



منظمة الأغذية
والزراعة
للأمم المتحدة

联合国
粮食及
农业组织

Food
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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 Forty-first Session

Rome, 11 – 15 April 2011

Report of the 138th Session of the Finance Committee
Rome, 21 – 25 March 2011

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**REPORT OF THE HUNDRED AND THIRTY-EIGHTH SESSION OF THE
FINANCE COMMITTEE
21 – 25 March 2011**

INTRODUCTION

1. The Committee submitted to the Council the following report of its Hundred and Thirty-eighth Session.
2. In addition to the Chairperson, Mr Yasser A.R. Sorour, the following representatives of Members were present:
 - Ms Madeleine Baldwin (Australia)
 - H.E. Li Zhengdong (China)
 - Mr Louis Stanislas Charicauth (Gabon)
 - Mr Shobhan K. Pattanayak (India)
 - H.E. Javad Shaks 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 Christopher Hegadorn (USA)
3. The Chairperson informed the Committee that:
 - Ms Baldwin had been designated to replace Ms Sara Cowan as the representative of Australia at this session;
 - Mr Claudio Miscia had been designated to replace Mr Augusto Zodda as the representative of Italy at this session;
 - Ms Cecile de Mauleon Medina had been designated to replace H.E. Jorge E. Chen Charpentier for part of this session;
 - Mr Gerardo E. Vega Berrio had been designated to replace H.E. Guido J. Martinelli della Togna for part of this session;
 - Mr Christopher Hegadorn had been designated to replace Mr Michael Glover as the representative of the United States of America at this session.
4. Summaries of the qualifications of Ms Baldwin, Mr Miscia, Ms de Mauleon Medina, and of Messrs Vega Berrio and Hegadorn are listed in the addendum to this report (CL 141/9 Add.1).

Monitoring Financial Position

**FINANCIAL HIGHLIGHTS AND STATUS OF CURRENT ASSESSMENTS AND
ARREARS**

5. The Committee reviewed document FC 138/2 - *Financial Highlights and Status of Current Assessments and Arrears* which showed the status of contributions to the Regular Programme as at 31 December 2010, together with a Working Paper which provided an updated status of contributions as at 16 March 2011. The Committee was presented with highlights of the unaudited results of operations for 2010 and the financial status of the Organization as it moved into the second year of the 2010-11 biennium.

6. The Committee noted the magnitude and rising level of the General Fund deficit, which stood at USD 566 million at the end of 2010 due mainly to accumulating charges for unbudgeted costs of staff-related after-service liabilities. The Committee noted that details of funding proposals to address the After Service Medical Coverage (ASMC) liability and the Terminal Payments Fund (TPF) were also included in the 2012-13 PWB proposals, for review by the Committee and Council.

7. The Committee requested information on the investment strategy applied to the Long-Term investments which provide partial funding towards after-service liabilities. The Secretariat reported on the 2010 performance of the portfolio, which exceeded the benchmark, and made reference to the *Report on Investments 2010* (doc. FC138/INF/2).

8. The balance of arrears of contributions from Members for 2009 and prior years was USD 14.4 million and EUR 1.7 million respectively at 31 December 2010; this represented a marked improvement compared to the 2008-09 biennium end, and was in fact the lowest level of arrears of contributions in nearly three decades. Arrears as of 16 March 2011 had increased to USD 31.3 million and EUR 12.9 million respectively due to unpaid 2010 contributions.

9. The Committee recognized that only through timely receipt of contributions could FAO meet operating cash requirements without recourse to statutory reserves or external borrowing and urged Members of the Organization to continue to ensure that payments are made on a timely basis.

10. The Committee noted that the Special Reserve Account had been restored to its cash backed value at 31 December 2010 by transferring Euro-Dollar translation differences (non-cash) generated on the Regular Programme operations directly to the General Fund as agreed by the Finance Committee at its 135th session in October 2010.

11. **The Committee:**

- **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 recalling that the possible measures to be employed to encourage timely payment have been discussed in previous reports of the Finance Committee; and**
- **welcomed the marked improvement in the cash position of the Organization and in particular the significant reduction in the level of arrears at the end of 2010.**

AUDITED ACCOUNTS – FAO 2008-2009

12. The Committee was informed by the External Auditor that in addition to the standard financial audit, the plan of audit work for the 2010-11 biennium covered thematic areas of the Organization's activities and operations, including audits of emergency operations and rehabilitation activities; treasury operations; human resources management processes; the implementation of the Immediate Plan of Action for FAO Renewal (IPA), including the related risk assessment; and the implementation of International Public Sector Accounting Standards (IPSAS). The External Auditor would also carry out a number of audits of the activities and overall functioning of Regional and Country Offices of the Organization.

13. The Committee noted the External Auditor's appreciation of the Director-General and his staff for the cooperation and support provided during the performance of the audit of the 2008-09 biennium. The Committee welcomed the issuance of the External Auditor's unqualified opinion on the 2008-09 Accounts and expressed appreciation for the quality of the Long Form Report presented. The Committee noted that the observations in the Long Form Report had identified a number of administrative control issues, and in particular weaknesses observed during the audit of Decentralized Offices.

14. In response to specific questions and observations of the Committee, the Secretariat provided further clarifications and recalled that details of the follow-up action against each

recommendation in the Long Form Report would be provided in a progress report to be presented at its next regular session, with further progress reports presented at later sessions.

15. The Committee reiterated the importance of timely presentation and availability of the relevant documents. It pointed out that the cycle of delivering audited opinions, management responses and oversight by the Finance Committee should be as concise as possible and cautioned against delays.

16. The Committee looked forward to the response of the Secretariat on the recommendations made by the External Auditor, and on how these were being implemented.

17. The Committee, noting the comments and clarifications provided by the External Auditor and the Secretariat, **recommended that the Council submit to the Conference for adoption, the Audited Accounts for the 2008-09 biennium. The Committee accordingly agreed to submit to the Council the draft resolution below for forwarding to the Conference**

DRAFT CONFERENCE RESOLUTION

FAO Audited Accounts 2008-09

The Conference,

Having considered the report of the 141st Session of the Council, and

Having examined the 2008-09 FAO Audited Accounts and the External Auditor's Report thereon

Adopts the Audited Accounts.

2010 ACTUARIAL VALUATION OF STAFF RELATED LIABILITIES

18. The Committee reviewed document FC138/4 on the results of the annual valuation by external actuaries and the current financial situation, accounting and funding of the Organization's liability for staff-related plans as at 31 December 2010. The Committee noted that total staff related liabilities as at 31 December 2010 amounted to USD 1,149.8 million, including USD 982.6 million for the After Service Medical Coverage (ASMC) liability and USD 60.8 million for the Termination Payments Fund (TPF). This represented an overall increase in the total staff related liabilities of USD 39 million from the 2009 actuarial valuation (31 December 2009 - USD 1,110.8 million). Although the growth of the liabilities had stabilized there still remained a significant under-funding.

19. The Committee noted the significant under-funding of the ASMC and the lack of funding for the past service liabilities of the TPF, and in this context recalled that FAO was among the first United Nations (UN) agencies to tackle after-service liabilities by recording amounts in the official accounts and securing partial funding in the form of supplementary assessments from Members for the ASMC.

20. The Committee recalled the advice given by the UN Joint Inspection Unit in its review of the UN system's efforts to address the ASHI (After Service Health Insurance) that the "*legislative bodies of each Organization should provide adequate financing to meet the liabilities.*" At the same time, Committee members recalled the Advisory Committee on Administrative and Budgetary Questions' call for a UN system-wide approach to funding after service liabilities which the Committee felt could emerge from 2012. The Committee recalled the Council's advice for the need for a credible long-term strategy to fully fund the liability and contain the increase in the overall deficit of the Organization.

21. **The Committee**

- **noted the amounts necessary to fully fund the ASMC and TPF past service liabilities by the target years of 2040 and 2025 respectively, and agreed that there was no immediate financial need to address full funding in the Programme of Work and Budget (PWB) 2012-13;**
- **recommended to the Council, in the light of the difficult worldwide economic climate, that the Organization continue following the same approach previously approved by the Conference, that is, partial funding of the ASMC past service liability at USD 14.1 million;**
- **noted that the growth in the value of the overall liability for after-service benefit plans has stabilized owing to several refinements made to the actuarial valuation over the past years; and**
- **encouraged the Secretariat to seek alternative comprehensive long-term strategies for financing the liabilities as well as investigating measures that had been adopted by other UN agencies.**

SCALE OF CONTRIBUTIONS 2012-13

22. The Committee recalled that the practice of the Organization to derive its Scale of Contributions directly from the United Nations Scale of Assessments had been followed since 1955.

23. The Committee reviewed and endorsed the proposed Scale of Contributions for the biennium 2012-13 (see Annex I) set out in document FC 138/5.

24. The Committee transmitted to Council the following draft resolution for adoption of the FAO Scale of Contributions for 2012-13 by the Conference:

DRAFT CONFERENCE RESOLUTION

Scale of Contributions 2012-13

The Conference:

- **Having noted the recommendations of the Hundred and Forty-first Session of Council;**
- **Confirming that as in the past, FAO should follow the United Nations Scale of Assessments subject to adaptation for the different membership of FAO;**
 - **Decides that the FAO Scale of Contributions for 2012-13 should be derived directly from the United Nations Scale of Assessments in force during 2011;**
 - **Adopts for use in 2012 and 2013 the Scale as set out in the Annex of this report.**

Budgetary Matters

MID-TERM REVIEW SYNTHESIS REPORT 2010

25. The Committee welcomed the *Mid-Term Review Synthesis Report 2010*. It noted the status of implementation of the Programme of Work under all sources of funds and the mitigating actions being taken to address areas of work needing attention. It recalled that the report format was a work in progress aimed at improving the Committee's oversight function, and **it requested the Secretariat to:**

- **take account of lessons learned with the first Mid-Term Review (MTR) process so as to improve the format and content of the next MTR Synthesis Report, including financial information on expenditure incurred by budgetary Chapter; and**
- **review and take into account best practices in implementation reporting by other UN agencies, including the level of detail of financial information.**

ANNUAL REPORT ON BUDGETARY PERFORMANCE 2010-11 AND PROGRAMME AND BUDGETARY TRANSFERS IN THE 2010-11 BIENNIUM

26. The Committee reviewed the *Annual Report on Budgetary Performance 2010-11 and Budgetary Transfers in the 2010-11 Biennium* (see Annex II).
27. **The Committee:**
- **took note** of the forecasted biennial performance against the net appropriation of USD 1,000.5 million approved by the Conference and that full expenditure of the 2010-11 net appropriation in Chapters 1 through 14 (the Strategic and Functional Objectives and FAORs) is foreseen;
 - **recalled** that, in line with the current practice, any unspent balances in the Technical Cooperation Programme (chapter 15), Capital Expenditure (Chapter 17) and Security Expenditure (Chapter 18) will be transferred to the forthcoming biennium; and
 - **authorized** the forecasted budgetary Chapter transfers from budgetary Chapters 1, 2, 3, 5, 7, 13 and 14 in favour of Chapters 4, 6, 8, 9, 10, 11 and 12 as shown in column (g) of the table in Annex II, and looked forward to an updated report at its October 2011 session.

MEASURES TO IMPROVE IMPLEMENTATION OF THE ORGANIZATION'S SUPPORT COST POLICY

28. The Committee welcomed the measures identified that could reduce the cost recovery gap of variable indirect costs within the current scope of the FAO's Support Cost Policy. It also reviewed the measures outlined in the document to improve the cost recovery of categories of costs that have previously been excluded. Furthermore, it took note of the increased financial risk associated with Trust Fund project deficits and losses in the context of the higher volume of voluntary contributions.

29. **In considering the above, the Committee:**
- **encouraged** the Secretariat to move forward with implementation of measures within the current scope of the FAO Support Cost Policy;
 - **looked forward** to reviewing in further detail at its session in October 2011 proposals for cost recovery measures of categories previously excluded;
 - **requested** the Secretariat to diligently continue undertaking consultations on a UN system-wide basis as well as with resource partners when further developing these proposals; and
 - **looked forward** to reviewing proposals at a future session to mitigate the risk associated with Trust Fund project deficits and losses.

Planning of Financial and Budgetary Resources

MEDIUM TERM PLAN 2010-13 (*REVIEWED*) AND PROGRAMME OF WORK AND BUDGET 2012-13

30. The Committee focused on a technical review of the Programme of Work and Budget 2012-13 proposals within its mandate. It discussed in particular the integrated presentation of resources, implementation of the IPA, the move toward one global Shared Services Centre, savings and efficiency gains, anticipated cost increases, the results frameworks of the Functional Objectives, and the Chapters on Capital Expenditure and Security Expenditure. It also reviewed the elements for improving FAO's financial health, liquidity and reserves.

31. The Committee appreciated the information provided in the document and looked forward to increased clarity in the presentation of financial information as the Organization moved forward in its new results-based planning framework. In this regard, the Committee sought clarifications on various aspects of the Functional Objectives, including proposed changes in resource allocations.

32. In its review of the proposals, the Committee reflected on the need for fiscal discipline and the importance of reviewing the assessed budget level in its entirety.

33. The Committee received clarification on the rationale for separating the cost increase calculations between biennialization and inflation factors. Recognizing that personnel costs accounted for three-quarters of total cost increases, the Committee held a 30-minute audio-visual discussion with several Commissioners from the International Civil Service Commission (ICSC) in New York and summarized its deliberations on General Service staff salary levels in Rome as reported at its 137th session, as well as the latest discussions on this matter at another Rome-based agency. The Committee inquired about the ongoing review of the General Service staff salary methodology for Headquarters duty stations, particularly the appropriate weighting to be applied for the local civil service comparator under the proposed methodology so as to give effect to a General Assembly resolution which requests the ICSC to give higher consideration to the local national civil service, taking into account the fact that the UN is itself a civil service employer. The Committee also inquired about the timing of the next General Service salary survey for Rome, under a new methodology, for determining best prevailing conditions, and was informed by the Commissioners that the ICSC was considering scheduling the salary survey for General Service staff in Rome for early 2012, subject to consultation with the Rome-based agencies and the Staff Representative bodies of the agencies. Aspects of possible performance management systems were also briefly discussed with the Commissioners.

34. The Committee welcomed the continuing efforts by the Secretariat to attain efficiency gains. It also appreciated that the proposed savings figures of the IPA were higher than previously reported. On the cost saving proposal for one global Shared Services Centre, some members of the Committee supported the proposal, while others did not.

35. **The Committee:**

- **urged the Secretariat to continue to improve the results-based budget format and presentation;**
- **urged both the Secretariat and Members of the Organization to continue seeking cost savings measures, including in the area of Member travel;**
- **reiterated its support for the mainstreaming of the IPA in the assessed contributions of the PWB and agreed in principle to the financial aspects of implementation of the IPA, noting that the financial aspects of the IPA would be revisited within the context of the agreed funding level of the overall PWB;**
- **recalled the decision of the Joint Meeting of the Programme and Finance Committees to recommend an increase in the level of the Evaluation budget to 0.7% of the Regular budget;**
- **requested the Secretariat to provide further information to the Council on anticipated cost increases, in particular inflation factors and breakdown of goods and services so as to facilitate a more detailed review of the cost increase figures as presented in the PWB 2012-13;**
- **requested the Secretariat to report on any significant changes to the cost increase assumptions and estimates prior to the Conference in June 2011;**
- **requested the Secretariat to provide further information to the Council on the costs and proposed work under Functional Objective X, in particular Organizational Result X04;**

- **agreed with the proposals under the chapters on Capital Expenditures (IPSAS (including FAS)/Upgrade to Oracle Release 12 – see paragraphs 48 to 52) and Security Expenditures; and,**
- **acknowledged that its recommendations related to various proposals by Management contained within the PWB 2012-13 would be negotiated in their entirety with respect to the Net Appropriation.**

36. The Committee reviewed the proposals to improve FAO's financial health, liquidity and reserves. It noted that the proposal to stabilize the General Fund deficit required incremental funding of USD 36.9 million per biennium towards the ASMC liability and USD 10.5 million for TPF in order to achieve full funding of these liabilities by the new target dates of 2040 and 2025, respectively. In addition, the Committee noted proposals for one-time replenishments of the Working Capital Fund and Special Reserve Account which would serve to build up adequate reserves to avoid recurrence of liquidity shortages as the Organization implemented the PWB.

37. The Committee acknowledged the need to take additional steps to improve the financial situation of the Organization, but that a decision in this respect did not appear feasible at the moment given the current economic climate. At the same time the Committee agreed on the need to continue to provide supplementary assessments for the ASMC (see paragraph 21).

38. The Committee noted the significant improvement in the receipt of Regular Programme contributions during 2010, due to the regular payments by Members and settlement of various arrears positions. The Committee considered that replenishment of the Organization's reserves, while desirable in the long term, could be deferred to future biennia.

39. **The Committee:**

- **deferred any decision on the incremental funding proposals to improve the financial situation to future biennia; and**
- **noted the amounts necessary to fully fund the ASMC and TPF past service liabilities by the target years of 2040 and 2025 respectively, and encouraged the Secretariat to seek alternative comprehensive, long-term strategies for financing the liabilities as well as investigating measures that have been adopted by other UN agencies (see paragraphs 18 to 21).**

Human Resources

IMPLEMENTATION OF CORPORATE HUMAN RESOURCES STRATEGY

40. The Committee reviewed the progress report on the delivery of initiatives in the Human Resources Strategic Framework and Action Plan, provided as an annex to document FC 138/9. The Committee received additional information about a number of initiatives reported in the document, including the Mobility Programme, Junior Professionals Programme (JPP), Virtual Academy pilot, Performance Management (PEMS) programme, measures to reduce recruitment timeframes, and efforts to achieve greater balance in the gender and geographic representation of staff and non-staff human resources.

41. The Committee stressed the importance of competence in recruitment decisions, while emphasizing the on-going need to attract candidates from target groups, namely non- and under-represented countries, professional women and younger staff, in order to redress imbalances in the profile of the workforce. The Committee also requested the implementation of measures to reduce recruitment timeframes and to pursue more proactively succession planning for senior vacant positions.

42. The Committee acknowledged the rationale for delivery of the Virtual Academy pilot programme in three languages (English, French and Spanish), in the interests of expediency and

cost, but requested that following review of the pilot programme, future modules be offered in other languages of FAO.

43. The Committee discussed a range of issues associated with the current mobility programme based on voluntary principles, and a mobility policy currently under development by the mobility taskforce, and opined that it should be based on a more mandatory model. In particular, the Committee noted the need to offer opportunities for mobile assignments to staff from all regions.

44. **The Committee:**

- **noted the progress made with the implementation of initiatives in the Human Resources Strategic Framework and Action Plan;**
- **recognized the efforts being undertaken to deliver on a broad range of activities across the different HR functions with the aim of transforming the HR function to one that is more of a strategic partner; and**
- **requested that qualitative and quantitative data continue to be provided to the Committee on a regular basis, particularly regarding those initiatives noted above that have been the subject of detailed discussion.**

FAO AND THE UN COMMON SYSTEM – HR MANAGEMENT ISSUES

45. In reviewing the regular annual report on decisions taken by the UN General Assembly (UNGA) which impact on the conditions of service of staff both in the Professional and higher categories as well as General Service staff, the Committee took note of the decisions emanating from the 65th Session of the UNGA and the related financial implications for FAO.

46. The Committee noted that the financial implications of the decisions had been forecasted and were covered in the current Programme of Work and Budget (PWB). In this regard, the Committee was further informed that the UNGA's recommendations and decisions relating to the conditions of service were binding onto the Organization in conformity with the agreement concluded with the International Civil Service Commission.

47. **The Committee:**

- **agreed to the financial implications for the Organization resulting from the recommendations and decisions on the conditions of service emanating from the 65th Session of the UN General Assembly, as outlined in document FC 138/10.**

Administrative and Information Systems Framework

PROGRESS REPORT ON UPGRADE TO ORACLE R12 IN PARALLEL WITH THE IPSAS PROJECT

48. The Committee took note of the additional information on the scope, timeline and costs of the synergistic approach and comparisons with projects in other UN Agencies, which had been presented in response to the request of the Committee at its 137th Session.

49. The Committee was informed that the scope of the programme currently focused on the work needed to deliver IPSAS compliant accounting functionalities, the replacement of the Field Accounting System (FAS) and the upgrade of the Oracle software to Release 12 (R12). Additions to the current scope would be considered based on the Organization's capacity to absorb the change and increased complexity without unduly increasing the risk of delivering the core IPSAS, FAS replacement and R12 objectives by the planned target date in 2012 with due regard to value-for-money considerations.

50. The Committee reviewed the breakdown of cost estimates and the additional clarifications provided by the Secretariat on individual cost elements. The Committee noted that comparisons

with the costs and timelines of projects in other UN Agencies could only be made at a high level as each project is impacted by the degree of changes to be introduced and the magnitude and complexity of the scope of work.

51. The Committee noted that among the key benefits of the synergistic approach would be an overall reduction of the effort needed at the various stages of the programme in terms of demands on individual business units, as well as in areas such as development, testing, communication and training as compared to the effort which would have been required if the projects were managed separately.

52. Based on its review of the information presented, **the Committee:**

- **recognized the cost estimates presented and noted that these were reflected in the Capital Expenditure proposals of PWB 2012-13;**
- **encouraged the Secretariat to seek further opportunities for cost efficiency and ways to maximize the value-for-money delivered by the Programme;**
- **supported the high priority given to the synergistic R12/IPSAS Project in the PWB 2012-13 proposals; and**
- **requested the Secretariat to provide progress reports on the status of implementation of the synergistic approach at its future sessions.**

PROGRESS REPORT ON AN ENTERPRISE RISK MANAGEMENT FRAMEWORK

53. The Finance Committee noted the progress made on developing an Enterprise Risk Management (ERM) framework for FAO, embedded in the Organization's results based management process. It was satisfied that the ERM framework would cover all risks (strategic, financial, personnel and operational) to the achievement of FAO's objectives. It commended the step-wise approach to implementation, including multiple pilots to test the framework in the five management areas in which it will be applied.

54. **The Committee:**

- **looked forward to receiving:**
 - **a report on the implementation of institutional ERM in FAO; and**
 - **the proposed format for reporting to the Governing Bodies.**

TERMS OF REFERENCE AND COMPOSITION OF THE ETHICS COMMITTEE

55. The Committee reviewed document FC 138/13 "*Terms of Reference and Composition of the Ethics Committee*" and FC 138/13 Add 1 containing an extract of the report of the 92nd Session of the Committee on Constitutional and Legal Matters (CCLM) of March 2011. The Committee noted that proposals for the establishment of the Committee, as approved by the Conference in 2008 as part of the IPA, had been under review for two years. The Committee also noted that, subsequent to guidance which it had provided at its session of October 2010, the Secretariat had submitted revised proposals to the CCLM and to the Finance Committee at their sessions of March 2011.

56. The Committee noted that, following extensive regional consultation, the CCLM, at its session of March 2011, endorsed a proposal that the Ethics Committee be established for a period of four years beginning in January 2012. Throughout this period, the CCLM, the Finance Committee and the Council would review the work of the Committee in order to determine, at the end of that period, whether it should be established on a permanent basis, or to agree on changes to its *modus operandi*. The number of external members should be reduced from four to three, that of internal members to two and the term of office reduced to two years. The CCLM also endorsed a proposal that external members would be appointed subject to approval by the Council at its session of October 2011, upon recommendation of the CCLM and the Finance Committee.

57. The Committee expressed its appreciation for the outcome of the efforts of the Members and the Secretariat to implement the proposal as part of the IPA action matrix on ethics.

58. **The Committee:**

- **endorsed, with minor amendment, the revised Terms of Reference and Composition of the Ethics Committee as reviewed by the CCLM, set out in Annex II to this report, including the proposal that the Ethics Committee be established for a period of four years beginning in January 2012; and**
- **agreed that external members would be appointed, subject to approval by the Council, upon recommendation of the Finance Committee and the CCLM, at their regular session of autumn 2011.**

PROGRESS ON THE FINANCIAL DISCLOSURE PROGRAMME

59. The Committee examined document FC 138/14 providing an update of the progress on the implementation of the Financial Disclosure Programme. The Committee noted that a Working Group operating with the support of the external consultant Ernst & Young had been established to implement the Programme and, in that context, the Working Group had reviewed similar programmes adopted by other organizations. The Committee noted that, between March and May 2011, the Working Group would (a) develop a common approach for the review of disclosures; (b) develop training materials and run training events and workshops; (c) roll out a communication plan and (d) initiate the pilot phase, involving a limited number of staff members, scheduled to start by the end of May 2011.

60. The Committee was informed that an important element of the pilot phase was the formulation of a questionnaire and a related guide, including frequently asked questions, which was at its final stages of preparation. The Committee was also assured of Management's commitment for the Programme to be fully operational by December 2011.

61. **The Committee:**

- **welcomed the update on the Financial Disclosure Programme at FAO, and the Management's commitment to its implementation;**
- **urged due attention be paid to any potential risks so as to ensure that delays in implementation of the Programme are avoided;**
- **noted that a number of similar organizations were implementing a Financial Disclosure Programme and urged Management to take active steps to ensure that the Financial Disclosure Programme would be launched by January 2012; and**
- **agreed that the documents relating to the Financial Disclosure Programme should be translated into the languages of the Organization both for the pilot phase and the final roll out.**

CREATION OF A SINGLE SHARED SERVICES CENTRE

62. The Committee discussed the in-depth review on the Shared Services Centre (SSC) which was provided line with the request of the 140th Session of the Council. It acknowledged that the recommendations made by the 2010 Regional Conferences varied between regions but had broadly been addressed in the report.

63. The Committee took note of the analysis contained in the report. It noted in particular the conclusion that savings of USD 1,940,000 per biennium would arise from the elimination of the SSC hubs in Bangkok and Santiago and implementation of the single SSC in Budapest. It also noted that the proposal for creation of a single SSC was already included in the PWB 2012-13 and that the projected savings were also reported as efficiency savings.

64. The Committee appreciated the additional information on the technical merits of the proposal provided in the report and during the meeting by the Secretariat. It acknowledged that

eighty-five percent of the FAO staff was already serviced from Budapest Centre, following the elimination of the attendant functions in Rome, Cairo and Accra from 2008, which had yielded savings in excess of USD 10 million in the first biennium of operations.

65. Some members of the Committee felt they were unable to endorse the proposal due primarily to findings in the report with regard to higher quality of services provided by the hubs in Bangkok and Santiago in a survey conducted in 2009, as well as the relatively marginal savings associated to the proposal.

66. **The Committee:**

- **welcomed the provision of the requested in-depth review of the Shared Services Centre; and**
- **recommended submission of two proposals to the Council:**
 - **(1) consolidation of the hubs in one Centre in Budapest as detailed in the Management Report; and**
 - **(2) maintaining status quo of two hubs in Santiago and Bangkok with the Centre in Budapest**

Oversight

RENEWAL OF TERM OF OFFICE OF THE EXTERNAL AUDITOR

67. The Committee was informed by the incumbent External Auditor, the Commission on Audit of the Republic of the Philippines, of his interest in renewal of his current term and considered the option to extend the appointment of as External Auditor of the Organization for a further two year period.

68. It recalled that the Council, at its 132nd Session, had appointed the Commission on Audit of the Republic of the Philippines as External Auditor of the Organization for a period of four years from 1 January 2008 on the basis of relevant Financial Regulations and an invitation to tender circulated to Members of FAO in 2006. The Committee further noted that the terms of appointment of the External Auditor foresaw the possibility of extension for a period of two years following completion of the current term on 31 December 2011, without the need to re-tender.

69. The Committee was informed by the incumbent External Auditor of his commitment, if extended, to carry out all his audit activities, including any necessary additional activities, strictly within the financial terms of the original appointment at no additional cost to the Organization.

70. The Committee underlined the need for timeliness in submission of External Audit reports to the Committee in the future, and endorsed the following draft resolution for transmittal to Council:

DRAFT COUNCIL RESOLUTION

Extension of the Appointment of the External Auditor

The Council

- **Noting** that the current appointment of the External Auditor expires at the end of 2011 and that the Finance Committee recommends the extension of the appointment of the Commission on Audit of the Republic of the Philippines as External Auditor of the Organization for a further two years;

- **Recalling** the guidance of the 122nd Session of the Finance Committee regarding limitations on the term of office of the External Auditor¹;
- **Reaffirming** the importance of the principle of rotation in the appointment of the External Auditor;
- **Decides** to appoint the Commission on Audit of the Republic of the Philippines as External Auditor of the Organization for a further period of two years commencing with the year 2012.

2010 ANNUAL ACTIVITY REPORT OF THE OFFICE OF THE INSPECTOR GENERAL

71. The Committee thanked the Inspector General for providing it with a comprehensive report for 2010.
72. The Committee discussed a number of key issues presented in the report, in particular: internal controls in the decentralized field network; the Governance structure for FAO's information technology and knowledge management, and Oracle security administration; IPA implementation and risk assessment; improving the procurement function; development of a consolidated FAO Manual; follow-up by Management in implementing audit recommendations; and the timely filling of remaining staff vacancies within the Office of the Inspector General.
73. **The Committee:**
- **noted the 2010 Annual Activity Report of the Office of the Inspector General and the issues presented by the Inspector General;**
 - **welcomed the work of the Office of the Inspector General in support of the management of key risks of the Organization, including decentralization and those related to “major gaps in management control over the reform process” and welcomed the Management response in this regard; and**
 - **requested updates at future sessions on progress made by Management to address the areas for attention highlighted in the report.**

FAO AUDIT COMMITTEE – 2010 ANNUAL REPORT TO THE DIRECTOR-GENERAL

74. The Committee thanked the Chairman of the Audit Committee for the advice provided in its Annual Report and discussed matters highlighted in the report.
75. **The Committee:**
- **noted the Audit Committee Annual Report;**
 - **encouraged Management to continue its efforts with regard to Enterprise Risk Management in the Organization and implementing past internal audit recommendations; and**
 - **encouraged the Audit Committee to ensure adequate coordination with the External Auditor.**

DISCLOSURE OF INTERNAL AUDIT REPORTS

76. The Committee examined the proposed policy for disclosure of individual reports of the Office of Inspector General, to be reflected in an amendment of the Charter of the Office of the Inspector General (new Section D thereof).
77. The Committee noted that the proposal would apply to audit reports and reports of lessons learned from investigations once issued in final form, and make these available for viewing upon request, but would not apply to investigation reports. The proposal would also only apply to those

¹ Document CL 135/7, para. 53-55

reports issued on or after the date of approval of the policy by the Council. The Committee considered these aspects in light of the discussions and conclusions on this matter by the CCLM at its 92nd session, and information and further explanations provided by the Secretariat.

78. **The Committee:**

- **endorsed the policy, taking into account that it would be reviewed in 2012.**

WHISTLEBLOWER PROTECTION POLICY

79. The Committee welcomed the preparation of a whistleblower protection policy and noted its importance for the Organization.

80. The Committee examined the policy, approved by the Director General in December 2010 and issued to staff in Administrative Circular No 2011/05 of 9 February 2011. The Committee also considered the results of the deliberations of the CCLM on the matter at its 92nd session. It noted the explanations from the Secretariat that this policy recorded, in consolidated form, whistleblower protection provisions already present in various other documents of the Organization, and that it was based on the policy already in effect at the United Nations Secretariat.

81. The Committee was informed that it had been considered important by Management to disseminate the policy in this consolidation form as soon as possible. The Committee felt that it may have been able to provide more meaningful review prior to the policy being finalized and issued to staff.

82. The Committee acknowledged the proposal of the Secretariat to review the policy at the end of 2011 in light of implementation experience and, on that occasion, it would be possible to make adjustments to the policy, if necessary.

83. **The Committee:**

- **noted the issuance of the whistleblower protection policy under Administrative Circular No. 2011/05; and**
- **further noted that the policy would be reviewed at the end of 2011, and the Committee would be able to make recommendations before it is updated.**

Improved Methods of Work and Efficiency of the Finance Committee

WORKING METHODS OF THE FINANCE COMMITTEE

84. The Committee expressed appreciation for the efforts of the Secretariat in preparing the significant volume of documentation for this session. It recalled the importance of ensuring that all papers be received by members, in all languages and with uniformity of quality, two weeks prior to each session.

85. Due to the extraordinarily large number of agenda items for the 138th Session, the Committee resolved to consider for the future measures to reduce the number of items for discussion at individual sessions, including: increased, informal inter-session consultation amongst members and with the Secretariat; increasing the incidence of items which may be presented for information only; and improved mapping of items presented for its consideration through the course of each biennial cycle within the context of its Multi-year Programme of Work.

Other Matters

EVALUATION OF FAO'S REGIONAL AND SUBREGIONAL OFFICES FOR THE NEAR EAST AND MANAGEMENT RESPONSE

86. The Committee received introductions to the Evaluation and to its Management Response respectively. However, in light of the limited time available for its substantial consideration, the Committee agreed to defer discussion of the item to its next session.

PROPOSED AMENDMENT OF STAFF REGULATION 301.11.1 (APPEALS COMMITTEE)

87. The Committee took note of the agreement reached between FAO and the International Centre for the Study of the Preservation and Restoration of Cultural Property (ICCROM) to allow the latter to rely on the services of the Appeals Committee and, in this connection, considered the proposed amendments to Staff Regulation 301.11.1 aimed at inter alia permitting adequate representation of ICCROM staff members on the Appeals Committee.

88. **The Committee:**

- **endorsed the proposed amendments to increase the number of alternate members of the Appeals Committee (both those appointed by the Director-General and those elected by the staff) from five to six, and to render the text of Staff Regulation 301.11.1 gender neutral, as outlined in the annex to document FC 138/23, with the understanding that the full costs arising from the implementation of the agreement would be covered by ICCROM.**

CONDITIONS OF APPOINTMENT OF THE INDEPENDENT CHAIRPERSON OF THE COUNCIL

89. The Committee took note of the document presented for its consideration on the conditions of appointment of the Independent Chairperson of Council. In reviewing the draft resolution embodying the framework of conditions that would govern such appointments, the Committee recognized that the proposed resolution was comprehensive and in line with the guidance provided by the 139th Council session in May 2010. It further acknowledged that the provisions contained therein were based on the existing conditions of appointment.

90. The Committee was informed that the provisions under sub-paragraphs 4 (f),(g),(h) and (i) of the draft resolution on the Appointment of the Independent Chairperson of the Council, contained in Annex I of document FC 138/24, reflected the current practice and would not involve an additional budgetary allocation.

91. While considering the comparative data provided in document FC 138/24 on the conditions of similar positions in other international organizations, the Committee deliberated extensively on the level of the annual allowance taking into account the distinctive features of the function of the Independent Chairperson of the Council at FAO, as prescribed in the Immediate Plan of Action for Renewal (Action 2.34) and Conference resolutions 9/2009 and 17/2009.

92. Having reviewed the proposed adjustments to the conditions of appointment and considered related issues, **the Committee:**

- **endorsed the draft resolution on the Appointment of the Independent Chairperson of the Council as outlined in Annex I of document FC 138/24;**
- **recommended that the draft resolution be submitted to the Council at its 141st Session in April 2011, for its consideration and decision on the Committee's recommendation to maintain the current level of the annual allowance; and,**

- **further recommended that consideration be given to the establishment of an adjustment mechanism that would enable the General Committee of the Conference to review the level of the annual allowance on a biennial basis.**

CONDITIONS FOR THE APPOINTMENT OF THE DIRECTOR-GENERAL

93. The Committee welcomed the information provided in document FC 138/25 “*Conditions for the appointment of the Director-General*” prepared at the request of the Council at its 140th Session in November-December 2010. The Committee noted that the paper had been examined by the CCLM and would be considered by the Council at its 141st Session in April 2011.

94. The Committee took due account of Rule XXXVII, paragraph 4 of the General Rules of the Organization regarding the authority of the General Committee and the Conference to determine the terms and conditions attached to the office of Director-General.

95. **The Committee:**

- **noted that background information, including about practices in Rome-based organizations of the United Nations system, would be prepared for the General Committee with a view to establishing the conditions for the Director-General to be elected by the Conference in June 2011;**
- **emphasized the need to ensure clarity on all clauses particularly those concerning the rental by the Organization of appropriate housing accommodation to be assigned as the official residence of the Director-General; and**
- **agreed that the Report of the Joint Inspection Unit “*Selection and Conditions of Service of the Executive Heads in the United Nations System Organizations*” (JIU/REP/2009/8), whose recommendations had been accepted by the CEB² and the Director-General, provided guidance for the establishment of the terms and conditions of appointment of the Director-General to be elected by the Conference in June 2011.**

DATE AND PLACE OF THE HUNDRED AND THIRTY-NINTH SESSION

96. The Committee was informed that the 139th Session was scheduled to be held in Rome from 30 to 31 May 2011. The final dates of the session would be decided in consultation with the World Food Programme Secretariat.

² United Nations System Chief Executives Board for Coordination

ANNEX I

Scale of Contributions 2012-2013
(2010-2011 Scale shown for comparative purposes)

	Proposed Scale³	Actual Scale⁴
Member Nation	2012-13	2010-11
Afghanistan	0.004	0.001
Albania	0.010	0.006
Algeria	0.129	0.086
Andorra	0.007	0.008
Angola	0.010	0.003
Antigua and Barbuda	0.002	0.002
Argentina	0.288	0.327
Armenia	0.005	0.002
Australia	1.942	1.796
Austria	0.855	0.891
Azerbaijan	0.015	0.005
Bahamas	0.018	0.016
Bahrain	0.039	0.033
Bangladesh	0.010	0.01
Barbados	0.008	0.009
Belarus	0.042	0.02
Belgium	1.080	1.108
Belize	0.001	0.001
Benin	0.003	0.001
Bhutan	0.001	0.001
Bolivia	0.007	0.006
Bosnia and Herzegovina	0.014	0.006
Botswana	0.018	0.014
Brazil	1.619	0.88
Bulgaria	0.038	0.02
Burkina Faso	0.003	0.002
Burundi	0.001	0.001
Cambodia	0.003	0.001

¹ Derived directly from the UN Scale of Assessments for 2010-2012 as adopted by General Assembly Resolution 64/248 of 24 December 2009.

² Derived directly from the UN Scale of Assessments for 2007-2009 as adopted by General Assembly Resolution 61/237 of 22 December 2006.

Cameroon	0.011	0.009
Canada	3.222	2.992
Cape Verde	0.001	0.001
Central African Republic	0.001	0.001
Chad	0.002	0.001
Chile	0.237	0.162
China	3.204	2.68
Colombia	0.145	0.106
Comoros	0.001	0.001
Congo	0.003	0.001
Cook Islands	0.001	0.001
Costa Rica	0.034	0.032
Côte d'Ivoire	0.010	0.009
Croatia	0.098	0.05
Cuba	0.071	0.054
Cyprus	0.046	0.044
Czech Republic	0.351	0.282
D.P.Rep. of Korea	0.007	0.007
Democratic Republic of Congo	0.003	0.003
Denmark	0.740	0.743
Djibouti	0.001	0.001
Dominica	0.001	0.001
Dominican Republic	0.042	0.024
Ecuador	0.040	0.021
Egypt	0.095	0.089
El Salvador	0.019	0.02
Equatorial Guinea	0.008	0.002
Eritrea	0.001	0.001
Estonia	0.040	0.016
Ethiopia	0.008	0.003
Fiji	0.004	0.003
Finland	0.569	0.567
France	6.152	6.332
Gabon	0.014	0.008
Gambia	0.001	0.001
Georgia	0.006	0.003
Germany	8.056	8.619
Ghana	0.006	0.004
Greece	0.694	0.599
Grenada	0.001	0.001
Guatemala	0.028	0.032
Guinea	0.002	0.001

Guinea-Bissau	0.001	0.001
Guyana	0.001	0.001
Haiti	0.003	0.002
Honduras	0.008	0.005
Hungary	0.292	0.245
Iceland	0.042	0.037
India	0.537	0.452
Indonesia	0.239	0.162
Iran, Islamic Republic of	0.234	0.181
Iraq	0.020	0.015
Ireland	0.500	0.447
Israel	0.386	0.421
Italy	5.023	5.104
Jamaica	0.014	0.01
Japan	12.590	16.706
Jordan	0.014	0.012
Kazakhstan	0.076	0.029
Kenya	0.012	0.01
Kiribati	0.001	0.001
Kuwait	0.264	0.183
Kyrgyzstan	0.001	0.001
Lao People's Democratic Rep.	0.001	0.001
Latvia	0.038	0.018
Lebanon	0.033	0.034
Lesotho	0.001	0.001
Liberia	0.001	0.001
Libyan Arab Jamahiriya	0.130	0.062
Lithuania	0.065	0.031
Luxembourg	0.091	0.086
Madagascar	0.003	0.002
Malawi	0.001	0.001
Malaysia	0.254	0.191
Maldives	0.001	0.001
Mali	0.003	0.001
Malta	0.017	0.017
Marshall Islands	0.001	0.001
Mauritania	0.001	0.001
Mauritius	0.011	0.011
Mexico	2.367	2.268
Micronesia, Federated States	0.001	0.001
Moldova	0.002	0.001
Monaco	0.003	0.003

Mongolia	0.002	0.001
Montenegro	0.004	0.001
Morocco	0.058	0.042
Mozambique	0.003	0.001
Myanmar	0.006	0.005
Namibia	0.008	0.006
Nauru	0.001	0.001
Nepal	0.006	0.003
Netherlands	1.864	1.882
New Zealand	0.274	0.257
Nicaragua	0.003	0.002
Niue	0.001	0.001
Niger	0.002	0.001
Nigeria	0.078	0.048
Norway	0.875	0.786
Oman	0.087	0.073
Pakistan	0.083	0.059
Palau	0.001	0.001
Panama	0.022	0.023
Papua New Guinea	0.002	0.002
Paraguay	0.007	0.005
Peru	0.091	0.078
Philippines	0.091	0.078
Poland	0.832	0.504
Portugal	0.514	0.53
Qatar	0.136	0.086
Korea, Republic of	2.271	2.184
Romania	0.178	0.07
Russian Federation	1.610	1.206
Rwanda	0.001	0.001
Saint Lucia	0.001	0.001
Samoa	0.001	0.001
San Marino	0.003	0.003
St Vincent and the Grenadines	0.001	0.001
St Kitts and Nevis	0.001	0.001
Sao Tome and Principe	0.001	0.001
Saudi Arabia	0.834	0.752
Senegal	0.006	0.004
Serbia	0.037	0.021
Seychelles	0.002	0.002
Sierra Leone	0.001	0.001
Slovakia	0.143	0.063

Slovenia	0.104	0.097
Solomon Islands	0.001	0.001
Somalia	0.001	0.001
South Africa	0.387	0.292
Spain	3.192	2.983
Sri Lanka	0.019	0.016
Sudan	0.010	0.01
Suriname	0.003	0.001
Swaziland	0.003	0.002
Sweden	1.069	1.076
Switzerland	1.135	1.222
Syrian Arab Republic	0.025	0.016
Tajikistan	0.002	0.001
Thailand	0.210	0.187
The Former Yug. Rep. Of Macedonia	0.007	0.005
Timor-Leste	0.001	0.001
Togo	0.001	0.001
Tonga	0.001	0.001
Trinidad and Tobago	0.044	0.027
Tunisia	0.030	0.031
Turkey	0.620	0.383
Turkmenistan	0.026	0.006
Tuvalu	0.001	0.001
Uganda	0.006	0.003
Ukraine	0.088	0.045
United Arab Emirates	0.393	0.304
United Kingdom	6.636	6.675
Tanzania, United Republic of	0.008	0.006
United States of America	22.000	22.000
Uruguay	0.027	0.027
Uzbekistan	0.010	0.008
Vanuatu	0.001	0.001
Venezuela, Bolivarian Republic	0.316	0.201
Viet Nam	0.033	0.024
Yemen	0.010	0.007
Zambia	0.004	0.001
Zimbabwe	0.003	0.008
	100.000	100.000

Annex II**Annual Report on Budgetary Performance 2010-11 and Budgetary Transfers in the 2010-11 Biennium****Introduction**

1. Conference Resolution 3/2009 approved the 2010-11 budgetary appropriation of USD 1,000.5 million, including an amount of USD 22.8 million for unidentified efficiency gains and one-time savings. The Conference requested the Director-General to report to the Finance Committee ongoing adjustments to the Programme of Work for unidentified further efficiency gains and one-time savings which were not reflected in the chapter structure at that time.
2. 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.
3. The Finance Committee reviewed the actions taken by the Secretariat to achieve the further efficiency gains and one-time savings at its Sessions in April and October 2010. At its October 2010 Session, the Committee endorsed the forecasted chapter distributions of the 2010-11 budgetary appropriation of USD 1,000.5 million arising from initiatives and measures to achieve USD 22.8 million in further efficiency gains and one-time savings, as well as adjustments arising from the preparation of biennial work plans. The Committee took note that the forecasted budgetary transfers arising from implementation of the Programme of Work would be reported to the Committee for review and approval in March 2011.
4. This report presents the 2010-11 adjusted net appropriation by chapter and provides, for the Committee's approval, the forecasted budgetary transfers arising from the implementation of the 2010-11 Programme of Work.

2010-11 Forecasted Budgetary Performance**2010-11 adjusted net appropriation**

5. The 2010-11 net appropriation figures presented in the table below, columns (d) and (e) show the adjusted chapter distributions for efficiency gains and one-time savings that have been reviewed and endorsed by the Finance Committee. The distributions also include a technical adjustment for the transition from standard rates for staff costs in all decentralized offices from duty station-based rates to regional standard rates on a no-gain no-loss basis, as reported to the Finance Committee at its October 2010 session⁵. This adjustment, which has no programmatic impact, was done to facilitate actual staff cost monitoring at the regional level and will continue to be the methodology used in 2012-13. The adjusted net appropriation is also reflected in the PWB 2012-13 where tabular comparison data with 2010-11 is presented.

Chapter transfers

6. The forecasted budgetary performance arising from implementation of the Programme of Work, equivalent to the forecasted expenditure against the adjusted net appropriation, is shown in the table, column (f).
7. A brief explanation of the proposed resource shifts between chapters arising from biennial work planning carried out during 2010 is provided in the section *Overview by Chapter* below. Most of the shifts are the result of the repositioning of planned activities under more appropriate Objectives or Organizational Results, based on the experience of work planning under the results-

¹ FC 135/6 Annex II para 15

based model, including peer reviews, as reported to the Finance Committee at its October 2010 session. One additional element that is impacting budgetary performance at this stage is higher than budgeted reimbursements for support costs mainly from emergency projects. Despite sophisticated forecasting techniques, the exact distribution and amount of these reimbursements is difficult to predict.

2010-11 Forecasted budgetary performance

Chapter (a)	Strategic and Functional Objective (b)	CR 3/2009 (c)	Efficiency gains, one-time savings and other adjustments (d)	2010-11 Net Appropriation (after adjustments) (e)	Forecast expenditure (f)	Forecasted balance vs Net Appropriation (g)
1	A - Sustainable Intensification of Crop Production	50,370	-1,189	49,181	47,242	1,939
2	B - Increased sustainable livestock production	32,566	-929	31,637	29,436	2,201
3	C - Sustainable management and use of fisheries and aquaculture resources	57,090	-1,464	55,626	55,379	247
4	D - Improved quality and safety of food at all stages of the food chain	25,337	-892	24,445	24,765	-320
5	E - Sustainable management of forests and trees	43,569	-1,515	42,054	41,688	366
6	F - Sustainable management of land, water and genetic resources and improved responses to global environmental challenges affecting food and agriculture	54,645	-1,453	53,192	55,775	-2,583
7	G - Enabling environment for markets to improve livelihoods and rural development	41,612	-734	40,878	38,483	2,395
8	H - Improved food security and better nutrition	60,509	-2,055	58,454	59,937	-1,483
9	I - Improved preparedness for, and effective response to, food and agricultural threats and emergencies	7,848	-537	7,311	8,533	-1,222
10	K - Gender equity in access to resources, goods, services and decision-making in the rural areas	10,284	-446	9,838	10,969	-1,131
11	L - Increased and more effective public and private investment in agriculture and rural development	38,643	-2,072	36,571	42,919	-6,348
12	X - Effective collaboration with member states and stakeholders	225,457	-4,777	220,680	221,073	-393
13	Y - Efficient and effective administration	122,914	-4,332	118,582	113,959	4,623

Chapter (a)	Strategic and Functional Objective (b)	CR 3/2009 (c)	Efficiency gains, one-time savings and other adjustments (d)	2010-11 Net Appropriation (after adjustments) (e)	Forecast expenditure (f)	Forecasted balance vs Net Appropriation (g)
14	FAO Representatives	88,204	90	88,294	86,586	1,708
15	Technical Cooperation Programme	111,694	0	111,694	111,694	0
16	Contingencies	600	0	600	0	600
17	Capital Expenditure	27,118	-315	26,803	26,803	0
18	Security Expenditure	24,866	-180	24,686	24,686	0
	Efficiency Gains/One-time Savings	-22,800	22,800	0	0	0
Total		1,000,526	0	1,000,526	999,926	600

8. Forecasted expenditure for the biennium foresees full utilization of the budgetary appropriation in Chapters 1 through 14 (the Strategic and Functional Objectives and FAORs). In line with the current practice, any unspent balances in the Technical Cooperation Programme (*Chapter 15*), Capital Expenditure (*Chapter 17*) and Security Expenditure (*Chapter 18*) will be transferred to the forthcoming biennium. The Secretariat requests the Committee's endorsement of the tentative budgetary chapter transfers proposed in order to carry out the planned work of the Organization during the remainder of the biennium. Transfers are requested into *Chapters 4, 6, 8, 9, 10, 11, and 12* from *Chapters 1, 2, 3, 5, 7, 13 and 14*.

9. It is recalled that 2010-11 is the first biennium in which reporting is taking place against 18 chapters rather than the previous eight. While this level of disaggregation at chapter level provides a clear and comprehensive view of budgets and expenditures against the results framework, it increases the likelihood of final chapter transfers being at variance with those currently requested. For example, as can be seen in the table above, the transfers related to *Chapters 3, 4, 5, and 12* are minimal and in the final performance could be opposite of the transfer currently requested.

10. Furthermore, while full expenditure of the net appropriation of USD 1,000.5 million is currently foreseen, it is recalled that budgetary reporting at the end of the biennium is based on the US Dollar/Euro exchange rate established in the PWB 2010-11 of Euro 1 = USD 1.385 (the budget rate). The Secretariat is monitoring the situation carefully, but some variations by chapter may occur if the final average percentage of expenditure in Euro differs significantly from the assumptions in the forecasts.

11. An updated report on forecasted budgetary chapter transfers will be provided to the Finance Committee at its session in October 2011.

Overview by chapter

12. Variances for forecasted expenditure by chapter against the adjusted net appropriation are mainly arising from biennial work planning, as explained further below. The requested chapter transfers will offset the forecasted under- and over-expenditure in each chapter.

- *Chapter 1 - SO-A Sustainable intensification of crop production – forecasted under-expenditure*: activities for the Independent Science and Partnership Council (ISPC) programme, originally budgeted under SOs A, B, C, E and H, having been consolidated under SO-F. Furthermore, the provision for technical assistance in the design and implementation of crop production components of national and regional strategies and programmes for food security was moved under SO-H, reflecting the integrated approach applied to the provision of technical support for the design and implementation of the

overall national and regional strategies and programmes for food security. Food chain crisis activities related to crops were shifted to SO-I, offset by a shift of resources from SO-D to realign work in partnership with the Joint FAO/IAEA Division.

- *Chapter 2 - SO-B Increased sustainable livestock production – forecasted under-expenditure:* a more interdisciplinary approach to work on livestock has been reflected, with its contribution to sustainable management of natural resources and emergencies reallocated under SO-F and SO-I, respectively. Work related to safety of food of animal origin was also reprogrammed more appropriately under SO-D. Activities related to the ISPC programme have been shifted to SO-F. The provision of technical assistance for the implementation of the livestock components of national and regional strategies and programmes for food security has been shifted to SO-H to reflect the integrated approach.
- *Chapter 3 - SO-C Sustainable management and use of fisheries and aquaculture – no major shifts.*
- *Chapter 4 - SO-D Improved quality and safety of food at all stages of the food chain – no major shifts.*
- *Chapter 5 - SO-E Sustainable management of forests and trees –no major shifts.*
- *Chapter 6 - SO-F Sustainable management of land, water and genetic resources and improved responses to global environmental challenges affecting food and agriculture – forecasted over-expenditure:* the work and outputs of the ISPC programme have been consolidated in several agricultural sectors, including coalitions with the CGIAR, the Global Forum on Agricultural Research, and the Global Forum on Rural Advisory Services. Activities from SO-H were shifted to better reflect the contribution of the work on information standards, methods and tools on food security, agriculture and nutrition to the overall improvement of the access to, and sharing of, knowledge for natural resource management.
- *Chapter 7 - SO-G Enabling environment for markets to improve livelihoods and rural Development - forecasted under-expenditure:* work in support of small producers related to national-level capacity building for investment in agriculture with emphasis on agro-industries and rural infrastructure was transferred to SO-L, and activities related to maintaining quality and reducing loss issues in post-production value chains was transferred to SO-D. The Near East region shifted activities from SO-G towards SO-H and SO-L, reflecting greater multidisciplinary in promoting rural development through a regional approach, which will consider factors such as globalization, climate change and market issues, in line with member country agreements reached at the ministerial commission of the AMU. Some rural development work more directly related to gender was also reprogrammed from SO-G to SO-K.
- *Chapter 8 - SO-H Improved food security and better nutrition - forecasted over-expenditure:* work has shifted from SO-A, SO-B and SO-G related to an integrated approach to food security. The increase is partially offset by a shift of activities to SO-F for ISPC and to SO-L as noted below.
- *Chapter 9 - SO-I Improved preparedness for, and effective response to, food and agricultural threats and emergencies- forecasted over-expenditure:* the critical contribution to this strategic objective made by the Organization's work on livestock (SO-B) has been reflected and the identification and reprogramming of the food chain crisis activities from SO-A to SO-I.
- *Chapter 10 - SO-K Gender equity in access to resources, goods, services and decision making in the rural areas- forecasted over-expenditure:* a reprogramming of the work relating to SOFA 2010 (Women in Agriculture) and gender-related rural development from SO-G is reflected.

- *Chapter 11 - SO-L Increased and more effective public and private investment in agriculture and rural development- forecasted over-expenditure:* a clearer focus is reflected on national investment capacity in the Organization's work in agro-industries and rural infrastructure, and a prioritization of work addressing private and public investment flows in western Africa through the National Agricultural Investment Programmes. Activities related to SOFA 2011 on Investment in Agriculture were also shifted into SO-L. Finally, the South-South Cooperation programme's direct role in mobilizing capacity building support for implementing investment projects (within national and regional food security programmes and strategies) and monitoring their implementation has been duly reflected, and the corresponding activities shifted from SO-H.
- *Chapter 12 - FO-X Effective collaboration with Member States and stakeholders – no major shifts.*
- *Chapter 13 - FO-Y Efficient and effective administration - forecasted under-expenditure:* due to an effort to streamline administrative processes in the regions and to higher than budgeted support cost income credited to the chapter.
- *Chapter 14 - FAOR Programme - forecasted under-expenditure:* mainly due to higher than budgeted support cost income credited to the chapter.

ANNEX III

TERMS OF REFERENCE AND COMPOSITION OF THE ETHICS COMMITTEE

1. *The Ethics Committee shall operate as an advisory panel on all matters pertaining to ethics within the Organization, ensure general oversight over the operation of the ethics programme and provide assurance that the ethics programme is operating effectively. The Ethics Committee shall not have any formal supervisory responsibility in respect of the Ethics Office, nor engage in any operational activities in relation to its mandate.*

2. *The Ethics Committee shall be established for an initial period of four years. During this period, the Membership, through the Committee on Constitutional and Legal Matters, the Finance Committee and the Council, shall review the work of the Committee in order to determine, at the end of that period, whether the Committee should be extended for a further period of four years, or established on a permanent basis, or to make such adjustments to its modus operandi as may be required.*

Mandate of the Ethics Committee

3. *Subject to the principles that the Ethics Committee shall not have any formal supervisory responsibility in respect of the Ethics Office, nor engage in any operational activities, the Ethics Committee shall have the following mandate:*

- a) *To keep under review all matters pertaining to the formulation, development and implementation of the ethics programme of the Organization, including the Organization's financial disclosure programme or programmes aimed at preventing or addressing conflict of interest;*
- b) *To keep under general review the activities of the Ethics Office on the basis of annual reports referred by the Ethics Office to the Committee and to provide guidance thereon;*
- c) *To advise on such matters as the Director-General may refer to it;*
- d) *To review and advise on the main individual components of the Ethics programme, including any relevant policies, regulations and rules, training, disclosure programmes and conflict of interest prevention and related policies;*
- e) *To submit an annual report on its activities to the Director-General, to the Finance Committee and the Committee on Constitutional and Legal Matters;*
- f) *To advise or examine any issues related to the fulfilment of its mandate.*

Composition of the Ethics Committee

4. *The Ethics Committee shall consist of the following members appointed by the Director-General:*

- a) *Three reputable individuals external to the Organization whose nominations are approved by the Council, upon recommendation by the Finance Committee and the Committee on Constitutional and Legal Matters;*
- b) *One Deputy Director-General;*
- c) *The Legal Counsel.*

5. *The Chairperson of the Ethics Committee shall be elected by the Committee, from among its external members, for a period of two years.*

Term of Office

6. *The individuals external to the Organization shall be appointed for a term of two years. The Director-General may renew the appointment of the individuals external to the Organization, subject to approval by the Council, upon recommendation by the Finance Committee and the Committee on Constitutional and Legal Matters. The Legal Counsel shall be an ex officio member of the Ethics Committee. The Deputy Director-General shall hold office for a term of two years, which may be extended for another term of up to two years, at the discretion of the Director-General. Should a position fall vacant, a replacement member shall be appointed for the remainder of the term, in accordance with the relevant procedure.*

Sessions

7. *The Ethics Committee shall hold at least two regular sessions each year. Additional sessions of the Ethics Committee may be convened by the Chairperson if deemed appropriate. The Director-General may request the Chairperson to convene a meeting if necessary.*

Quorum

8. *The presence of all members is expected at each meeting. At the discretion of the Chairperson, if necessary, meetings may take place with at least four members⁶.*

Secretariat

9. *The Organization shall make the necessary secretarial arrangements for the functioning of the Ethics Committee.*

¹ For the time being, as discussed on a few past occasions, the proposals do not include detailed procedural rules for the operation of the Committee (e.g. on voting), given the nature of the Committee. In the future, following a possible reassessment of the workings of the Committee, this position could be reconsidered.

ANNEX IV**DOCUMENTS FOR INFORMATION**

- Report on Investments 2010 (doc. FC 138/INF/2)
- Status of Recommendations of the Finance Committee (doc. FC 138/INF/3)
- Reports of the UN Joint Inspection Unit
 - Offshoring in United Nations System Organizations: Offshore Service Centres (JIU/REP/2009/6) (doc. FC 138/INF/4)
 - Selection and Conditions of Service of Executive Heads in the United Nations System Organizations (JIU/REP/2009/8) (doc. FC 138/INF/5)
 - Ethics in the UN System (JIU/REP/2010/3) (doc. FC 138/INF/6)
- Information on Aspects of the Immediate Plan of Action programme (doc. FC 138/INF/7)
- Information on Projects Funded by the Capital Expenditure Facility (doc. FC 138/INF/8)
- Information requested by the Finance Committee on Article 12 of the Statute of the International Civil Service Commission (doc. FC 138/INF/9)