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# FINANCE COMMITTEE

**Hundred and Sixty-first Session**

**Rome, 16 - 20 May 2016**

**Annual Report on Budgetary Performance and Programme and Budgetary  
Transfers in the 2014-15 biennium**

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### EXECUTIVE SUMMARY

- The Finance Committee in November 2015 reviewed the Programme and Budgetary Transfers in the 2014-15 Biennium. It took note of the forecasted unspent balance of USD 5 million against the Conference-approved net appropriation of USD 1,005.6 million, authorized the forecasted budgetary Chapter transfers in favour of Chapters 2, 3, 5, 8 and 10 and looked forward to the final report at its May 2016 session.
- This report presents the final 2014-15 budgetary outturn based on the unaudited accounts of the Organization. Final 2014-15 spending represents 99.4 percent of the USD 1,005.6 million biennial appropriation. The unspent balance of USD 5.6 million will be used in 2016-17 to cover additional expenditures of a one-time nature associated with consolidation of transformational change, as authorised by Conference Resolution 6/2015.
- All Chapter transfers are in line with those previously approved.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to take note of the overall budgetary outturn for 2014-15, including the unspent balance of USD 5.6 million that will be used in 2016-17 to cover additional expenditures of a one-time nature associated with consolidation of transformational change, as authorised by Conference Resolution 6/2015. The Committee is requested to approve the transfers between budgetary chapters and recall that any unspent balances in the Technical Cooperation Programme (Chapter 7), Capital Expenditure (Chapter 13) and Security Expenditure (Chapter 14) are transferred to the 2016-17 biennium as per the Financial Regulations.

#### Draft Advice

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

- **took note of the final 2014-15 budgetary outturn based on the unaudited accounts of the Organization, and the unspent balance of USD 5.6 million which would be used in 2016-17 to cover additional expenditures of a one-time nature associated with consolidation of transformational change, as authorised by Conference Resolution 6/2015;**
- **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 2016-17 biennium as per the Financial Regulations; and**
- **approved the final budgetary transfers in favour of Chapters 2 (USD 3.2 million), 3 (USD 1.2 million), 5 (USD 8.9 million), 8 (USD 9.1 million), 10 (USD 6.6 million) from Chapters 1, 4, 6, 9 and 11, as shown in Table 2.**

## Introduction

1. Conference Resolution 7/2013 approved the 2014-15 budgetary appropriation of USD 1,005.6 million and the Programme of Work, subject to adjustments based on guidance provided by the Conference. The Conference also authorised the Director-General, notwithstanding Financial Regulation (FR) 4.2, to use any unspent balance of the 2012-13 appropriations for any additional expenditures of a one-time nature associated with transformational change<sup>1</sup>.
2. At its 148<sup>th</sup> session in December 2013, the Council endorsed the Adjustments to the Programme of Work and Budget (PWB) 2014-15<sup>2</sup>, noting that further budgetary transfers could arise as a result of work planning, as well as from using the most efficient and effective modalities of implementation during the biennium, which would be handled in accordance with Financial Regulation 4.5.
3. 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 are available to meet expenditures during the biennium. The 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.
4. The Council at its 149<sup>th</sup> session noted that the Finance Committee in May 2014 endorsed the forecasted chapter distributions of the 2014-15 budgetary appropriation arising from preparation of biennial work plans with the budgetary transfers in favour of Chapters 5, 6, 8 and 10<sup>3</sup>. The Council at its 151<sup>st</sup> session noted that the Finance Committee in March 2015 had authorized forecasted budgetary transfers in favour of Chapters 2, 5, 8 and 10<sup>4</sup>.
5. The Council at its 153<sup>rd</sup> session noted that the Finance Committee in November 2015 had authorized an additional forecasted budgetary transfer in favour of Chapter 3 and took note of the forecasted underspending of USD 5 million against the 2014-15 biennial appropriation that would be used in 2016-17 to cover additional expenditures of a one-time nature associated with consolidation of transformational change, as authorised by Conference Resolution 6/2015<sup>5</sup>.
6. This report presents, for discussion and approval, the final budgetary performance against the 2014-15 net appropriation.

## Overall Biennial Performance

7. Table 1 summarizes overall budgetary performance versus the 2014-15 appropriation. The performance is based on the actual expenditure in the unaudited accounts of the Organization, adjusted for the budget US dollar/euro exchange rate of 1.30 established in the PWB 2014-15. 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.

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<sup>1</sup> Conference Resolution 7/2013 paragraph 2)

<sup>2</sup> CL 148/3, CL 148/REP paragraphs 7-8

<sup>3</sup> FC 154/9, CL 149/4 paragraph 21c), CL 149/REP paragraph 18d)

<sup>4</sup> FC 157/8, CL 151/3 paragraph 18, CL 151/REP paragraph 11d)

<sup>5</sup> FC 160/7, CL 153/7 paragraphs 18-19, CL 153/REP paragraph 13e).

**Table 1: Overview of 2014-15 Regular Programme Performance (USD 000)**

	USD 000
2014-15 Net Appropriation (CR 7/2013)	1,005,649
2014-15 Net Expenditure at Budget Rate	1,000,082
Balance against 2014-15 Net Appropriation to be transferred to 2016-17 to cover additional expenditures of a one-time nature associated with consolidation of transformational change	5,567
Carry Over of 2012-13 Unspent Net Appropriation Balance (CR 7/2013)	9,434
2014-15 Net Expenditure at Budget Rate funded from 2012-13 Carry Over	9,417
Balance against 2012-13 Carry Over	17

8. As shown in Table 1, the Organization expended a total of USD 1,000,082,000 against the 2014-15 net appropriation. In addition, the Organization spent USD 9,417,000 of the USD 9,434,000 carryover of the 2012-13 unspent net appropriation balance made available in 2014-15 for expenditure associated with transformational change, as authorised by Conference Resolution 7/2013.

9. An unspent balance of USD 5.6 million is recorded against the 2014-15 net appropriation of US 1,005.6 million (99.4 percent spent). The unspent balance will be used in 2016-17 to cover additional expenditures of a one-time nature associated with consolidation of transformational change, as authorised by Conference Resolution 6/2015.

### **Budgetary Transfers Between Chapters**

10. The final budgetary chapter transfers against the 2014-15 biennial appropriation are tabulated in Table 2. All transfers fall within the limits authorised by the Finance Committee in November 2015. As previously anticipated<sup>6</sup> some variations by chapter occurred due to percentages of final expenditure in Euro being at variance with those forecasted. Main programmatic changes, comparing to November 2015 forecasts, are summarized below.

11. Additional spending in Chapter 1 (Strategic Objective 1) represents activities which were budgeted under Chapter 6 (Technical quality, knowledge and services), funded from the Multidisciplinary Fund. The increased spending in Chapter 2 (Strategic Objective 2) is mainly due to a technical realignment of regular programme expenditure of the International Plant Protection Convention (IPPC) Secretariat, which was originally planned in Chapter 4 (Strategic Objective 4).

12. The spending in budgetary Chapters 5 (Strategic Objective 5) and 8 (Outreach) was lower than previously anticipated due to commitments that did not materialize at year-end in some headquarters divisions and FAO liaison offices balanced by the higher than previously forecasted spending in Chapter 9 (Information Technology) in other decentralized locations.

13. Chapter 13 (Capital Expenditure) generated a surplus of USD 15.4 million to be carried forward for use in subsequent biennia under the Capital Expenditure Facility. The 2014-15 level of expenditure reflects the fact that no major IT projects, which have a long-term cyclical nature, were programmed in the biennium. Furthermore, as reported in the PWB 2016-17,<sup>7</sup> innovations introduced

<sup>6</sup> FC 160/7 paragraph 12

<sup>7</sup> C 2015/3 paragraph 285

during the 2014-15 biennium reduced the requirements for IT investments, which is also reflected in the reduced appropriation for Capital Expenditure in the 2016-17 biennium.

14. Chapter 14 (Security Expenditure) generated a surplus of USD 10.4 million to be carried forward for use in subsequent biennia under the Security Expenditure Facility. The 2014-15 level of expenditure reflects the ongoing rationalization of corporate services that resulted in the consolidation of headquarters security services with the field security unit in DDO, as well as efforts to ensure appropriate financing of all security-related expenditures from assessed and voluntary contributions.

15. In accordance with the FR 4.5 (b), the Committee is requested to approve the required transfers from budgetary Chapters 1, 4, 6, 9, 11 in favour of Chapters 2 (USD 3.2 million), 3 (USD 1.2 million), 5 (USD 8.9 million), 8 (USD 9.1 million), 10 (USD 6.6 million) as shown in column (g) of Table 2. Any unspent balances in the Technical Cooperation Programme (Chapter 7), Capital Expenditure (Chapter 13) and Security Expenditure (Chapter 14) will be transferred for use in the subsequent financial period in line with the Financial Regulations, and are therefore shown as fully spent.

**Table 2: 2014-15 Budgetary Performance by Chapter (USD 000)**

Ch	Strategic or Functional Objective	Adjusted PWB 2014-15 (CL 148/3)	Forecasted Net Expenditure from November 2015 FC 160/7	Final Net Expenditure funded from 2014-15 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	94,617	80,628	82,664	11,953	(7,250)
2	Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner	198,681	201,029	201,831	(3,150)	3,200
3	Reduce rural poverty	62,142	63,136	63,281	(1,139)	1,150
4	Enable more inclusive and efficient agricultural and food systems	115,217	109,060	107,192	8,025	(8,000)
5	Increase the resilience of livelihoods to threats and crises	37,905	47,526	46,720	(8,815)	8,850
6	Technical quality, knowledge and services	54,746	47,636	45,881	8,865	(8,850)
7	Technical Cooperation Programme	134,721	134,721	134,721	0	
8	Outreach	64,712	75,625	73,738	(9,026)	9,050
9	Information Technology	35,501	33,081	34,876	625	(600)
10	FAO governance, oversight and direction	80,213	86,642	86,768	(6,555)	6,600
11	Efficient and effective administration	81,691	76,661	77,507	4,184	(4,150)
12	Contingencies	600	0	0	600	
13	Capital Expenditure	21,886	21,886	21,886	0	
14	Security Expenditure	23,017	23,017	23,017	0	
<b>Total</b>		<b>1,005,649</b>	<b>1,000,649</b>	<b>1,000,082</b>	<b>5,567</b>	<b>0</b>

\*The Net Expenditure total in column (e) excludes USD 9.4 million funded from the 2012-13 carryover, over and above 2014-15 net appropriation.