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FINANCE COMMITTEE

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**Annual Report on Budgetary Performance and
Programme and Budgetary Transfers in the 2008-09 Biennium**

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EXECUTIVE SUMMARY

- The 2008-09 spending in the unaudited accounts of the Organization represents 99.5% of the USD 929.8 million Appropriation. The surplus balance is of USD 1.7 million in *Chapters 1* through *6* after USD 2.5 million is re-apportioned to *Chapter 8, Capital Expenditure* for carryover to the 2010-11 biennium¹. Unspent balances in *Chapter 8, Capital Expenditure*, *Chapter 9, Security Expenditure*, and the *Technical Cooperation Programme (TCP)* are carried over to the 2010-11 biennium as per the financial regulations.
- As previously reported to the Committee, the 2008-09 performance was mainly impacted by unfavourable staff cost variance and one-time decentralization costs, compensated by savings in the new subregional offices and higher-than-budgeted income reimbursements for project support costs.
- The final regular programme transfer into *Chapter 5* falls within the levels previously approved², while a slightly higher than previously approved transfer is required to *Chapter 1, Corporate Governance*. In accordance with Financial Regulation 4.5 (b), the Committee is requested to approve the required transfers from budgetary *Chapters 3* and *6* in favor of *Chapter 1* (USD 1.0 million), *4* (USD 0.05 million) and *5* (USD 0.7 million).
- Of the USD 22.1 million in further unprogrammed efficiency savings to be achieved in 2008-09 beyond the amount budgeted in the PWB 2008-09, USD 16.4 million have been achieved through efficiency measures, an increase of USD 0.3 million from earlier estimates. The remaining USD 5.7 million was achieved through one-time savings measures. It is estimated that the full biennial effect of these efficiency measures will amount to close to USD 22.1 million.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- In accordance with Financial Regulations 4.1 and 4.5, the Committee is invited to note the overall budgetary outturn for 2008-09 and approve the resulting budgetary transfers.

Draft Advice

1. The Committee takes note that spending on the unaudited accounts of the Organization represents 99.5% of the 2008-09 budgetary appropriation and that the surplus balance is USD 1.7 million after unspent balances in *Capital Expenditure (Chapter 8)*, *Security Expenditure (Chapter 9)* and *Technical Cooperation Programme (TCP)* are carried over to the next biennium as per the financial regulations and USD 2.5 million of unspent balance in *Chapters 1* through *6* is carried over to 2010-11 via the Capital Expenditure Facility (CR 3/2009).
2. The Committee notes that the final transfer into Chapter 5 falls within the levels previously approved (FC 128/3) while a slightly higher transfer is required to Chapter 1. The Committee approves the required transfers from budgetary *Chapters 3* and *6* in favor of *Chapter 1* (USD 1.0 million), *4* (USD 0.05 million) and *5* (USD 0.7 million) as shown in Table 2.
3. The Committee notes that, while in 2008-09 USD 16.4 million in savings was achieved through efficiency measures and USD 5.7 million through one-time savings, the full biennial effect of efficiency savings measures will amount to close to USD 22.1 million.

¹ Conference Resolution (CR) 3/2009, paragraph 2

² CL 137/4, paragraphs 29-33

Introduction

1. Conference Resolution (CR) 3/2007 approved the 2008-09 budgetary appropriation of USD 929.8 million, which was net of USD 22.1 million of further savings and efficiency gains to be identified during the biennium in delivering the Programme of Work, and Financial Regulation (FR) 4.1 authorizes the Director-General to incur obligations up to the amount voted. FR 4.5 (b) requires transfers from one chapter to another to be approved by the Finance Committee. The Finance Committee considered a detailed account of Management's efforts to reach the required savings and efficiency gains and approved the resulting chapter transfers leading to the final net budgetary appropriation 2008-09³.

2. This report summarizes, for information, discussion and decision, the budgetary aspects of the Regular Programme performance for 2008-09, including the details of the final budgetary transfers between chapters. It also provides the final level of further savings and efficiency gains of USD 22.1 million that were realized during 2008-09.

Overall Biennial Performance

3. *Table 1* summarizes overall budgetary performance versus the final appropriation. The 2008-09 performance is based on the actual expenditure in the unaudited accounts of the Organization, adjusted for the budget US dollar/euro exchange rate of 1.36 established in the Programme of Work and Budget 2008-09. Any unspent balances in *Chapter 8, Capital Expenditure, Chapter 9, Security Expenditure*, and the *Technical Cooperation Programme (TCP)* will be transferred for use in the subsequent financial period, in line with the financial regulations, and are therefore shown as fully spent.

Table 1. Overview of 2008-09 Regular Programme Performance (USD millions)

	2008-09
Budgetary Appropriation	
Programme of Work	1,062.9
<i>Less Other Income</i>	<i>133.1</i>
Appropriation adopted by CR 3/2007	929.8
Net Expenditure	925.6
Expenditure vs. Net Appropriation	4.2
Transfer of the unspent 2008-09 balance from Chapters 1-6 to Chapter 8 (CR 3/2009)	2.5
Final Variance	1.7

4. As shown in *Table 1*, a surplus balance of USD 4.2 million is recorded against the 2008-09 appropriation of USD 929.8 million (99.5% spent). Conference Resolution 3/2009 authorized the Director-General to transfer to the next biennium any unspent balance up to USD 2.5 million against the 2008-09 budgetary appropriation from other budgetary chapters in favour of *Capital Expenditure*. Therefore, USD 2.5 million is re-apportioned to *Chapter 8, Capital Expenditure* for carryover to the 2010-11 biennium.

5. Actual expenditure in 2008-09, as previously noted by the Committee, is affected by unfavourable staff cost variance and additional one-time decentralization costs, offset by savings in the new subregional offices and higher-than-budgeted income reimbursements for project support costs.

³ FC 128/3, Table 3

6. The unfavourable staff cost variance of USD 2.5 million was mainly due to the increase in costs for Recruitment and Transfer allowances and Education Grant. It is lower than the last estimate presented to the Finance Committee due to lower actual exchange rates than those used in the forecast for US dollar value of the general service salaries in decentralized offices, and in lower-than-budgeted termination costs.

Budgetary Transfers between Chapters

7. In July 2009, the Council at its 137th session endorsed document FC 128/3 as reviewed by the Finance Committee. The Committee had authorized transfers from *Chapters 3, 4 and 6* in favor of *Chapters 1* (USD 0.9 million), *2* (USD 0.6 million) and *5* (USD 1.0 million). The Council noted that the Director-General would report the precise amounts to the Finance Committee in April 2010.

8. The final Regular Programme chapter transfers are tabulated in *Table 2*. Compared to the estimates authorized by the Committee in July 2009⁴, the transfer to *Chapter 1* is higher by USD 0.1 million, the transfer into *Chapter 5* is lower by USD 0.3 million, while the transfer into *Chapter 2* is no longer necessary. In addition, a small transfer of USD 0.05 million is required in *Chapter 4*.

9. The higher transfer to *Chapter 1* arises from additional session days in 2009 of the FAO governing bodies.

10. *Chapters 2 and 3* both have unspent balances and the transfer to *Chapter 2*, approved in July 2009, is no longer required, as the final expenditure in these chapters is lower than earlier anticipated. This is mainly due to budgeted resources not fully utilized in the new subregional offices, delayed implementation of some partnership agreements for South-South Cooperation and country-level formulation of national programmes on food security, and the lower-than-forecasted unfavourable staff cost variance.

11. The small overspending in *Chapter 4* is mainly due to the accelerated spending in this chapter on activities at national level in support of food security and development cooperation programmes in the second half of 2009.

12. The overspending in *Chapter 5* is due to higher one-time costs in decentralized offices and unfunded liability from prior biennia for garbage disposal service at headquarters for which a transfer from *Chapter 6, Contingencies*, had been authorized by the Finance Committee in July 2009⁵.

13. In accordance with the FR 4.5 (b), the Committee is requested to approve the required transfers from budgetary *Chapters 3, and 6* in favor of *Chapter 1* (USD 1.0 million), *4* (USD 0.05 million) and *5* (USD 0.7 million). Any unspent balances in the *Technical Cooperation Programme, Capital Expenditure (Chapter 8)* and *Security Expenditure (Chapter 9)* will be transferred for use in the subsequent financial period, in line with the Organization's current financial regulations, and are therefore shown as fully spent.

⁴ FC 128/3

⁵ FC 128/3, para 19

Table 2. 2008-09 Budgetary Performance by Chapter (USD millions)

2008-09 Budgetary performance (in USD millions)				
Chapter	2008-09 Net Appropriation	Net Expenditure (at budg. rate)	Balance vs. Appropriation	Budgetary Chapter Transfers
1 Corporate Governance	26.5	27.50	(1.00)	1.00
2 Sustainable Food and Agricultural Systems	260.3	257.80	2.50	0.00
3 Knowledge Exchange, Policy and Advocacy	235.4	232.65	2.76	(1.15)
4 Decentralization, UN Cooperation and Programme Delivery	227.6	227.65	(0.05)	0.05
5 Management and Supervision Services	136.0	136.65	(0.65)	0.70
6 Contingencies	0.6	0.00	0.60	(0.60)
8 Capital Expenditure	20.1	20.10		
9 Security Expenditure	23.3	23.30		
Total	929.8	925.65	4.15	0.00

14. *Table 3* provides a more detailed final overview of the *Chapter 8* resources available in the biennium, comprising budgeted resources of USD 20.1 million, the carryover from the previous biennium of USD 2.8 million, and the transfer of an unspent balance of USD 2.5 million from other chapters as authorized by CR 3/2009. Expenditures totaled USD 15.5 million, resulting in a carryover of USD 9.9 million for use in 2010-11, of which USD 5 million was planned in the PWB 2010-11 and the balance will be used to help fund projects that were deferred, executed at a reduced rate (e.g. IPSAS), or under-budgeted.

Table 3. Chapter 8 (Capital Expenditure) resources available in 2008-09

	USD million
Final Net Appropriation 2008-09 (FC 128/3)	20.1
Carryover to Capital Expenditure Account for use in 2008-09 (FC 122/2)	2.8
Transfer of the unspent 2008-09 balance from chapters 1 through 6 (CR 3/2009)	2.5
Total Resources available in 2008-09	25.4
<i>Actual expenditure at budget rate</i>	<i>15.5</i>
Carry-over to Capital Expenditure Account for use in 2010-11	9.9

15. *Chapter 9* generated a balance of USD 4.0 million to be carried forward to 2010-11 under the *Security Expenditure Facility*. USD 2.9 million of this surplus mainly represents the lower than budgeted expenditure by the United Nations Department of Safety and Security (UN-DSS)

against FAO's cost share. The remaining surplus is in Field Security - funds set-aside for relocations of about 13 country offices which did not materialize in the 2008-09 biennium.

Efficiency Savings

16. As regularly reported to the Finance Committee, the Secretariat expected to have in place by the end of the 2008-09 biennium measures to achieve the further savings and efficiency gains of USD 22.1 million required by the 2007 Conference. However, USD 16.4 million of these savings was finally achieved through efficiency measures during the 2008-09 biennium. Compared to the last report made in July 2009⁶, this represents an increase of USD 0.3 million in efficiency gains, due to higher savings in travel entitlements. The remaining USD 5.7 million was achieved in 2008-09 through one-time savings.

Table 4. Savings and Efficiency Gains by Chapter (USD million)

Chapter	Biennialized efficiency gains	Actual savings 2008-09 biennium	One-time savings in 2008-09
1 Corporate Governance	0.5	0.1	0.4
2 Sustainable Food and Agricultural Systems	6.1	5.1	1.0
3 Knowledge Exchange, Policy and Advocacy	4.5	3.2	1.3
4 Decentralization, UN Cooperation and Programme Delivery	6.9	3.7	3.2
5 Management and Supervision Services	3.7	3.9	(0.2)
8 Capital Expenditure	0.3	0.3	0.0
9 Security Expenditure	0.1	0.1	0.0
Total	22.1	16.4	5.7

17. It is estimated that from 2010-11 the full biennial effect of these efficiency measures will amount to close to USD 22.1 million.

⁶FC 128/3