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FINANCE COMMITTEE

Hundred and Forty-third Session

Rome, 7 - 11 May 2012

**Progress Report on Implementation of the External Auditor's
Recommendations**

Addendum 1

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EXECUTIVE SUMMARY

- Addendum I presents the Report of the External Auditor on the Review and Assessment of the Special Fund for Emergency and Rehabilitation Activities (SFERA) which was requested by the Committee at its 140th Session in October 2011.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to take note of the information presented in this document, and provide its guidance as deemed appropriate.

DRAFT ADVICE

- **The Committee reviewed and noted the Report presented by the External Auditor on the Review and Assessment of the Special Fund for Emergency and Rehabilitation Activities (SFERA). The Committee requested that an update on the status of recommendations arising from this Report be presented in the Progress Report at its next Regular Session**

EXECUTIVE SUMMARY

1. This report presents the results of the External Auditor's review of SFERA during the 3rd interim audit for the biennium 2010-2011 from 21 November to 9 December 2011.
2. The Finance Committee at its hundred and fortieth Session in October 2011 agreed to the proposal of the External Auditor to follow-up the 2008-09 Long Form Report recommendation relating to the formulation of guidelines for SFERA. The External Auditor further reviewed and assessed the governance and management of the fund.
3. The main objective of the review was to determine the status of implementation of the audit recommendation on SFERA, to assess the current management of the fund and further to provide an independent and objective assessment whether or not the operation of the Fund supports the implementation of Strategic Objective I – “Improved preparedness for, and effective response to food and agriculture threats and emergencies.”
4. The audit noted that FAO management has been conscientious in seeing to it that use of the fund is limited to projects and activities dealing with emergencies. With the SFERA, the Organization has been able to take quick and effective solutions to food and agriculture threats and emergencies, making it responsive to the purpose for which the Fund was established and entirely supportive of Strategic Objective I of the Strategic Framework for 2010-2019.
5. The External Auditor noted that the guideline on the governance and management of SFERA has already been formulated but not yet issued. The audit further noted the absence of logical frameworks for SFERA projects; the need to improve the reporting mechanism for the revolving fund component; the absence of information on planned specific products, services and activities under the Strategic Framework; and the declining trend in biennial receipts of donors' contribution for SFERA.
6. Eight enhancement opportunities or audit recommendations to improve the governance and management of the Fund are provided to FAO management.
7. The External Auditor wishes to express its appreciation for the cooperation and assistance extended to its staff by the FAO management during the conduct of the audit and for acknowledging the value of the audit recommendations on the governance and management of the SFERA.

INTRODUCTION, REVIEW OBJECTIVES AND ASSESSMENT METHODOLOGY

Introduction

8. The Finance Committee at its hundred and fortieth Session in October 2011 agreed to the proposal of the External Auditor to follow-up the status of implementation of the 2008-09 Long Form Report recommendation relating to the formulation of guidelines for SFERA. In addition to the follow, the External Auditor further assessed the governance and management of SFERA for the current biennium. This report presents the results of the External Auditor's review of SFERA during the 3rd interim audit for the biennium 2010-2011 from 21 November to 9 December 2011.

Review Objectives

9. The main objective of our review was to follow-up the implementation of the 2008-09 Long Form Report recommendation relating to the formulation of guidelines for the SFERA to assess the current management of the fund; and to identify enhancement opportunities for the governance and management of the fund.
10. It also seeks to provide an independent and objective assessment whether or not the operation of SFERA supports the implementation of Strategic Objective I – “Improved preparedness for, and effective response to food and agriculture threats and emergencies.”
11. Specific Objectives included the following:

- To determine the status of implementation on the recommendation of External Auditor on SFERA;
- To ascertain that definite criteria is available and adopted by FAO in defining activities as “emergency”, and definite procedures are in place in qualifying activities to be funded out of SFERA;
- To determine whether SFERA was utilized in accordance with established standard/benchmark as provided in the FAO policy guidelines;
- To determine whether the purpose for which SFERA was established has been served;
- To determine whether a system is in place to monitor receipt and utilization of SFERA to ensure availability of Funds to finance emergency projects and that utilization thereof does not exceed available funds; and
- To identify “Opportunities for Improvement” and communicate these to senior management to add value to the assignment.

Assessment Methodology

12. The review of financial data related to SFERA and the assessment of the governance and management of this funding mechanism was pursued in a manner presented in the following framework.



13. Our review was limited to the disbursements and/or allocations made, for the purpose of ascertaining compliance with prescribed approval procedures and did not include field validation of projects.

14. We discussed the audit objectives, scope and methodologies with management at FAO Headquarters in Rome during the Entrance Conference on 21 November 2011.

15. Our audit observations and recommendations which are detailed in the succeeding paragraphs are strictly based on information made available to us during the conduct of the audit. The result of the audit was also discussed with management on 9 December 2011.

16. We acknowledge the cooperation and assistance extended by FAO management during the various stages of our work.

REVIEW RESULTS AND AUDIT RECOMMENDATIONS

Review Area 1- Follow-up of the status of implementation of 2008-09 recommendation on SFERA

17. In the 2008-09 Long Form Report, the External Auditor recommended the formulation of guidelines for the SFERA. We noted that as at 31 December 2011, guidelines on the governance and management of the SFERA have been drafted but the final version was not yet issued. There is a need to finalize the guidelines and fast track its issuance to have a written policy on the governance of the fund.

18. External Audit's previous reviews on SFERA fund movements and applications disclose that the amounts of advances from the fund ranged from USD 100,000 to USD 3.5 million per project. In relation to project costs, it was noted that advances made to projects reached to as much as 80 per cent of the approved project cost. Further, EAUD's analysis in previous biennia revealed that SFERA

advances remained outstanding for a minimum period of six months to a maximum period of 14 months from the date of grant.

19. We attributed the significant flexibility in SFERA fund management and utilization to the absence of definitive guidelines and policies on (a) the amount of the advances that may be made out of SFERA to initially fund projects or undertakings pending receipt of funding from donors, and (b) the period of time within which advances will be reimbursed or returned to the fund. In view thereof, we made recommendations for FAO to pursue the formulation of guidelines for SFERA that will specify the maximum amount of the advances that may be granted to a specific project and the definite period within which said advance will be recovered.

20. In our present review, we noted significant amounts of advances (USD 1 million and more) made out of SFERA in biennium 2010-2011. These are as follows:

No.	Date Granted	PROJECT	AMOUNT OF ADVANCE
1	June 2010	OSRO/AFG/004/JPN	USD 5 million
2	June 2011	OSRO/AFG.102/JPN	USD 5 million
3	November 2010	OSRO/PAK/012/UK	USD 3.5 million
4	February 2010	GCP/ZIM/017/EC	USD 2.75 million
5	March 2010	OSRO/NER/003/EC	USD 2.5 million
6	September 2010	OSRO/MAG/003/CHA	USD 2.4 million
7	April 2011	OSRO/SOM/102/CHA	USD 2.058 million
8	January 2011	OSRO/SUD/102/CHF	USD 1.5 million
9	October 2010	OSRO/ZIM/006/NET	USD 1.3 million
10	May 2010	OSRO/RAS/601/ASB	USD 1.3 million
11	March 2010	OSRO/HAI/003/CHA	USD 1.3 million
12	March 2010	GCP/NER/054/EC	USD 1.3 million
13	January 2011	OSRO/SUD/101/CHF	USD 1.2 million
14	June 2010	OSRO/SUD/007/USA	USD 1.2 million
15	January 2010	OSRO/ZIM/907/EC	USD 1.1 million
16	April 2010	OSRO/PAK/002/EC	USD 1.1 million
17	May 2010	OSRO/HAI/004/CHA	USD 1 million
18	May 2010	GCP/BGD/043/EC	USD 1 million
19	October 2010	OSRO/ZIM/002/SWE	USD 1 million
20	October 2010	OSRO/RAF/007/EC	USD 1 million

21. We commend TCE's efforts to consolidate the various policies embodied in separate documents to one single document which shall be adopted as the official guidelines on the governance and management of SFERA. As noted, the draft version has been undergoing review and shall be for

final endorsement by the end of 2011. Along this line, we encourage the Department to endeavour to meet the December 2011 target for the issuance of the official guidelines in order to provide well-defined parameters as to the maximum amount of cash advance which may be obtained from the Fund and the maximum period within which back-charging should be made.

22. However, the draft version of the guidelines, for adoption by the end of the current biennium, does not include clear definitions of cash advance limits, back-charging timelines, as well as the criteria in determining the emergency nature of a situation.

Recommendation No. 1: We recommend that the Organization proceed to the immediate issuance of the comprehensive guidelines and policies on the governance and management of SFERA which should incorporate the following:

- 1) The maximum amount that a project may obtain as a cash advance from SFERA;
- 2) The prescribed period for reimbursement of SFERA advances following receipt of donor contributions;
- 3) Definite criteria in defining emergency situations which would warrant SFERA funding adopting the criteria contained in the 2005 Field Programme Committee document entitled “A new approach for the designation of TCE operational responsibility”; and
- 4) Requiring a logical framework for all projects, regardless of project cost, as a best management practice tool in planning, monitoring and reporting.

23. TCE management informed that all of the foregoing shall be provided for in the official guidelines on the governance and management of SFERA to be issued by the end of 2011.

Review Area 2 - Assessment of the current governance and management of SFERA

24. We reviewed the current governance and management of the fund to identify enhancement opportunities. We noted through the programmes/activities implemented by TCE that SFERA supports Strategic Objectives I of the 2010-2019 Strategic Framework which envisions “Improved preparedness for, and effective response to, food and agricultural threats and emergencies. In general, we noted that Management considered established policies in the utilization of the fund. However, we identified opportunities to further enhance the management of the fund and these are addressed in the succeeding paragraphs.

Logical Framework for SFERA Projects

25. We reviewed the documentation of 12 projects (paragraph 38) on which SFERA funds were applied in biennium 2010-2011. The review revealed that project documents corresponding to these 12 projects enumerated component project activities, e.g. distribution of farm inputs, provision of technical support, finalization of a training curriculum, seminars, workshops and meetings. We noted that the projects have no logical frameworks that are prepared in accordance with the Instruction Manual on Results-Based Integrated Planning and Monitoring (IMRBIPM).

26. Field Programme Circular 2007/02 provides for the preparation of the standard project document for projects for which FAO technical support is envisaged. The IMRBIPM provides that projects below USD 500,000 do not need to be provided with a logical framework, however it is recommended under the Instruction Manual that logical framework shall be prepared for all projects, regardless of amount.

27. A logical framework contains the clear statements of project objectives, planned inputs, expected accomplishments/outputs, programmed activities and timetable. It is a part of project documentation in accordance with the IMRBIPM. Its preparation for all SFERA-funded projects would be in harmony with the results-based management approach adopted by FAO. The logical framework can be TCE’s excellent tool in project planning, monitoring and reporting.

28. The absence of logical frameworks for SFERA-funded projects may not facilitate an effective planning, monitoring, reporting and evaluation of project implementation. Further, we have noted that the requirement of a logical framework is not incorporated in the draft SFERA official guidelines.

Recommendation No. 2: In order to facilitate review and monitoring of emergency projects, we encourage TCE to ensure that a logical framework are prepared for all SFERA-funded projects, regardless of project cost, and made part of project documentation, in accordance with the Instructions Manual on Results-Based Integrated Planning and Monitoring.

We also encourage TCE that the requirement for a logical framework for all projects, regardless of the project cost should be included in the document “Guidelines on the Governance and Management of SFERA” which is envisaged for endorsement and issuance by the end of 2011.

29. Management agreed with the audit recommendations, with the understanding that standard logical frameworks could be developed for small budget projects.

Reporting of Fund Applications under Revolving Funds OSRO/GLO/402/MUL and OSRO/GLO/403/MUL

30. We performed an analysis of the utilization of SFERA in the current biennium up to 30 June 2011. We have noted that total SFERA applications in biennium 2010-2011 have reached USD 6,071,702 as at 30 June 2011. We further noted that, SFERA funds were applied on two projects which have been in operation since the inception of SFERA in 2004, namely: (1) OSRO/GLO/402/MUL and (2) OSRO/GLO/403/MUL.

31. In the current biennium, funds totalling USD 900,000 and USD 1,000,000 have been applied under the projects OSRO/GLO/402/MUL and OSRO/GLO/403/MUL, respectively. Since 2004, accumulated applications to these two projects have totalled USD 4,065,442 and USD 2,886,243, respectively.

32. Our analysis disclosed that 83 per cent of the funds allocated for OSRO/GLO/402/MUL, or USD 747,000, were spent on salaries of professionals (Account 5011). Other major expenses of this project include Consultants (Account 5013), comprising six per cent, or USD 54,000, and Travel expenses (Account 5021) comprising 3 per cent, or USD 27,000. The remaining eight per cent, or USD 72,000, was used on Locally-contracted labor (Account 5020), Non-expendable procurement (Account 5025) and Support Costs (Account 5029).

33. As far as OSRO/GLO/403/MUL is concerned, on the other hand, major spending was on the following: (1) Salaries of professionals (Account 5011), USD 220,000, comprising 22 per cent of the spending; Consultants (Account 5013), USD 300,000, comprising 30 per cent; and Travel (Account 5021), USD 350,000, comprising 35 per cent. The rest of project funds applied in the current biennium, which comprise 13 per cent, or USD 130,000, were divided on Locally contracted labor (Account 5020), Technical support services (Account 5027), General operating expenses (Account 5028) and Support Costs (Account 5029).

34. The project information provided by FPMIS showed that project code OSRO/GLO/402/MUL has a corresponding project title “Contributions to the FAO Tsunami Emergency and Recovery Programme via the Special Fund for Emergency and Rehabilitation Activities.” Proposed EOD to NTE was 01 June to 31 August 2005 while actual EOD to NTE is 01 June 2004 to 31 December 2019.

35. OSRO/GLO/403/MUL has the same project title, the same proposed and actual EOD and NTE like those of OSRO/GLO/402/MUL’s. TCE informed us that the project titles were wrongly inserted and that action has been taken to correct the same as follows: OSRO/GLO/402/MUL – SFERA Revolving fund component - Emergency coordination window; and OSRO/GLO/403/MUL – SFERA Revolving fund component – Needs assessment and programme development window.

36. According to TCE, the title “Contributions to the FAO Tsunami Emergency and Recovery Programme via SFERA” applies to Babies 08, 09 and 10 for the project OSRO/GLO/402/MUL and Babies 07, 08, 09 and 10 for OSRO/GLO/403/MUL. These baby projects have been closed and the corresponding final documents have been prepared and submitted.

37. TCE clarified that OSRO/GLO/402/MUL and OSRO/GLO/403/MUL are the two windows of the revolving fund component of SFERA, i.e. emergency coordination window (OSRO/GLO/402/MUL) and needs assessment and programme development window

(OSRO/GLO/403/MUL). Accordingly, the revolving fund component supports FAO's involvement in assessments, coordination, programme development, rapid deployment of experts and reinforcement of capacity of emergency country teams. A solid foundation for response lies in identifying the most critical needs of affected populations, securing sufficient capacity to respond and ensure coordinated and technically sound action.

38. TCE further informed that SFERA funding enables FAO to participate in assessment missions; lead coordination efforts for harmonized and effective response in the agriculture sector; and contribute to the formulation of response programmes that address the priority needs of affected populations. TCE therefore asserts that these activities are entirely within the scope of the revolving fund component of SFERA and that the significant proportion of staff costs and travel expenses under OSRO/GLO/402/MUL and OSRO/GLO/403/MUL are consistent with these activities.

39. As further enunciated by TCE, for both projects, an allotment is approved if a crisis has been declared by the Office for the Coordination of Humanitarian Affairs (OCHA) or the United Nations (UN) and there will be an international appeal.

40. Although the emergency nature of the activities under the two windows may be established, a review of the costs corresponding to each of the component emergency support activities is not facilitated by the practice of grouping applications as either OSRO/GLO/402/MUL or OSRO/GLO/403/MUL, even though a new baby project is established for each new allotment. TCE informed that this is to ensure proper monitoring and reporting of the funds allocated in response to a specific request.

41. As shown in the table below, the specific costs corresponding to each of the following needs assessment activities in the current biennium, under SFERA's revolving fund component, cannot be readily determined.

	COUNTRY/REGION	SUPPORT
	Benin	Needs assessment mission in flood-affected areas
	Haiti	Fielding of livestock experts to assist the Government in the formulation of a project proposal in livestock sector
	Japan	Fielding of food safety experts to assist in emergency assessment work related to the nuclear emergency
	Kenya	Plan of Action formulation mission
	Kyrgyzstan	Mission to support to the recently established Food Security and Agriculture Cluster
	Libya	Rapid assessment and project formulation exercises to boost surge capacity
	Madagascar	Plan of Action formulation mission
	Pakistan	Immediate support to the Pakistan floods response operation in terms of needs assessment, coordination and programme development
	Southeast Asia	Development of an action plan to roll-out IPC in selected countries, to be gradually scaled up across the region
	South Sudan	Land tenure programme formulation mission, anticipating the challenges and opportunities of independence
	Syrian Arab Republic	Participation in joint United Nations (UN)/Government needs assessment mission and emergency portfolio development in response to low rainfall/precipitation in the north
	West Bank and Gaza Strip	Fisheries appraisal mission to develop recommendations for more comprehensive livelihood assistance in the sector

42. The present set-up of reporting diverse emergency projects and support activities related to SFERA's revolving fund component as shown in the foregoing table, i.e., the "emergency coordination" and "needs assessment and programme development" windows, under the projects OSRO/GLO/402/MUL and OSRO/GLO/403/MUL, precludes an objective evaluation and cost-benefit analysis of the specific emergency support initiatives. This financial reporting set-up may not adequately address the financial reporting needs of FAO management, individual donors and other stakeholders.

Recommendation No. 3: We encourage the Organization to improve the reporting mechanism for FAO management, individual donors and other stakeholders taking into consideration that costs are assigned to every support mission funded out of the SFERA revolving fund component (OSRO/GLO/402/MUL and OSRO/GLO/403/MUL). It would be of great value to both fund donors and project evaluators if reporting of utilization is made in a more detailed manner that permits an evaluation and a cost-benefit analysis on a per mission basis.

Recommendation No. 4: Management should consider establishing definite criteria on allocating funds under the revolving fund to be adopted as official policies in the proposed guidelines in the governance and management of the SFERA.

43. Management commented that TCE and CSF have discussed the reporting issue and are exploring the possibility of opening new emergency coordination unit (ECU) and needs assessment (NA) accounts, with new project symbols and Oracle activity codes, so that the historic unrecoverable expenditures which remain under the projects OSRO/GLO/402/MUL and OSRO/GLO/403/MUL can be definitively “closed”.

44. They further commented that in order to provide donors the confidence that mechanisms are in place, that criteria are used and observed in allocating funds under OSRO/GLO/402/MUL and OSRO/GLO/403/MUL. TCE confirmed that these criteria shall be specifically outlined in the official policies on governance and management of SFERA which will be issued by the end of 2011.

Project information provided in FPMIS vis-à-vis RBM approach

45. We obtained from FPMIS relevant information for all emergency projects on which SFERA applications were made, focusing on the Strategic Framework. It was noted that the project information available in FPMIS presents the Strategic Objectives supported by the projects, Organizational Results, Regional Results, Organizational Outputs and Unit Results. **However, there was an absence of information on planned specific project products, services and activities for which responsible officers may be held accountable for delivering within a specified timeframe.** The Strategic Framework portions of project information sheets for SFERA-funded projects indicate the following: “*Project contribution to a Product/Service has not been identified*”. This is not reflective and aligned to the RBM approach.

46. TCE noted that under the 2010-2011 Programme of Work and Budget (PWB), the link between emergency projects and Strategic Framework was performed at the output level, i.e. Unit Results in the FAO RBM results chain. These are contained in a separate document but were not mapped in FPMIS. The link at the project/service level is planned for 2012-2013. According to TCE, by then products/services indicated in a separate document will be reflected in FPMIS as the software will be synchronized with PIREs (from which data were extracted).

47. It is worthy to mention that, as part of TCE’s ongoing efforts to shift from a resource-based to a results-based management, an integrated results-based planning and monitoring tool was designed for TCE field and headquarters staff in charge of designing, implementing, monitoring and reporting on emergency projects, to better plan and monitor results of interventions. This tool, which is centered on the FAO standard logical framework, aims to achieve an improved level of accountability of FAO to donors and member countries on how funds are used.

48. TCE’s results-based planning and monitoring tool aims to specifically define project impact, outcome, outputs and activities or specific actions to be taken to produce the outputs, as well as corresponding indicators for outputs, outcome and impact. The tool, in a matrix form, also includes a monitoring portion which contains information on baseline data, units of measurement and milestones (intermediary results by period reported on), results up to date/final, percentage reached, achievements against targets, and end of project targets.

49. The Strategic Framework currently presented in FPMIS for SFERA-funded projects does not provide information on planned specific project products, services and activities for which responsible officers may be held accountable for delivering within a specified timeframe. However, efforts have been deployed over the last biennium to improve the link between the emergency projects and the Strategic Framework. This is a work in progress that needs to be pursued.

50. Furthermore, our review noted the absence in FPMIS of the RBM matrix (for all the 2010-2011 SFERA-funded projects. Although relevant data may be available in separate documents (i.e. project documents and progress reports) the non-inclusion in FPMIS of the RBM matrix for every project, which include work plans and intermediary results, may not fully guarantee an enhanced

monitoring of work plans. Thus, sufficient and relevant information necessary for monitoring and reporting of projects may not be readily available to stakeholders.

Recommendation No. 5: TCE should include in the information provided by FPMIS for SFERA-funded projects the planned specific project products, services and activities under the Strategic Framework, to add value to the project information made available by FPMIS, for purposes of corporate and donor reporting, and to make it reflective of the RBM approach.

Recommendation No. 6: TCE should provide for every project a RBM matrix in the FPMIS to provide sufficient information on the progress of project activities and project fund utilization.

51. The link at the project/service level is planned for 2012-2013 when products/services indicated in a separate document will be reflected in FPMIS as the software will be synchronized with PIRES (from which data were extracted).

Contributions and other sources of receipts of SFERA

52. Contributions received from donors, retention/transfers of fund balances and interest earnings, and transfers from the direct operating cost recovery account from biennium 2004-2005 to the current biennium are as follows:

Biennium	Amount of Contributions Received/Transfers (in millions)	Amount of increase (decrease) from the previous biennium (in millions)	Percentage increase (decrease) from the previous biennium (%)
2004-2005	USD 24.781		
2006-2007	47.599	22.818	92%
2008-2009	22.604	-24.995	-52%
2010-2011 (up to 31 October 2011)	9.598	-13.006	-59%

53. As shown in the table above, a USD 22.818 million or 92 per cent increase of fund inflows was noted in biennium 2006-2007. Remarkably, donations and transfers increased from USD 24.781 million in biennium 2004-2005 to USD 47.599 million in biennium 2006-2007. In biennium 2008-2009, however, fund increments were noted to decline by USD 24.995 million, or 52 per cent lower than those of the preceding biennium. A further decline by USD 13.006 million was also noted in the current biennium, bringing total donations and transfers as of 31 October 2011 to only as much as USD 9.598 million, which is 59 per cent lower than the donations received in the immediately preceding biennium.

54. According to TCE, various elements explain the fluctuations observed in terms of contribution. Resources mobilized over the first two biennia were essential to build quickly the “Working Capital” component of the fund. The current level of funds under this component (over USD 30 million) currently provides FAO with an appropriate capacity to respond to new crisis.

55. As regards fund utilization, on the other hand, TCE commented that the significant increase of the resources mobilized over 2006-07 is explained by the development of the Avian Influenza crisis. SFERA was the most appropriate tool to respond to such a worldwide crisis. In the subsequent biennia, no crisis of a similar nature required such a programme approach, which explains part of the decline noted over 2008-09 and 2010-11. Currently a similar approach is followed for the response to

the HoA crisis, for which donors' support is proposed to be channelled through the SFERA to ensure synergies.

56. TCE further commented that while less significant in terms of fund amount but strategic from an impact perspective, two main resource mobilization approaches were initiated/ developed over the last two biennia:

- 1) The systematic request to any donor to transfer unspent balances of closed projects to the SFERA. Up to USD 2 million are annually mobilized through this mechanism, which contributes to replenish the Revolving component of the fund;
- 2) The establishment of a new "Agriculture Inputs Response Capacity" window under the Programme component of the fund, through which strategic funding in the range of USD 5-6 million per biennium is mobilized for urgent distribution of agricultural inputs.

57. The declining trend in biennial receipts of donors' contributions and transfers to SFERA may denote a waning interest on the part of member countries to support FAO's emergency response initiatives. If not properly addressed, this could have an adverse impact on FAO's efforts to promote and sustain SFERA as an effective approach in responding to crises, in view of a perceived risk of fund depletion.

Recommendation No. 7: To mitigate the risk of fund depletion, which may lead to the Fund's inability to finance emergency response activities in the event of major catastrophes, we recommend that FAO sustain its campaign efforts for the support of more member countries and other donors to the organization's emergency and rehabilitation programmes.

Recommendation No. 8: FAO should expand its partnership with a wider donor base and encourage donors to directly contribute to SFERA (specifically for needs assessment, coordination and programme formulation), and to coordinate with donors to commit to the Fund unspent balances of completed and closed projects funded out of extra-budgetary sources.

58. TCE acknowledged the value of the audit recommendations on the governance and management of the SFERA.

CONCLUSION

59. The contribution of SFERA in responding to food and agricultural threats and emergencies has been established as it supports the achievement of Strategic Objective I. Thus, to further enhance the governance and management of the Fund, the External Auditor provided eight value-adding recommendations to management.

60. The highlight of the audit recommendations is the immediate issuance of the comprehensive guidelines on the governance and management of the SFERA in view of the increasing number of emergency projects supported by the fund. Its immediate issuance will help address the risks in the management of the fund.

61. The External Auditor will continue to include in its audit plan the review of SFERA to provide the management and the Finance Committee an independent assessment of the governance and management of SFERA.