgeted increases in net remunerations and savings due to 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.
13. Most of the underlying causes of any difference between the actual and standard unit costs of staff, such as the actuarial valuations, are beyond the control of the Organization. The staff cost variance is centrally monitored and any surplus or deficit is charged at the end of the year to the financial accounts across all programmes in proportion to the staff costs incurred at standard rates.
14. 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.

⁶ [UN General Assembly Resolution 71/243](#) paragraph 35