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Food and Agriculture
Organization of the
United Nations

Organisation des Nations
Unies pour l'alimentation
et l'agriculture

Продовольственная и
сельскохозяйственная организация
Объединенных Наций

Organización de las
Naciones Unidas para la
Alimentación y la Agricultura

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COUNCIL

Hundred and Seventieth Session

13-17 June 2022

Report of the 191st Session of the Finance Committee (16-20 May 2022)

Executive summary

At its first regular session in 2022, the Committee examined the financial position of the Organization and other matters under its mandate. In this report of its 191st Session, the Committee:

- 1) **Makes specific recommendations** to the Council: (i) urging Members to make timely and full payment of assessed contributions (paragraph 10); (ii) on restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization (paragraph 16); (iii) on the updated Terms of Reference of the FAO Oversight Advisory Committee (paragraph 22); and (iv) on its endorsement of the Director-General's recommendations for extension of the term of office of a Member of the FAO Oversight Advisory Committee (paragraph 28).
- 2) **Inform**s Council of its decision approving the final budgetary Chapter transfers arising from implementation of the 2020-21 Programme of Work (paragraph 18).
- 3) **Brings to the attention** of Council its guidance to the Secretariat on the Organization's financial position, budgetary matters, human resources, oversight and other matters.

Suggested action by the Council

The Council is invited to:

- a) **endorse** the recommendations of the Committee on: timely payment of assessed contributions; on restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization; on the updated Terms of Reference of the FAO Oversight Advisory Committee; and on its endorsement of the Director-General's recommendations for extension of the term of office of a Member of the FAO Oversight Advisory Committee.
- b) **take note** of the decisions of the Committee approving the final budgetary chapter transfers arising from implementation of the 2020-21 Programme of Work.
- c) **endorse** the Committee's guidance provided to the Secretariat on all other matters within its mandate.

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

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Introduction

1. The Committee submitted to the Council the following report of its Hundred and Ninety-first Session.

2. In addition to the Chairperson, Ms Imelda Smolčić Nijers (Uruguay), the following representatives of Members were present:

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| • Ms Lynda Hayden (Australia) | • Mr Tomás Alberto Duncan Jurado (Panama) |
| • Mr Mina Rizk (Egypt) | • Mr Vladimir V. Kuznetsov (Russian Federation) |
| • Mr Kaba Urgessa Dinssa (Ethiopia) | • Ms Pernilla Ivarsson (Sweden) |
| • Mr Kuraya Yoshihiro (Japan) | • Mr Thanawat Tiensin (Thailand) |
| • Mr Miguel Jorge García Winder (Mexico) | • Ms Jennifer Harhigh (United States of America) |
| • Ms Tahirou Rahila Rabiou (Niger) | |

3. The Chairperson informed the Committee that:

- Mr José Luis Delgado Crespo (Mexico) had been designated to replace Mr Miguel Jorge García Winder as the representative of Mexico for part of this session;
- Mr Mohammed Ahmed M. Alghamdi (Saudi Arabia) was unable to attend this session;
- Ms Ratchanok Sangpenchan (Thailand) had been designated to replace Mr Thanawat Tiensin as the representative of Thailand for part of this session;
- Mr Hammad Hammad (United States of America) had been designated to replace Ms Jennifer Harhigh as the representative of the United States of America for part of this session.

4. A summary of the qualifications of the substitute representatives can be downloaded from the Governing and Statutory Body Web site at: <http://www.fao.org/unfao/govbodies/gsbhome/finance-committee/substitute-representatives/en/>

5. The 191st Session of the Finance Committee was convened in a hybrid setting with some representatives of Members participating in person at FAO headquarters and others participating virtually on an exceptional basis due to the COVID-19 pandemic. The Finance Committee confirmed, pursuant to Rule VII of the rules of procedure of the Finance Committee, that it agreed to suspend the rules that may be incompatible with the hybrid session.

6. In adopting the agenda for its 191st Session, the Committee recalled that it agreed to consider the following items by correspondence:

- Item 2, *Financial Position of the Organization*;
- Item 3, *Report on Investments 2021*;
- Item 4, *2021 Actuarial Valuation of Staff Related Liabilities*;
- Item 13, *Status of Outstanding Recommendations of the Finance Committee*.

7. The Committee also agreed to consider item 16.1 *Update on Rescheduling of 2021 FAO Management and Administration Review by the JIU*, as a separate item on its agenda together with other oversight items.

8. In addition, silent observers from the following Members attended the 191st Session of the Committee:

- | | | |
|--------------------------|----------------|----------------------|
| • Algeria | • Brazil | • Dominican Republic |
| • Argentina | • Burkina Faso | • Eritrea |
| • Belgium | • Cabo Verde | • European Union |
| • Bolivia | • China | • Finland |
| (Plurinational State of) | • Congo | • France |
| | • Costa Rica | • Germany |

- Guatemala
- Haiti
- Italy
- Lesotho
- Libya
- Luxembourg
- Malaysia
- Nigeria
- Pakistan
- Portugal
- Philippines
- Republic of Korea
- Spain
- Turkey
- United Kingdom of Great Britain and Northern Ireland
- Venezuela (Bolivarian Republic of)

Monitoring Financial Position

Financial Position of the Organization

9. The Committee reviewed document FC 191/2, *Financial Position of the Organization* as at 31 December 2021 and cash flow forecast, including the liquidity of the Organization, the status of outstanding assessed contributions, short- and long-term investments, staff-related liabilities, Technical Cooperation Programme (TCP) expenditure and outstanding balances, the General Fund deficit and voluntary contributions. The Committee was also provided with an updated status of current assessments and arrears of the Organization as at 11 May 2022.

10. The Committee:

- a) noted that based on the latest Regular Programme cash levels and projected payment patterns of Member Nations, the Organization's liquidity was expected to be sufficient to cover operational needs through 31 December 2022;
- b) recognizing that the Organization's ongoing cash flow health was dependent on the timely payment of assessed contributions, urged Member Nations to make payments of assessed contributions on time and in full;
- c) noted that the overall level of the deficit was primarily due to unfunded charges for staff related liabilities;
- d) encouraged Management to continue to review options to address the underfunding of After Service Medical Coverage (ASMC) liabilities in coordination with other organizations of the United Nations Common System;
- e) noted with satisfaction the increase in voluntary contributions despite the financial and economic difficulties faced by Member Nations due to the COVID-19 pandemic; and
- f) welcomed the information provided which indicated that despite the challenges associated with the COVID-19 pandemic, TCP approval rates continued to be high compared with previous biennia and that the 2018-19 biennium appropriation has been fully expended by 31 December 2021. The Committee encouraged Management to continue its efforts to ensure full implementation of the TCP appropriations as approved by the Conference.

Report on Investments 2021

11. The Committee reviewed document FC 191/3, *Report on Investments 2021*.

12. The Committee:

- a) took note of and appreciated the comprehensive information on the investment portfolios presented in the Report.

2021 Actuarial Valuation of Staff Related Liabilities

13. The Committee reviewed document FC 191/4, *2021 Actuarial Valuation of Staff Related Liabilities*.

14. The Committee:

- a) noted that total staff related liabilities as at 31 December 2021 amounted to USD 1 539.8 million, representing an increase of USD 40.3 million from the valuation as at 31 December 2020;
- b) further noted that the net increase in the valuation as at 31 December 2021 was driven mainly by expected changes in the value of the liabilities due to the changes in the actuarial assumptions;
- c) noted that the After Service Medical Coverage (ASMC) liability remains seriously underfunded;
- d) welcomed the minimal increase in the liability as a result of cost containment measures and urged Management to continue with these efforts;
- e) noted that medical insurance plans of the Organization are generally in line with those of other UN system organizations in terms of eligibility and coverage; and
- f) noted the results of the study of alternative strategies and options for funding staff related liabilities and that further studies of the identified proposals, including, in particular, the use by retirees of national health insurance plans, would be reported by Management at a subsequent regular session of the Committee.

Restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization

15. The Committee reviewed documents FC 191/5 and CL 170/19 on *Restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization*.

16. The Committee:

- a) took note of the comprehensive review conducted by Management on the process for reinstating voting rights for Member Nations in arrears;
- b) took note of the importance of continuing the efforts to reduce arrears by Member Nations in collaboration with Management;
- c) expressed support for strengthening the existing procedures followed by the Organization when reviewing requests for reinstating voting rights, while taking into consideration timing, flexibility and rescheduling of Members' payments, in line with FAO's regulations;
- d) recalled the Conference resolution 14/2007 (*Measures to Encourage Timely Payment of Contributions – Acceptance of Non-Freely Convertible Currencies under Certain Conditions*),¹ and noted that the current practice of FAO is non-acceptance of payment of arrears in non-freely convertible local currencies;
- e) recommended that the procedures, criteria and draft resolution presented in document CL 170/19, *Restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization*, also be considered by the Committee on Constitutional and Legal Matters (CCLM) prior to its consideration by the 170th Session of the Council.

¹ Conference resolution 14/2007 - [*Measures to Encourage Timely Payment of Contributions – Acceptance of Non-Freely Convertible Currencies under Certain Conditions*](#)

Budgetary Matters

Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2020-21 Biennium

17. The Committee reviewed the *Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2020-21 biennium*.

18. The Committee:

- a) took note of the final 2020-21 budgetary performance based on the unaudited accounts of the Organization, and the unspent balance of USD 4.2 million, and in accordance with the consistent practice of the Organization the unspent balance would be effectively absorbed by the accumulated deficit in the General Fund;
- b) noted the information provided on the use of the unspent balance of the 2018-19 appropriation;
- c) 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 2022-23 biennium as per the Financial Regulations; and
- d) approved the final budgetary transfers in favour of Chapters 1, 2, 3, 4, 5, 8 and 10 as shown in Table 2 of the document (Annex I).

Human Resources

Human Resources Annual Report 2021

19. The Committee reviewed document FC 191/7, *Human Resources Annual Report 2021*.

20. The Committee:

- a) appreciated the content and the consistency in the presentation and format of the Human Resources (HR) Annual Report, including the updated information provided on workforce statistics, milestones, and Key Performance Indicators (KPIs);
- b) appreciated the efforts made by Management to meet its duty of care towards FAO employees worldwide during the COVID-19 pandemic, while maintaining business continuity, and preparing for the new normal;
- c) welcomed the progress made towards the implementation of the HR Strategic Plan, despite the contextual and environmental challenges faced in establishing a renewed HR function, including in response to the COVID-19 pandemic;
- d) noted the period of implementation of the HR Strategic Plan had been extended beyond 2021 in order to finalize a number of activities and looked forward to receiving updates on these in the next HR Annual Report;
- e) welcomed the progress reported, including in the areas of (i) staffing, in particular the enhanced interagency mobility, Young Talent Programmes (YPP), and improvements in recruitment practices such as testing and integrity checks; (ii) learning and development; (iii) establishment of a new Committee on Workplace Conduct and Protection from Sexual Exploitation and Abuse (PSEA); and (iv) development of a multilingual workforce;
- f) urged Management to continue its efforts to implement the HR Strategic Plan, including through: (i) improvements in workforce planning and procedures to speed up recruitment processes, in particular in Decentralized Offices; (ii) ensuring that gender parity and geographic representation targets are met, in particular towards senior levels (P4 and above), while maintaining competence as the primary factor in selecting staff; (iii) improving communication practices with candidates during the

- selection process; (iv) expand selection for the YPP to include all highly qualified applicants from unrepresented and underrepresented countries; (v) expand opportunities for the YPP in the Regional and Country Offices; and (vi) retention of high performing participants of the YPP;
- g) requested Management to include in the HR Annual Report to the Finance Committee updates on the ongoing discussions on possible revisions to the contractual modalities taking place under the coordination of the High-level Committee on Management (HLCM) of the UN System Chief Executives Board (CEB); and
 - h) reiterated its previous requests to substantially reduce the vacancy rate both in headquarters and Decentralized Offices.

Oversight

FAO Oversight Advisory Committee – 2021 Annual Report

21. The Committee reviewed document FC 191/8, *FAO Oversight Advisory Committee – 2021 Annual Report*.

22. The Committee:

- a) appreciated the presentation and overview of the FAO Oversight Advisory Committee's (OAC) work by the OAC Chairperson;
- b) acknowledged the important role of the Committee in providing independent assurance and advice in the mandated areas under its Terms of Reference;
- c) welcomed the Report, which included positive conclusions on the Organization's oversight; appreciation for the operation of the Office of the Inspector General and the work carried out under the ethics and ombudsman functions; as well as relevant advice in relation to FAO's system of internal control, risk management and governance;
- d) expressed satisfaction with the Committee's advice in the areas under its mandate;
- e) agreed with the editorial changes provided in the updated Terms of Reference presented in Annex 2 for submission to the Council (Annex II); and
- f) appreciated the progress in implementing the Committee's recommendations and looked forward to a further status report from Management at the next regular session of the Finance Committee in November 2022.

2021 Annual Report of the Inspector General

23. The Committee reviewed documents FC 191/9.1, *2021 Annual Report of the Inspector General* and FC 191/9.2, *2021 Annual Report of the Inspector General – Summaries of Audit Reports issued in 2021*.

24. The Committee:

- a) appreciated the completeness and quality of the report, which provided a comprehensive and informative overview of OIG's various activities during 2021;
- b) noted with appreciation the high number of investigation-related outputs issued during the year and the conclusions of the two reviews conducted on systemic and recurring control weaknesses identified in past audits of Decentralized Offices;
- c) was reassured by the Inspector General's confirmation that OIG activities were free from interference and obstruction, and welcomed the Director-General's continued support for the work of OIG;
- d) noted with concern the challenges faced by the Office of the Inspector General to achieve its workplan given resource constraints and the increased investigative workload;

- e) **reiterated** the importance of continued attention by Management to strengthening internal control, in particular in high-risk areas and Decentralized Offices; and
- f) **urged** Management to prioritize the implementation of outstanding recommendations, in particular those related to Decentralized Offices and long outstanding high-risk recommendations.

2021 Annual Report of the Ethics Office

25. The Committee reviewed document FC 191/10, *2021 Annual Report of the Ethics Office*.

26. **The Committee:**

- a) **appreciated** the quality of the report and the analysis of issues presented, which covered the full range of responsibilities under the mandate of the Ethics Office, noting that the work carried out is of great importance to help ensure ethical conduct across the Organization;
- b) **emphasized** in particular the importance of activities on PSEA, and the efforts to support Decentralized Offices in building technical capacities and raising awareness to reinforce FAO's ability to meet its obligations;
- c) **welcomed** the Director-General's and Senior Management's continued support to the Ethics Office mandate; and
- d) **looked forward** to receiving further updates in future Annual Reports of the Ethics Office, including on the implementation of the new Annual Disclosure Programme.

FAO Oversight Advisory Committee Membership

27. The Committee reviewed document FC 191/11, *FAO Oversight Advisory Committee Membership*.

28. **The Committee:**

- a) **considered** the document in which the Director-General proposed that Mr Fayezul Choudhury's term on the FAO Oversight Advisory Committee be extended for a further, final three years;
- b) **noted** such extension would be made by the Council with effect from 1 July 2022;
- c) **noted** that a process for recruitment of a new Member had started to replace Ms Anjana Das and that a proposed submission would be presented to the Finance Committee and the Council for review and approval respectively at their forthcoming Sessions;
- d) **recalled** that the selection process for the new Member should be in accordance with the procedure set out in paragraph 4.2 of the Terms of Reference of the Oversight Advisory Committee; and
- e) **supported** the Director-General's proposal regarding Mr Choudhury and **agreed** to submit the recommendation to the Council.

Update on the status of recommendations presented in the JIU Report, *Review of Whistleblower Policies and Practices in United Nations System Organizations* (JIU/REP/2018/4) and JIU Report, *Review of the State of the Investigation Function: Progress made in the United Nations System Organizations in Strengthening the Investigation Function* (JIU/REP/2020/1)

29. The Finance Committee was provided an update on the actions being taken by Management to address recommendations related to handling allegations of misconduct against the Head of Organization presented in the Joint Inspection Unit (JIU) Reports *Review of Whistleblower Policies and Practices in United Nations System Organizations* (JIU/REP/2018/4) and *Review of the State of the Investigation Function: Progress made in the United Nations System Organizations in Strengthening the Investigation Function* (JIU/REP/2020/1).

30. The Committee:

- a) welcomed the confirmation provided by Management that it was committed to addressing these recommendations and that procedures would be developed as soon as possible for consideration by the Committee on Constitutional and Legal Matters and the Finance Committee, coordinated and harmonized with the broader UN System, and taking into consideration the efforts of other Specialized Agencies; and
- b) looked forward to receiving further updates on this matter at the next regular session of the Finance Committee and encouraged Management to take steps towards implementation of the related recommendations of the JIU at the earliest opportunity.

**Update on Rescheduling of 2021 FAO Management and Administration Review
by the JIU**

31. The Committee was provided with an update on rescheduling of the 2021 FAO Management and Administration Review by the JIU.

32. The Committee:

- a) took note of the information provided on the reasons for the delays in the initiation of the FAO Management and Administration Review by the JIU;
- b) asked Management to take steps to ensure that the rescheduling of the Management and Administration Review with the JIU be confirmed at the earliest opportunity and with due regard to the potential benefits of the results of the review for efficient management and administrative functioning of FAO; and
- c) requested that Management provide regular updates to the Members on the progress of the discussions on this matter with the JIU.

Improved Methods of Work and Efficiency of the Finance Committee

Status of Outstanding Recommendations of the Finance Committee

33. The Committee took note of the *Status of Outstanding Recommendations of the Finance Committee* and looked forward to receiving an updated version of the status of outstanding recommendations at its next regular session.

Working Methods of the Finance Committee

34. The Committee recalled the importance of ensuring that all documents be received by Members, in all FAO languages and with uniformity of quality, to allow due consideration and preparation by Members.

Date and Place of the Hundred and Ninety-second Session

35. The Committee was informed that the next session was scheduled to be held from 1 to 3 June 2022. The arrangements for the session would be established in accordance with the evolving COVID-19 restrictions.

**Annex I - Annual Report on Budgetary Performance and Programme and Budgetary Transfers
in the 2020-2021 Biennium**

EXECUTIVE SUMMARY

- The Finance Committee in November 2021 reviewed the Programme and Budgetary Transfers in the 2020-21 Biennium. It took note of the 2020-21 budgetary performance arising from implementation of the Programme of Work and the use of the 2018-19 unspent balance; noted the previously approved transfers to Chapters 1, 2, 3, 4, 5, 8 and 10; and looked forward to the final report at its May 2022 session.²
- This report presents the final 2020-21 budgetary performance based on the unaudited accounts of the Organization. Final 2020-21 spending represents 99.6 percent of the biennial appropriation, resulting in an unspent balance of USD 4.2 million.

² [CL 168/9](#) paragraph 16

Introduction

1. Conference resolution CR 13/2019 approved the 2020-21 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 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 April-May 2020.³ The Council in July 2020 endorsed the Further Adjustments to the Programme of Work and Budget (PWB) 2020-21⁴ and approved the one-time uses of the unspent balance of the 2018-19 appropriations of USD 3.6 million.⁵
2. The Finance Committee in March 2021 took note of the forecasted 2020-21 budgetary performance and factors driving forecasted budgetary transfers, and authorized the forecasted budgetary transfers to Chapters 1, 2, 3, 4, 5, 8 and 10 from Chapters 6, 9 and 11.⁶ The Finance Committee in November 2021 noted that the previously authorized transfers continue to be requested and encouraged Management to take measures to ensure full implementation of the PWB 2020-21.⁷
3. This report presents, for discussion and approval, the final budgetary performance against the 2020-21 net appropriation.

Overall Biennial Performance

4. *Table 1* summarizes overall budgetary performance versus the 2020-21 net 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 2020-21.

Table 1: Overview of 2020-21 Regular Programme Performance (USD 000)

2020-21 Net Appropriation (CR 13/2019)	1 005 635
2020-21 Net Expenditure at Budget Rate	1 001 418
Balance against 2020-21 Net Appropriation	4 217
Carry Over of 2018-19 Unspent Net Appropriation Balance (C 2019/REP)	3 579
2020-21 Net Expenditure at Budget Rate funded from 2018-19 Carry Over	3 579
Balance against 2018-19 Carry Over	0

5. As shown in Table 1, the Organization expended a total of USD 1 001.4 million against the 2020-21 net appropriation. An unspent balance of USD 4.2 million is recorded against the 2020-21 net appropriation of USD 1 005.6 million (99.6 percent spent).
6. In addition, as forecast in November 2021 and reported in the PIR 2020-21,⁸ the Organization fully spent the carryover of the 2018-19 unspent net appropriation balance made available for one-time uses in 2020-21.
7. Actual expenditures in 2020-21 are affected by the favourable staff cost variance, i.e. the difference between budgeted and actual staff costs. The final favourable variance, previously estimated at USD 12 million,⁹ was USD 14.4 million, with the main factors being 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 United States Dollar, and the COVID-19 pandemic which caused the postponement of the place-to-place (cost-of-living) surveys.

³ [C 2019/REP paragraph 73.b](#)) and [Conference resolution 13/2019](#)

⁴ [CL 164/REP](#) paragraph 14

⁵ [CL 164/REP](#) paragraph 17.a)

⁶ [CL 166/10](#) paragraph 24

⁷ [CL 168/9](#) paragraph 16

⁸ C 2023/8

⁹ [FC 188/5](#) paragraph 14

Budgetary Transfers between Chapters

8. The final budgetary chapter transfers against the 2020-21 biennial appropriation are presented in *Table 2*. All transfers fall within those chapters authorized by the Finance Committee in November 2021.

9. It is recalled that factors driving forecasted budgetary transfers¹⁰ include: support to emerging cross-cutting areas of programmatic priority through the Multidisciplinary Fund (Chapters 1 through 6); additional expenditure to support multilingualism, document production and the surge in virtual meetings (Chapters 8 and 10); progressive implementation of the new cost recovery model (Chapters 9 and 11); COVID-19 related expenditures (Chapter 11); and variances between budgeted and actual staff costs in the biennium (all Chapters).

10. It is recalled that expenditure in Chapter 10 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.

11. As previously anticipated,¹¹ 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: 2020-21 Budgetary Performance by Chapter (USD 000)

Ch	Strategic or Functional Objective	Further Adjusted PWB 2020-21 (CL 164/3)	Forecasted Net Expenditure from November 2021 (FC 188/5)	Final Net Expenditure funded from 2020-21 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	85 795	90 360	90 001	(4 206)	4 250
2	Make agriculture, forestry and fisheries more productive and sustainable	202 407	204 855	205 529	(3 122)	3 150
3	Reduce rural poverty	66 929	70 442	69 625	(2 696)	2 700
4	Enable more inclusive and efficient agricultural and food systems	113 766	113 902	114 708	(942)	950
5	Increase the resilience of livelihoods to threats and crises	55 823	56 013	55 967	(144)	150
6	Technical quality, statistics and cross-cutting themes (climate change, gender, governance and nutrition)	67 225	57 382	56 898	10 327	(10 300)
7	Technical Cooperation Programme	140 788	140 788	140 788	0	
8	Outreach	72 877	75 841	75 036	(2 159)	2 200
9	Information Technology	36 378	34 747	34 451	1 927	(1 900)
10	FAO governance, oversight and direction	58 836	61 400	59 643	(807)	850
11	Efficient and effective administration	64 898	60 592	59 459	5 439	(2 050)
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	1 005 635	1 001 417	4 217	

* The Net Expenditure total in column (e) excludes USD 3.6 million funded from the 2018-19 carryover.

¹⁰ [CL 166/10](#) paragraph 24, [FC 188/5](#) paragraphs 7 through 13 and C 2023/8

¹¹ [FC 188/5](#) paragraph 15

12. The 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.

13. Under Chapter 7 (Technical Cooperation Programme) total expenditure at budget rate against the appropriation for the 2020-21 biennium of USD 140.8 million is USD 51.5 million. The unspent balance against the 2020-21 appropriation of USD 89.3 million is available for TCP obligations until 31 December 2023 in accordance with Financial Regulation 4.3. In addition, during 2020-21, USD 85.9 million in project expenditures were charged against the unspent balance carried forward from the 2018-19 TCP appropriation which is now fully spent.

14. Chapter 13 (Capital Expenditure) and Chapter 14 (Security Expenditure) had unspent balances of USD 3.8 million and USD 2.3 million, respectively, to be carried forward for use in subsequent biennia as per the Financial Regulations.

15. In accordance with the FR 4.5 (b), the Committee is requested to approve the required transfers from budgetary Chapters 6, 9, and 11 in favour of Chapters 1 (USD 4.25 million), 2 (USD 3.15 million), 3 (USD 2.70 million), 4 (USD 0.95 million), 5 (USD 0.15 million), 8 (USD 2.20 million) and 10 (USD 0.85 million) as shown in column (g) of Table 2.

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 2020.¹² As previously anticipated to the Finance Committee,¹³ the full USD 3.6 million was used in 2020-21 as shown in Table 3.

Table 3: 2020-21 Budgetary Performance by Chapter (USD 000)

Item	Final Net Expenditure
1. Global food systems and food security - FAO's Comprehensive Response to COVID-19:	1 923
Economic Inclusion and Social Protection to Reduce Poverty: supporting governments in addressing child labour for sustainable agricultural transformation in COVID-19 economic recovery	523
Data for Decision-making: harmonization of dietary statistics across FAO and creation of a fit-for-purpose "Food and Diet" on FAOSTAT	480
eTrade and Food Safety Standards. Food Price Monitoring and Analysis (FPMA) tool and Global Agricultural Stress Index System (ASIS)	424
Boosting Smallholder Resilience for Recovery: strengthening governments' capacity for enabling an economic and social recovery post-COVID-19 through investments in agri-food sectors	496
2. Digitalization improvements	618
3. Information security and geospatial data	334
4. Emergency Operations Centre	223
5. Security and crisis management control facilities	482
Grand Total	3 580

¹² [CL 164/REP](#) paragraph 17.a) and 17.b)

¹³ [FC 185/9](#) and [FC 188/5](#)

Annex II – Updated Terms of Reference of the FAO Oversight Advisory Committee

FAO Oversight Advisory Committee

Terms of Reference

Effective from June 2022

1. PURPOSE

- 1.1 The Oversight Advisory Committee [the Committee] serves as an independent expert advisory panel to assist the Director-General and the Finance Committee on the internal control arrangements, risk management processes, financial reporting and internal audit, investigation and ethics functions of the Organization, and such other matters as may be referred to it by the Director-General or the Finance Committee in respect of which the Committee is considered to have relevant expertise. The Committee advises on these matters taking into consideration the Financial Rules and Regulations, as well as policies and procedures applicable to FAO, and its operating environment.
- 1.2 The Committee provides independent advice and information to the Finance Committee in these areas, through its annual reports and as appropriate, through updates during the intervening period.
- 1.3 With regard to internal audit, investigation and ethics, the Committee operates in an advisory capacity to the Office of the Inspector General (OIG), the Ethics Office (ETH), and the Ombudsman respectively. As such it advises the Inspector General and the Ethics Officer and the Ombudsman with regard to ongoing quality of performance of these functions.

2. RESPONSIBILITIES

- 2.1 The Committee reviews and advises the Director-General and the Finance Committee in ensuring there is proper coordination of oversight activities between internal and external audit functions. While doing so the Committee does not interfere with the respective mandate and independence of the different functions.
- 2.1 The Committee reviews and advises on:
 - a) Policies and processes affecting accounting and financial reporting issues and the Organization's financial control.
 - b) Financial statements and reports prior to their submission to the Council, based on discussions with Management and the External Auditor, over the course of the related preparation cycle, to include considerations of:
 - i. significant changes in accounting policies, presentation and disclosures
 - ii. audit scope, required communications by the External Auditor and other matters related to the conduct of the external audit
 - iii. external audit reports and relevant management letters, including status of implementation by management of external audit recommendations
 - c) The Organization's internal control and risk management strategy, framework, policies and processes, giving due consideration to emerging and significant risks facing the Organization, including consideration of:
 - i. improvement projects concerning internal controls and risk management

- ii. the results of internal and external audit coverage of the Organization and the status of recommendations arising from internal and external audits
- iii. the maturity of the risk management processes
- d)** The Organization's policies to combat fraudulent, corrupt and collusive practices of its employees and external parties, including improper use of the Organization's resources, and the arrangements for employees and external parties to raise concerns, in confidence, about wrongdoing in the management and conduct of operations.
- e)** The effectiveness and efficiency of OIG's internal audit and investigation functions, and adherence to the Charter of the Office of the Inspector-General, the Guidelines on Internal Administrative Investigations and to applicable international internal auditing and investigation standards, including consideration of:
 - i. the independent role of the Inspector General and his/her Office
 - ii. the sufficiency of resources available for OIG to meet the Organization's needs
 - iii. OIG's quality assurance mechanisms and results of internal and external quality assurance reviews
 - iv. the adequacy of planned and actual internal audit coverage with due regard to external audit coverage, to ensure that emphasis is placed by OIG on high-risk areas in coordination with the External Auditor
 - v. audit reports issued by OIG and the status of implementation of the recommendations by the Organization
 - vi. OIG investigations into allegations of misconduct involving FAO personnel and allegations of sanctionable actions involving third parties; investigations on complaints of retaliation where the Ethics Office has determined a prima facie case of retaliation to exist; and the status of actions taken by the Organization on the findings of investigations
 - vii. OIG's activity and annual reports
 - viii. changes to the OIG Charter and operational manuals required to maintain alignment with organizational and professional practices
 - ix. proposals of the Organization to recruit, terminate or not renew the appointment of an Inspector General

2.2 The Committee also reviews and advises on:

- f)** All matters pertaining to the formulation, development and implementation of the Organization's ethics programme, including:
 - i. the ethics activities of the Ethics Officer on the basis of annual reports referred to the Committee by the Ethics Office
 - ii. the main components of the ethics programme, including any relevant policies, regulations and rules, and training
 - iii. the Organization's financial disclosure programme or programmes aimed at preventing or addressing conflict of interest
 - iv. the adequacy of resources to effectively carry out its ethics responsibilities
 - v. the development and any changes to the Terms of Reference of the Ethics Office
 - vi. the provision of input to the performance appraisal of the Ethics Officer

- g) Matters pertaining to the activities of the Organization's Ombudsman programme, in total respect of the confidentiality of the work of the Office which cannot be disclosed without the permission of the parties to a dispute, including:
 - i. an overview of activities of the Ombudsman Office
 - ii. the adequacy of resources to effectively carry out its responsibilities
 - iii. the development and any changes to the Terms of Reference of the Ombudsman Office

2.3 The Committee establishes an annual plan to ensure the Committee's responsibilities and stated objectives for the period are effectively addressed.

2.4 The Committee submits an annual report on its activities to the Finance Committee and the Director-General. The Director-General may provide comments on the report which would be incorporated in the final report submitted by the Chairperson of the Committee to the Finance Committee.

2.5 The Committee will provide an annual input to the performance appraisals of the Inspector General and Ethics Officer prior to its submission to the Director-General.

3. AUTHORITY

3.1 The Committee has the authority to:

- a) Obtain all necessary information from Management, the Inspector General and the Ethics Officer and consult directly with them and their respective staff.
- a) Access all reports and working papers produced by OIG.
- b) Seek any information from any staff member and require all staff to cooperate with any request made by the Committee.
- c) Obtain independent professional advice and secure the attendance of outside persons with relevant experience and expertise, if it is considered necessary.

4. COMPOSITION OF THE COMMITTEE

4.1 The Committee consists of five external Members. All Members are appointed by the FAO Council on recommendation of the Finance Committee following a selection process managed by the Director-General. The composition of the Committee is provided as an Annex to its annual report to the Director-General and the Finance Committee.

4.2 The selection process of Members includes the following steps:

- a) The Committee reviews and endorses the *Advertisement for the appointment of Members* and advises Management of desirable profiles for new Members to maintain or strengthen the overall complementarity of skills and experience within the Committee as a whole.
- b) Applications are submitted to the Human Resources Division (CSH), as well as to the Secretariat of the Committee.
- c) Applications are reviewed by the two units independently to ensure the requirements indicated by the Committee itself are taken into consideration.
- d) A list of candidates to be interviewed and the composition of the interview panel is drawn up by CHS in consultation with Senior Management for approval by the Director-General.
- e) The interview panel will comprise a Deputy Director-General as Chairperson, the Legal Counsel, the Director OSP, the Director CSH, the Deputy Director of Cabinet, and an external expert with demonstrated experience in the areas of oversight and investigation.

- f) In formulating its recommendations, the interview panel criteria for selecting the candidates follow best practice in the UN system, and adherence to rule 4.3 below.
 - g) The Director-General makes a recommendation to the Finance Committee for the appointment of Members for its review and submission to the FAO Council for endorsement.
- 4.3** Members are selected on the basis of their qualifications and relevant experience at senior level in the areas of oversight including audit, investigation and ethics, financial management, governance, risk and controls. Due regard is paid in their selection to gender and geographic representation in the Committee.
- 4.4** Members are independent of the Food and Agriculture Organization of the United Nations, and of the Director-General. Former FAO staff members and former staff members who have become FAO consultant following departure from the Organization are not appointed to the Committee within a period of five years following the end of those responsibilities.
- 4.5** Former Members of the Oversight Committee are not appointed to FAO staff and/or non-staff human resources positions within a period of five years following the end of their mandates as Members.
- 4.6** Members serve in their personal capacity and cannot be represented by alternate attendees.
- 4.7** The Committee elects its own Chairperson from within its Members.
- 4.8** Members serve for a three-year period, which may be renewed for a maximum of three further years after the initial term, by a decision of the FAO Council. Members' terms of office are phased as much as possible so as to provide continuity. Renewal is subject to a positive assessment of the Member's contribution during his or her first term, and considerations of maintaining a mix of skills and experience within the Committee as a whole, appropriate to the circumstances at the time.

5. SECRETARIAT

- 5.1** The Secretary of the Committee is the Director of the Office of Strategy, Programme and Budget (OSP) ex-officio, who shall report directly to the Chairperson on matters relating to the work of the Committee. The Secretary has no voting rights in the deliberations of the Committee. OSP provides Secretariat staff support.

6. MEETINGS

- 6.1** At the discretion of the Chairperson, the Committee meets at least three times a year. Additional meetings may be called by the Chairperson if deemed appropriate. The Director-General, Inspector General, Ethics Officer, Ombudsman or External Auditor may request the Chairperson to call additional meetings if necessary.
- 6.2** Members of the Committee are normally given at least ten working days' notice of meetings.
- 6.3** The Chairperson approves a provisional agenda for the meetings that should be circulated together with the invitations.
- 6.4** Supporting documents are prepared by the Chairperson or by the Committee Secretariat on the instruction of the Chairperson or on the Secretary's initiative. Documents may also be submitted by the External Auditor or, with the approval of the Chairperson, by Management or other Committees of the Organization. The documents and informational material circulated for the consideration of the Committee are used solely for that purpose and treated as confidential.
- 6.5** The presence of all five Members is expected at each meeting but meetings can take place with a quorum of three Members. The Committee's decisions are usually taken by consensus but if

this is not the case by the majority of the Members present and voting. Should the votes be equally divided, the Chairperson has the casting vote.

- 6.6 The Chairperson or other Members may participate in a meeting by telephone or video conference link, during which time they are counted, for the purpose of establishing a quorum.
- 6.7 If the Chairperson is unable to attend a meeting, the Vice-Chairperson chairs the meeting. Should the Vice-Chairperson also be unable to attend the meeting, the other Members elect an Acting Chairperson for that meeting from among the Members present.
- 6.8 The Chairperson may invite Management, the Inspector General, the Ethics Officer, the Ombudsman, or other FAO staff to attend meetings. The Chairperson may also invite the External Auditor to attend meetings.
- 6.9 The Committee may decide to meet in closed session from time to time as determined by the Committee, or in private sessions with the Secretary. The Committee may also meet in private sessions with Management representatives, the representative of the External Auditor, the Inspector General, the Legal Counsel, the Ethics Officer and the Ombudsman, as required. The Committee shall also meet with the External Auditor in a private session at least once a year.
- 6.10 Minutes of meetings are prepared and kept by the Committee Secretary. The Committee reviews the draft minutes by correspondence, and formally adopts the minutes at its next meeting.
- 6.11 The deliberations of the Committee and the minutes of its meetings are confidential unless otherwise decided by the Chairperson. The Chairperson may agree to share all or relevant parts of the minutes with the Director-General, the Ethics Officer, the Ombudsman, the Inspector General and other FAO Senior Managers, or request the Secretary to provide summaries of decisions for the purpose of follow-up action.

7. CONFLICTS OF INTEREST

- 7.1 Prior to their appointment, new Members complete a conflicts of interest declaration. Thereafter, all Members will complete an annual statement of confidentiality and disclosure of conflicts of interest and Members formally notify any changes occurring between yearly declarations. Where an actual or potential conflict of interest arises, the interest is to be declared and results in the Member(s) being excused from the discussion or abstaining from voting on the matter. In such event, a quorum is required from the remaining Members for the consideration of this matter.

8. RESPONSIBILITIES AND LIABILITIES OF MEMBERS

- 8.1 Members act in an independent, non-executive capacity while performing their advisory role on the Committee. As such, Members are not to be held personally liable for decisions taken by the Committee acting as a whole or on behalf of the Committee.
- 8.2 Committee Members are indemnified from actions taken against them as a result of activities performed in the course of business of the Committee, so long as such activities were performed in good faith.

9. REPORTING

- 9.1 The Committee shall submit reports to the Director-General and the Finance Committee.
- 9.2 The Committee prepares an annual report on its work containing advice, observations and recommendations, as appropriate for consideration by the Director-General and the Finance Committee. The report:
 - a) includes an annual self-assessment of the Committee's work

- b) provides the Committee's views regarding how OIG addresses identified high-risk areas through its plan and the adequacy of its budget to carry out the said plan
- c) also provides the Committee's views on the annual OIG report including its statement of independence

9.3 The Chairperson of the Committee or Vice-Chairperson, or another Member, should neither the Chairperson nor the Vice-Chairperson be available, is invited to the Finance Committee to present the Committee's annual report. The Committee may also meet with the Finance Committee once a year to exchange important concerns at a time that is determined by both parties.

9.4 The Chairperson communicates with the Director-General's designated focal point on the results of the Committee's deliberations, if not deemed confidential, as well as on forthcoming issues relevant to its business.

9.5 The Secretary of the Committee also prepares a mid-year progress report on implementation of the Committee's recommendations for approval by the Chairperson of the Committee prior to its submission to the Autumn session of the Finance Committee.

10. REMUNERATION AND REIMBURSEMENT OF COSTS

10.1 Members are not remunerated by FAO for activities undertaken with respect to their membership of the Committee. FAO reimburses Committee Members for any travel and subsistence costs in accordance with FAO policies that are necessarily incurred in relation to participation in Committee meetings.

11. PERIODIC REVIEW OF THE TERMS OF REFERENCE

11.1 The Committee periodically, and at least annually, reviews the adequacy of its Terms of Reference, where appropriate recommending changes to the Director-General and the Finance Committee for subsequent submission to the Council for decision.

Annex III - Documents for information

- Status of Current Assessments and Arrears as at 31 December 2021
- Report on the Special Fund for Emergency and Rehabilitation Activities
- Budgets of the Desert Locust Commissions for 2022-23