



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

FINANCE COMMITTEE

Hundred and Twenty-sixth Session

Rome, 11 – 15 May 2009

Final Report of the Finance Committee on Items 4, 5, 6 and 16

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ITEM 4 – TERMS OF REFERENCE OF THE ENTERPRISE RISK MANAGEMENT STUDY

1. While recalling that Enterprise Risk Management (ERM) is part of the Conference decision on the Immediate Plan of Action (IPA), the Committee found the information before it insufficient to enable it to take a decision on the conduct of an ERM study, in particular due to the provisional nature of the Terms of Reference (ToR) and a lack of detail and costing.
2. The Committee decided to postpone a decision on the ERM study to its July session. It requested that more detailed ToR be presented following the outcome of the ongoing Enterprise Risk Assessment exercise, in order to allow it to take an informed decision at that time.

ITEM 5 – REVIEW OF THE TRUST FUND FOR THE IMMEDIATE PLAN OF ACTION

3. The Committee appreciated the satisfactory progress regarding the implementation of the IPA for FAO Renewal as well as Management's commitment to the implementation of the IPA.
4. The Committee reiterated that the IPA was a top priority for the Organization which constituted a necessary investment for its future.
5. It recalled that Conference Resolution 1/2008 foresaw that IPA implementation in 2009 was to be funded through voluntary extra-budgetary contributions, but expressed concern regarding the current low level of financial contributions to the IPA Trust Fund. It noted that the cash contributions to the Trust Fund as at 11 May 2009 amounted to USD 3.4 million compared to an estimated requirement in 2009 of USD 19.9 million before taking account of the final phase of the Root and Branch Review (RBR). It noted in particular that there had not been any significant improvement since it last reviewed the situation in March, although it was encouraged by the indication of forthcoming contributions from some members.
6. The Committee recalled its conclusion at its 125th Session in March 2009 to review a prioritization of IPA actions if substantial additional contributions to the Trust Fund were not forthcoming by May, and noted Management's agreement with such a course of action. It therefore recommended that Management prepare details on the sequencing of the implementation of IPA activities better aligned with the resources likely to become available in 2009, for review by the Conference Committee on Follow-up to the Independent External Evaluation of the FAO (CoC-IEE) at a session before the 136th Council in June 2009. It looked forward to a further review of the Trust Fund at the Finance Committee session in July.
7. The Committee urged additional contributions from Members, including the provision of unearmarked extra-budgetary contributions in order to facilitate funding for the IPA. It also pressed for proposals of innovative solutions and expressed a willingness to support prudent budget flexibility to fund the IPA in ways that would not undermine the implementation of the 2009 Programme of Work of the Organization, *inter alia* in cases where extra-budgetary resources offered opportunities for freeing resources from the regular budget.
8. The Committee welcomed Management's continuing efforts to encourage Member Countries to contribute to the IPA Trust Fund, including communications from the Director-General to the Permanent Representations to FAO. The Committee recommended to the Chairperson of the CoC-IEE to nominate a champion as soon as possible before the June session of Council among the member states to seek funding for the IPA, and to assemble a group with representatives of all regions to engage in advocacy and active fundraising.

ITEM 6 – ELEMENTS OF THE ROOT AND BRANCH REVIEW

9. The Committee noted the issuance of the Stage 2 report of the Root and Branch Review (RBR) by the external consultants, Ernst and Young (EY). It appreciated the presence of EY consultants and the FAO RBR Workstream Leaders during discussion of the topic. The Committee welcomed an oral presentation by the Secretariat outlining preliminary elements of the substantive Management Response on the RBR Stage 2 report, in addition to the initial comments on costs and savings contained in the executive summary of the report, which had been provided to the Committee earlier. The Committee noted the preliminary nature of its own consideration on the RBR final deliverable, and that a substantive Management Response would be provided to a meeting of Working Group III of the CoC-IEE due to be held on 20 May.
10. The RBR's holistic vision of organizational structure and FAO's administrative processes were appreciated by the Committee. It was however noted that the review could have benefited from greater involvement of decentralized offices and technical departments as well as a detailed review of the Shared Services Centre.
11. The Committee reaffirmed the centrality given to Human Resources, as well as the recommendation to institute a Chief Information Officer.
12. The Committee expressed the need for a monitoring mechanism of the implementation of specific RBR recommendations within the context of the IPA, and noted that responsibility for implementing these recommendations could be undertaken by IPA Project Leaders in view of intrinsic interrelation between the RBR and the IPA.
13. The Committee noted the EY consultants' statement on the wide range of concurrent initiatives being undertaken by the FAO under the auspices of the Reform process and recommended that the Organization prioritize and focus its attention on IPA actions and the RBR findings in a logical sequence. The Committee concurred that there were many contemporaneous initiatives and also drew attention also to their financial dimension and unquantified staff costs in moving forward with numerous initiatives. The Committee noted the importance of ensuring convergence and treatment of the RBR, IPA and other Reform initiatives in the Programme of Work and Budget (PWB) 2010-2011 and the Medium Term Plan (MTP) 2010-2013. In this respect, the Committee noted the need to address important initiatives previously endorsed by the Finance Committee and other Governing Bodies such as the implementation of the International Public Sector Accounting Standards (IPSAS).
14. The Committee supported the proposal regarding a jointly-governed Procurement unit to serve all three Rome-based agencies, but also agreed on the need for Member support in dealing with the question, and sought further clarification on the matter. The Committee welcomed the fact that the collaboration with the Rome-based agencies which had started some years ago, for example for electricity supply, was being further developed in a number of other areas following recent meetings with WFP and IFAD, and looked forward to a progress report on developments in this arena at its July session. It noted that acquiescence of all the Rome-based agencies was necessary in order to implement the RBR recommendation for a joint procurement unit. In this respect, the Committee welcomed FAO's active participation in system-wide procurement through the UN Global Marketplace and was informed that the UN system-wide Plan of Action for the Harmonization of Business Practices included priority funding in the Procurement area.
15. Some members sought further details on the suggested review by the RBR of the administrative processes carried out in ODG. The Committee noted the EY clarification that the RBR focused its available resources and time on the analysis of the Corporate Services function, but considered that this review should proceed in order to ensure a more effective delivery of the support and administrative activities, and in order to speed up the decision making process. The Committee noted the Secretariat clarification that it agreed with the recommendation within the context of appropriate prioritisation and funding framework for the implementation of RBR recommendations and the IPA.

16. Some members of the Committee expressed concerns about the RBR's recommendations regarding translation, stressing the need to ensure adequate quality and timeliness of the translations. The Committee noted EY's recognition that FAO had an efficient translation service but also noted that the costs of internal translation were higher than the rates applied by freelance translators. The Secretariat noted that FAO was one of only two UN agencies which fully backcharged translation services, and rates were substantially lower than in the other such agency. It was also noted that the present proportion of translation work outsourced was higher than in any other comparable UN agency. The costs of translation in FAO represented about 1% of the total net appropriation, which was less than other comparable organizations. Whilst the thrust of the RBR recommendation was agreed by the Secretariat, there were differences on the degree to which outsourcing of translation could be pursued. The Secretariat clarified that the quantity of urgent (in-session) and confidential translations, plus the internal work to revise and check the quality of externally-translated material (as recommended by EY), required translation groups per language of about the current size.

17. The Committee recognized the need to balance up front costs of implementing the RBR recommendation against longer-term savings and noted the caution expressed by the Secretariat about the level of one-time costs stated by EY, which were believed to be too low. The Secretariat had also noted in its preliminary response that certain issues like staff redeployment costs did not appear to be covered. The Committee noted the caution expressed about the quantum of the savings, and of the timeframe at which they could be envisaged to come on stream. While EY observed that redeployment costs could potentially be minimized by re-using displaced staff elsewhere, the Secretariat pointed to the fact that such redeployments could reduce one-time costs, but that the impact on savings would also have to be examined.

18. Having listened to the Secretariat's and EY's explanation, the Committee concurred that a seven year timeframe would be a more viable approach for examining the overall savings stream than the five-year timeframe proposed in the RBR, as it gave a more balanced view of the ultimate benefit of the proposals by demonstrating that the net savings increased significantly once the one-time costs had been covered.

19. The Committee recognised the need for further consultation between the Secretariat and the EY consultants in order to seek convergence on viable RBR recommendations and their potential costs and savings, and looked forward to being advised of the outcome of such consultations.

ITEM 16 – PROGRESS REPORT ON IMPLEMENTATION OF HUMAN RESOURCES MANAGEMENT STRATEGY AND POLICY FRAMEWORK

20. The Committee noted that human resources (HR) management was fundamental and a key component of the FAO reform and recalled its decision at its 125th Session in March 2009 that the HR strategy framework should be a standing item on the agenda of its future sessions.

21. It appreciated the progress made by the Organization in the development of the HR Management Strategy & Policy Framework, embodying three consolidated key HR goals, namely (a) to enable a workforce of excellence and high performance; (b) to establish HR as a strategic partner in corporate management; and (c) to provide efficient and effective HR service in support of programme delivery.

22. The Committee recommended that the Secretariat continue in its efforts to clearly align these HR goals to Functional Objective Y entitled "efficient and effective administration" and expected that this would be reflected in the detailed development of the three underlying Organizational Results and indicators for the MTP 2010-2013 and the PWBudget 2010-11. It was satisfied that this would provide the basis for a results-based formulation of indicators of achievement and targets related to specific HR activities and enable the Committee to exercise its

oversight role. It stressed the importance of ensuring measurable metrics for the improvement in efficiency and effectiveness.

23. The Committee acknowledged the importance of the six principal HR initiatives outlined in document FC 126/16¹, namely Performance Evaluation, Management/Leadership training, Management Information Reporting, new HR Policies, support to restructuring, and streamlining, as being central for the effective delivery of the HR goals.

24. The Committee received an oral update on the final recommendations in the RBR as regards the HR area as well as Management's preliminary reactions thereon, and agreed to continue its discussion on this matter at its July session.

25. The Committee was informed that the RBR recommendation on the staffing levels for the HR function, specifically the establishment of a benchmark for the optimal HR staff to employee ratio for the Organization, required further discussions with the external consulting firm. The Committee asked to be apprised of the outcome of these further discussions.

26. The Committee recognized that the HR Management Strategy & Policy Framework continued to be a living document and concluded that the general framework taking into account the agreed recommendations of the RBR be presented within the context of the MTP 2010-13 for review at its session in July 2009.

¹ *Progress Report on Implementation of Human Resources Management Strategy and Policy Framework*