

## Preliminary Schedule of Costs and Savings

### Joint Meeting of Working Groups I, II and III Wednesday 3 September 2008

1. This document reports on the estimated investment (one-time) and recurrent costs and savings for the implementation of the CoC-IEE Immediate Plan of Action (IPA), based on the information available to date.

### I. IEE Costings and Preliminary IPA Schedule

2. Before providing a more detailed overview of the estimated costs of the IPA, it may be useful to recall the tentative figures originally presented by the IEE in its report (C2007/7A.1). The IEE figures summarized in Table 1 below are the net average one-time and recurrent costs which were shown in Table 1.2 and Annex I of the IEE report, with some re-grouping in line with the Immediate Plan of Action sections.<sup>1</sup>

*Table 1*

<b>Comparison of IEE and IPA costs (in USD millions)</b>		
	<b>IEE (average)</b>	
	<b>Investment</b>	<b>Biennial Recurrent</b>
Governance Reform	0.4	15.4
Systems, Programme, Culture and Organizational Restructuring	14.1	7.1
Redeployment and separation costs	52.5	
Management and oversight of the IAP	2.0	
<b>Total Average Investment and Recurrent Cost per IEE</b>	<b>69.0</b>	<b>22.5</b>

3. The original tentative costs developed by the IEE and the pre-costs for the IPA are not fully comparable with the costs for the IPA summarized in this paper. This is mainly due to a few large items which are either:

- a) costed on a different basis (for example, redeployment and separation costs, which in the case of the IEE include costs for decentralized restructuring), or
- b) not included in the IPA (for example, maintaining TCP at a certain level) or
- c) for which estimates are not yet available in the IPA (potential costs and savings resulting from the Root and Branch review).

4. Table 2, therefore, adjusts the IEE costs for such items, so as to make a subsequent comparison of tentative costs and savings estimates of the IEE and the IAP more meaningful.

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<sup>1</sup> The figures do not include the funding of After-Service Liability Costs, which is subject to separate discussion. The estimate for this item in the IEE report is USD 39.7 million.

Table 2

<b>(All figures in USD millions)</b>		
<b>IEE Tentative Costs adjusted for comparison purposes</b>		
	<b>IEE (average)</b>	
	<b>Investment</b>	<b>Biennial recurrent</b>
<b>Total investment and recurrent costs per IEE</b>	<b>69.0</b>	<b>22.5</b>
<i>Adjustments pertaining to systems, programme, culture and organizational restructuring</i>		
Remove costing of funds required to maintain TCP at present proportion of overall budget		(15.5)
Remove savings stemming from Root and Branch review		10.4
Remove savings stemming from increased self-funding of conventions and other statutory bodies		4.7
<i>Adjustments pertaining to redeployment and separation costs</i>		
Remove costs associated with the decentralized structure	(12.5)	
<b>Adjusted total investment and recurrent costs per IEE</b>	<b>56.5</b>	<b>22.1</b>

5. Table 3 compares the adjusted investment and recurrent costs estimated by the IEE with the corresponding estimates by management in light of assumptions deriving from the deliberations of the Working Groups and contributions from management during the past months.

- It may be noted that the estimates for total investment costs are approximately USD 29 million higher in the IEE figures than in the comparable IPA estimates (USD 56.5 million versus USD 27.9 million respectively). This is mainly as a result of higher redeployment and separation costs assumed by the IEE.
- The estimated recurrent biennial costs are approximately USD 11 million higher in the IPA than the average IEE estimate (USD 33.5 million versus USD 22.1 million). This is mainly as a result of the establishment of a staff redeployment fund, and for items in the category *Systems, Programme, Culture and Organizational Restructuring*, as described further below.

Table 3

<b>Comparison of IEE costs (<i>adjusted</i>) and IPA costs (in USD millions)</b>				
	<b>IEE (average)</b>		<b>IPA</b>	
	<b>Investment</b>	<b>Biennial Recurrent</b>	<b>Investment</b>	<b>Biennial Recurrent</b>
Governance Reform	0.4	15.4	0.5	9.2
Systems, Programme, Culture and Org Restructuring	14.1	6.7	13.0	19.3
Redeployment and separation costs	40.0		12.4	5.0
Management and oversight of the IAP	2.0		2.0	
<b>Total</b>	<b>56.5</b>	<b>22.1</b>	<b>27.9</b>	<b>33.5</b>

## II. Further detail on preliminary schedule of costs and savings

6. Annex I provides a more detailed overview of the estimated costs and savings (one-time investment and recurrent) which would arise from the implementation of the IPA in 2009 and in 2010-11. The one-time investment and recurrent costs are summarized in Table 4 below. The estimates reflect incremental requirements and savings taking the approved PWB 2008-09 as the starting point.

7. It should be highlighted that, although many of the actions necessitate substantial staff time involvement, this preliminary schedule does not attempt to cost and reflect this time commitment, with the exception of backfilling for the Culture Change Team and the cost of management and oversight of the IPA (see further below). The cost of the Root and Branch review undertaken by Ernst and Young (USD 2.2 million) plus backstopping by FAO counterparts for the first 4 months of 2009 (US\$ 0.2 million) is included in the IPA figures.

Table 4

Preliminary schedule of costs and savings of the IPA (in USD millions)				
	2009		2010-2011	
	Investment	Recurrent	Investment	Recurrent
<i>Governance Reform</i>				
Evaluation, Audit and Org Learning				4.8
Governance Priorities	0.2	1.4	0.3	4.4
<b>Total Governance Reform</b>	<b>0.2</b>	<b>1.4</b>	<b>0.3</b>	<b>9.2</b>
<i>Systems, Prog., Culture and Org Restructuring</i>				
Technical Cooperation Programme	0.5		0.1	(0.9)
Institutional Culture Change	1.3			
Root and Branch Review	2.4			
Rotation Policy				8.8
Young Professionals programme				2.0
Decentralization (including IT upgrading)	0.7	1.0	1.0	4.0
Other	4.7	1.8	2.3	5.4
<b>Total Systems, Prog., Culture and Org Restr.</b>	<b>9.6</b>	<b>2.8</b>	<b>3.4</b>	<b>19.3</b>
Savings from HQ delayering				(17.4)
Reinvestment to strengthen technical progs				17.4
Redeployment and Separation Costs			12.4	5.0
Management and oversight of the IPA	1.0		1.0	
<b>Grand Total</b>	<b>10.8</b>	<b>4.2</b>	<b>17.1</b>	<b>33.5</b>

8. As shown in Table 4 and in the Annex, total investment and recurrent biennial costs foreseen in 2009 amount to USD 15.0 million. A further USD 17.1 million in investment costs is foreseen in 2010-2011, and final resulting recurrent biennial costs are expected to be in the range of USD 33.5 million. To fully fund investment (USD 10.8 million) and recurrent (USD 4.2 million) costs in 2009, it is envisaged that extra-budgetary resources will be needed. For 2010-11, a comprehensive proposal will be included in the context of the PWB 2010-11.

9. Some further detail on costs by category is provided below.

### ***Governance Reform***

10. Whereas investment costs are minimal in this category, recurrent costs are estimated at a minimum of USD 9.2 million per biennium.

11. Approximately half of the costs result from the recommendation to increase the evaluation budget to 0.8%-1.0% of the total Regular Programme budget. The remaining increase is due to changes in practice and ways of working of the Governing Bodies. In this regard, it should be stressed that the costings presented are based on the *minimum* number of meetings to be held each biennium, as identified in the IPA. The costs would be higher if additional or longer sessions took place.

12. Among the Governing Bodies, the largest increase is foreseen under the **Council**. The costs are based on five 4-day sessions and four 2-day meetings after each Programme and Finance Committee session per biennium. The costs also include translation of verbatim records into five languages so that they are available in all six FAO languages.

13. The incremental recurrent costs for the **Programme and Finance Committees** are minimal as the assumptions are based on the same number of days as currently budgeted (four 5-day sessions per Committee per biennium). An increase in membership of two Members per Committee and additional interpretation requirements based on silent observers is included.

14. The increase under the **Regional Conferences** is for travel costs to present the Regional Conference Report to the Council and Conference. No increase for strengthening the Regular Programme budgets of the Regional Conferences is currently foreseen, as was originally included in the IEE costings.

### ***Reform of Systems, Programme & Budgeting, Culture Change and Organizational Restructuring***

15. The items with significant investment and/or recurrent costs in this category are described below. As regards the **Root and Branch review**, it is recalled that the Terms of Reference seek, for April 2009, a time-bound target for substantial administrative efficiency and productivity improvements. They also request, for submission in April 2009, a quantification of savings that may be obtained through improved delivery systems as well as the identification of one-time and on-going costs (including backfilling costs) and savings arising from implementing the detailed recommendations with an indication of the break even point. Accordingly, the costs and savings that may result from the implementation of the recommendations stemming from the Root and Branch Review cannot yet be estimated and are therefore not included in the tables.

16. Under the **Technical Cooperation Programme**, recurrent savings would arise from the abolition of posts at headquarters which would be partially offset by new posts in the Regional Offices (savings of USD 0.9 million).

17. The one-time costs for **institutional culture change** include an external facilitator and travel, but also include partial backfilling for internal staff on the Culture Change team given the importance of releasing these staff members from their normal duties (US\$ 1.3 million).

18. Under Human Resource Policies and Practices:

- Implementing the **rotation policy** is expected to incur recurrent costs of USD 8.8 million per biennium, assuming 400 potential posts for rotation and a cycle of five years (i.e. 80 rotations per year).
- The establishment of approximately 40 P-1 posts under the **Young Professionals programme** is assumed, with 30 posts handled through regradings within the current structure (incremental cost is USD 2 million per biennium).
- Dual gradings of D1/D2 posts could result in savings of approximately USD 1 million per biennium.
- Rationalising the use of **retirees** is expected to result in a loss of efficiency savings currently realized under this category. Although the substitution rate with more expensive forms of Human Resources cannot be fully anticipated or calculated, a biennial estimate of USD 2 million is included.

19. Under the **Decentralization** category, rationalizing the coverage of country offices would require approval by the governing bodies and any savings arising are expected to be reinvested in the decentralised structures. The net saving is therefore shown as net zero in the table. Savings per office when converting to multiple accreditation are estimated at USD 0.3 million.

20. Under this category is also included the cost of **upgrading the IT infrastructure** of the decentralized office network (investment of USD 1.4 million and recurrent cost of USD 3.4 million), which is a necessary pre-requisite for the effective functioning of these offices and the transfer of additional responsibilities.

#### ***Delaying and Reinvestment, Redeployment and Separation, and Management and Oversight of the IPA***

21. Management aims to implement a **delaying** proposal at the Director-level, which would be in the same order of magnitude as the IEE proposals. A reduction of 13 D-level posts has already been proposed in 2008/9 in the context of efficiency savings, while further delaying opportunities (27 posts) will be pursued in 2010-11 by introducing a new streamlined management model at divisional level. In line with the recommendations of the IEE, the expected biennial savings (USD 17.4 million) would be **reinvested** to strengthen technical programmes.

22. The largest investment costs are for estimated headquarters **redeployment and separation costs** (USD 12.4 million). These figures are still very tentative, as accurate estimates will depend on the final structure at headquarters as well as redeployment opportunities for affected staff members. The figures take into account management's delaying proposal at headquarters but does not yet include a figure for possible restructuring in the FAO Representations. Furthermore, USD 5 million is included under recurrent costs in this category, to enable the establishment of a staff redeployment fund.

23. Finally, the **management and oversight** of the implementation of the IPA by Senior Management has an estimated cost of USD 2 million. The costing is based on the expected time commitments of the Director-General's Representatives on the CoC-IEE and its Working Groups, the senior representatives from each Department /Office on the Reform Group, consultations with the Joint Advisory Committee on FAO Reform (JAC/FAR) and Senior Management Meetings, including more effective participation of decentralized offices.

### **III. Conclusion**

24. Preliminary cost estimates for the implementation of the IPA are approximately USD 27.9 million in investment costs and USD 33.5 million in recurrent biennial costs. The requirements for 2009 are estimated at USD 15.0 million. Extra-budgetary resources would be needed to fully fund such requirements in 2009, while for 2010-11, a comprehensive proposal will be included in the context of the PWB 2010-11. The cost and saving estimates are still subject to considerable adjustment, such as the potential costs and savings stemming from the implementation of the recommendations of the Root and Branch review, which are not yet included. Estimates could also change once activities are further underway and/or if assumptions behind the costings change.

## Preliminary schedule of costs and savings of the Immediate Plan of Action (USD millions)

Annex I

			2009			2010-11 biennial		2009-11 Investment Total
			Investment	Recurrent	Total	Investment	Recurrent <sup>2</sup>	
<b>Governance Reform</b>	Governance Priorities - Action Matrix		-	-	-	-	-	-
	The Conference – Action Matrix		-	0.2	0.2	-	0.4	-
	The Council – Action Matrix		-	1.0	1.0	-	3.3	-
	Programme and Finance Committees – Action Matrix		-	0.1	0.1	-	0.1	-
	Committee on Constitutional and Legal Matters (CCLM) – Action Matrix		-	-	-	-	-	-
	Regional Conferences – Action Matrix		-	-	-	-	0.3	-
	Technical Committees – Action Matrix		-	0.1	0.1	-	0.1	-
	Statutory Bodies, Conventions, Treaties, Codex, etc. – Action Matrix		0.1	-	0.1	0.2	-	<b>0.3</b>
	The Revision of Basic Texts (costs)		0.1	0.1	0.2	0.1	0.2	<b>0.2</b>
	Evaluation, Audit and Organizational Learning - Action Matrix		-	-	-	-	4.8	-
Appointment and Term of Office of the Director-General - Action Matrix		-	-	-	-	-	-	
<b>Governance Reform Total</b>			<b>0.2</b>	<b>1.4</b>	<b>1.6</b>	<b>0.3</b>	<b>9.2</b>	<b>0.5</b>
<b>Systems, Programme, Culture and Organizational Restructuring</b>	Reform of Programming, Budgeting and Results Based Monitoring – Action Matrix	Revised Programme and Budget Doc	0.2	-	0.2	-	-	<b>0.2</b>
		Revised Implementation Performance monitoring	0.1	-	0.1	0.2	-	<b>0.3</b>
		Resource Mobilization and Management Strategy – Action Matrix	0.7	-	0.7	-	0.7	<b>0.7</b>
	Reform of Programming, Budgeting and Results Based Monitoring – Action Matrix Total		1.0	-	1.0	0.2	0.7	<b>1.2</b>
	Technical Cooperation Programme – Action Matrix		0.5	-	0.5	0.1	(0.9)	<b>0.7</b>
	Institutional Culture Change		1.3	-	1.3	-	-	<b>1.3</b>
	Ethics		0.2	-	0.2	-	0.7	<b>0.2</b>
	Reform of Administrative and Management Systems – Action Matrix	Reform of Administrative and Management Systems – Action Matrix	-	-	-	-	-	-
		Root and Branch Review	2.4	-	2.4	-	-	<b>2.4</b>
		Enterprise Risk Management Framework	1.0	-	1.0	1.4	-	<b>2.4</b>
	Reform of Administrative and Management Systems – Action Matrix Total		3.4	-	3.4	1.4	-	<b>4.8</b>
	Publishing in all Languages of the Organization - Action Matrix		0.2	-	0.2	-	0.1	<b>0.2</b>
	Human Resource Policies and Practices - Action Matrix	Increasing staff training	1.2	0.9	2.1	-	1.8	<b>1.2</b>
Rotation Policy		-	-	-	-	8.8	-	
Young Professionals programme		-	-	-	-	2.0	-	

<sup>2</sup> To continue in subsequent biennia.

Note: all figures are rounded to one decimal.

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Annex I

			2009			2010-11 biennial		2009-11 Investment Total	
			Investment	Recurrent	Total	Investment	Recurrent <sup>2</sup>		
		Wider publication of FAO vacancies	-	0.1	0.1		0.2	-	
		Competency profiles	-	0.1	0.1		0.2	-	
		Recruitment of consultants		0.2	0.2		0.4	-	
		Dual gradings D1/D2		(0.5)	(0.5)		(1.0)	-	
		Upgrade Oracle for staff management	0.6		0.6	0.6		1.2	
		Human Resource Policies and Practices - Action Matrix	-	-	-		-	-	
		Rationalise use of FAO retirees		1.0	1.0		2.0	-	
		Policy for geographical and gender representation	0.1	0.1	0.2		0.1	0.1	
		<b>Human Resource Policies and Practices - Action Matrix Total</b>		<b>1.9</b>	<b>1.9</b>	<b>3.8</b>	<b>0.6</b>	<b>14.5</b>	<b>2.5</b>
		Decentralization - Action Matrix	Decentralization - Action Matrix	-	-	-		-	-
Redefine decentralized job descriptions, etc	0.1			0.1			0.1		
Upgrading IT Communications Infrastructure in Decentralized Offices	0.5		0.7	1.2	0.9	3.4	1.4		
Performance based monitoring for Decentralized Offices	0.1		0.3	0.4	0.1	0.6	0.2		
<b>Decentralization - Action Matrix Total</b>		<b>0.7</b>	<b>1.0</b>	<b>1.7</b>	<b>1.0</b>	<b>4.0</b>	<b>1.7</b>		
Partnership - Action Matrix		0.3	-	0.3	0.1	0.3	0.5		
<b>Systems, Programme, Culture and Organizational Restructuring Total</b>			<b>9.6</b>	<b>2.8</b>	<b>12.4</b>	<b>3.4</b>	<b>19.3</b>	<b>13.0</b>	
Delaying and Reinvestment	Savings from HQ delayering					(17.4)	-		
	Reinvestment of delayering savings to strengthen technical programmes					17.4	-		
<b>Delaying and Reinvestment Total</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
Redeployment and separation costs			-		-	12.4	5.0	12.4	
Management and oversight of the IPA			1.0		1.0	1.0		2.0	
<b>Grand Total</b>			<b>10.8</b>	<b>4.2</b>	<b>15.0</b>	<b>17.1</b>	<b>33.5</b>	<b>27.9</b>	