



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

Продовольственная и
сельскохозяйственная
организация
Объединенных
Наций

Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación

COUNCIL

Hundred and Forty-first Session

Rome, 11 – 15 April 2011

Report of the 137th Session of the Finance Committee
Rome, 10 – 11 February 2011

Table of Contents

	Paragraphs
Introduction	1 - 5
Elements of the Programme of Work and Budget (PWB) 2012-13	6 - 34
UPDATED PRELIMINARY ESTIMATES FOR THE IMMEDIATE PLAN OF ACTION (IPA) PROGRAMME	7 - 13
ESTIMATED COSTS AND PROPOSED FUNDING OF THE SYNERGISTIC APPROACH TO UPGRADE TO ORACLE R12 IN PARALLEL WITH THE IPSAS PROJECT	15 - 17
ESTIMATES FOR CAPITAL EXPENDITURE IN 2012-13	19 - 20
PRELIMINARY ANTICIPATED COST INCREASES FOR 2012-2013	22 - 31

This document is printed in limited numbers to minimize the environmental impact of FAO's processes and contribute to climate neutrality. Delegates and observers are kindly requested to bring their copies to meetings and to avoid asking for additional copies.
Most FAO meeting documents are available on the Internet at www.fao.org

DATE AND PLACE OF THE HUNDRED AND THIRTY-EIGHTH SESSION	33
ANY OTHER MATTERS	34

**REPORT OF THE HUNDRED AND THIRTY-SEVENTH SESSION OF THE
FINANCE COMMITTEE
10 – 11 February 2011**

Introduction

1. The Committee submitted to the Council the following report of its Hundred and Thirty-seventh Session.
2. In addition to the Chairperson, Mr Yasser A. R. Sorour, the following representatives of Member Nations were present:
 - Ms Madeleine Baldwin (Australia)
 - H.E. Li Zhengdong (China)
 - Mr Louis Charicauth (Gabon)
 - Mr Shobhana K. Pattanayak (India)
 - H.E. Javad Shakhs Tavakolian (Islamic Republic of Iran)
 - Mr Claudio Miscia (Italy)
 - H.E. Jorge E. Chen Charpentier (Mexico)
 - Mr Ronald Elkhuisen (Netherlands)
 - H.E. Guido J. Martinelli della Togna (Panama)
 - Mr Mohamed Eltayeb Elfaki Elnor (Sudan)
 - Mr Robert Sabiiti (Uganda)
 - Mr Christopher Hegadorn (USA)
3. The Chairperson informed the Committee that:
 - Ms Madeleine Baldwin had been designated to replace Ms Sara Cowan as the representative of Australia at this session;
 - Mr Claudio Miscia had been designated to replace Mr Augusto Zodda as the representative of Italy at this session; and
 - Mr Christopher Hegadorn had been designated to replace Mr Michael Glover as the representative of the United States of America at this session.
4. Summaries of the qualifications of Ms Baldwin, and Messrs Miscia and Hegadorn are listed in the addendum to this report (CL 141/6-Add.1).
5. The Committee expressed its disappointment at the late receipt of documents in all languages, which had prevented a more detailed review and wider consultations. It requested the Management to submit all Finance Committee documents in a timely fashion, as had been the case in previous sessions during the course of the current biennium. It recalled its decision to be provided with all documents two weeks before its meetings.

Elements of the Programme of Work and Budget (PWB) 2012-13

6. The Committee recalled that the goal of this special session was to launch a dialogue between the Finance Committee and the Management in preparing the Programme of Work and Budget (PWB) 2012-13.

**UPDATED PRELIMINARY ESTIMATES FOR THE IMMEDIATE PLAN OF
ACTION (IPA) PROGRAMME**

7. The Committee reviewed the composition of the proposed 2012-13 IPA programme costs, comprising recurrent costs and savings as a result of IPA actions undertaken in 2010-11 (USD 20.96 million), and financial requirements arising for actions to be initiated in 2012-13

(USD 18.54 million). It took note of the proposed overall 2012-13 programme costs of USD 39.5 million.

8. The Committee was informed that the *Progress Report on IPA Implementation*, prepared for the meeting of the Conference Committee on the Follow up to the Independent External Evaluation of FAO (CoC-IEE) of 23 February 2011, contained a summary of 2010 expenditure as well as qualitative details on progress under each IPA action.

9. The Committee welcomed the confirmation from Management that the PWB 2012-13 would mainstream the IPA programme by including the proposed financial requirements in the assessed contributions which would be presented within the Strategic and Functional Objectives and Capital Expenditure chapter of the 2012-13 Programme of Work.

10. The Committee took note of the 2012-13 IPA savings and requested additional information relating to the proposed savings arising from the initiative on Common Procurement with the Rome-based agencies. In the PWB 2012-13, it also looked forward to receiving proposals on other areas of savings outside the IPA.

11. The Committee recognized the interrelationship between the IPA and the Regular Programme of Work in a number of areas, including Information and Communication technology, International Public Sector Accounting Standards (IPSAS) implementation and human resources, and welcomed the reassurance that no costs included in the IPA programme would be double counted in the “non-IPA” section of the PWB.

12. The Committee noted the 2012-13 costs proposed for Management Support, which consisted of fully dedicated, incremental costs for managing this complex renewal programme, and estimated costs of communications on renewal to employees and Members. It also received clarifications on the status of the appointment of the Ombudsman and the financial provisions for the ethics function, which would comprise funding for the Ethics Officer, management of the Financial Disclosure programme and the eventual Ethics Committee.

13. The Committee noted the proposal not to further increase the IPA budget for Evaluation, and proposed to discuss this matter with the Programme Committee in the Joint Meeting of the Finance and Programme Committees in March 2011.

14. The Committee:

- **took note of the proposed 2012-13 IPA programme costs and looked forward to further discussion at its next session on the basis of additional information on the framework and prioritization of the IPA;**
- **requested an expanded version of Annex 1 of document FC 137/2.1, listing all IPA actions that would be reduced in scope or withdrawn;**
- **requested that future reports to the Committee on the IPA in 2011 and in 2012-13 include information relating to IPA expenditures; and**
- **supported the mainstreaming of the IPA programme in the assessed contributions of the Programme of Work and Budget.**

**ESTIMATED COSTS AND PROPOSED FUNDING OF THE SYNERGISTIC
APPROACH TO UPGRADE TO ORACLE R12 IN PARALLEL WITH THE
IPSAS PROJECT**

15. The Committee was informed that the consolidated cost estimate for the synergistic approach for the period 2011-13 was USD 38.5 million. Of this amount, USD 23.9 million was planned to be spent during 2012-13 and would be included within the PWB 2012-13 proposals, to be funded principally from the Capital Expenditure Facility (Capex) in the amount of USD 20.7 million, together with a contribution from the IPA of USD 3.2 million. Amounts to be spent during 2011 of USD 14.6 million were covered by existing Capex and IPA appropriations.

16. The Committee noted the new governance arrangements put in place for the overall programme, and the specific benefits of a synergistic approach. It also noted that the scope of the synergistic programme would be finalised in the first quarter of 2011 and that any changes would be reflected in the PWB 2012-13 proposal. The Committee was also informed that any changes to cost estimates required after the Net Appropriation is voted would be addressed through revisions of the programme scope to stay within the original budget or through the established mechanisms which govern the transfer of appropriations within the same chapter and between chapters.

17. The Committee requested that more detailed information on the synergistic approach be presented at its next session as part of its discussions on the *Progress Report on the IPSAS/R12 Programme* and the PWB 2012-13.

18. The Committee requested that the additional information should cover the following areas:

- **Scope and timeline of the programme;**
- **Detailed breakdown of the budgeted costs by expenditure type; and**
- **Comparative information with other UN System Agencies.**

ESTIMATES FOR CAPITAL EXPENDITURE IN 2012-13

19. The Committee considered the preliminary estimates for Capital Expenditure in 2012-13. It was informed that the estimated cost of potential Capital Expenditure projects exceeded the resources expected to be available from the Net Appropriation (Budgetary Chapter 17) and the estimated carry-over of Capital Expenditure Facility resources from 2010-11.

20. The Committee recalled that the purpose of the Facility was to provide a means to plan and fund capital expenditure on assets with a useful life in excess of two years and which generally require a level of resources which cannot be funded within the appropriation for a single biennium. It also recognized that the Capital Expenditure Facility was set-up to receive extra-budgetary resources as a potential additional source of funding.

21. The Committee:

- **noted that the IPSAS/Upgrade to Oracle Release 12 project had been assigned top priority by Management and would require a significant portion of the estimated Capital Expenditure resources in 2012-13;**
- **requested further information on how the other Capital Expenditure projects had been prioritized;**
- **urged the Secretariat to continue to focus on achieving efficiency gains and ensuring return on investment, and to use all appropriate mechanisms for recovering costs; and**
- **looked forward to reviewing the proposals for Capital Expenditure in the context of the MTP 2010-13 / PWB 2012-13¹.**

PRELIMINARY ANTICIPATED COST INCREASES FOR 2012-13

22. The Committee considered the preliminary anticipated cost increases for 2012-13 and welcomed the detailed information provided in the document. It noted that the base cost information provided in the document was used for illustrative purposes only.

23. The Committee received clarifications on technical aspects of the cost increase methodology in use at FAO and its application for estimating 2012-13 cost increases, including the impact of over- or under-budgeting of staff costs, the basis for estimating inflation, and the lapse factor.

¹ Medium Term Plan 2010-13 (Reviewed) and Programme of Work and Budget 2012-13.

24. The Committee noted that Personnel Services were the largest cost component of the budget and also accounted for approximately 75 percent of the proposed cost increases.
25. With regard to Professional staff salaries, the Committee noted that the Headquarters salary increase of 0.43 percent in 2010 was lower than anticipated in the current PWB 2010-11, which had led to a favourable adjustment under biennialization. It was informed of the status and timing of the results of the ongoing cost of living survey of Professional staff salaries at Headquarters, which created some risk of forecasting error, and acknowledged the projected increase in 2011 of 2.5 percent as being Management's best estimate.
26. The Committee discussed the status of the ongoing review of the General Service staff salary survey methodology for Headquarters duty stations. It was informed that a Working Group had prepared a recommendation for a change in the methodology for consideration by the International Civil Service Commission (ICSC) at its session in March 2011. The Committee was advised that the financial effect of any new methodology, if approved, was not yet quantified but would in any case take effect only after the financial period of the PWB 2012-13. The Committee expressed concern at the high absolute level of General Service staff salaries in Rome, as evidenced by an external assessment undertaken by a Rome-based agency in 2010, which also highlighted a substantial overlap of General Service staff salaries in Rome with the Professional grades up to the P-3 level.
27. It opined that the General Service staff salary levels in Rome were very high compared even with prime employers in Rome and that the current salary levels were not compatible with the pressures on multilateral and public sector budgets. It recalled that this situation had led the Rome-based agency to freeze General Service staff salary increases in November 2010.
28. The Committee was informed that unlike another Rome-based agency, the FAO Conference had accepted the Statute of the ICSC in 1975. Consequently, FAO was bound by the salary scales that are recommended by the ICSC.
29. The Committee noted that under Article 10 of the ICSC statute, "*the Commission shall make recommendations to the General Assembly on (...) the scales of salaries and post adjustments for staff in the Professional and higher categories*" and it was thus the General Assembly that determines those scales.
30. As regards the General Service staff salaries under Article 12 of the Statute, "*the Commission shall (...) make recommendations as to the salary scales of staff in the General Service and other locally recruited categories.*" These recommendations are presented to the FAO Council. The Committee noted that the question of whether the FAO Council has authority to change, or not to approve, the salary scales, interim adjustments or the results of cost of living surveys recommended by the ICSC had been raised many times previously and that the conclusion had been that the Council is left with no discretion in the matter.
31. The Committee was informed that any decision to withdraw from the statute of the ICSC lay with the FAO Conference.
32. **The Committee:**
- **noted that the preliminary anticipated cost increases had been prepared following the methodology previously approved by the Governing Bodies;**
 - **looked forward to reviewing the anticipated cost increases in the MTP 2010-13 / PWB 2012-13 based on a proposed level of the Net Appropriation;**
 - **requested the Secretariat to keep potential areas of risk under review and report any significant changes to the cost increase assumptions and estimates to the Governing Bodies prior to the Conference in June 2011;**
 - **requested a legal interpretation of Article 12 of the Statute of the ICSC and an opinion on the discretion available to Council concerning the determination of General Service salary adjustments in Rome; and**

- **looked forward to receiving at a future session information on the impact of the revised General Service methodology being considered by the ICSC.**

DATE AND PLACE OF THE HUNDRED AND THIRTY-EIGHTH SESSION

33. The Committee was informed that the 138th Session was scheduled to be held in Rome from 21 to 25 March 2011.

ANY OTHER MATTERS

34. The Committee noted that three documents for the 138th Session had already been despatched in all languages, and it looked forward to receiving the remainder within the established timeframe.