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# FINANCE COMMITTEE

**Hundred and Ninety-eighth Session**

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**Programme and Budgetary Transfers in the 2022-23 Biennium**

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### EXECUTIVE SUMMARY

- Conference resolution CR 8/2021 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. 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.
- This report presents the updated forecasted biennial budgetary performance against the net appropriation. It recalls the transfers previously approved by the Finance Committee in accordance with Financial Regulation 4.5(b) to Chapters 1, 2, 3, 4 and 9 from Chapters 5, 7, 8 and 10 arising from the implementation of the 2022-23 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 2023. Full expenditure of the 2022-23 budgetary appropriation is currently foreseen.
- 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.
- The final 2022-23 budgetary performance, including chapter transfers and any unspent balance, will be reported to the Committee at its session in May 2024.

### 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 2022-23 biennial appropriation and that the final performance will be known after the closure of the 2022-23 accounts and reported in May 2024;**
- **recalled that any unspent balances in the Technical Cooperation Programme (Chapter 6), Capital Expenditure (Chapter 12) and Security Expenditure (Chapter 13) would be transferred to the forthcoming biennium as per the Financial Regulations;**
- **noted the previously approved transfers to Chapters 1, 2, 3, 4 and 9 from Chapters 5, 7, 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 2022-23 budgetary performance report at its May 2024 session.**

## 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.<sup>1</sup> 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.<sup>2</sup>
2. The Finance Committee in March 2023<sup>3</sup> authorized the forecasted budgetary transfers in favour of Chapters 1, 2, 3, 4 and 9 from Chapters 5, 7, 8 and 10, and noted that factors driving forecasted budgetary transfers included: support to FAO regions to strengthen country-level delivery through the Multidisciplinary Fund, as well as adjustments to FAO's work planning to respond with agility to changes in the external environment and emerging issues, while mitigating risks and minimizing trade-offs. Transfers also reflect an allocation to the Office of the Inspector General; additional expenditure for multilingualism support; progressive implementation of the new cost recovery model; and variances between budgeted and actual staff costs for the biennium.
3. This report presents the updated forecasted budgetary performance against the 2022-23 net appropriation and the forecasted budgetary chapter transfers arising from the implementation of the 2022-23 Programme of Work.

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

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

<sup>3</sup> [CL 172/9](#) paragraph 26.b)

### 2022-23 Forecasted Budgetary Performance

4. The 2022-23 net appropriation figures presented in *Table 1*, column (c), show the chapter distributions endorsed by the Council in December 2021 as presented in the Adjustments to the PWB 2022-23. Columns (d) and (e) show the forecasted expenditure and forecasted year-end balance reviewed by the Finance Committee in March 2023. Columns (f) and (g) show the updated forecasted budgetary performance.

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

Ch (a)	Budgetary Chapter (b)	Adjusted PWB 2022-23 (CL 168/3) (c)	March 2023 (FC 195/9)		November 2023 (FC 198/5)	
			Forecasted Net Expenditure (d)	Forecasted Balance vs Appropriation (e=c-d) (e=c-d)	Forecasted Net Expenditure (f)	Forecasted Balance vs Appropriation (g=c-f) (g=c-f)
1	Better Production	156 438	159 538	(3 100)	159 434	(2 996)
2	Better Nutrition	129 590	134 346	(4 756)	134 083	(4 493)
3	Better Environment	118 218	119 853	(1 635)	118 661	(443)
4	Better Life	123 752	123 989	(237)	123 842	(90)
5	Technical quality, statistics, cross-cutting themes and accelerators	71 292	64 159	7 133	65 260	6 032
6	Technical Cooperation Programme	140 788	140 788	0	140 788	0
7	Outreach	71 189	70 459	730	71 068	121
8	Information and Communications Technology (ICT)	35 547	33 630	1 917	34 784	763
9	FAO governance, oversight and direction	59 419	63 052	(3 633)	65 715	(6 296)
10	Efficient and effective administration	62 381	59 400	2 981	55 579	6 802
11	Contingencies	600	0	600	0	600
12	Capital Expenditure	14 000	14 000	0	14 000	0
13	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>

5. The forecasted budgetary transfers under the *four betters* and Objective 5 (Chapters 1 through 5) arise mainly from support to emerging cross-cutting areas of programmatic priority 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).

6. As previously reported, 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 budgetary chapters. 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 Mid-term Review Synthesis Report – 2022,<sup>4</sup> FAO is on track to deliver most of its contributions on time and with quality.

7. The forecasted transfer to Chapter 9 (FAO governance oversight and direction) is largely due to additional expenditure to meet the increased requirement for implementation of the corporate strategic policy framework for multilingualism endorsed by the Council, a USD 0.8 million allocation

<sup>4</sup> [PC 135/2-FC 195/8](#)

to the Office of the Inspector General to support the investigation workload and to enhance FAO stakeholders' ability to report allegations, and establishment and functioning of the Data Protection Unit (DPU).

8. It is recalled that the forecasted transfers of USD 0.8 million and USD 6.8 million out of Chapter 8 (ICT) and Chapter 10 (Administration) respectively, are mainly due to the forecasted change in distribution of recoveries from projects following the progressive implementation of the new cost recovery model.

9. 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 the Governing Bodies as part of the Programme Implementation Report 2022-23.

10. Recoveries under FAO's 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>5</sup> 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.

11. 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 18.0 million favourable staff cost variance, net of currency variance, is forecast. The favourable variance is largely due to the reduction in the current service costs of after-service staff benefits,<sup>6</sup> lower-than-budgeted increases in net remunerations of staff in decentralized locations and General Service staff at headquarters, and savings due to delays in travel plans.

12. 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.

13. 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.

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<sup>5</sup> [UN General Assembly Resolution 71/243](#) paragraph 35

<sup>6</sup> [FC 195/4](#) 2022 Actuarial Valuation of Staff Related Liabilities