



منظمة الأغذية
والزراعة
للأمم المتحدة

联合国
粮食及
农业组织

Food
and
Agriculture
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of
the
United
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Organisation
des
Nations
Unies
pour
l'alimentation
et
l'agriculture

Продовольственная и
сельскохозяйственная
организация
Объединенных
Наций

Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación

COUNCIL

Hundred and Thirty-ninth Session

Rome, 17 – 21 May 2010

Report of the 132nd Session of the Finance Committee
Rome, 12 - 16 April 2010

Table of Contents

	Paragraphs
Introduction	1 - 3
Financial and Budgetary Matters	4 - 26
FINANCIAL HIGHLIGHTS AND STATUS OF CURRENT ASSESSMENTS AND ARREARS	4 - 8
2009 ACTUARIAL VALUATION OF STAFF RELATED LIABILITIES	9 - 11
PROGRESS REPORT ON ADOPTION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS	12 - 13
REPORT ON INVESTMENTS 2009	14 - 15
AUDITED ACCOUNTS – FAO COMMISSARY 2008	16 - 17

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ANNUAL REPORT ON BUDGETARY PERFORMANCE AND PROGRAMME AND BUDGETARY TRANSFERS IN THE 2008-09 BIENNIUM	18 - 22
PROGRESS REPORT ON ADJUSTMENTS TO THE PROGRAMME OF WORK FOR UNIDENTIFIED FURTHER EFFICIENCY GAINS AND ONE-TIME SAVINGS	23 - 26
Human Resources Matters	27 - 30
IMPLEMENTATION OF CORPORATE HUMAN RESOURCES STRATEGY	27 - 30
Oversight Matters	31 - 36
MEMBERSHIP OF THE FAO AUDIT COMMITTEE	31 - 32
2009 ANNUAL ACTIVITY REPORT OF THE OFFICE OF THE INSPECTOR GENERAL	33 - 36
Other Matters	37 - 51
THE EVALUATION OF FAO'S OPERATIONAL CAPACITY IN EMERGENCIES AND MANAGEMENT RESPONSE	37 - 41
EMOLUMENTS OF THE INDEPENDENT CHAIRPERSON OF THE COUNCIL	42 - 43
FINANCIAL PLANNING FOR IPA IMPLEMENTATION IN THE 2010-11 BIENNIUM	44 - 48
REVIEW OF THE TERMS OF REFERENCE OF THE ETHICS COMMITTEE	49 - 51
World Food Programme Matters	52 - 53
SELECTION AND APPOINTMENT OF THE EXTERNAL AUDITOR	52 - 53
Standing Items	54 - 62
WORKING METHODS OF THE FINANCE COMMITTEE	54 - 59
DATE AND PLACE OF THE HUNDRED AND THIRTY-THIRD SESSION	60
ANY OTHER MATTERS	
FINANCIAL DISCLOSURE PROGRAMME	61 - 62

ANNEX I

**ANNUAL REPORT ON BUDGETARY PERFORMANCE AND PROGRAMME
AND BUDGETARY TRANSFERS IN THE 2008-09 BIENNIUM**

ANNEX II

INFORMATION DOCUMENTS

REPORT OF THE HUNDRED AND THIRTY-SECOND SESSION OF THE
FINANCE COMMITTEE

Rome, 12 – 16 April 2010

Introduction

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

2. The following representatives were present:

Chairperson: Mr Yasser A. R. Sorour (Egypt)

Members: Ms Sara Cowan (Australia)

H.E Li Zhengdong (China)

Mr Louis Charicauth (Gabon)

Mr Shobhana K. Pattanayak (India)

H.E. Javad Shakhs Tavakolian (Islamic Republic of Iran)

Mr Claudio Miscia (Italy)

H.E. Jorge E. Chen Charpentier (Mexico)

Mr Ronald Elkhuisen (Netherlands)

H.E. Guido J. Martinelli della Togna (Panama)

Mr Mohamed Eltayeb Elfaki Elnor (Sudan)

Mr Robert Sabiiti (Uganda)

Mr Michael Glover (USA)

3. The Chairperson informed the Committee that Mr Claudio Miscia had been designated to replace Mr Augusto Zodda as the representative of Italy at this session. The Committee further noted that:

- Ms Claudia Cecile de Mauleon medina had been designated to replace H.E. Chen Charpentier for part of this session as the representative of Mexico
- Mr Seyed Morteza Zarei had been designated to replace H.E. Javad Tavakolian for part of this session as the representative of the Islamic Republic of Iran
- Mr Torres González had been designated to replace H.E. Martinelli for part of this session as the representative of Panama.

Summaries of the qualifications of Mr Miscia, Ms de Mauleon Medina, Mr Zarei and Mr Torres González are listed in the addendum to this report (CL 139/8 Add.1).

Financial and Budgetary Matters

FINANCIAL HIGHLIGHTS AND STATUS OF CURRENT ASSESSMENTS AND ARREARS

4. The Committee reviewed the paper on *Financial Highlights and Status of Current Assessments and Arrears* which showed the status of contributions to the Regular Programme as at 31 December 2009, together with a Working Paper which provided an updated status of contributions as at 31 March 2010. The Committee was presented with highlights of the unaudited

results of operations for 2008-09 and the financial status of the Organization as it moved into the 2010-11 biennium.

5. The General Fund deficit at 31 December 2009 had reached a level of USD 559 million, an increase in the deficit of USD 94 million compared to the previous 2006-07 biennium end.
6. The following salient points were noted by the Committee:
 - a) The balance of unpaid contributions from Member Nations for 2009 and prior years stood at USD 43.3 million and EUR 22.4 million respectively at 31 December 2009; this represented a marked improvement compared to the previous 2006-07 biennium end. The updated Working Paper on the status of contributions as of 31 March 2010 also showed an improvement in the rate of payments of current assessments which had reached 28% compared to 23% as at 31 March 2009
 - b) The main factor which had contributed to the increase in the General Fund deficit during 2008-09 related to accounting recognition of the unfunded liabilities for staff related schemes and represented USD 117 million of the increase.
7. The Committee recognized that only through timely receipt of contributions could FAO meet operating cash requirements without recourse to statutory reserves or external borrowing.
8. **The Committee:**
 - **noted the magnitude of the accumulated General Fund deficit and agreed to highlight this situation to the Council**
 - **requested the Secretariat to present a report at the next session on the impact of existing incentive schemes to encourage timely payments as well as possible alternative measures**
 - **urged all Member Nations to make timely payment of assessed contributions to ensure that FAO could meet the operating cash requirements for the programme of work and requested the Secretariat to follow-up with individual Member Nations to ensure timely payment of their contributions**

2009 ACTUARIAL VALUATION OF STAFF RELATED LIABILITIES

9. The Committee reviewed the paper (doc. FC 132/3) on the results of the annual actuarial valuation and the current financial situation, accounting and funding of the Organization's liability for staff-related plans as at 31 December 2009 and made specific note of the following points:
 - a) Based on the most recent 2009 actuarial valuation, the total staff related liabilities as at 31 December 2009 amounted to USD 1110.8 million, including USD 934.5 million for the After Service Medical Coverage (ASMC) liability and USD 58.2 million for the Termination Payments Fund (TPF). This represented an overall increase in the total staff related liabilities of USD 68.6 million from the 2008 actuarial valuation (31 December 2008 - USD 1042.2 million)
 - b) The growth in the value of the overall liability for after-service benefit plans had stabilized owing to several refinements made to the actuarial calculation over the past few years and to the relative stability since 2008 of external factors, such as EUR/USD exchange rate and discount rate, that affect the reported value of the liability
 - c) The ASMC liability remained seriously underfunded. In the case of the TPF, no funding sources of past service liability had ever been approved and, therefore, all TPF payments in excess of funding received for current service cost added to the structural cash deficit of the Organization

10. The Organization faced a number of challenges in containing the growth in the ASMC liability to be funded by FAO, including pressure on the cost sharing ratio between the Organization and participants over the long term due to the growth in the ratio of retirees to active staff members.

11. **The Committee:**

- **looked forward to receiving information on the 2010 actuarial valuation of the liabilities for staff-related plans in order to consider recommendations to Council in the context of the Programme of Work and Budget (PWB) 2012-13**
- **noted that ASMC liability was a concern throughout the UN system and commended FAO for having taken steps to begin funding it**
- **requested the Secretariat to follow closely the discussion in the United Nations on end-of-service plan liabilities**

PROGRESS REPORT ON ADOPTION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

12. The Committee noted the progress of the project to implement International Public Sector Accounting Standards (IPSAS), in particular the increase in scope to include the replacement of the Field Accounting System and the consequent revised project timeline. The Committee noted the reported project risks, such as constraints in Decentralized Offices, and the competition for inputs from key staff who must also address other information system projects such as the necessary upgrade of FAO's (Oracle) ERP system.

13. **The Committee:**

- **re-emphasized the importance of IPSAS**
- **requested to continue to receive regular updates and encouraged the Secretariat to continue to work closely with other international organizations whose implementation timetable was ahead of FAO's**
- **requested to be informed of the wider cost implications and future funding requirements *inter alia* for system upgrades**
- **looked forward to receiving proposals from the Secretariat to finance the additional USD 3.1 million required in 2012 to complete the expanded scope of the Field Solution workstream**

REPORT ON INVESTMENTS 2009

14. The Committee noted that the level of short-term investments, mainly representing Trust Fund contributions held pending disbursement on projects, had reached USD 933 million at 31 December 2009. The overall positive return for short-term holdings was 0.4% in 2009. The Committee also noted that long-term investments, held towards funding of the Organizations liabilities for staff after-service schemes, had reached USD 294 million at the end of 2009, and had achieved an overall positive return of 18.3%.

15. **The Committee:**

- **commended the prudent management by FAO of its short-term portfolio and the resourceful approach to long-term investments**
- **welcomed the positive returns during 2009**
- **welcomed the efforts by the Organization to increase collaboration with other UN Common System treasuries**

AUDITED ACCOUNTS – FAO COMMISSARY 2008

16. The Committee reviewed document FC 132/17a) Audited Accounts – FAO Commissary 2008 and took note of the financial situation of the Commissary during the period in question. The Committee made a few requests for information, which were addressed by the Secretariat.

17. **The Committee:**

- **approved the 2008 Audited Accounts of the FAO Commissary**

**ANNUAL REPORT ON BUDGETARY PERFORMANCE AND PROGRAMME
AND BUDGETARY TRANSFERS IN THE 2008-09 BIENNIUM**

18. In accordance with Financial Regulations 4.1 and 4.5, the Committee reviewed document FC 132/6 *Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2008-09 Biennium*.

19. The Committee noted that spending on the unaudited accounts of the Organization represented 99.5% of the 2008-09 budgetary appropriation. It further noted that the surplus balance was USD 1.7 million after unspent balances in *Capital Expenditure (Chapter 8)*, *Security Expenditure (Chapter 9)* and *Technical Cooperation Programme (TCP)* were carried over to the next biennium as per the Financial Regulations, and USD 2.5 million of unspent balance in *Chapters 1 through 6* was carried over to 2010-11 via the Capital Expenditure Facility (CR 3/2009).

20. The Committee noted that the final transfer into Chapter 5 fell within the levels previously approved (FC 128/3) while a slightly higher transfer was required to Chapter 1.

21. The Committee noted 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 from 2010-11, the full biennial effect of efficiency savings measures would amount to close to USD 22.1 million.

22. **The Committee:**

- **approved the required transfers from budgetary Chapters 3 and 6 in favour of Chapter 1 (USD 1.0 million), 4 (USD 0.05 million) and 5 (USD 0.7 million) as shown in Table 2 of the document**

**PROGRESS REPORT ON ADJUSTMENTS TO THE PROGRAMME OF WORK
FOR UNIDENTIFIED FURTHER EFFICIENCY GAINS AND ONE-TIME
SAVINGS**

23. The Committee took note of the actions being taken by the Secretariat to put in place measures to fully achieve the USD 12.4 million of unidentified further efficiency gains and USD 10.4 million for one-time savings in 2010-11 through the work planning process and the Innovation Fund. It recognized the importance of pursuing efficiency savings both through sectoral initiatives by divisions as well as through corporate savings, for example through changes to existing policies and procedures. It also acknowledged the possible delay between conceiving efficiency saving measures and realising quantified financial savings.

24. The Committee was informed of measures to increase the funding base of the Programme of Work through improving the cost recovery to the Regular Programme from activities funded by voluntary contributions.

25. The Committee noted that progress on the specific initiatives and measures being taken, along with projected savings would be reported in October 2010, and the impact on the appropriation by chapter in March 2011.

26. **The Committee:**

- **invited the Secretariat to pursue efficiency savings mindful of preserving the quality and efficiency of services to Member Nations in line with the approved definition of efficiency savings¹**

¹ Ref. CL 110/REP, para 24

- **requested regular reports of the management and results of the Innovation Fund**

Human Resources Matters

IMPLEMENTATION OF CORPORATE HUMAN RESOURCES STRATEGY

27. The Committee welcomed the HR Strategic Framework and Action Plan 2010-11 and noted that there had been significant progress made in closely aligning the document with the corporate results-based planning framework.
28. The Committee noted progress already made in delivering against key HR products and services, bearing in mind the specific, measurable and time-bound targets established for the current biennium, against which progress would be tracked.
29. The Committee also noted the advanced stage of development of a policy on the Junior Professional programme.
30. **The Committee:**
- **urged the Secretariat to continue implementation of the HR Strategy**
 - **requested the Secretariat to speed up recruitment processes, establish recruitment target timeframes and ensure that gender and geographic representation targets are met, while maintaining competence as the most important factor in selecting staff**
 - **recommended that the Council change the existing FAO gender parity target of 35% females at professional and higher levels to the current UN target of 50%**

Oversight Matters

MEMBERSHIP OF THE FAO AUDIT COMMITTEE

31. The Committee considered the document in which the Director-General recommended the appointment of Ms Fatoumata Ndiaye, the Director of the Internal Audit Division of the UN Office of Internal Oversight Services to fill the current Audit Committee member vacancy for a two-year term.
32. **The Committee:**
- **supported the Director-General's recommendation and agreed to submit to the Council its endorsement**
 - **requested that the effective term of 1 March 2010 be corrected to take effect after the Council endorsed the appointment**

2009 ANNUAL ACTIVITY REPORT OF THE OFFICE OF THE INSPECTOR GENERAL

33. The Committee thanked the Inspector General for providing them with a clear, concise and comprehensive report.
34. The Committee discussed issues related to the implementation of long-outstanding high-risk recommendations, vacancies in the staffing of the Office of the Inspector General and disclosure of audit reports. The Committee appreciated the fact that discussions were underway on how to implement long-outstanding recommendations, especially the high-risk ones.
35. The Committee noted that no decision could be adopted at this session regarding a proposal to make internal audit reports available to Member Nations upon request, prior to consideration of related legal aspects by the Committee on Constitutional and Legal Matters (CCLM).

36. **The Committee:**

- **requested that the next report contain a status report of high-risk pending recommendations**
- **requested the CCLM to consider the legal aspects of making internal audit reports available to Member Nations upon request before considering a possible recommendation to Council**

Other Matters

THE EVALUATION OF FAO'S OPERATIONAL CAPACITY IN EMERGENCIES AND MANAGEMENT RESPONSE

37. The Committee found the Evaluation and its recommendations useful and noted that Management welcomed the evaluation and had accepted the majority of the recommendations.

38. The Committee queried cost implications of accepted recommendations, in particular increased costs for security and noted that it would require more details about these costs in future reports. It was informed that a number of accepted recommendations were aligned to recommendations contained under the Immediate Plan of Action for FAO Renewal (IPA), and noted that implementation costs of many recommendations would thus be covered by the IPA.

39. The Committee appreciated that attention was given in the Report and in the Management Response for the overall decentralization efforts, specifically regarding local procurement and improving information technology in decentralized offices, and noted Management's commitment to identifying integrated solutions consistent with the Organization's overall administrative and operational systems strategy and architecture.

40. The Committee noted the Management Response on recommendations pertaining to human resources and accepted Management's view that the Organization should not contradict its existing policy on use of retirees, which was approved by the Committee in 2008, nor grant fiduciary responsibilities to non-staff human resources as this would be contrary to the approach throughout the United Nations system.

41. **The Committee:**

- **noted that, for a few recommendations, additional funding was required and requested that a plan for covering these additional costs be prepared**
- **emphasized the need for strong leadership with regard to IT governance**
- **recommended that the Organization's administrative, financial, personnel and procurement systems continue to be improved to better support preparedness for and response to food and agriculture threats and emergencies**
- **stressed the importance of strengthening the capacities of Country Offices to deliver emergency and rehabilitation support efficiently and effectively**
- **looked forward to Management proposal on the funding of the Security Expenditure**
- **looked forward to reviewing the governance arrangements of the Special Fund for Emergency and Rehabilitation Activities (SFERA) at its session in October 2010**
- **requested the Secretariat to explore ways to address the recommendation of pool funding mechanisms for human resources assigned to emergency operations**

EMOLUMENTS OF THE INDEPENDENT CHAIRPERSON OF THE COUNCIL

42. The Committee reviewed the proposed revision of the economic conditions of the responsibilities of the Independent Chairperson of Council which had been received by the Secretariat following communication between the Independent Chairperson of Council and the Chairperson of the Finance Committee at the beginning of 2010.

43. **The Committee:**

- **agreed to recommend to Council an adjustment of the annual representation allowance of the the Independent Chairperson of Council to EUR 17,500 (equivalent to USD 23,800) from the annual representation allowance of USD 22,000 in force between 1993 and 2009**
- **agreed that if requested it would be willing to review the representation allowance**
- **did not support the principle of an emolument of the Independent Chairperson of the Council in the form of an annual lump sum honorarium**

FINANCIAL PLANNING FOR IPA IMPLEMENTATION IN THE 2010-11 BIENNIUM

44. The Committee welcomed the report which provided a summary of IPA funding and expenditure as at end 2009 and details funding distribution by project for 2010-11. The Committee appreciated the presentation and the transparency displayed by the Secretariat in this matter.

45. The Committee took note of the final 2009 expenditure against the three sources of funding, i.e., the contribution from Spain, the Regular Programme resources for Independent External Evaluation (IEE) follow-up, and the IPA Trust Fund. It noted that a balance of USD 3.08 million remained against the Trust Fund as at end 2009, mainly due to the pattern of receipt of the contributions, while resources from the other two sources were fully expended.

46. Regarding the IPA in 2010-11, the Committee noted its unique financial status which had shifted from a Trust Fund activity in 2009 to full integration in the Programme of Work and Budget in the 2010-11 biennium. The Committee welcomed in this regard that such full funding would guarantee funding for implementation of the IPA activities planned for 2010-11, and that borrowing would not be required in 2010 to meet IPA or other Regular Programme expenditures as long as assessed contributions were received in a timely manner.

47. The Committee noted the revised budget by IPA project for 2010-11, including the tentative allocations from the Trust Fund.

48. **The Committee:**

- **appreciated that Management would undertake the carry over of the unspent balance from the IPA Trust Fund to 2010 in liaison with all the donors**
- **requested that future reports include IPA activities planned for the 2012-13 biennium**
- **looked forward to reviewing the IPA financial progress reports to be submitted to future meetings**

REVIEW OF THE TERMS OF REFERENCE OF THE ETHICS COMMITTEE

49. The Committee noted that document FC 132/13 “*Review of the Terms of Reference of the Ethics Committee*” had been prepared in response to action 3.34 of the IPA and that it had already examined it at its session of July 2009. On that occasion, the Finance Committee decided to keep the matter open and review it again in the light of subsequent deliberations of the Committee on Constitutional and Legal Matters (CCLM).

50. A range of observations were made on issues such as the composition of the Committee, its reporting lines, prevention of conflict of interest, financial disclosure, the independence of the ethics function and other functions of the Organization as well as taking into account, as noted in the September 2009 CCLM Report, the ongoing developments in the UN System.

51. **The Committee:**

- **requested that a revised document in the context of the above observations made by the Committee be prepared for its review. The revised document would also be referred to the CCLM**

World Food Programme Matters

SELECTION AND APPOINTMENT OF THE EXTERNAL AUDITOR

52. The Committee was informed by the Chairperson of the Evaluation Panel that the Panel had successfully completed its work in respect of the appointment of the External Auditor of WFP, and that having assessed technical and financial proposals, and based upon interview of candidates, it had decided to propose to the Executive Board that the Comptroller and Auditor-General of India be appointed External Auditor for a term of office from 1 July 2010 to 30 June 2016.

53. **The Committee:**

- **looked forward to discussing the corresponding Draft Proposal at its 133rd Session, prior to approval of the proposal by the WFP Executive Board at its Annual Session in June 2010**

Standing Items

WORKING METHODS OF THE FINANCE COMMITTEE

54. The Committee welcomed the improvements in the documents and thanked the Secretariat for its efforts in enhancing the format of the documents in accordance with the Committee's earlier guidance. All discussion documents included, as a matter of course, an executive summary and draft advice, which had helped focus the Committee's discussion of agenda items, allowing improved time management and cost containment during its session.

55. The Committee also resolved to enhance the format of its own reports in future in order to provide Council with clear and precise guidance.

56. With regards to its own multiyear programme of work for 2010-13, the Committee noted that informal discussions amongst members had led to the formulation of a draft document within the context of Results-based governance. In this regard, the Committee recognized the underlying principle of the need for providing Council with technically sound recommendations and guidance whilst cognizant that the latter's decisions might also involve considerations of a political dimension.

57. The Committee observed the need for collaboration with the Programme Committee on key areas of joint interest, such as the review of the PWB, and noted that the Chairperson would consult closely with the Chairperson of the Programme Committee and the Independent Chairperson of the Council in this regard.

58. The Committee decided to consider further its multiyear programme of work at an informal meeting scheduled for 1 June 2010, concomitant with its 133rd Session which was scheduled to discuss WFP matters. The Committee requested the WFP to prepare documents for its consideration in good time before the Finance Committee meetings, and to use the same format as that adopted by the FAO Secretariat.

59. The Committee agreed, without prejudice to Rule III.1 of the Rules of Procedure of the Finance Committee, to consider in its future spring sessions the item entitled *Annual Activity Report of the Office of the Inspector-General* as an item for discussion.

DATE AND PLACE OF THE HUNDRED AND THIRTY-THIRD SESSION

60. The Committee was informed that the 133rd Session had been scheduled to be held in Rome from 31 May to 1 June 2010.

ANY OTHER MATTERS

FINANCIAL DISCLOSURE PROGRAMME

61. The Committee recalled the decisions of the 132nd session of the Council² in 2007, which led to an Amendment to Article I of the Staff Regulations³ concerning financial disclosures by staff. The Committee noted that the overarching aim of the amendment was to avoid or prevent situations where active association in external activities or economic activities of staff members pose a conflict of interest with their official duties.

62. The Committee was informed that the appointment of the Ethics Officer in December 2009 would enable this programme to be put into effect, but that the matter first required careful consideration by Management. It recalled that a financial disclosure programme was already in operation at the United Nations, but appreciated the need for consideration by FAO of practices adopted in similar programmes elsewhere, including consideration of the legal framework of the host country. In this connection, it welcomed Management's intention to seek expert advice on the matter from Ernst & Young, as part of a broader study to better define the relationships between the ethics function and, *inter alia*, the activities of the office of the Inspector General, the functions of the Ombudsman and FAO's mediation policy, and to report thereon.

² Ref. CL 132/REP, paras. 122-124

³ Ref. CL 132/REP, Appendix G

ANNEX I

ANNUAL REPORT ON BUDGETARY PERFORMANCE AND PROGRAMME AND
BUDGETARY TRANSFERS IN THE 2008-09 BIENNIUM

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

Mr Boyd Haight

Director, Office of Strategy, Planning and Resources Management

Tel: +3906 5705 5324

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 biennium⁴. 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 approved⁵, 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.

⁴ Conference Resolution (CR) 3/2009, paragraph 2

⁵ CL 137/4, paragraphs 29-33

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.

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 2008-09⁶.

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.

⁶ FC 128/3, Table 3

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.

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 2009⁷, 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

⁴ FC 128/3

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 2009⁸.

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.

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

⁵ FC 128/3, para 19

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 2009⁹, 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.

⁹FC 128/3

ANNEX II**INFORMATION DOCUMENTS**

The following document was submitted to the 132nd Session of the Finance Committee for information only:

- Decisions of the General Assembly on International Civil Service Commission and UN Joint Staff Pension Board (including Changes in Salary Scales and Allowances) (doc. FC 132/INF/3)
- Reports of the UN Joint Inspection Unit
 - Review of Information and Communication Technology hosting Services in the UN System Organizations (JIU/REP/2008/5) (doc.FC 132/INF/4)
 - Review of Management of Internet websites in UN System Organizations (JIU/REP/2008/6) (doc.FC 132/INF/5)