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# FINANCE COMMITTEE

**Hundred and Thirty-seventh Session**

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**ESTIMATES FOR CAPITAL EXPENDITURE IN 2012-13**

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**EXECUTIVE SUMMARY**

- The estimated 2012-13 Capital Expenditure costs are USD 32.8 million, which consists of USD 28.6 million of non-IPA costs and USD 4.2 million of IPA costs. The total includes resource requirements of USD 23.9 million for the upgrade to Oracle Release 12 in parallel with the IPSAS Project.
- This document elaborates on the development of the cost estimate and substantive programme of work envisaged under the Capital Expenditure Facility in 2012-13.

**GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE**

The Committee is requested to take note of, and provide any guidance on, the preliminary 2012-13 Capital Expenditure proposals totaling at USD 32.8 million, of which USD 4.2 million is in IPA costs.

**Draft Advice**

**The Committee took note of the 2012-13 Capital Expenditure proposals and costs and looked forward to reviewing the final proposals in the context of the MTP 2010-13 / PWB 2012-13.**

### Introduction

1. Conference Resolution 10/2003 established the Capital Expenditure Facility (Capex) as a chapter of the Programme of Work and Budget that serves to define and authorize *expenditures on tangible and intangible assets with a useful life in excess of FAO's financial period of two years and which generally require a level of resources which cannot be funded within the appropriation for a single biennium*. Financial Regulation (FR) 6.11 authorizes the transfer of any balance in the Capital Expenditure Account for use in the subsequent financial period.
2. Resource requirements relating to seven areas of capital expenditure were included in the MTP 2010-13 / PWB 2010-11:
  - P01 - Core ICT Infrastructure
  - P02 - Corporate Administrative Applications
  - P03 - Corporate Technical Applications
  - P04 - Electronic Content and Document Management Systems
  - P05 - IPSAS (including FAS)
  - P06 - Management Information Systems
  - P07 - Support Human Resources Management Framework
3. This note provides preliminary information on the capital expenditure proposals that would be included in the MTP 2010-13/PWB 2012-13.

### 2012-13 Capital Expenditure Funding

4. As shown in the table below, the preliminary estimate of Capex resources available in 2012-13 is USD 32.8 million, stemming from the following sources: net appropriation (non-IPA) resources at the same level as in 2010-11 (USD 21.9 million); a forecasted carry-over from 2010-11 (USD 6.7 million); and Capex proposals under the Immediate Plan of Action (USD 4.1 million).

**Table 1: Funding of Capital Expenditure Proposals (USD millions, at 2010-11 rates)**

	2010-11	2012-13
Capex Proposals (Net of IPA Costs)	21.9	21.9
Carryover from 2010-11 (ref Statement IV, C 2011/5)	8.6	-
Estimated Carryover to 2012-13	(6.7)	6.7
<b>Total Capex resources (Net of IPA)</b>	<b>23.8</b>	<b>28.6</b>
Capex resources under IPA	5.6	4.1
<b>Total Capex Resources</b>	<b>29.4</b>	<b>32.8</b>

### 2012-13 Capital Expenditure Proposals

5. To remain within the resources available, the Secretariat was required to prioritize the Capex requests for 2012-13. The IPSAS project and the upgrade to Oracle Release 12 were considered to be of critical importance for the Organization, and were given top priority. Priority was also given to corporate technical applications such as FAOSTAT and core infrastructure projects which were considered to be critical for the daily functioning of the Organization.
6. An overview of the resulting 2012-13 Capital Expenditure proposals by Organizational Result (OR) is presented in Table 2 and the text below.

**Table 2: Overview of 2012-13 Capex requirements (USD millions, at 2010-11 rates)**

	2012-13	IPA	TOTAL
P01 - Core ICT Infrastructure	1.7	-	1.7
P02 - Corporate Administrative Applications	1.0	-	1.0
P03 - Corporate Technical Applications	5.2	-	5.2
P05 - IPSAS (including FAS)/Upgrade to Oracle 12	20.7	3.2	23.9
P06 - Management Information Systems	-	1.0	1.0
<b>TOTAL</b>	<b>28.6</b>	<b>4.2</b>	<b>32.8</b>

*P01. Core ICT Infrastructure*

7. Investments in core ICT infrastructure are planned under this Organizational Result (OR):
- increase the use of IT security best-practices for infrastructure and application systems to cover network security enhancements and a security framework for database systems to ensure that Organization maintains industry standard best-practices;
  - enhance IT services in headquarters meeting rooms to improve Audio/Visual equipment and services for FAO's main meeting rooms at headquarters; and
  - change to the new suite of Microsoft operating system.

*P02. Corporate Administrative Applications*

8. Investment is needed to ensure that changes to the functionality and configuration of corporate administrative applications systems are undertaken in a timely fashion to meet dynamic business requirements during the implementation of IPSAS/R12. The focus is on the necessary application development and maintenance of the Oracle E-Business Suite and various satellite systems needed to address changes to administrative processes under way.

*P03. Corporate Technical Applications*

9. Corporate technical applications provides for enhancements in support of the Organization's core business. Work planned in 2010-11 on the establishment of a corporate scientific data repository and improvements to the FAOSTAT continues in 2012-13, focusing on integration of statistics and other technical knowledge applications.
10. Additional funds are planned for the upgrade and enhancement of the corporate application platform for managing country-based information in FAO Country Profiles (FCP), an initiative which was launched in 2002 and is actively used with around 250,000 external monthly views.

*P05. IPSAS (including FAS)/ Upgrade to Oracle Release 12*

11. OR P05 initially housed the IPSAS project and will be expanded to include the ERP upgrade to Oracle Release 12. Detailed information on this project is presented in document FC 137/2.2.

*P06. Management Information Systems*

12. Information on investments related to electronic content and document management systems is presented in document FC 137/2.1 under IPA action 7.26 (*Design of the Management Information System*).

**Deferred Capex projects pending resource availability**

13. As outlined above, the Secretariat was required to prioritize and defer other worthy Capital Expenditure project proposals to remain within forecasted available resource levels. If additional funds were to become available, for example through extra-budgetary support, other projects could be funded, including these listed below.

- **P01:** work on replacement of unreliable and out-of-warranty email communications and telephony equipment in Decentralized Offices;

- **P03:** development of e-learning Production, Archiving and Delivery System to keep up with the high demand from FAO technical units for e-learning materials to be delivered in FAO Member States; enhancements to the FAO Knowledge Forum both in terms of content and technology; creation of a virtual collaborative platform to support technical knowledge sharing and teamwork to support breaking down silos and improve performance at all levels;
- **P04:** replacement of the Electronic Document Processing Request system with a state-of-the-art workflow system; implementation of the Content Management System (CMS) roadmap, an opportunity to streamline content and document management and reduce the associated costs; digitization of FAO's institutional memory and further development of FAO Open Archive to comply with international standards for digital preservation and improve knowledge dissemination; investment in use of automatic translation engines as a source of "non-official" translation services to the Permanent Representatives.

### **Conclusion**

14. The Committee is requested to take note of the preliminary Capital Expenditure projects proposed for funding in 2012-13 and to provide any guidance thereon.