



منظمة الأغذية
والزراعة
للأمم المتحدة

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

Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación

COUNCIL

Hundred and Thirty-third session

Rome, 14 – 16 November 2007

Report of the 119th Session of the Finance Committee
Rome, 3 – 7 September 2007

Table of Contents

Matters requiring attention by the Council	page iv
	Paragraphs
Introduction	1 - 5
Financial and Budget Reports	6 - 29
PROGRAMME AND BUDGETARY TRANSFERS IN THE 2006-07 BIENNIUM	6 - 14
FINANCIAL HIGHLIGHTS AND STATUS OF CURRENT ASSESSMENTS AND ARREARS	15 - 24
ANNUAL REPORT ON SPECIAL FUND FOR EMERGENCY AND REHABILITATION ACTIVITIES	25

For reasons of economy, this document is produced in a limited number of copies. Delegates and observers are kindly requested to bring it to the meetings and to refrain from asking for additional copies, unless strictly indispensable.
Most FAO meeting documents are available on Internet at www.fao.org

AUDITED ACCOUNTS FAO CREDIT UNION 2006	26
AUDITED ACCOUNTS FAO COMMISSARY 2006	27 - 29
Oversight Matters	30 - 32
PROGRESS REPORT ON IMPLEMENTATION OF THE EXTERNAL AUDITOR'S RECOMMENDATIONS	30 - 32
Financial Policy Matters	33 - 39
INCENTIVE SCHEME TO ENCOURAGE PROMPT PAYMENT OF CONTRIBUTIONS	33 - 34
PROGRESS REPORT ON ADOPTION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS	35 - 39
Budgetary Matters	40 - 51
PROGRAMME OF WORK AND BUDGET 2008-2009	40 - 46
REPORT ON SUPPORT COSTS EXPENDITURE AND RECOVERIES	47
BUDGETS FOR COMMISSIONS ESTABLISHED UNDER THE FAO CONSTITUTION, ARTICLE XIV	
A) EUROPEAN COMMISSION FOR CONTROL OF FOOT-AND-MOUTH DISEASE – BUDGET FOR 2008-09	48
B) REGIONAL ANIMAL PRODUCTION AND HEALTH COMMISSION FOR ASIA AND THE PACIFIC (APHCA) – BUDGET FOR 2007	49
C) DESERT LOCUST COMMISSIONS – BUDGETS FOR 2008-09	50 - 51
Human Resources Matters	52
RECOMMENDATIONS AND DECISIONS OF THE INTERNATIONAL CIVIL SERVICE COMMISSION AND UN JOINT STAFF PENSION BOARD TO THE GENERAL ASSEMBLY (INCLUDING CHANGES IN SALARY SCALES AND ALLOWANCES)	52
Organizational Matters	53 - 54

ADOPTION OF RUSSIAN AS A LANGUAGE OF FAO – FUNDING MODALITIES	53 - 54
Other Matters	55 - 57
DATE AND PLACE OF THE HUNDRED AND TWENTIETH SESSION	55
ANY OTHER MATTERS LIMITATION ON THE TERM OF OFFICE OF THE EXTERNAL AUDITOR	56 - 57

Matters requiring attention by the Council

Report of the Hundred and Nineteenth Session of the Finance Committee

Paragraphs

FINANCIAL AND BUDGET REPORTS

- Programme and Budgetary Transfers in the 2006-07 Biennium 6 - 14
- Financial Highlights and Status of Current Assessments and Arrears 15 - 24

FINANCIAL POLICY MATTERS

- Incentive Scheme to Encourage Prompt Payment of Contributions 33 - 34

BUDGETARY MATTERS

- Programme of Work and Budget 2008-2009 40 - 46

ORGANIZATIONAL MATTERS

- Adoption of Russian as a Language of FAO – Funding Modalities 53 - 54

OTHER MATTERS

- Date and Place of the Hundred and Twentieth Session 55
-

REPORT OF THE HUNDRED AND NINETEENTH SESSION OF THE FINANCE
COMMITTEE

Rome, 3 – 7 September 2007

Introduction

1. The Committee submitted to the Council the following report of its Hundred and Nineteenth Session.
2. The following representatives were present:
Chairperson: Mr Aamir Khawaja (Pakistan)
Members: Mr Aboubakar Bakayoko (Côte d'Ivoire)
Mr Søren Skafte (Denmark)
Mr Eckhard W. Hein (Germany)
Mr Augusto Zodda (Italy)
Mr Seiichi Yokoi (Japan)
Ms Ana María Baiardi Quesnel (Paraguay)
Mr Roberto Seminario (Peru)
Sheikh Khalid Bin Hamad Al-Thani (Qatar)
Mr Lee Brudvig (United States of America)
H.E. Mary M. Muchada (Zimbabwe)
3. The Chairperson informed the Committee that Sheikh Khalid Bin Hamad Al-Thani had been designated to replace Mr Ahmed I. Al-Abdulla as the representative of the State of Qatar at this session and that H.E. Mary M. Muchada had been designated to replace Ms Verenika Mutiro Takaendesa as the representative of the Republic of Zimbabwe at this session.
4. The Committee was informed that the Director-General had appointed Mr Rakesh Muthoo as the Secretary of the Finance Committee effective 1 September 2007. The Chairperson and the Committee expressed their thanks and appreciation to Mr Gregory Flood, the previous Secretary, for his diligent and dedicated service to the Committee since January 1998 and welcomed the new Secretary.
5. The Committee discussed the approach to their deliberations in the context of the consultative working draft report of the Independent External Evaluation (IEE). Whilst recognizing the importance of the working draft report and its potential impact on the key agenda items, it noted that the final IEE report and its implications would be considered through other political decision-making processes. The Committee agreed, therefore, that any discussion of the IEE recommendations during the Finance Committee session would not add value to the discussions in the future by the governance mechanisms that had been mandated to consider it.

Financial and Budget Reports

PROGRAMME AND BUDGETARY TRANSFERS IN THE 2006-07 BIENNIUM

6. In accordance with Financial Regulation 4.5(b), which required transfers from one chapter to another to be approved by the Finance Committee, the Committee reviewed document FC 119/2, *Programme and Budgetary Transfers in the 2006-07 Biennium*. The Committee recalled that it had requested at its May Session that the document, in addition to providing updated estimates of budgetary performance and chapter transfers in 2006-07, also explore the viability of alternative solutions for funding the excess terminal payments from within the Regular Programme appropriation while protecting the TCP programme¹.
7. Regarding 2006-07 regular programme performance, the Committee was informed that performance continued to be mainly impacted by under-budgeted costs as previously reported, in particular a significant forecasted unfavourable staff cost variance, currently estimated at US\$19 million for the biennium, and redeployment cost for incumbents of abolished posts (US\$11 million).
8. The Committee noted that the 2006-07 budgetary appropriation was foreseen to be fully spent, with the exception of a surplus of approximately US\$1.5 million under Chapter 9: *Security Expenditure*. In addition, the available portion of the Technical Cooperation Programme (TCP), currently estimated at US\$70 million, would be carried over in accordance with Financial Regulation 4.3.
9. The Committee recalled that during its consideration of the *Progress Report on Implementation of the External Auditor's Recommendations* (FC 119/6)², it had requested that an amount of up to US\$500 000 be provided to the Finance Division for the Local Audit Programme, in accordance with the full biennial increase considered by Council in November 2006³. The Committee requested that part of the expected surplus under Chapter 9 be used in this regard.
10. Taking an adjustment for the Local Audit Programme into account, the Committee authorized transfers from budgetary Chapters 2, 3, 4 and 9 in favour of Chapters 1 (US\$1.7 million), 5 (US\$3.3 million), and 8 (US\$2.0 million). It noted that the required transfers were partially influenced by external factors such as exchange rate movements, and that the Director-General would report to the Committee the precise amounts transferred at its May session in 2008.
11. The Committee recalled the two additional items where expenditures in 2006-07 would exceed the amounts budgeted, namely terminal payments (US\$6.8 million) and current service costs of After-Service Medical Coverage (ASMC) (US\$14.2 million), as discussed at its May 2007 Session. It noted that the Council, at its June 2007 Session, concurred with the assessment of the Finance Committee, that the under-budgeted ASMC current service cost should remain charged to the General Fund⁴.
12. The Committee also recalled the guidance of the June Council, which acknowledged that excess expenditure on terminal payments had an immediate cash impact and stressed the importance given by many members to protecting the TCP from programme reductions should it be decided to cover these costs from within the Regular Programme appropriation⁵.

¹ CL 132/14, paras 6 and 9.

² see paras 30-32 below

³ CL 131/18, para 200 refers

⁴ CL 132/REP para 82

⁵ CL 132/REP para 82 refers

13. On the viability of funding the excess terminal payments from within the Regular Programme appropriation while protecting the TCP programme, the Committee again acknowledged that very few programme activities could be cut at this stage of the biennium without incurring even greater increased costs and noted the unprecedented levels of unbudgeted liabilities this biennium, which were being met within a reduced budgetary appropriation in real terms.

14. It requested that the Secretariat re-apportion any overall budgetary surplus, including that arising under Chapter 9, *Security Expenditure*, to cover to the extent possible the excess terminal payments in 2006-07. It recognized that current estimates indicated that approximately US\$1 million of excess terminal payments could be covered by Regular Programme resources in this manner, after using part of the forecasted Chapter 9 surplus to fund the Local Audit Programme. It recalled that excess terminal payments had been charged to the General Fund in every biennium since 1998-99. Yet the Committee stressed that any under-budgeted costs should only be charged to the General Fund in 2006-07 as a last recourse. In the absence of other viable options, the Committee noted with regret that approximately US\$5.8 million of unfunded terminal payment liabilities would remain charged against the General Fund, meaning that approved spending during this biennium would exceed the initial appropriation voted, and resolved to bring this matter specifically to Council's attention for its decision.

FINANCIAL HIGHLIGHTS AND STATUS OF CURRENT ASSESSMENTS AND ARREARS

15. The Committee reviewed the paper on *Financial Highlights and Status of Current Assessments and Arrears*, which showed the unaudited results of operations and the financial status of the Organization as at 31 May 2007. The Committee also reviewed a working paper on the status of assessed contributions as at 31 August 2007.

16. The General Fund deficit at 31 May 2007 had reached a level of US\$151.8 million, an increase in the deficit of approximately US\$27 million compared to the previous 2004-05 biennium end.

17. The Committee noted that the two main points regarding the increase in the General Fund deficit were as follows:

- a) Unpaid contributions from Member Nations stood at US\$373 million (consolidated) as of 31 May 2007. The updated Working Paper on the status of contributions as of 31 August 2007 showed an improvement in the rate of payments of current assessments as compared to 31 August 2006 (US\$30 million improvement in US dollars and a €50 million improvement for Euros). However, the amount of arrears (US\$63.7 million and Euro 18.3 million) was significantly worse than at the same date last year.
- b) The charge for amortization of the After-Service Medical Coverage (ASMC) past service liability for the seventeen months ended 31 May 2007 amounted to US\$32.3 million, while the assessed funding towards the ASMC amortization, approved by Conference in 2005, amounted to US\$14.1 million for the current biennium. The resulting shortfall of US\$18.2 million increased the General Fund deficit. The updated actuarial calculation of the total liability for ASMC at 31 December 2006 was US\$526.3 million, representing a reduction of US\$7.1 million compared to US\$533.4 million at 31 December 2005, which indicated a stabilization of the liability.

18. With regard to the other components of the Organization's reserves, the Committee was informed that due to the borrowing position as at 31 May, the Working Capital Fund (WCF), normally with a balance of US\$25.2 million, had been advanced in full to the General Fund and therefore had a zero balance at 31 May 2007. The movements of the Special Reserve Account (SRA) during the seventeen months ended 31 May 2007 included reimbursement of

US\$18.9 million from the General Fund, advances of US\$19.6 million to the General Fund, net currency exchange gains of US\$7.2 million, and a charge approved by the Governing Bodies of US\$6.4 million to cover the unbudgeted portion of the general service salary increase. Due to external borrowing, the SRA had a balance of zero as at 31 May 2007.

19. The Organization had been obliged to resort to extensive borrowing, due to delays in payment of Members' contributions, from late April to early July 2007. In the course of June and July 2007, several large contributors had paid earlier than in 2006 and all borrowing had been extinguished in July. Borrowing forecasts for the rest of the year had been adjusted significantly downwards, with borrowing estimated to reach US\$24 million towards November 2007. If major contributors paid remaining amounts in December as in 2006, a positive cash balance of about US\$15 million was estimated; otherwise a borrowing position would need to be reported at the end of the 2006-07 biennium, as had been the case at the end of 2004-05. Based on current market rates, total borrowing costs for 2007 were expected to be significantly less than earlier estimates and amounted to US\$0.4 million compared to the 2006 borrowing costs of US\$1.5 million.

20. The slow down in the rate of TCP expenditure reported in previous sessions continued during the period. TCP expenditure for the seventeen months ended 31 May 2007 against the 2006-07 appropriation amounted to only US\$13.9 million while spending towards projects of the 2004-05 appropriation amounted to US\$28.9 million. The average monthly expenditure rate for the seventeen months ended 31 May 2007 was only US\$2.5 million compared to an average monthly rate of US\$5.2 million in the 2004-05 biennium. As at 31 May 2007, the total TCP deferred income (available appropriation) amounted to US\$91.5 million. The Committee was informed that limitations on TCP approvals, imposed in the middle of 2006 due to the severe liquidity situation of the Organization, had now been lifted. The level of TCP approvals had reached 64% of the 2006-07 appropriation at 3 September 2007 and the Organization would make every effort to ensure that the available appropriation was fully committed before the year-end, limiting any carry-over to the maximum extent possible.

21. The opening balance of the Capital Expenditure Account at 1 January 2006 was US\$10.1 million, to which an additional US\$4.7 million had been allocated from the 2006-07 biennium in Chapter 8 of the Programme of Work and Budget. For the seventeen months ended 31 May 2007 capital expenditure amounted to US\$11.6 million, principally relating to the HRMS Project, leaving an available balance of US\$3.2 million.

22. Long-term investments performed very well, earning US\$26.1 million for the seventeen months ended 31 May 2007. In accordance with Conference resolutions, such long-term investment income was set aside for the funding of staff related liabilities. The Committee was informed that the recent global market volatility arising from "subprime" instruments had also affected equity values. The Organization's long-term investments experienced a decline in market value at end of August 2007 from higher levels in June 2007, to levels similar to those at the end of 2006. With regard to short-term investments, there had been little impact on the value of investments to date.

23. The balance of the Special Fund for Emergency and Rehabilitation Activities (SFERA) as at 31 May 2007 was US\$9.5 million. For the 12 months to 31 May 2007, a total of US\$13.3 million had been contributed by Member Governments to the SFERA, of which US\$13.0 million had been applied to the avian influenza campaign. At 31 May 2007, an amount of US\$2.4 million had been temporarily advanced for start-up of emergency activities.

24. The Committee noted that there had been improvements in the collection of current assessments, with a total of 63% of current year assessments received by 31 August 2007 as compared to only 39% at the same date in 2006. The Committee further noted that the liquidity position had slightly improved due to the earlier payment of current assessments by certain large contributors, which had led to reduced borrowing requirements and lower expected interest costs. However, the Committee stressed that a total of US\$136 million and €84 million was still owed

to the Organization at this stage of the year. The Committee again noted with serious concern the magnitude of the accumulated GF deficit of US\$151.8 million, the repeated recourse to other reserves (both the WCF and SRA had again been advanced in full to the GF), and the continued requirement for external borrowing. The Committee expressed further concern at the increase in the level of arrears of Members' contributions which stood at US\$63.7 million and €18.3 million. The Committee noted with concern the decision to slow down the rate of TCP approvals following the severe liquidity position of the Organization and requested that the Finance Committee be informed as soon as possible in the future of any decisions to reduce or delay this or any other high priority programmes. The Committee resolved to inform the Council of the current severe financial situation of the Organization.

ANNUAL REPORT ON SPECIAL FUND FOR EMERGENCY AND REHABILITATION ACTIVITIES

25. The Committee took note of the information provided in document FC 119/4 - *Annual Report on Special Fund for Emergency and Rehabilitation Activities*.

AUDITED ACCOUNTS FAO CREDIT UNION 2006

26. The Committee took note of the information provided in document FC 119/5(a) – *Audited Accounts – FAO Credit Union 2006*.

AUDITED ACCOUNTS FAO COMMISSARY 2006

27. The Committee took note of document FC 119/5(b), *Audited Accounts – FAO Commissary 2006*. It heard the presentation by the Director, AFS who pointed out that the operations of the Commissary continued to be smooth in spite of an ever more adverse environment due to a diminution of the number of staff both at FAO and WFP (who represented the vast majority of its customers) and due to increased competition. In reply to questions from members of the Committee, the Director, AFS explained that the Commissary had, in fact, reduced its staff and continued its efforts to promote products from developing countries and fair trade.

28. One member considered that the Commissary operations should be entirely independent from FAO and be outsourced. The Legal Counsel advised that such proposal had already been made years ago but that such an alternative would require changes in the Headquarters' Agreement between the Host country and FAO.

29. The Committee adopted the accounts for 2006.

Oversight Matters

PROGRESS REPORT ON IMPLEMENTATION OF THE EXTERNAL AUDITOR'S RECOMMENDATIONS

30. The Committee reviewed the progress made in implementing the recommendations of the External Auditor noting that, in accordance with standard practice, the Progress Report included the comments of the External Auditor.

31. The Committee requested clarification in relation to Recommendations 1 and 2 in the document, relating to the reinstatement of biennial resources required to maintain internal

financial controls at a satisfactory level⁶. Actual allotments had been granted only for 2007, with the effect that Finance Division's allotments were insufficient to cover its expenditure and the costs necessary to renew contracts under the Local Audit Programme, as they expire. The Secretariat noted that internal control was a priority of the Organization and that chapter transfers, already included in document FC 119/2 - *Programme and Budgetary Transfers in the 2006-07 Biennium*, would partially address the AFF deficit, while resources for the Local Audit Programme would need to be identified from other sources. The Secretariat confirmed that new approaches to local audits were being explored, bearing in mind the recommendations of the External Auditor.

32. The Committee noted with concern that renewals of Local Audit contracts had been suspended pending allocation of resources and requested that the Director-General consider reallocating the resources required to resume issuing contracts as quickly as possible.

Financial Policy Matters

INCENTIVE SCHEME TO ENCOURAGE PROMPT PAYMENT OF CONTRIBUTIONS

33. The Committee recalled its earlier discussions in several past sessions concerning the efficacy and appropriateness of the incentive scheme in the face of rising levels of unpaid current assessments and arrears. The Committee reviewed document FC 119/8 and noted the Director-General's request for the Finance Committee to confirm that the annual discount rate for 2008 assessed contributions remain at zero, as first recommended by the Finance Committee at its session of September-October 2004, endorsed by the Council and re-confirmed by the Committee in 2005 and 2006. One member considered, as a matter of principle and in the light of the liquidity situation of the Organization, that a moderate discount rate would send the right signal to member nations in order to encourage prompt payment of current assessments and of arrears.

34. The Committee agreed with the request to leave the discount rate at zero for 2008 contributions and to inform the Council. The Committee agreed to return to the subject at future sessions.

PROGRESS REPORT ON ADOPTION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

35. The Finance Committee noted that two important changes in accounting policy would be introduced in the official financial statements of the Organization as at 31 December 2007.

36. The first change in accounting policy was to record fully staff-related after service liabilities. Currently, the Organization had only partially recorded its liabilities relating to the Separation Payment Scheme, the After-Service Medical Coverage and the Termination Payments Fund in its Statement of Assets, Liabilities and Reserves, although the full liability was disclosed in the Notes to the Audited Accounts. IPSAS required full recognition of the liabilities in the Statement of Assets, Liabilities and Reserves, thereby giving a user of the accounts a complete picture of the liability and the impact on the General Fund deficit of recognizing the full liability. The Committee noted that if this change in accounting policy had been made at 31 December 2006, it would have resulted in the additional recording of US\$390.4 million of after-service liabilities and a corresponding additional charge of US\$390.4 million to the General Fund deficit. It was important to note that the change in accounting policy was a reporting change only; there was no change in the actual liability or the funding requirements to address the liability. The United Nations had made the same change in accounting policy in its 31 December 2006 financial statements.

⁶ CL 131/18 para 200 refers

37. The second change in accounting policy affected the Organization's reported assets as it related to the provision for Member's Unpaid Assessed Contributions. Currently FAO used a 100% provision against all Unpaid Contributions in its Financial Statements, i.e. assessed contributions were recognized as an asset only when actually paid. IPSAS required that a provision be made for balances which an organization actually considered doubtful as to collectibility. The change in accounting policy did not change the underlying economic value of the asset; what changed was that the financial statements would provide the best estimate of the real value of the asset. The assumptions regarding collectibility were under review by the HLCM's Task Force on Accounting Standards, and the Organization would formulate the new provision based on this input.

38. While the two changes in accounting policy would become mandatory when IPSAS was implemented in 2010, the United Nations and several funds and programmes had already made such changes and several other UN organizations would follow at the end of this biennium. The changes in accounting policy were supported by FAO's External Auditor and were already made possible under United Nations Systems Accounting Standards (UNSAS) which allowed IPSAS to be adopted progressively before 2010.

39. The Committee welcomed the changes in accounting policy, which represented an important step in the move towards IPSAS compliance and looked forward to FAO's full adoption of IPSAS by 2010.

Budgetary Matters

PROGRAMME OF WORK AND BUDGET 2008-2009

40. The Committee reviewed the proposals for the *Programme of Work and Budget 2008-09 (PWB)*, contained in document C 2007/3. It welcomed the improvements in the document and agreed that the full PWB duly reflected the guidance of the Programme and Finance Committees themselves and of the Council at their last sessions. It appreciated the continued focus on a comprehensive financial plan covering a "maintenance budget" and proposals on restoring the financial health of the Organization.

41. The Committee recognized that the maintenance budget aimed at preserving purchasing power in the execution of the Programme of Work in the 2008-09 biennium by identifying anticipated cost increases, now estimated at US\$101.4 million, and implications for incremental costs reported to, or endorsed by, members now estimated at US\$18.7 million (i.e. capital expenditure, transition costs and Russian as an FAO language). The Committee appreciated the more detailed coverage of cost increases and the effort to make the methodology used in arriving at the budgetary proposals more transparent.

42. The Committee acknowledged the savings and efficiency gains outlined in Section I.D of the document and suggested that future presentations could more clearly articulate the biennial budgetary impact of proposed measures.

43. The Committee welcomed the consolidated presentation of Regular Programme and extra-budgetary resources, appreciating in particular the presentation of trust fund resources in direct support of the Programme of Work. It felt that such a presentation covering all sources of funds, offered potential for a more holistic appreciation of FAO's programmes and alternative avenues for their funding.

44. The Committee agreed with the phased approach to tackling the financial health, liquidity situation and reserves of the Organization, as suggested by Council, and noted that the minimum incremental funding level was now proposed at US\$37.3 million, compared to US\$70.9 million in the SPWB. In this context, it was recalled that the need to replenish the Special Reserve Account (SRA) was caused by a special charge approved by the Council in November 2006 to cover

unfunded staff costs related to the general service salary increase. Several members believed that replenishment of the Special Reserve Account and funding of the After-Service Medical Coverage past service liability should be given lower priority than funding of the Programme of Work.

45. While recognizing that under split assessments, contributions in Euros and US dollars did not vary under different exchange rate conditions for the US dollar against the Euro, some members requested a more comprehensive presentation of the calculation of the percentage increase in assessments expressed solely in US dollars and under the split assessments system. The Secretariat provided clarifications and indicated it would prepare an information note on this topic to support members in their preparation for the PWB discussions.

46. The Committee expressed its support for the work of the Organization and acknowledged that it was at a crossroads in its life cycle. A range of views was expressed on the budget level, with several members registering concern over the significant increase to assessed contributions foreseen in the PWB proposals and the difficulty to defend such an increase in current circumstances, while other members believed that, in spite of the sharp increase, the proposed budget did not offer sufficient long-term security. The Committee also looked forward to receiving detailed costing information in the final report of the IEE, given the importance of integrating the discussions on the PWB 2008-09 with those on the IEE recommendations.

REPORT ON SUPPORT COSTS EXPENDITURE AND RECOVERIES

47. The Committee took note of the information provided in document FC 119/11 on the experience in the implementation of the policy on Project Support Costs (PSC) during the period June 2006 to May 2007, and recent developments that could impact FAO support cost policy and methodology in the future.

BUDGETS FOR COMMISSIONS ESTABLISHED UNDER THE FAO CONSTITUTION, ARTICLE XIV

A) EUROPEAN COMMISSION FOR CONTROL OF FOOT-AND-MOUTH DISEASE – BUDGET FOR 2008-09

48. The Committee reviewed the proposed budget for the European Commission for Foot-and-Mouth Disease for the years 2008-09.

B) REGIONAL ANIMAL PRODUCTION AND HEALTH COMMISSION FOR ASIA AND THE PACIFIC (APHCA) – BUDGET FOR 2007

49. The Committee reviewed the proposed budget for the Regional Animal Production and Health Commission (APHCA) for the year 2007.

C) DESERT LOCUST COMMISSIONS – BUDGETS FOR 2008-09

50. The Committee considered and took note of the proposed budgets for: The Commission for Controlling the Desert Locust in Southwest Asia (Eastern Region); the Commission for Controlling the Desert Locust in the Central Region; and the Commission for Controlling the Desert Locust in the Western Region for the years 2008-09.

51. With reference to the above-referenced Commissions, the Committee requested the Secretariat to report at the next session on support cost structures for trust fund budgets of Commissions established under Article XIV of the FAO Constitution.

Human Resources Matters

RECOMMENDATIONS AND DECISIONS OF THE INTERNATIONAL CIVIL SERVICE COMMISSION AND UN JOINT STAFF PENSION BOARD TO THE GENERAL ASSEMBLY (INCLUDING CHANGES IN SALARY SCALES AND ALLOWANCES)

52. The Committee took note of the information provided in document FC 119/15 – *Recommendations and Decisions of the International Civil Service Commission and UN Joint Staff Pension Board to the General Assembly (Including Changes in Salary Scales and Allowances)*.

Organizational Matters

ADOPTION OF RUSSIAN AS A LANGUAGE OF FAO – FUNDING MODALITIES

53. The Committee acknowledged the additional information provided in document CL 133/6, including the two alternative scenarios for funding the adoption of Russian as a language of the Organization. In one option, Russian would be fully implemented in the next biennium at a cost of US\$5.2 million; and in the other option, Russian would be introduced in a phased manner at a cost of US\$1.7 million.

54. While the adoption of Russian as a language of FAO and its phased implementation to start with was supported in principle, the Committee underscored that in the light of the current financial situation of the Organization, and so as not to affect the use of current FAO languages, such implementation should be financed by extra-budgetary contributions available in the next two biennia.

Other Matters

DATE AND PLACE OF THE HUNDRED AND TWENTIETH SESSION

55. The Committee was informed that the 120th Session was scheduled to be held in Rome from 8 to 9 October 2007. The Committee noted that better co-ordination was required on the timing of sessions which deal exclusively with World Food Programme (WFP) items, and recommended that the Council include the timing of such WFP sessions in the overall schedule of Governing Bodies.

ANY OTHER MATTERS

LIMITATION ON THE TERM OF OFFICE OF THE EXTERNAL AUDITOR

56. The Committee reviewed the two documents⁷ and discussed the proposal⁸ to change the current policy on the limitation of the term of office of the External Auditor.

57. The Committee agreed in principle to recommend a policy change to introduce a single six-year, non-renewable term of office, which the members felt would provide adequate continuity and favour independence and rotation. The Committee requested that the Secretariat prepare a document, outlining the legal and other aspects of such a policy change and including an update of the information presented to the Committee for discussion at the next session.

⁷ FC 119/19(a) and FC 107/11

⁸ CL 132/14 para 31 refers