

codex alimentarius commission



FOOD AND AGRICULTURE
ORGANIZATION
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Agenda Item 8

JOINT FAO/WHO FOOD STANDARDS PROGRAMME

CODEX ALIMENTARIUS COMMISSION

Twenty-ninth Session

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FINANCIAL AND BUDGETARY MATTERS

BACKGROUND

1. In accordance with Rule XIII.1 of the Commission's Rules of Procedure, the Secretariat submits an estimate of expenditure based on the proposed programme of work of the Commission and its subsidiary bodies, together with information concerning expenditures for the previous financial period. The estimate of expenditure shall make provisions for the operating expenses of the Commission and the subsidiary bodies of the Commission established under Rule XI.1(a) and XI.1(b)(ii) and for the expenses relating to staff assigned to the Programme and other expenditures incurred in connection with the servicing of the latter. The present report provides information on expenditures in the previous budget period (2004-2005). It also provides update information on the budget for the current period (2006-2007), the estimate of which was presented to and noted by the 28th Session of the Commission¹.

2. It should be noted that as regards the budgetary and accounting arrangements, beginning with the biennium 2002-2003, the Joint FAO/WHO Food Standards Programme was managed within the FAO Regular Programme as Entity 221P2, with the WHO contribution to the Programme as external income. Subsequent to Resolution 6/2005 adopted by the 33rd Session of the FAO Conference (November 2005)², a new chapter structure was introduced to the FAO's Programme of Work and Budget, in which previous Entity 221P2 has been renamed as Entity 2DP03. In accordance with the resolution, the FAO Division where the Codex Secretariat is hosted was renamed as Nutrition and Consumer Protection Division and has become part of Agriculture, Biosecurity, Nutrition and Consumer Protection Department as of 1 January 2006.

¹ ALINORM 05/28/9; ALINORM 05/28/41 paras. 105-111.

² The Report of the Conference of FAO (C 2005/REP) (http://www.fao.org/unfao/bodies/conf/c2005/c2005_en.htm)

BUDGET AND EXPENDITURE FOR 2004-2005

3. Resources for the biennium 2004-2005 were obtained from the FAO contribution to the Joint FAO/WHO Food Standards Programme (Codex Alimentarius) as listed in Programme Entity 221P2 in FAO's Programme of Work and Budget 2004-05 and the WHO contribution for the same period. The resources and the expenditures for the biennium 2004-2005 are shown in Table 1 (Annex).

4. In addition to the contribution from the Regular Budget, WHO has contributed the costs of a WHO staff member assigned to the Codex Secretariat as a Senior Food Standards Officer since February 2005. Furthermore, FAO has received the secondment of two professional staff members assigned to the Codex Secretariat as Food Standards Officers.

BUDGET FOR 2006-2007

5. The budget proposals for the 2006-2007 biennium was presented at the 28th Session of the Codex Alimentarius Commission (July 2005)³. The proposed budget was based on the Zero Real Growth (ZRG) scenario of FAO.

6. The 33rd FAO Conference met in November 2005 and considered several budgetary scenarios for the 2006-2007 biennium, including the Zero Nominal Growth (ZNG), Zero Real Growth (ZRG), Real Growth (RG) and High Real Growth (HRG) scenarios, together with the Director-General's reform proposals of the Organization⁴. The FAO Conference had approved a global budget level of US\$ 765.7 million, slightly higher than the zero nominal growth scenario, meaning a nominal increase of US\$ 16.6 million compared to the 2004-2005 biennium. US\$ 10.6 million of this increase would be necessary to meet increasing security costs in FAO. The remaining US\$ 6 million would be used to partially cover the anticipated increase of costs of US\$ 44.6 million, which would have been required to maintain the same activity level as in the 2004-2005 biennium. This meant a real reduction of the budget of US\$ 38.6 million (or 5.2 %) which would need to be absorbed through improved efficiency and activity cuts. The Conference requested the Director-General to make proposals to adjust the Programme of Work, bearing in mind the expression of priorities by Council and Conference as well as the criteria for priority setting originally established by the Council at its 110th Session and as reviewed by the Programme Committee at its 89th Session, to the next meetings of the Programme and Finance Committees and to their Joint Meeting for their approval.

7. The 57th Session of the Executive Committee of the Codex Alimentarius Commission, held in December 2005, was informed of the budgetary situation regarding the 2004-2005 biennium, including the outcome of the 33rd FAO Conference. The Committee expressed its strong desire that all scheduled meetings of Codex in the next biennium be maintained. The Executive Committee decided to invite all Codex members to coordinate with representatives of their countries in FAO and WHO governing bodies so that they express their support for maintaining the budget for Codex and related activities at least at the level corresponding to the programme level of the 2004-2005 biennium, within the relevant budget lines of the parent organisations.⁵

8. In accordance with FAO Conference Resolution 7/2005 on Budgetary Appropriations 2006-2007, the FAO Secretariat formulated revised budget proposals for 2006-2007, in the light of the priorities expressed by the FAO Council and Conference as well as the criteria for priority setting originally established by the Council and as reviewed by the Programme Committee.⁶ In May 2006, the Joint Meeting of the Programme and Finance Committees of FAO approved the revised Programme of Work and Budget (PWB) 2006-2007 that included \$6,932,000 for Programme Entity 2DP03 (Codex). The FAO contribution to the Codex programme in the revised PWB 2006-2007 is US\$ 5,707,000, while the WHO contribution is US\$ 1,225,000. Both WHO and FAO contributions to Codex are covered by the Regular Budgets, in accordance with the provisions of Article 9 of the Statutes of the Codex Alimentarius Commission.

³ ALINORM 05/28/9 paras 8-10 and Table 1

⁴ C 2005/3 (Programme of Work and Budget 2006-2007); C 2005/3 Corr. 1 (Programme of Work and Budget 2006-2007-Corrigendum); C 2005/3-Sup.1 (Supplement to the Director-General's Programme of Work and Budget 2006-07)

⁵ ALINORM 06/29/3 paras 40-51

⁶ Revised Programme of Work and Budget 2004-05 (Document PC 95/3 - FC 113/14)

9. Attention is drawn to the new charge-back arrangement regarding the dispatch and storage of documents in FAO, effective since January 2006. The Codex budget is required to absorb an increase in the charge-back expenditure of up to US\$400,000, which used to be borne by Administration and Finance Department of FAO until the 2004-2005 biennium. The approximate resulting revenue/expenditure gap corresponds to 12% of non-staff resources.

10. The initial Codex Budget Proposals presented to the 28th Session of the Commission and the Final Revised PWB 2006-07 are summarised in Table 2 (Annex). The difference between the proposals and the final budget is primarily due to the FAO's approved budget, set at a level slightly higher than ZNG (in contrast to ZRG), as explained above.

Activity Reduction and Cost Saving Measures for 2006-2007

11. In view of the budgetary situation as described above, several activity reduction and cost saving measures need to be put in place to absorb reductions foreseen in the 2006-2007 allotments.

12. Paper distribution of Codex documents (e.g. working papers, reports, Circular Letters) to observers was discontinued from 31 January 2006. Paper distribution of working papers was discontinued for all Codex Contact Points from March 2006. Paper distribution of Circular Letters and reports of Codex sessions will be discontinued for Codex Contact Points after the 29th Session of the Commission. Pending further consultation with the protocol unit of FAO, the distribution of official invitations in hardcopy may be replaced by sending scanned invitations by electronic mail. These measures, all combined, are expected to reduce expenditure by US\$200,000 per biennium.

13. As regards the publication of the *Codex Alimentarius*, fewer paper publications will be printed and distributed. The publication of Codex volumes in A4 format has been abandoned and replaced by a Codex CD-ROM that will be published on a regular basis. The number of copies sent free-of-charge to a Codex Contact Point will be reduced. Remote and on-demand printing will be encouraged. Communication between the Codex Secretariat and Codex Contact Points and observers will concentrate on the services offered by the Codex website and through the electronic mailing lists and the ftp server. These measures, all combined, are expected to reduce expenditure by US\$130,000 per biennium.

14. Furthermore, one or more of the following activity reductions will help reduce expenditure in the present biennium:

- Eliminate one session of the Executive Committee (scheduled in December 2006) – US\$100,000
- Suspend production of working documents in one of the languages of the Commission for one Commission session and one Coordinating Committee session (interpretation during the sessions as well as translation of the report of the Commission will be maintained)⁷ – US\$50,000 per language

15. The Commission is invited to take note of the information provided above and endorse activity reduction and cost saving measures as appropriate.

Programmatic Considerations beyond 2006-2007

16. Since the Codex Alimentarius Commission has been recognized by the WTO Agreements as the international standard setting body, the demand and expectation from member countries to Codex has grown significantly. This is illustrated by the number of Codex sessions held during one biennium, which was less than twenty-five until 1995 but reached a record level of forty-one meetings in 2002-2003. The non-staff resources of the Codex budget was increased in the 2004-2005 biennium to take account of annual sessions of the Commission and biannual sessions of the Executive Committee. However, as far as the staff resources are concerned, the number of professional staff in the Codex secretariat funded by the Regular Budget only

⁷ The 23rd Session of the Commission agreed as a first step that, subject to availability of resources, beginning with the biennium 2000/2001, future Sessions of the Codex Alimentarius Commission, the Executive Committee and Regional Coordinating Committees as appropriate, would be held in Arabic, Chinese, English, French and Spanish and that working papers and reports for these Sessions, the Procedural Manual, information documents, and final Codex texts would also be made available in all five languages (ALINORM 99/37 para.232)

increased from five to six in 1997 and from six to seven in 2005. Furthermore the available staff resources are being stretched to their limits in order to support, among others, the newly-introduced critical review and other management-related roles of the Executive Committee.

17. The current funding level of the Codex Secretariat represents a critical minimum necessary for the basic operation of the Codex programme, in terms of both staff and non-staff resources available. In view of the current financial environment of the UN system in general, and of the past processes through which the Codex budget was finalised for the 2004-2005 and 2006-2007 biennia in particular, uncertainty remains for the budget level of the Codex programme for the 2008-2009 biennium. The overall situation might be similar - or in fact more serious - for the budgetary outlook for the provision of scientific advice by FAO and WHO, which will have significant impact on the Codex work programme.

18. In this perspective, the Commission may wish to consider options/scenarios having different impacts on the speed and effectiveness of the Codex system as a whole. Available options will naturally depend on the funding level of the Joint FAO/WHO Food Standards Programme in coming biennia, as well as the impact of measures taken to improve efficiency and reduce cost. One possible option to mitigate risks to the implementation of the Codex programme could be to consider reducing the number of Codex meetings, in particular those of the Commission and its Executive Committee, starting in the 2008-2009 biennium. In this context, it is recalled that the 26th Session of the the Commission (2003), in taking a systems approach to its work, decided that each Commission session would consider the timing for the following session and the general nature of the agenda in order to achieve the appropriate balance between standards issues, general direction of work and policy matters, and taking into account the resources available for adequate participation.⁸

19. A Codex Commission session usually requires advance preparation of up to one year before it actually takes place. By the time the final level of the Codex budget 2008-2009 is known, preparation for the Commission to be held in July 2008 will be almost completed. This means that the Commission, at that stage, could only decide to eliminate its 2009 session, in the second year of the biennium, should it wish to reduce the frequency of its sessions. In practice, it would be preferable to retain a session in 2009 rather than in 2008, since the Commission would then be in a better position to consider its workplan for the succeeding biennium. In other words, it is recommended that the Commission maintain its session in the odd-numbered years and consider not meeting in the even-numbered years.

20. Reducing the number of Commission sessions from two to one per biennium would, in principle, make approximately US\$350,000 (at 2006-2007 costs) available for other activities, provided that the 2008-2009 appropriation would be maintained at the level similar to the 2006-2007 budget in real terms. Likewise, reducing the number of Executive Committee sessions from four to three in one biennium will liberate further US\$ 100,000. Such reallocation of funds may allow the strengthening of staff resources in the Codex Secretariat (i.e. creation of up to two new staff posts) with a view to, among others, strengthening its information and communication capabilities. It would also reduce the vulnerability of the Codex budget to an unforeseen but potentially-unavoidable cut in its revenue⁹. Extension of language coverage of the Commission (e.g. inclusion of a new language in the working languages of the Commission, translation of the new and revised Codex standards into languages other than English, French and Spanish) could also be considered. Several other options may also be considered.

21. If the Commission so wishes, the Codex Secretariat, in cooperation with FAO and WHO secretariats, will explore several options and study their implications on Codex work. In order to facilitate discussion on this matter at its 30th Session, the Commission may wish to request the Secretariat to consider preparing different Codex session planning scenarios for 2008-2009 under a budget level to be expected for the next biennium.

22. The Commission is invited to provide its views and guidance on the proposals above.

⁸ ALINORM 03/41 para.150; see also ALINORM 06/29/9B paras 5-10.

⁹ In the recent past, occasional gaps that arose between the revenue and expenditure in the Codex budget (e.g. costs of the Codex Evaluation in 2002) were compensated by cancelling or postponing paper publication activities. Starting from the 2006-2007 biennium, the Codex budget does not have this kind of flexibility any more, given that most of hardcopy production has been replaced by electronic publication or distribution of documents.

BUDGET AND EXPENDITURES TABLES

Table 1: Budget and Expenditure 2004-2005 - Combined Accounts (US\$'000)

Account Description	Budget ¹⁰	Expenditure
FAO Contribution	5,734 (82.4%)	5,412 (81.5%)
WHO Contribution	1,225 (17.6%)	1,225 (18.5%)
TOTAL REVENUE	6,959 (100%)	6,637 (100%)
Salaries Professional	2,033 [29.2%]	1,762 [26.5%]
Salaries General Service	950 [13.7%]	901 [13.6%]
Staff Costs	2,983 (42.9%)	2,663 (40.1%)
Other Human Resources ¹¹	685 [9.8%]	978 [14.7%]
General Expenses ¹²	86 [1.2%]	189 [2.8%]
Non Expendable Equipment ¹³	101 [1.5%]	140 [2.1%]
Chargeback ¹⁴	2,433 [35.0%]	2,018 [30.4%]
Travel	671 [9.6%]	649 [9.8%]
Non-Staff Costs	3,976 (57.1%)	3,974 (59.9%)
TOTAL ESTIMATED COSTS	6,959 (100%)	6,637 (100%)

¹⁰ Adjusted Programme of Work 2004/2005 Approved, as presented in ALINORM 04/27/10, Table 2.

¹¹ Includes consultants, contracts and overtime.

¹² Includes expendable equipment, general operating expenses, general overhead expenses and hospitality.

¹³ Includes data processing equipment and furniture.

¹⁴ Includes temporary assistance, translation, interpretation and printing serviced by the relevant units of the FAO Headquarters.

Table 2. Codex Budget 2006-2007 (US\$ '000)

Account Description	Initial Budget Proposals at 28th Session of Codex Commission¹⁵	Revised PWB 2006-2007
FAO Contribution	5,722 (82.4%)	5,707 (82.3%)
WHO Contribution	1,225 (17.6%)	1,225 (17.7%)
TOTAL REVENUE	6,947 (100%)	6,932 (100%)
Salaries Professional	2,129 [30.6%]	2,161 [31.2%]
Salaries General Service	988 [14.2%]	986 [14.2%]
Staff Costs	3,117 (44.9%)	3,147 (45.4%)
Other Human Resources	531 [7.6%]	471 [6.8%]
General Expenses	270 [3.9%]	225 [3.2%]
Non-expendable Equipment	111 [1.6%]	113 [1.6%]
Chargeback	2,227 [32.1%]	2,279 [32.9%]
Travel	691 [9.9%]	697 [10.1%]
Non-Staff Costs	3,830 (55.1%)	3,785 (54.6%)
TOTAL ESTIMATED COSTS	6,947 (100%)	6,932 (100%)

¹⁵ Programme of Work 2006-2007 ZRG Proposal, as presented in ALINORM 05/28/9, Table 1