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## FINANCE COMMITTEE

**Hundred and Thirty-eighth Session**

**Rome, 21 – 25 March 2011**

**Information on Aspects of the Immediate Plan of Action Programme**

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

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**EXECUTIVE SUMMARY**

- As requested by the Finance Committee at its 137th Session in February 2011, this report provides detail on the Immediate Plan of Action (IPA) expenditure in 2010, an expanded version of Annex 1 of document FC 137/2.1 and additional information relating to the proposed savings arising from the initiative on Common Procurement with the Rome-based agencies.
- Following the success of the pilot phase of Common Procurement initiative and the opportunity provided by the initiative to concomitantly and jointly change policies and processes, Management has further reviewed the estimated savings across the IPA programme, and has adjusted the proposed 2012-13 IPA programme to reflect increased savings predictions. The total revised estimated 2012-13 IPA programme costs are USD 37.84 million. This comprises investment costs of USD 16.61 million and net recurrent costs of USD 21.23 million (comprising recurrent costs of USD 31.78 million and savings of USD 10.55 million).

**GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE**

- The Committee is requested to take note of the revised 2012-13 IPA programme estimates of USD 37.84 million included in the Programme of Work and Budget (PWB) 2012-13, and provide any guidance thereon.

## INTRODUCTION

1. This information note provides the additional details requested by the Committee at its 137th Session, as follows:

- information relating to IPA expenditures in 2010;
- an expanded version of Annex 1 of document FC 137/2.1, listing all IPA actions that would be reduced in scope or withdrawn; and
- additional information relating to the proposed savings arising from the initiative on Common Procurement with the Rome-based agencies.

2. Furthermore, following the success of the Common Procurement initiative and the opportunity provided by the initiative to concomitantly and jointly change policies and processes, Management has reviewed the estimated savings across the IPA programme, and has adjusted the proposed 2012-13 IPA programme to reflect increased savings predictions.

### (i) 2010 IPA Expenditure

3. In approving the IPA in 2008, the Conference decided to establish a special Trust Fund to receive extra-budgetary resources for implementation of the IPA in 2009. As at end 2010, of the confirmed pledges by Members to contribute a total of USD 9.01 million to the Trust Fund, a total of USD 9.0 million in contributions had been received<sup>1</sup>. At the end of 2009 there was an unspent balance of USD 3.08 million against the Trust Fund.

4. Funding for 2010-11 was treated under the PWB<sup>2</sup>. Implementation of the IPA in 2010-11 is financed under the budgetary appropriations voted by the Conference<sup>3</sup> for the PWB, as well as the unspent balance from the 2009 IPA Trust Fund carried forward to 2010.

5. As at the end of December 2010, the IPA expenditure (recorded expenditures and commitments) charged to the PWB funds totalled USD 15.98 million. In addition, the unspent balance of the Trust Fund of USD 3.08 million was fully expended. Thus, the total expenditure on the IPA in 2010 was USD 19.06 million (Table 1).

6. The net balance of funding available under the budgetary appropriations for 2011 is therefore USD 23.62 million (USD 39.6 million less USD 15.98 million). It is anticipated to fully spend this on IPA activities in 2011. As confirmed at the 135th session of Finance Committee, all IPA-related funding in 2010-11 would be used exclusively for IPA activities, and unspent 2010-11 IPA funds, if any, would be carried-over into 2012-13.

7. Management will continue to provide regular reports on expenditure and commitments against the IPA project budgets to future Finance Committee meetings.

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<sup>1</sup> Annex III of the progress report on IPA implementation to CoC-IEE 23 February 2011

<sup>2</sup> Conference Resolution 1/2008, para 3.

<sup>3</sup> Conference Resolution 3/2009, para 2.

Table 1 – Total 2010 IPA Expenditure

IPA Project	2010-11 budget	2010 expenditure	Percentage
	PWB	PWB & TF	
1. Governing Body Reform	2.87	1.39	48%
2. Oversight	2.4	1.03	43%
3a. Reform of Programme, Budgeting & RBM	0.49	0.44	90%
3b. Publishing in all languages	0.38	0.2	53%
4. Resource mobilization and management	1.43	0.58	41%
5. Technical Cooperation Programme	-0.62	0.09	-15%
6. Decentralization	0.8	0.37	46%
7a. Headquarters structure	0.63	0.6	95%
8. Partnerships	1.38	0.52	38%
9. Reform of Administrative and Management Systems	2.89	2.16	75%
11b. Information Technology	10.4	3.92	38%
12. Enterprise Risk Management	0.7	0.12	17%
13. Culture change	2.3	0.47	20%
14. Human Resources	9.91	5.17	52%
15. IPA governing body follow-up	0.48	0.46	96%
16. IPA management follow-up	3.16	1.54	49%
Sub-Total (PWB)	<b>39.6</b>		
IPA Trust Fund balance <sup>4</sup>	3.08		
<b>Totals</b>	<b>42.68</b>	<b>19.06</b>	<b>45%</b>

## (ii) IPA actions that would be reduced in scope or withdrawn

8. In estimating the new IPA programme requirements for 2012-13, Management proposes not to reinstate the reductions in scope which were made in 2009 to reduce the estimated cost of the 2010-11 IPA programme by USD 21.2 million – from the USD 59.8 million proposal in the draft PWB (July 2009) to USD 38.6 million before cost increases, as approved in the PWB 2010-11 (C2009/15 paragraph 115). These reductions in scope were fully detailed in Annex 1 of document FC 137/2.1, and are repeated below:

- Governing body reform - IPA action 2.22 - The Council Report will consist of conclusions, decisions and recommendations (verbatim records to provide detail and be published in all languages) – *while progress will continuously be made to make Council reports more concise, action to translate and publish verbatim records in all languages is not reinstated. Verbatim records would be provided in the language in which the interventions were made.*

<sup>4</sup> The 2009 IPA Trust Fund balance of USD 3.08 million was expended against planned IPA activities in 2010 and expenditure incurred was USD 2.51 million for the HR IPA project and amounts ranging from USD 0.03 million to USD 0.30 million for four other IPA projects as reported within Table 2 of the CoC-IEE report 23 February, 2011.

- Enterprise Risk Management – IPA action 3.54 - Full Implementation of Enterprise Risk Management Structure and systems - new Enterprise Risk Management (ERM) approach – *due to the revised approach, new funding not required for 2012-13.*
- Human Resources – IPA action 3.61 - Establish an incentive based rotation policy in Headquarters (HQ) and between HQ and the Decentralized Offices with clear criteria – *number of staff to be rotated not increased from 2010-11 level of an additional 25 per year (earlier proposal in 2009 had sought to increase staff rotations by 80 per year, but following the review of the 2010-11 IPA cost estimates, this figure was reduced to 25 per year. The associated cost reduction was USD 6 million per biennium, since each geographic rotation is estimated to cost USD 55,000).*
- Human Resources – IPA action 3.68 - Rationalize the use of FAO retirees who will not be rehired for at least six months after their retirement from FAO – *action implemented but funding absorbed within divisional budgets.*
- Human Resources – IPA action 3.73 - Establish a staff redeployment fund initially funded from extra-budgetary resources and subsequently funded from a proportion of staff costs - *no additional IPA funding sought for staff redeployments.*

9. In addition to these reductions, other assumptions were made by Management in developing the proposed IPA programme for 2012-13, as detailed below:

- Oversight – IPA action 2.78 – Evaluation budget – *The IPA target for Evaluation was to increase the evaluation budget to 0.8% of the Regular Programme Budget over two biennia. One third of this increased target was achieved in 2010-11. It is proposed to not increase the evaluation budget further in 2012-13, but to delay further increases until future biennia. The full impact of the ongoing increase in the evaluation budget, on both management's responsibility to effectively respond to and act on independent evaluations, and on the Governing Bodies' responsibility for oversight, still has to take effect and needs to be better appreciated. The focus of management's efforts in 2012-13 will be towards ensuring qualitative improvements in its response to evaluations. At the same time, the Governing Bodies are already asked to review an increasing number of complex evaluations and the follow-up reports on evaluations.*
- Oversight – IPA action 2.91 – Extend work of the Inspector General – *While maintaining the current staffing of AUD it is proposed not to introduce any budgetary increase in 2012-13 for the Office of the Inspector General, before overall cost increases, following the filling of a numerous vacant posts in AUD in 2010-11 and the successful transfer of the local audit programme to AUD. An increasing workload is being felt in management's support to AUD reviews as well as in effectively following-up on their recommendations. The focus of management's efforts in 2012-13 will be directed towards ensuring qualitative improvements in its response to AUD recommendations and in closing long-outstanding high risk recommendations.*
- Technical Cooperation Programme (TCP) – IPA action 3.22 – TCP resources to be allocated to regions under the authority of Regional Representative – *It is proposed that since the TCP savings in 2010-11 were reinvested within the TCP Programme with the endorsement of Members, the status quo would be maintained through 2012-13 and no net recurrent savings will be reflected in the IPA programme for 2012-13.*
- Human Resources – IPA action 3.71 – Introduce dual grading for P5/D1 and D1/D2 posts – *This action is proposed for removal because dual grading is not accepted by the UN Common system.*

### **(iii) Proposed savings arising from the Common Procurement with the Rome-based agencies**

10. The experience with the pilot phase of the Common Procurement Team (CPT) of the Rome-based agencies (RBAs) in 2010 has been very positive, and in 2010 the three agencies have

jointly finalized 18 tenders, mostly for Headquarters' goods and services, but some which will also benefit the Decentralized Offices (e.g. computers or Adobe software licenses).

11. The original estimate of the Root and Branch review estimated savings of approximately 3 -5% of the total value of the contracts. To date experience has shown that the savings rate achieved can range from 1% to 30%. The contracts and services tendered to date range from IT consultancy services and HR training services to software licenses and cleaning services for HQ. In addition, the three agencies have re-negotiated existing contracts such as printing services and the medical plan, with good results.

12. Savings achieved for FAO in the first pilot year total approximately USD 0.9 million, most of which will be recurring, but will also depend on the volume purchased in any one year, (eg. new software licenses).

#### **(iv) Increased IPA savings<sup>5</sup>**

13. While aggressively pursuing increased savings through joint tendering FAO will also pursue (in collaboration with the other two RBAs - IFAD and WFP), efficiency savings within the procurement function itself through streamlining and unifying policies, procedures, terms and conditions and contracts.

14. Based on the savings achieved in 2010 and the experience gained to date in working together, Management proposes to increase the savings estimates for 2012-13 associated with IPA action 7.14 (on common procurement) from USD 1.76 million to USD 2.95 million – an increase in savings of USD 1.19 million.

15. The experience among the RBAs in the areas of joint procurement has brought about a renewed commitment to increase collaboration in other areas as well, in particular in working towards common travel guidelines where FAO will seek savings through a number of initiatives. The possibility of establishing a corporate hotel programme is currently being studied, and it is expected that providing accommodation to FAO travellers through pre-negotiated agreements will result in considerable savings. Other initiatives range from the introduction of mechanisms that increase low cost travel to the reduction of the costs of shipments associated with home leave and education travel. The Organization is also looking to selectively reduce business-class travel. Management therefore proposes to increase the savings estimates for 2012-2013 associated with IPA action 7.15 (on travel) from USD 0.9 million to USD 1.97 million – an increase in savings of USD 1.07 million. All changes being considered in the area of travel will be in conformity with the provisions of the International Civil Service Commission and will entail discussions with FAO's Staff Representative Bodies.

16. In order to achieve these higher savings targets in the areas of joint procurement and travel, Management will incur additional recurrent costs amounting to USD 0.60 million. The net effect of these increased savings and increased costs is a net IPA saving of USD 1.66 million, reducing the proposed IPA programme for 2012-13 from USD 39.5 million to USD 37.84 million (see tables 2 and 3). Management has made this adjustment in the PWB 2012-13 proposal being considered by Finance Committee.

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<sup>5</sup> C 2011/3 Medium Term Plan 2010-13 (Reviewed) and Programme of Work and Budget 2012-13, Section II.H Savings and Efficiency Gains, Efficiency savings 2012-13.

Table 2 – IPA programme 2012-13 as presented to FC 137/2.1

IPA Programme/Thematic Areas Projects and Actions	Recurrent Costs/Savings arising from 2010/11			2012/13 (new)				Grand Total
	Recurrent costs	Recurrent savings	Total	Investment Costs	Recurrent Costs	Recurrent Savings	Total	
<b>Total IPA Programme</b>	<b>27.94</b>	<b>-6.98</b>	<b>20.96</b>	<b>16.61</b>	<b>3.24</b>	<b>-1.31</b>	<b>18.54</b>	<b>39.50</b>
Managing for Results	2.14		2.14	1.40			1.40	3.54
Human Resources	13.02	-1.12	11.90	1.90	1.48		3.38	15.28
Culture Change				2.30			2.30	2.30
Decentralization and Partnerships (Functioning as One)	1.32		1.32	1.14	0.40		1.54	2.86
Enhanced Administrative and Management Systems	6.92	-5.86	1.06	6.49	0.26	-1.31	5.44	6.50
Project 9- Reform of Administrative and Management Systems	1.58	-4.72	-3.14	2.33		-1.31	1.02	-2.12
Action 7.14 – RBA partnerships for procurement with other UN agencies		-1.76	-1.76	0.10			0.10	-1.66
Action 7.15 – Joint procurement initiative - Travel		-0.90	-0.90					-0.90
Project 11b- Information Technology	5.34	-1.14	4.20	4.16	0.26		4.42	8.62
Effective Governance and Oversight	4.54		4.54	0.20	1.10		1.30	5.84
Management support				3.18			3.18	3.18

Table 3 – revised IPA programme 2012-13

IPA Programme/Thematic Areas Projects and Actions	Recurrent Costs/Savings arising from 2010/11			2012/13 (new)				Grand Total
	Recurrent costs	Recurrent savings	Total	Investment Costs	Recurrent Costs	Recurrent Savings	Total	
<b>Total IPA Programme</b>	<b>27.94</b>	<b>-6.98</b>	<b>20.96</b>	<b>16.61</b>	<b>3.84</b>	<b>-3.57</b>	<b>16.88</b>	<b>37.84</b>
Managing for Results	2.14		2.14	1.40			1.40	3.54
Human Resources	13.02	-1.12	11.90	1.90	1.48		3.38	15.28
Culture Change				2.30			2.30	2.30
Decentralization and Partnerships (Functioning as One)	1.32		1.32	1.14	0.40		1.54	2.86
Enhanced Administrative and Management Systems	6.92	-5.86	1.06	6.49	0.86	-3.57	3.78	4.84
Project 9- Reform of Administrative and Management Systems	1.58	-4.72	-3.14	2.33	0.60	-3.57	-0.64	-3.78
Action 7.14 – RBA partnerships for procurement with other UN agencies		-1.76	-1.76	0.10	0.30	-1.19	-0.79	-2.55
Action 7.15 – Joint procurement initiative - Travel		-0.90	-0.90		0.30	-1.07	-0.77	-1.67
Project 11b- Information Technology	5.34	-1.14	4.20	4.16	0.26		4.42	8.62
Effective Governance and Oversight	4.54		4.54	0.20	1.10		1.30	5.84
Management support				3.18			3.18	3.18