



联合国  
粮食及  
农业组织

Food and Agriculture  
Organization of the  
United Nations

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

Продовольственная и  
сельскохозяйственная организация  
Объединенных Наций

Organización de las  
Naciones Unidas para la  
Alimentación y la Agricultura

منظمة  
الغذية والزراعة  
للأمم المتحدة

E

# COUNCIL

## Hundred and Forty-ninth Session

Rome, 16-20 June 2014

### Report of the 154<sup>th</sup> Session of the Finance Committee (26-30 May 2014)

#### Executive Summary

At its first regular session in 2014, the Committee examined the financial position of the Organization and other matters under its mandate. In this report of its 154<sup>th</sup> Session, the Committee:

- a) Makes specific recommendations to the Council: (i) urging Members to make timely and full payment of assessed contributions (para 7); (ii) on abolishment of the Incentive Scheme (para 15); (iii) on restoration of voting rights of Member Nations in arrears pursuant to Article III, paragraph 4 of the Constitution (para 17); and (iv) on its endorsement of the Director General's recommendations for appointment and extension of Audit Committee members (para 34)
- b) Informs Council of its decisions: (i) approving the final budgetary Chapter transfers for the 2012-13 biennium (para 19); and (ii) endorsing the forecasted chapter distribution of the 2014-15 budgetary appropriation arising from preparation of biennial work plans (para 21).
- c) Brings to the attention of Council its guidance to the Secretariat on the Organization's financial position, budgetary matters, human resources, administrative and information systems framework, oversight and other matters.
- d) Highlights to Council initiatives to improve its own work.

*This document can be accessed using the Quick Response Code on this page; a FAO initiative to minimize its environmental impact and promote greener communications. Other documents can be consulted at [www.fao.org](http://www.fao.org)*



mk626e

**Suggested action by the Council**

The Council is requested to endorse the recommendations of the Committee on timely payment of assessed contributions, on abolishment of the Incentive Scheme, on restoration of voting rights of Member Nations in arrears, and on the appointment and extension of members of the Audit Committee

The Council is requested to take note of the decisions of the Committee on the final budgetary Chapter transfers for the 2012-13 biennium and on the forecasted chapter distribution of the 2014-15 budgetary appropriation

The Council is requested to endorse the Committee's guidance provided to the Secretariat on all other matters within its mandate, as well as initiatives to improve its own methods of work.

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

David McSherry  
Secretary, Finance Committee  
Tel: +3906 5705 3719

---

## Table of Contents

---

	Pages
Introduction .....	5
Monitoring Financial Position.....	5
Financial Position of the Organization.....	5
2013 Actuarial Valuation of Staff Related Liabilities.....	6
Report on Investments 2013 .....	6
Review of the levels of the Working Capital Fund and the Special Reserve Account .....	7
Review of the Incentive Scheme to encourage Prompt Payment of Contributions .....	7
Review by the Finance Committee of the situation of Member Nations in arrears prior to a Conference Session.....	7
Budgetary Matters .....	8
Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2012-13 Biennium.....	8
Progress on the Medium Term Plan 2014-17: Results framework, regional priorities and budgetary adjustments from work planning and efficiencies .....	8
Comprehensive Financial Framework for Cost Recovery - Update .....	9
Human Resources.....	9
Progress Report on the Implementation of the Human Resources Strategic Framework and Action Plan .....	9
Administrative and Information Systems Framework .....	10
Progress Report on the Global Resource Management Programme .....	10
Oversight .....	10
2013 Annual Report of the Inspector-General.....	10
FAO Audit Committee - 2013 Annual Report to the Director-General.....	11
FAO Audit Committee Membership.....	12
2013 Annual Report of the Ethics Committee .....	12
Progress Report on an Accountability and Internal Control Framework.....	12
Improved Methods of Work and Efficiency of the Finance Committee.....	13
The Multi-Year Programme of Work of the Finance Committee .....	13
Status of Outstanding recommendations of the Finance Committee .....	13
Working Methods of the Finance Committee.....	13
Other Matters.....	14
Date and Place of the Hundred and Fifty-fifth Session.....	14
Web-Publication of the Audited Accounts of the FAO Commissary .....	14
Request by the Italian Government that the offices of its Permanent Representation to the United Nations Organizations based in Rome be located within the premises of FAO .....	14

---

Annex I – Restoration of Voting Rights of Member Nations in Arrears pursuant to Article III, paragraph 4 of the Constitution .....	15
Annex II – Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2012-13 Biennium.....	17
Annex III – Documents for information .....	22

## Introduction

1. The Committee submitted to the Council the following report of its Hundred and Fifty-fourth session
2. In addition to the Chairperson, Mr MOUNGUI MÉDI, the following representatives of Members were present:
  - Mr Matthew Worrell (Australia)
  - Mr Olyntho Vieira (Brazil)
  - Mr Khaled M.S.H. Eltaweel (Egypt)
  - Mr Georg Friedel Cramer (Germany)
  - Mr Abdoulaye Traore (Guinea)
  - Mr Hideya Yamada (Japan)
  - Ms Emma María José Rodríguez Sifuentes (Mexico)
  - Mr Mohamed Lemghari (Morocco)
  - Mr Khalid Mehboob (Pakistan)
  - Mr Vladimir V. Kuznetsov (Russian Federation)
  - Ms Abla Malik Osman Malik (Sudan)
  - Ms Natalie E. Brown (USA)
3. The Chairperson informed the Committee that:
  - Mr Mohamed Lemghari (Morocco) had been designated to replace Mr Fouzi Lekjaa for this session.
  - Mr Vladimir Navara (Russian Federation) had been designated to replace Mr Vladimir Kuznetsov for part of this session.
4. A summary of the qualifications of the substitute representatives can be downloaded from the Governing and Statutory Body Web site at: <http://www.fao.org/unfao/govbodies/gsbhome/finance-committee/substitute-representatives/en/>
5. In addition, silent observers from the following Member Nations attended the 154th Session of the Committee:
  - Cyprus
  - Dominican Republic
  - European Union
  - Iran, Islamic Republic of
  - Iraq
  - Jordan
  - Netherlands

## Monitoring Financial Position

### Financial Position of the Organization

6. The Committee reviewed document FC 154/2, the *Financial Position of the Organization* as at 31 December 2013 and cash flow forecast for 2014, including the liquidity of the Organization, the status of outstanding assessed contributions, short and long term investments, staff related liabilities, Technical Cooperation Programme (TCP) expenditure and outstanding balances, and the General Fund deficit. The Committee was also provided with an updated status of current assessments and arrears and liquidity situation of the Organization as at 21 May 2014.

7. **The Committee:**

- a) **appreciated** the transparency and quality of information presented and encouraged the Secretariat to continue in these efforts;
- b) **noted** that while the liquidity position of the Organization at 31 December 2013 had improved compared to December 2011, its on-going cash flow health was dependent on the timely payment of 2014 assessed contributions, and **urged** all Member Nations to make timely and full payment of assessed contributions to ensure that FAO continued to meet the operating cash requirements for the Programme of Work;
- c) **noted** that the significant increase in the General Fund deficit of USD 938.3 million as at 31 December 2013 compared to USD 641.3 million as at 31 December 2011 was primarily due to the Organization's full recognition of staff related liabilities, and that this matter, including the funding of these liabilities, would be considered by the Committee under the agenda item on the *2013 Actuarial Valuation of Staff Related Liabilities*;
- d) **noted** that the TCP expenditure rate was aligned to ensuring the full implementation of the TCP appropriation as approved by the Conference;
- e) **was informed** that the level of risk for investments was appropriate and that more detailed analysis on this would be presented under the agenda item on the *Report on Investments 2013*;
- f) **noted** the significant value of contributions received in advance from extra-budgetary donors which amounted to USD 706 million at the end of 2013; and
- g) **requested** the Secretariat to provide further information and analysis of extra-budgetary contributions when presenting the financial position of the Organization to future sessions of the Committee.

### 2013 Actuarial Valuation of Staff Related Liabilities

8. The Committee reviewed document FC 154/3, the *2013 Actuarial Valuation of Staff Related Liabilities* 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 2013. The Committee also reviewed further information presented by the Secretariat on options to address the funding gap of the After Service Medical Coverage (ASMC) liability.

9. **The Committee:**

- a) **noted** that total staff related liabilities as at 31 December 2013 amounted to USD 1,213.1 million, representing a decrease of USD 39.4 million from the valuation at 31 December 2012 due mainly to an increase in the discount rate accounting assumption;
- b) **noted** the further information provided by the Secretariat on options to address the funding gap of After Service Medical Coverage (ASMC) liabilities;
- c) **requested** the Secretariat to schedule an informal meeting of the Committee, prior to its Autumn 2014 session, where the options could be discussed in greater detail;
- d) **further requested** the Secretariat to present at the informal meeting, information on the ongoing discussions within the United Nations System on this matter; and
- e) **encouraged** the use of information technology tools to enable the participation of Members of the Committee not based on Rome at the informal meeting.

### Report on Investments 2013

10. The Committee reviewed the document FC 154/4, *Report on Investment 2013*.

11. **The Committee:**

- a) **noted** the positive performance of the short-term and long-term investment portfolios during 2013, both of which had significantly exceeded their respective benchmarks;
- b) **appreciated** the solid governance arrangements in place for investments; and

- c) **concurred with and encouraged the Secretariat to continue its prudent investment approach for the short term investment portfolio.**

#### **Review of the levels of the Working Capital Fund and the Special Reserve Account**

12. The Committee considered document FC 154/5, the *Review of the levels of the Working Capital Fund and the Special Reserve Account* which presented an analysis of the purposes of each of these funds and the recommended levels at which they should be set in order that they could fulfil those purposes.

13. **The Committee:**

- a) **recalled the previous recommendations of the Finance Committee, the Council and the Conference to review this matter;**
- b) **recognized the importance of the Working Capital Fund in providing a safety net for the Organization with respect to the impact of delays in the payment of Members' contributions;**
- c) **looked forward to considering proposals related to the replenishment of the reserves of the Organization in the context of the proposed Programme of Work and Budget 2016-17.**

#### **Review of the Incentive Scheme to encourage Prompt Payment of Contributions**

14. The Committee considered the document FC 154/6, *Review of the Incentive Scheme to encourage Prompt payment of Contributions*, which presented an analysis of the impact of the scheme on collection rates of assessed contributions over the past twelve years, as well as the estimated costs associated with administering the scheme.

15. **The Committee:**

- a) **concluded that the Incentive Scheme did not have an impact on encouraging prompt payment of contributions and was not cost effective;**
- b) **recommended that the Council propose to the 39th Session of the Conference that the scheme be abolished; and**
- c) **requested the Secretariat to present to the Autumn 2014 Session of the Committee, under the agenda item on the Financial Position of the Organization, measures which give positive and public appreciation of Members that pay contributions on a timely basis.**

#### **Review by the Finance Committee of the situation of Member Nations in arrears prior to a Conference Session**

16. The Committee reviewed document FC 154/7, *Review by the Finance Committee of the situation of Member Nations in Arrears prior to a Conference Session*, which included a proposed Conference resolution, endorsed by the Committee on Constitutional and Legal Matters (CCLM), that requests for the restoration of voting rights and installment plans be referred to the Finance Committee for review at its Spring Session in a Conference year and that the Finance Committee would then submit its views to the General Committee of the Conference, through the Council. The Committee noted that the proposal originated in a recommendation of the Conference of 2005.

17. **The Committee:**

- a) **Endorsed** the draft Conference Resolution set out in Appendix I of the document (Annex I) entitled "*Restoration of Voting Rights of Member Nations in Arrears pursuant to Article III, paragraph 4 of the Constitution*<sup>1</sup>"
- b) **recommended** that the procedures set out in the Resolution be implemented on a voluntary basis prior to the 39th Session of the Conference;
- c) **requested** the Secretariat to ensure that requests from Members for submission to the Committee at its Spring 2015 Session be received no later than February 2015; and
- d) **requested** the Secretariat to present to the Committee at its Autumn 2014 Session, proposed criteria to be used when considering requests for restoration of voting rights and installment plans, drawing also on criteria and procedures already implemented by other Organizations of the United Nations system.

### Budgetary Matters

#### Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2012-13 Biennium

18. The Committee reviewed the *Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2012-13 Biennium*.

19. **The Committee:**

- a) **took note** of the final 2012-13 budgetary outturn based on the unaudited accounts of the Organization;
- b) **received** upon its request preliminary information on how the unspent balance of USD 9.6 million would be used in 2014-15 to cover additional expenditures of a one-time nature associated with transformational change as authorized by Conference Resolution 7/2013, and the Committee **looked forward** to receiving further information for discussion at its next Session;
- c) **recalled** that in line with current practice any unspent balances in the Technical Cooperation Programme (Chapter 15), Capital Expenditure (Chapter 17) and Security Expenditure (Chapter 18) would be transferred to the 2014-15 biennium;
- d) **approved** the final budgetary transfers in favour of Chapters 11 (USD 1.4 million) and 13 (USD 8.4 million) from Chapters 2, 3, 4, 5, 6, 8 and 12, as shown in Table 2 of the document (Annex II); and
- e) **took note** that all open IPA actions being implemented by the Secretariat were completed within the resources allocated.

#### Progress on the Medium Term Plan 2014-17: Results framework, regional priorities and budgetary adjustments from work planning and efficiencies

20. The Committee reviewed the forecasted budgetary transfers and resulting chapter distributions of the 2014-15 budgetary appropriation arising from work planning and efficiencies, as set out in Section III of document PC 115/2 – FC 154/9, *Progress on the Medium Term Plan 2014-17: results framework, regional priorities and budgetary adjustments from work planning and efficiencies*.

---

<sup>1</sup> "Each Member Nation shall have only one vote. A Member Nation which is in arrears in the payment of its financial contributions to the Organization shall have no vote in the Conference if the amount of its arrears equals or exceeds the amount of the contributions due from it for the two preceding calendar years. The Conference may, nevertheless, permit such a Member Nation to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the Member Nation." (Article III, paragraph 4 of the Constitution).



21. **The Committee:**

- a) **sought and received** clarifications on the realignment of resources to results and support functions in the final stages of work planning to justify the relatively high level of forecasted budgetary transfers;
- b) **recommended** therefore that lessons learnt from the planning exercise be taken into account in preparing more accurate budget allocations in the next PWB in order to avoid significant transfers shortly after its final approval;
- c) **endorsed** the forecasted chapter distributions of the 2014-15 budgetary appropriation of USD 1,005.6 million arising from preparation of biennial work plans, noting that the forecasted budgetary transfers arising from the implementation of the Programme of Work would be reported to the Finance Committee for review and approval in November 2014;
- d) **took note** of the measures to achieve USD 2.7 million of efficiency savings that had been diagnosed but not yet implemented within the total required budgetary savings of USD 36.6 million;
- e) **noted** the implementation by the Secretariat of the measures approved by the General Assembly at its current session in the context of the ongoing ICSC review of the UN Common System staff compensation package and to report on the forecasted savings at its next session; and
- f) **recognized** the importance of engagement by Members with the United Nations General Assembly and the International Civil Service Commission in order to achieve meaningful containment of staff costs at FAO.

### **Comprehensive Financial Framework for Cost Recovery - Update**

22. The Committee examined and welcomed the update on development of a Comprehensive Financial Framework for cost recovery (document FC 154/10), noting that this review was part of the UN-wide effort to revise the existing cost recovery arrangements.

23. **The Committee:**

- a) **welcomed** the latest information on developments in addressing support cost issues in the UN system, and the identification of FAO-specific financial, administrative and operational issues;
- b) **endorsed** in principle the aim, assumptions and principles of the initiative;
- c) **looked forward** to reviewing the final concept and implementation considerations at its next regular session;
- d) **requested** the Secretariat to present this information at an informal meeting of the Committee before the next regular session of the Finance Committee in November 2014, in view of the highly technical nature of the matter;
- e) **encouraged** the Secretariat to take into consideration the budgeting cycle of donors and provide transitional arrangements for the implementation with respect to projects already agreed; and
- f) **requested and received** information on the project support cost rates that apply to the various types of projects under the current FAO support cost policy, including for trust funds that support bodies established under Articles VI and XIV of the FAO Constitution.

## **Human Resources**

### **Progress Report on the Implementation of the Human Resources Strategic Framework and Action Plan**

24. The Committee took note of document FC 154/11, *Progress Report on the Implementation of the Human Resources Strategic Framework and Action Plan* which outlined progress on implementation of the human resources action plans for both the previous and current biennia and

introduced the Human Resources Strategic Framework for 2014-2016 and the related biennial Action Plan.

25. **The Committee:**

- a) **welcomed** the new Human Resources Strategic Framework and Action Plan;
- b) **took note** with satisfaction of the progress made on human resources initiatives and encouraged the Secretariat to continue in its efforts to reform and modernize human resources management in the Organization; and
- c) **requested** that the Secretariat give particular attention to the alignment of the decentralized offices with the corporate human resources strategy; vacancy rates; geographic and gender representation; retention measures for Junior Professionals (JPs) and Associate Professional Officers (APOs); and automation of human resources processes by better use of available systems such as GRMS.

## **Administrative and Information Systems Framework**

### **Progress Report on the Global Resource Management Programme**

26. The Committee reviewed document FC 154/12, *Progress Report on the Global Resource Management Programme* which provided a status report on progress made on Global Resource Management System post implementation support, the FAO Manual, and IPSAS implementation during the period September 2013 to March 2014 and plans for the period from April to September 2014.

27. **The Committee**

- a) **Reiterated** the importance of the successful implementation of the Global Resource Management System (GRMS) in 2013;
- b) **noted** the ongoing work to ensure stability of the system, to meet enhanced business processes requirements, and to address identified risks and challenges;
- c) **noted** the commensurate allocation of resources from the Capital Expenditure Facility of USD 1.3 million in 2014, and a further USD 0.7 million tentatively earmarked for 2015; and
- d) **requested** that the Secretariat continue to report on the business benefits realized through the implementation of the GRMS.

28. **In addition, the Committee:**

- a) **noted** that activities to support IPSAS implementation were on track with the first set of IPSAS-compliant Financial Statements scheduled to be prepared for financial years commencing 1 January 2014; and
- b) **requested** that Management provide strong oversight to ensure that risks of delivery were appropriately managed.

## **Oversight**

### **2013 Annual Report of the Inspector-General**

29. The Committee examined document FC 154/13, *2013 Annual Report of the Office of the Inspector-General*, that presented a summary of the results of audit and investigative work of the Office of the Inspector General in 2013 as well as its internal management. The Committee also took note of the additional information provided by the Inspector-General and management in response to questions of the Committee members.

30. **The Committee:**

- a) **appreciated the quality of the report and the analysis of issues presented, noting that the work of the Office of the Inspector-General presented was very relevant and a useful tool for the management and governance of the Organization;**
- b) **noted the positive response of the Director-General to the report;**
- c) **highlighted the importance of strengthening internal control in the Organization and in particular in relation to the Decentralized Offices Network, and requested updates from management and the Inspector-General in this regard at its regular session in Spring 2015;**
- d) **looked forward to an update on the status of GRMS implementation and operation at its regular session in Spring 2015;**
- e) **requested the Office of the Inspector-General to closely monitor the progress on the preparation of the Organization's 2014 IPSAS-compliant financial statements and to include an assessment of this in its 2014 annual report;**
- f) **requested a further update on the implementation of long outstanding high risk internal audit recommendations, in particular those related to security issues, and the definition of gross negligence and recklessness, at its next regular session in Autumn 2014.;**
- g) **affirmed the importance of the Organization applying, under its zero tolerance policy, strong measures where FAO personnel and third parties were found to have engaged in fraud;**
- h) **requested that the Organization's workforce planning give due regard to the requirements for implementing sound internal controls and that the Office of the Inspector-General provide advice on this to the Office of Human Resources, and looked forward to a progress report on this at its next regular session in Autumn 2014; and**
- i) **underlined the importance of appropriate resourcing and capacity in the Office of the Inspector-General so as to enable it to effectively discharge its function, and provide requisite level of assurance, as envisaged in the Charter for the Office.**

**FAO Audit Committee - 2013 Annual Report to the Director-General**

31. The Committee considered the document FC 154/14, *FAO Audit Committee - 2013 Annual Report to the Director-General*, the presentation and additional information provided by the Chairman of the Audit Committee on the Audit Committee's activities for 2013, and the Director-General's comments accompanying the annual report.

32. **The Committee:**

- a) **acknowledged the important role of the FAO Audit Committee in providing independent assurance and advice in the mandated areas under its Terms of Reference;**
- b) **welcomed the report, which included positive conclusions on the operation of the Office of the Inspector-General and relevant advice in relation to FAO's system of internal control, risk management and governance;**
- c) **expressed satisfaction with the FAO Audit Committee's advice, in particular, on the internal control environment of the Organization and the implementation of internal audit recommendations;**
- d) **welcomed the Director-General's concurrence with the recommendations presented in the report and encouraged the Director-General and the Audit Committee to meet at least on an annual cycle to underline the importance of its role and advice provided;**
- e) **recommended that management give special focus on actions to improve the performance of the decentralized offices in view of the results of the Inspector-General's audits and the observations of the Audit Committee in this regard;**

- f) **looked forward to a further status report from management on the Audit Committee's recommendations at the next regular session of the Committee in Autumn 2014; and**
- g) **conveyed its appreciation to the outgoing members finishing their terms in 2014, Mr Claus Andreasen and Mr Adnan Khan, for their service on the Committee.**

### **FAO Audit Committee Membership**

33. The Committee considered the document FC 154/15, *FAO Audit Committee Membership*, in which the Director-General recommended that Ms Carolyn Dittmeier's appointment be extended for a further three years, and that Ms Enery Quinones and Mr Verasak Liengsrirawat be appointed as new members of the FAO Audit Committee, in each case for an initial period of three years, to replace the two current members who would be reaching six years of service at the end of their current term in mid-2014, consistent with the terms of reference of the Audit Committee.

34. **The Committee:**

- a) **endorsed the Director-General's recommendations to extend the term on the Committee of Ms Carolyn Dittmeier for a further three years, and that Ms Enery Quinones and Mr Verasak Liengsrirawat be appointed as members of the FAO Audit Committee for an initial period of three years;**
- b) **agreed to submit to the Council its endorsement of the extension and appointments, to be effective from the date of approval by the Council; and**
- c) **requested that for future appointments of Audit Committee members, the candidate identification process be reviewed, considering practices adopted in some other agencies of the United Nations System.**

### **2013 Annual Report of the Ethics Committee**

35. The Finance Committee examined document FC154/16, *2013 Annual Report of the Ethics Committee*, together with the deliberations of the CCLM on that report.

36. **The Committee:**

- a) **welcomed the new Ombudsman/Ethics Officer Mr Bernardin Ndashimye and looked forward to fruitful cooperation;**
- b) **endorsed the 2013 Annual Report of the Ethics Committee;**
- c) **expressed satisfaction at the implementation of the Financial Disclosure Programme and noted the proposals for increased cooperation among Rome based agencies in the implementation of the Programme;**
- d) **looked forward to receiving more detailed information in the next report of the Ethics Committee on issues covered by the deliberations of the Committee, including on aspects related to partnerships with the private sector, on the presentation of Human Resources policies, rules and procedures in the Administrative Manual and on activities related to ethics education and awareness raising; and**
- e) **noted that the determination as to whether the Ethics Committee should be established on a permanent basis or its modus operandi re-examined should be considered in due course.**

### **Progress Report on an Accountability and Internal Control Framework**

37. The Committee considered the progress made on accountability, risk management and internal control (document FC 154/17) and noted the completion of the Enterprise Risk Management project.

38. **The Committee:**

- a) **noted the reported improvements in accountability, risk management and internal control and FAO's intent to continue to strengthen its efforts in this area;**

- b) **reinforced** the critical importance for the Organization to have a strong and effective accountability and internal control framework and **underlined** the importance of this function for FAO's work;
- c) **encouraged** FAO to continue building risk awareness and internal control throughout the Organization;
- d) **highlighted** the importance of these measures in the delegation of authority to decentralized offices ;
- e) **requested** a progress report for the next regular session of the Finance Committee in November 2014; and
- f) **was informed** of the recent favourable external assessments of FAO's management control capability and **requested** that the assessments be made available to Members of the Committee for information.

### **Improved Methods of Work and Efficiency of the Finance Committee**

#### **The Multi-Year Programme of Work of the Finance Committee**

39. **The Committee:**

- a) **welcomed** the updated version of the Multi-Year Programme of Work (MYPOW); and
- b) **looked forward** to receiving a further update at its next regular session and requested that the decisions taken by the Committee at its current session be included in the update.

#### **Status of Outstanding recommendations of the Finance Committee**

40. The Committee reviewed document FC 154/19, *Status of Outstanding Recommendations of the Finance Committee*.

41. **The Committee:**

- a) **noted** the recommendations which would be addressed during the current session of the Committee; and
- b) **encouraged** the Secretariat to address remaining outstanding recommendations and any recommendations made during its current session.

#### **Working Methods of the Finance Committee**

42. The Committee reviewed its existing Rules of Procedure relating to the election of the Vice-Chairperson of the Committee.

43. **The Committee:**

- a) **agreed** to amend existing Rule I, paragraph 1 as follows:

*“1. At its first session held after the election of the Chairperson and the Members by the Council, the Committee shall elect a Vice-Chairperson from among the representatives of its Members, who shall remain in office until the election of a new Vice-Chairperson. The Vice-Chairperson's term of office shall terminate at the end of the Committee's term of office. If the Vice-Chairperson is prevented from exercising functions for the remainder of the term of office, due to resignation, disability, death, or for any other reason, the Committee shall elect a new Vice-Chairperson from among the representatives of its Members for the remainder of the vacated term of office.”*

- b) **agreed** that the amended rule of procedure, modelled on Rule I, paragraph 1 of the Rules of Procedure of the CCLM adopted after the implementation of the reform,

- would be effective from the session held after the election of the Chairperson and the Members by the Council in 2015; and
- c) **noted** that existing Rule I, paragraph 1 would continue to apply until the end of the Committee's present term of office.

## Other Matters

### Date and Place of the Hundred and Fifty-fifth Session

44. The Committee was informed that the 155th Session was scheduled to be held in Rome from 3 to 7 November 2014.

### Web-Publication of the Audited Accounts of the FAO Commissary

45. The Finance Committee considered document FC 154/22(a) *Web-Publication of the Audited Accounts of the FAO Commissary* that presented the Secretariat's proposal to publish the FAO Commissary Accounts on the Finance Committee web-site.
46. **The Committee agreed that the FAO Commissary Accounts be published on the website starting with the 2013 accounts which would be presented to the Autumn 2014 Session of the Committee.**

### Request by the Italian Government that the offices of its Permanent Representation to the United Nations Organizations based in Rome be located within the premises of FAO

47. The Finance Committee examined document FC 154/22(b), *Request by the Italian Government that the offices of its Permanent Representation to the United Nations Organizations based in Rome be located within the premises of FAO*. Given the nature of the matter, the Committee decided to hold a private meeting with attendance restricted to Members and the Legal Counsel.
48. **After an extensive discussion, the Finance Committee:**
- a) **expressed its gratitude for the unfailing support that the Government of Italy, as host country, had extended to the Organization over the years and recognized its need to move its Permanent Representation to a more cost-effective location;**
  - b) **acknowledged that a decision on the request went beyond the authority of the Director-General and appeared to raise issues of principle;**
  - c) **requested the views of the CCLM on a range of legal issues raised during the discussions, including on the implications of the proposal under international law and on the Governing Body entrusted with authority to approve the request; and**
  - d) **Agreed to re-examine the request at its Autumn Session in 2014, in light of the views of the CCLM and of any relevant additional information available at the time.**

## **Annex I – Restoration of Voting Rights of Member Nations in Arrears pursuant to Article III, paragraph 4 of the Constitution**

### RESOLUTION \_\_/2015

#### Restoration of Voting Rights of Member Nations in Arrears pursuant to Article III, paragraph 4 of the Constitution

#### **THE CONFERENCE,**

**Recalling** that under Article III, paragraph 4 of the Constitution the Conference may permit a Member Nation in arrears to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the Member Nation;

**Considering** that, at its 33rd Session in November 2005, the Conference expressed its concern at the high number of Member Nations in arrears at that time and held the view that any past recommendations that voting rights be restored for all Member Nations on the first day of the Conference, or upon submission of a letter to that effect, should not be regarded as preventing the Conference from taking a different position in future;

**Noting** its recommendation that the normal course of action in respect of Member Nations in arrears should consist in actively encouraging them to submit an instalment plan for the settlement of such arrears, as a condition for the restoration of their voting rights;

**Noting further** its recommendation that consideration be given that requests for restoration of voting rights should be referred to the Director-General for submission to the Finance Committee, which would submit its views to the General Committee of the Conference, through the Council, without prejudice to the authority of the Conference to make autonomous determinations under Article III, paragraph 4 of the Constitution;

**Noting further** that in October 2012 the Committee on Constitutional and Legal Matters (CCLM) considered a document describing the main legal provisions and practice regarding restoration by the Conference of voting rights of Member Nations in arrears;

**Acknowledging** that the Finance Committee submitted a report of its 148th Session in March 2013 to the Council, in which the Committee supported the recommendation of the Conference at its 33rd Session that requests for restoration of voting rights be referred to the Director-General for submission to the Spring Session of the Finance Committee in Conference years;

**Acknowledging further** that the CCLM submitted a report of its 97th Session in October 2013 to the Council, in which the Committee considered that it would be preferable for the Conference to adopt a Resolution setting forth the process of implementation of Article III, paragraph 4 of the Constitution, to be included in Volume II of the Basic Texts;

**Having considered** the recommendation of the Council at its 149th Session on the basis of the report of the 154th Session of the Finance Committee;

**Decides** to implement the following procedures for reviewing requests for restoration of voting rights of Member Nations in arrears:

- 1) Before the Spring Session of the Finance Committee in a Conference year, Member Nations that are in arrears of their contribution to the budget of the Organization under Article III, paragraph 4 of the Constitution may present to the Director-General for submission to the Finance Committee a request for the restoration of voting rights:
  - a) indicating that failure to pay is due to conditions beyond their control; or
  - b) proposing an installment plan, including, inter alia: the total amount of arrears of contributions; the number of years over which payments will be made; the amount to be paid each year; and the date on which the payments will commence.

- 2) The Finance Committee shall examine thoroughly the Member Nations' requests and installment plans and submit its views to the General Committee of the Conference, through the Council.
- 3) The Secretariat may take such practical measures as may be necessary to facilitate the implementation of this resolution.
- 4) The procedure set out in this resolution shall be without prejudice to the authority of the Conference to make autonomous determinations under Article III, paragraph 4 of the Constitution.

(Adopted on )



## **Annex II – Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2012-13 Biennium**

### EXECUTIVE SUMMARY

- The Finance Committee in November 2013 reviewed the Programme and Budgetary Transfers in the 2012-13 Biennium. It took note of the forecasted underspending and that the final level would be used in 2014-15 to cover additional expenditures of a one-time nature associated with transformational change, as authorized by Conference Resolution 7/2013. The Committee recalled that in line with 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 transfers in favor of Chapters 1, 7, 8, 9, 11 and 13 from other budgetary chapters in 1 through 12. The Committee took note that all open IPA actions being implemented by the Secretariat would be completed by the end of 2013 and the planned budgetary allocation for the IPA in 2013 was forecasted to be fully spent for this purpose.
- This report presents the final 2012-13 budgetary outturn based on the unaudited accounts of the Organization. Final 2012-13 spending represents 99% of the USD 1,005.6 million biennial appropriation. The unspent balance of USD 9.6 million, including USD 0.3 million for the IPA, will be used in 2014-15 to cover additional expenditures of a one-time nature associated with transformational change, as authorized by Conference Resolution 7/2013.
- The transfers into Chapters 1, 7, 8, and 9 are no longer required and other chapter transfers are in line with those previously approved.

### *Introduction*

1. 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. 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.
2. As reported to the Finance Committee in May 2012 and to the Council in June 2012,<sup>2</sup> USD 8.7 million of unspent balance of the 2010-11 appropriations was carried over to 2012-13 for full implementation of the IPA, including one-time IPA investment costs to be incurred during the 2012-13 financial period.<sup>3</sup>
3. In June 2013, the Conference authorized the Director-General, notwithstanding Financial Regulation 4.2, “to use any unspent balance of the 2012-13 appropriations for any additional expenditures of a one-time nature associated with transformational change”.<sup>4</sup>
4. In November 2013, the Council endorsed the report of the Finance Committee<sup>5</sup>, which took note of the forecasted underspending of USD 5 million in Chapters 1 through 13 and 16 (the Strategic and Functional Objectives and Contingencies) against the 2012-13 biennial appropriation that would be used in 2014-15 to cover additional expenditures of a one-time nature associated with transformational change, as authorized by Conference Resolution 7/2013. The Committee authorized the forecasted budgetary transfers in favor of Chapters 1, 7, 8, 9, 11 and 13 from other budgetary chapters in 1 through 12 and took note that all open IPA actions being implemented by the Secretariat would be completed by the end of 2013 and the planned budgetary allocation for the IPA in 2013 was forecasted to be fully spent for this purpose.
5. This document summarizes, for information and discussion, the budgetary aspects of the final budgetary performance against the 2012-13 biennial appropriation, including details of the final budgetary transfers between chapters.

### *Overall biennial performance*

6. Table 1 summarizes overall budgetary performance versus the 2012-13 appropriation. The performance is based on the actual expenditure in the unaudited accounts of the Organization, adjusted for the budget US dollar/euro exchange rate of 1.36 established in the PWB 2012-13. Any unspent balances in the Technical Cooperation Programme (Chapter 15), Capital Expenditure (Chapter 17) and Security Expenditure (Chapter 18) are transferred for use in the subsequent financial period in line with Financial Regulations, and are therefore shown as fully spent.

**Table 1: Overview of 2012-13 Regular Programme Performance (USD 000)**

	<b>USD 000</b>
2012-13 Net Appropriation (CR 5/2011)	1,005,639
2012-13 Net Expenditure at Budget Rate	996,011
<b>Balance against 2012-13 Net Appropriation to be transferred to 2014-15 for One Time Expenditure on Transformational Change (CR 7/2013)</b>	<b>9,628</b>
Carry Over of 2010-11 Unspent Net Appropriation Balance (CR 5/2011)	8,735
2012-13 Net Expenditure at Budget Rate funded from 2010-11 Carry Over	8,735
<b>Balance against 2010-11 Carry Over</b>	<b>-</b>

<sup>2</sup> FC 143/7, paragraph 6 and CL 144/12 paragraph 17

<sup>3</sup> Conference Resolution 5/2011, operative paragraph 2

<sup>4</sup> Conference Resolution 7/2013, operative paragraph 2

<sup>5</sup> CL 148/6, paragraphs 19-20

7. As shown in Table 1, FAO expended a total of USD 996,011,000 against the 2012-13 net appropriation and fully spent the USD 8.7 million carryover of the 2010-11 unspent net appropriation balance made available in 2012-13 biennium to fund IPA investment costs, as authorized by Conference Resolution 5/2011.

8. An unspent balance of USD 9.6 million is recorded against the 2012-13 biennial appropriation of USD 1,005.6 million (99% spent), including USD 0.3 million for the IPA. The unspent balance will be used in 2014-15 to fund any additional expenditures of a one-time nature associated with transformational change, as authorized by Conference Resolution 7/2013.

9. Actual expenditure in 2012-13 was lower than previously anticipated<sup>6</sup> due to higher income reimbursements, commitments that did not materialize at year-end, and the delay in filling vacant posts in decentralized offices pending finalization of corporate exercises related to 2014-15 post-planning and skill mix review.

#### *Budgetary transfers between chapters*

10. The final budgetary chapter transfers against the 2012-13 biennial appropriation are tabulated in Table 2 below. The transfers largely follow the same pattern and reasoning as forecasted in November 2013. The net expenditure by Chapter is consistently lower than previously anticipated with the exception of chapters 11, 12 and 13 where the final expenditure is higher as explained below.

11. Additional spending in Chapter 11 (Strategic Objective L) is mainly due to a technical realignment of expenditure and income in the Investment Centre Division (TCI) at year-end and reconfiguration of work contributing to Strategic Objective H and Strategic Objective L in the South South and Resource Mobilization Division (TCS) following the review of functions and programmes of TC Department.

12. The increased spending in Chapter 12 (Functional Objective X) represents refocussing of activities carried out by the Office for Communication, Partnerships and Advocacy (OCP), which were previously planned in Chapter 8 (Strategic Objective H), in favor of corporate communications, partnerships and advocacy perspective and to ensure proper alignment with the corporate communications activities carried out by OCP.

13. The overspending in Chapter 13 (Functional Objective Y) is driven by factors which were previously anticipated<sup>7</sup> such as transitional costs required to achieve some of the 2012-13 savings for the full 24-month period, lower income recoveries in this chapter, and the reallocation of a share of corporate staff development costs from other chapters. In addition, expenditures in this chapter include USD 3.6 million of costs, which were originally work planned under Chapter 18 (Security Facility) but expended on activities relating to efficient and effective administration and recurrent up-keep of premises.

14. As explained in the footnote to Table 2, spending in Chapter 17 (Capital Expenditure) includes USD 4.7 million of IPA investment costs, funded from the USD 8.7 million carry over of 2010-11 unspent net appropriation balance. This chapter generated an overspending to be covered through a transfer of USD 4.1 million from the USD 14.8 million balance available under the Capital Expenditure Facility in 2012-13, leaving USD 10.7 million available for use in the 2014-15.

15. Chapter 18 (Security) generated a surplus of USD 3.5 million to be carried forward to 2014-15 under the Security Expenditure Facility.

---

<sup>6</sup> FC 151/7, paragraph 11

<sup>7</sup> FC 148/10, paragraph 7

**Table 2: 2012-13 Budgetary Performance by Chapter (USD 000)**

Chapter	Strategic and Functional Objective	2012-13 Net Appropriation (after Transf. Changes CL 145/3)	Net Expenditure funded from 2012-13 Net Appropriation (at Budget Rate)*	Balance vs. Appropriation	Budgetary Chapter Transfers
		(a)	(b)	(c)=a-b	(d)
1	A - Sustainable intensification of crop production	60,191	59,607	584	-
2	B - Increased sustainable livestock production	37,145	35,676	1,469	(900)
3	C - Sustainable management and use of fisheries and aquaculture resources	67,614	63,822	3,792	(2,500)
4	D - Improved quality and safety of food at all stages of the food chain	33,022	31,136	1,886	(1,000)
5	E - Sustainable management of forests and trees	51,410	49,228	2,182	(1,650)
6	F - Sustainable management of land, water and genetic resources and improved responses to global environmental challenges affecting food and agriculture	72,250	69,391	2,859	(1,000)
7	G - Enabling environment for markets to improve livelihoods and rural development	48,223	47,920	303	-
8	H - Improved food security and better nutrition	95,196	92,186	3,010	(2,000)
9	I - Improved preparedness for, and effective response to, food and agricultural threats and emergencies	8,177	8,056	121	-
10	K - Gender equity in access to resources, goods, services and decision-making in the rural areas	21,756	19,947	1,809	-
11	L - Increased and more effective public and private investment in agriculture and rural development	39,885	41,281	(1,396)	1,400
12	X - Effective collaboration with Member States and stakeholders	207,784	207,042	742	(700)
13	Y - Efficient and effective administrator	95,111	103,445	(8,334)	8,350
15	Technical Cooperation Programme	116,027	116,027	-	
16	Contingencies	600	-	600	
17	Capital Expenditure	26,439	26,439	-	
18	Security Expenditure	24,809	24,809	-	
<b>Total</b>		<b>1,005,639</b>	<b>996,011</b>	<b>9,628</b>	<b>-</b>

\* The Net Expenditure total in column (b) excludes USD 8.7 million funded from the 2010-11 carryover (USD 1.5 million in Chapter 12, USD 2.5 million in Chapter 13, and USD 4.7 million in Chapter 17), over and above the 2012-13 net appropriation.

*2013 IPA Expenditure*

16. The 2013 expenditure plan for the remaining resources under the Immediate Plan of Action amounted to USD 27.74 million.<sup>8</sup> By the end of 2013, all open IPA actions being implemented by the Secretariat had been completed as anticipated.<sup>9</sup> The final IPA 2013 outturn recorded a slight underspending of USD 0.3 million against budget, as summarized in Table 3. The underspending arose mainly due to some commitments that did not materialize in time for the 2013 accounts closure.

17. In line with Conference Resolution 7/2013, the unspent balance will be used in 2014-15 for additional expenditure of a one-time nature associated with transformational change, including the cost of the Independent Review of Governance Reforms (IPA Action 2.74), currently estimated at USD 162,000.

**Table 3: 2013 IPA Final Expenditure (USD million)**

IPA Project	2013 Budget	Final Expenditure	Balance
Project 1. Governing Body Reform	1.38	1.71	(0.33)
Project 2. Audit	0.18	0.18	-
Project 3. Evaluation	1.01	1.05	(0.04)
Project 4. Ethics	0.57	0.46	0.11
Project 5. Reform of Programming, budgeting and RBM	1.25	1.10	0.15
Project 6. Publishing in all languages of the Organization	0.45	0.57	(0.12)
Project 7. Resource Mobilization and Management	0.76	0.66	0.10
Project 12. Partnerships	2.41	2.47	(0.06)
Project 13. Procurement	2.08	2.03	0.05
Project 14. Travel	0.17	0.14	0.03
Project 15. Translation and Printing	0.09	0.09	-
Project 16. Registry	0.57	0.72	(0.15)
Project 17. Administrative Service Model and FAO Manual	1.60	1.50	0.10
Project 19. Improve Telecoms Connectivity to DOs	2.54	2.53	0.01
Project 20. Oracle R12	0.60	0.92	(0.32)
Project 21. Other IT Actions	0.80	0.75	0.05
Project 22. Enterprise risk management	0.48	0.47	0.01
Project 23. Culture Change	1.50	1.03	0.47
Project 24. PEMS	0.70	0.68	0.02
Project 25. Competency Framework	2.76	2.64	0.12
Project 26. Mobility	1.45	1.46	(0.01)
Project 27. Other Human Resources Actions	3.13	2.99	0.14
Project 28. IPA Programme Management Unit	0.94	0.91	0.03
Project 29. IPA Communications	0.33	0.33	-
<b>Total IPA</b>	<b>27.74</b>	<b>27.41</b>	<b>0.33</b>

<sup>8</sup> FC 151/7 paragraph 23

<sup>9</sup> FC 151/7 Table 3

---

### **Annex III – Documents for information**

- Status of Current Assessments and Arrears (doc. FC 154/INF/2)
- Reports of the Joint Inspection Unit
  - Review of Individual Consultancies in the United Nations system (JIU/REP/2012/5) (doc. FC 154/INF/3)
  - Lump Sum Payments in lieu of Entitlements (JIU/REP/2012/9) (doc. FC 154/INF/4)