

**C 2011/3 - Medium Term Plan 2010-13 (Reviewed) and  
Programme of Work and Budget 2012-13**

**Information Note no. 4 - May 2011**

*Update on cost increase assumptions and estimates*

1. The published MTP 2010-13/PWB 2012-13, which was finalized end-February 2011, included an estimate of USD 48.0 million for cost increases in 2012-13<sup>1</sup>. In early April 2011, Information Note 3 provided additional information on inflation factors and a further breakdown of goods and services<sup>2</sup>.
2. The cost increase estimates cover the recosting of Regular Programme inputs from 2010-11 to 2012-13 levels to deliver the Programme of Work, namely for personnel services, and goods and services. The cost increase estimates are developed on a biennial basis from: actual cost adjustments that are occurring in the current biennium (biennialization); projected adjustments to unit costs that will take effect in the next biennium (inflation); and the lapse factor on established posts.
3. At the time of finalizing the PWB 2012-13 document in February 2011, important matters related to costs, in particular for personnel services, were still under discussion. The Secretariat emphasized therefore that trends and decisions that could impact the estimated cost increases would continue to be monitored and that any significant changes to the cost increase assumptions and estimates would be reported to the governing bodies prior to the Conference in June 2011<sup>3</sup>, and this was appreciated by Council<sup>4</sup>.
4. This note provides an update on the February 2011 cost increase assumptions and estimates for 2012-13 arising from two sets of new information that became available near the end of April 2011. Firstly, the 72<sup>nd</sup> session of the International Civil Service Commission (ICSC), which took place from 27 March to 1 April 2011 in New York, has issued its findings and decisions that affect the estimated costs of personnel services. Secondly, certain new information on non-staff cost elements has led to some revised cost increase estimates for goods and services.
5. This new information results in an updated cost increase estimate for 2012-13 of USD 37.8 million. This represents a downward adjustment of USD 10.2 million from the amount published in the PWB 2012-13, of which USD 7.7 million under personnel services and USD 2.5 million under goods and services, as explained further below and shown in the table.

### **I. Personnel services**

#### *Professional staff*

6. The ICSC is responsible for determining the post adjustment level to ensure that Professional staff salaries have the same purchasing power at all duty stations. The post adjustment level is determined by place-to-place cost-of-living surveys conducted by the ICSC secretariat every four to five years, with interim adjustments made periodically during that period based on other indices. The purpose of these surveys is to determine the cost-of-living relationship between the surveyed duty station and New York, which is the base of the post adjustment system.
7. The periodic cost-of-living survey for Rome was conducted by the ICSC in October 2010. Based on the survey, the ICSC at its 72<sup>nd</sup> session approved an increase in Professional staff salaries of

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<sup>1</sup> C 2011/3 paragraphs 220 – 240

<sup>2</sup> C 2011/3 Information Note no. 3 <http://www.fao.org/fileadmin/templates/pwb/2012/info/C2011-3-InfNote3.pdf>

<sup>3</sup> C 2011/3 paragraph 233

<sup>4</sup> CL 141/REP paragraph 7d)

1.4 percent effective from April 2011. As the original estimate in the published PWB 2012-13 was an increase in headquarters Professional staff salaries of 2.5 percent from April 2011, this ICSC decision has resulted in a downward adjustment of USD 2.6 million to the cost increase estimates for headquarters Professional staff salaries.

8. Concerning the estimated cost increases for Professional staff entitlement travel, the published PWB 2012-13 included under biennialization a presumed increase of 5 percent for 2011, based on information as of end-February 2011. New information has become available in April 2011 indicating that air fares will remain unchanged in 2011. Therefore, the cost increase impact under biennialization has been removed, resulting in a downward adjustment of USD 0.7 million.

#### *General Service staff*

9. For headquarters General Service staff salaries, two recent developments affect the cost increase estimates: i) the ICSC's approval of a revised methodology for determining General Service staff salaries; and, ii) bringing forward the date for the next survey for the headquarters General Service staff salaries from 2013 to April 2012. While an attempt has been made to quantify the impact of these decisions, it should be emphasized that these figures remain estimates as the exact effect of the new methodology combined with other features of the next survey is difficult to quantify. Nonetheless, all else being equal, the new methodology is likely to have some downward impact on General Service salary increases from November 2011, as quantified below and in the table. Furthermore, with the survey now planned for April 2012, the timing of annual salary increments will change and would now be expected to take place from April, rather than from November, in future years.

10. The combined impact of the two above developments is an estimated downward adjustment of USD 4.4 million to headquarters General Service cost increases in 2012-13, as follows.

- i) A downward adjustment of USD 3.7 million in estimated headquarters General Service staff salary increases, arising from two factors. Firstly, the interim headquarters General Service staff salary increase scheduled for November 2011, which had an estimated impact of USD 2.8 million in the PWB 2012-13, would be suspended pending the outcome of the rescheduled salary survey. Secondly, the timing of the first salary increase in 2012-13 is now foreseen for April 2013, rather than November 2012, with a consequent reduction in the estimated cost increase impact of USD 0.9 million.
- ii) The estimated cost increase for General Service staff pensionable remuneration would be reduced by USD 0.7 million as a result of the above estimated changes in General Service staff salaries.

#### *Goods and Services*

11. Under Goods and Services, two downward adjustments totaling USD 2.5 million have been made to the original estimates published in the PWB 2012-13, based on new information available in April 2011:

- i) the *Travel* component has been adjusted downward by USD 1.9 million to reflect lower than expected cost increases based on the latest information that air fares will remain unchanged in 2011, despite rising fuel prices;
- ii) cost increases of USD 0.6 million under the *Consultant* category have been removed in line with the decision to freeze all increases in honoraria for consultants and other non-staff human resources.

**Update to the Total Cost Increases for 2012-13 by Cost Element (USD million)**

	PWB 2012-13 (CL 2011/3)		Update		Percent cost increase (biennial) (e)=(f/a)
	2012-13 Proposed Net Appropriation at 2010-11 Costs (a)	Total Cost Increases (CL 2011/3) (b)	Adjustment to Cost Increases (c)	Revised Total Cost Increases (d)=(b+c)	
<b>Personnel services</b>					
<b>Professional staff</b>					
Salary	342.5	11.4	(2.6)	8.9	
Pension	66.5	1.8		1.8	
Education Grant	24.6	2.1		2.1	
Entitlement Travel	16.4	(1.6)	(0.7)	(2.3)	
Medical Cost	15.5	(1.6)		(1.6)	
Other Allowances	22.6	4.5		4.5	
<b>Total - professional staff</b>	<b>488.2</b>	<b>16.7</b>	<b>(3.3)</b>	<b>13.4</b>	<b>2.7%</b>
<b>General service staff</b>					
Salary	150.6	11.7	(3.7)	8.0	
Pension	29.5	2.0	(0.7)	1.2	
Medical Cost	21.3	(2.5)		(2.5)	
Other Allowances	3.8	0.1		0.1	
<b>Total - general service staff</b>	<b>205.2</b>	<b>11.2</b>	<b>(4.4)</b>	<b>6.8</b>	<b>3.3%</b>
<b>After service staff benefits</b>	<b>46.0</b>	<b>6.6</b>		<b>6.6</b>	<b>14.3%</b>
<b>Lapse Factor Adjustment</b>		<b>1.7</b>		<b>1.7</b>	
<b>Total - personnel services</b>	<b>739.4</b>	<b>36.2</b>	<b>(7.7)</b>	<b>28.5</b>	<b>3.8%</b>
<b>Goods and services</b>					
Travel	51.4	3.9	(1.9)	2.0	
General Operating Expenses	76.5	3.0		3.0	
Contract	45.2	1.7		1.7	
Consultant	73.8	0.6	(0.6)	-	
Non Expendable Procurement	15.7	0.6		0.6	
Supplies and Materials	5.2	0.2		0.2	
Corporate Income	48.0	1.5		1.5	
Other	8.6	0.2		0.2	
<i>Total - goods and services (gross)</i>	<i>324.4</i>	<i>11.8</i>	<i>(2.5)</i>	<i>9.3</i>	
<i>Corporate Income/carry-over</i>	<i>(54.7)</i>				
<b>Total - goods and services (net)</b>	<b>269.7</b>	<b>11.8</b>	<b>(2.5)</b>	<b>9.3</b>	<b>3.4%</b>
<b>Total Cost Increases</b>	<b>1,009.1</b>	<b>48.0</b>	<b>(10.2)</b>	<b>37.8</b>	<b>3.7%</b>