

Information Note no. 9 – June 2013

Further efficiency gains and savings in 2014-15

Summary: Significant and unprecedented incremental biennial efficiency gains and savings of USD 67.6 million are being achieved in 2012-13. The PWB 2014-15 published in February 2013 identifies and provides for new efficiency gains and savings of USD 10 million in the next biennium. Based on recent experience, it is possible at this time to forecast USD 4 million in further efficiency gains in 2014-15 relating to streamlined processing of administrative transactions through the Global Resource Management System, and further measures relating to consultants and travel, without affecting the programme of work.

Since some 75 percent of the Organization's budget comprises staff costs, the opportunity for further significant savings relates mainly to reducing the cost of staff. The vast majority of costs associated with staff entitlements and benefits are not under the control of FAO. Abolition of posts other than those associated with efficiency measures will affect the programme of work, and temporary freezing of posts (i.e. delaying recruitment to vacant budgeted posts) will not result in budgeted savings. Therefore, it is not realistic that additional savings to offset cost increases can be found without affecting the programme of work.

1. At its session of April 2013, the Council welcomed the ongoing efforts of the Director-General to seek efficiency gains and savings, and requested that concrete proposals for further efficiencies and savings be identified, particularly regarding staffing costs.¹ Information Note no. 6 addresses the possible options to reduce increases in staff costs relating to salaries, allowances and other benefits provided to personnel working for FAO. The present note recalls the efficiency gains and savings identified during 2012-13, those new ones planned and budgeted during 2014-15, and opportunities for further efficiencies and savings in the next biennium.

I. Efficiency gains and savings identified for achievement during 2012-13

2. Significant incremental biennial efficiency gains and savings of USD 67.6 million, which include savings of USD 10.6 million identified through IPA actions, have been identified and are being achieved during the course of 2012-13, as described in the PWB 2014-15.² This unprecedented level of incremental biennial efficiency gains and savings has been found in some 17 different areas, about half of which in non-staff costs, as shown in PWB 2014-15 Table 5 (reproduced in Annex).

II. Efficiency gains and savings budgeted in 2014-15

3. The biennial efficiency gains and savings of USD 67.6 million in 2012-13 are of a recurrent nature and are incorporated fully in the PWB 2014-15.

4. The PWB 2014-15 also identifies and provides for new efficiency gains and savings of USD 10 million³ in four main areas: outsourcing and offshoring; Rome-based agencies collaboration with regard to procurement and travel; review of D1 level positions; and additional savings from IPA actions. This level of planned new efficiency gains and savings was realistic at the time of publication of the PWB 2014-15 in early February 2013, especially in light of the very high level of incremental efficiency gains in 2012-13 and the need to ensure that the measures put in place are sustained into the next biennium.

¹ CL 146/REP, paragraph 9j)

² C 2013/3, paragraphs 257-261 and Table 5

³ C 2013/3, paragraphs 262-271



III. Possible further efficiencies and savings in 2014-15

5. The Director-General is committed to continue the quest for further efficiencies and savings, particularly in this time of global economic and financial constraint, while protecting the programme of work.

Further efficiencies

6. In the light of progress made this year in deploying and using the *Global Resource Management System (GRMS)*, it is possible to identify opportunities for generating some further efficiency gains in 2014-15. The processing of administrative transactions across the whole Organization can be further streamlined and the number of related staff accordingly reduced once the system is fully deployed and stabilized. However, the efficiencies in some areas may be a relatively small percentage of the time of each staff involved, and full post savings can only result once work structures and processes are reorganized. While the running and upkeep of the system will absorb some of the savings, additional net efficiency gains of **USD 2 million** can be forecast in the next biennium.

7. A further review of *travel costs* worldwide is underway, including measures for use of hotels and class of travel. Preliminary indications are that further efficiency gains of **USD 1 million** for travel can be forecast for the next biennium once new measures are put in place. A review of the policy on *use of consultants* could yield about **USD 1 million** in efficiency gains in 2014-15.

8. Other areas under review for possible efficiency gains concern the contracts with external providers for medical insurance, facilities management contracts at headquarters premises, and the greater use of e-learning and online training such as for delivering language courses. Work is now proceeding to develop concrete estimates of the level of savings that might be generated from efficiency measures in these areas.

Further savings

9. In view of the fact that some 75 percent of the Organization's budget comprises staff costs, and with about half of recent efficiency measures related to non-staff costs (see Annex), the opportunity for further savings relates mainly to reducing the cost of staff.

10. Information Note no. 6 sets out the possible options to *reduce increases in staff costs* related to salaries, pension, education grant, entitlement travel, medical insurance and other allowances received by FAO personnel (professional and general service) without affecting the programme of work. The vast majority of these benefits and entitlements are provided for under the UN common system, and neither the FAO governing bodies nor the Director-General have authority to make changes to them. Significant changes to the compensation package can only be achieved through effective dialogue with the UN General Assembly and the International Civil Service Commission and active participation in their ongoing comprehensive review of the staff compensation package. It is not possible at this time to forecast the level of staff cost savings that could eventuate from such changes in the 2014-15 biennium.

11. Accordingly, the only way that significant savings could be generated is by abolishing posts beyond those identified through efficiency measures such as in paragraph 6 above. This would have a direct impact on the scope and delivery of the programme of work. By the same token, delaying the recruitment of staff to vacant budgeted posts would not result in savings for two reasons: i) the programme of work assigned to these posts would need to be carried out in some other way, and ii) once filled, the full cost of the posts would need to be covered by the budget.

Annex

C 2013/3 Table 5: Efficiency gains and savings as of 2012

	Biennial Amount
Efficiency gains and savings identified in the PWB 2012-13 (C 2011/3)	(USD '000)
IPA efficiency gains and savings	
Streamlined HR procedures	1,120
Records and archives modernization	2,460
Common Procurement Team and new procurement model and contracts	3,610
Lower cost travel	2,000
Printing and distribution facility	600
Improved IT Governance	760
<i>Subtotal IPA</i>	<i>10,550</i>
Other efficiency gains and savings	
Honoraria freeze and recruitment of retirees	4,300
Compensatory leave policy enforcement for overtime	1,600
Lower cost travel and miscellaneous	1,500
Improved Cost Recovery	4,000
<i>Subtotal Other</i>	<i>11,400</i>
Total Estimated biennial efficiency measures	21,950
Efficiency gains and savings contributing to the target of USD 34.5 million set by Conference	
<i>Savings identified in Adjustments to the PWB (CL 143/3)</i>	
Adjustment to the proposed post establishment	5,000
Reduction of planned volume of travel	3,000
Better planning of publications	2,000
Improved cost recovery for administrative and operational services (AOS)	6,000
Improved cost recovery for technical support services (TSS)	6,000
<i>Savings identified in Further Adjustments to the PWB (CL 144/3)</i>	
Reduction of mobile phones	1,000
Decentralization of procurement activities	1,400
Off-shoring and outsourcing initiatives (UNDP and TCP budget/payment, mailroom and verbatim records) and integration of language services	1,050
Extension of vehicle, desktop and laptop replacement cycles	850
Subtotal	26,300
Additional 2012-13 savings arising from critical review of posts	
Critical review of posts	11,800
Post savings in OCE	2,100
Further savings from posts abolished in CL 143/3	5,400
Subtotal	19,300
Grand total	67,550