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FINANCE COMMITTEE

Hundred and Thirty-Fifth Session

Rome, 25 – 29 October 2010

**Immediate Plan of Action: Financial Plan 2010-11 and Estimated
Financial Requirements 2012-13**

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EXECUTIVE SUMMARY

- As at 17 September 2010, the Immediate Plan of Action for FAO Renewal (IPA) Trust Fund had received contributions amounting to USD 8.80 million and confirmed pledges for a total of USD 9.01 million. The Trust Fund will be fully spent by year-end.
- Against the USD 39.6 million allocated under the 2010-11 budgetary appropriations to fund the implementation of the IPA, expenditure as at end September 2010 was USD 10.02 million, with anticipated total expenditure of USD 16.82 million by year-end.
- Based on an assessment of 2010 expenditure and delivery to-date, management confirms that the overall budgetary requirements and aggregate costs and savings remain the same as the approved 2010-11 appropriation at USD 39.6 million (Conference Resolution 3/2009), with some variations between IPA projects.
- The total preliminary estimated 2012-13 IPA programme costs are USD 39.5 million. This comprises IPA programme costs for new initiatives that will commence during 2012-13 of USD 15.0 million plus net recurrent costs in 2012-13 of IPA actions that commenced during 2010-11 of USD 24.5 million. Updated figures will be presented in the Programme of Work (PWB) 2012-13.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

The Committee is requested to take note of and provide any guidance on:

- anticipated full expenditure of the 2009 Trust Fund balance of USD 3.08 million in 2010 in line with donor agreements;
- forecasted 2010 IPA project expenditure of USD 16.82 million against the assessed contribution of USD 39.6 million, and forecasted 2010-11 IPA budget variations between projects; and
- the preliminary 2012-13 IPA programme estimates of USD 39.5 million, incorporating both new programme costs and 2010-11 net recurrent costs.

Draft Advice

- **The Committee took note of the IPA financial report which included the IPA Trust Fund balances, the 2010-11 budget variations and the preliminary 2012-13 IPA programme costs.**

INTRODUCTION

1. In approving the IPA in 2008, the Conference decided to establish a special Trust Fund to receive extra-budgetary resources for implementation of the IPA in 2009, and that its funding for 2010-11 would be treated under the Programme of Work and Budget (PWB).¹ The Finance Committee has subsequently considered financial reports on IPA implementation at its sessions in 2009 and 2010.

2. The implementation of the IPA is financed in 2010-11 under the budgetary appropriations voted by the Conference² for the PWB, as well as the unspent balance from the 2009 IPA Trust Fund carried forward to 2010. As requested by the Finance Committee at its 132nd Session in April 2010, this report provides an update of the IPA financial plan for 2010-11 including the status of carry over of the IPA Trust Fund, and the estimated IPA financial requirements for 2012-13.

2010-11 IPA FINANCIAL PLAN – FUNDING AND EXPENDITURE

Current Status of IPA Trust Fund

3. At its 132nd Session in April 2010, the Finance Committee noted that as at end 2009 USD 4.99 million was expended against the IPA Trust Fund of USD 8.07 million (net of 7% project support cost), leaving a balance of USD 3.08 million³. As these Trust Fund resources were fully required in 2010-11 for IPA activities the Committee appreciated that Management would undertake the carry over of the unspent balance from the IPA Trust Fund to 2010 in liaison with all the donors⁴. Management has contacted the donors to sign an agreement for carry over of the unspent Trust Fund balance of USD 3.08 million to the year 2010. Positive responses have been received from most donors, with no negative feedback.

4. As at 17 September 2010, of the confirmed pledges by Members to contribute a total of USD 9.01 million to the IPA Trust Fund in response to the call by the FAO Conference in 2008, a total of USD 8.80 million in contributions had been received, as further detailed in Annex 1.

5. The unspent balance of USD 3.08 million at the end of 2009 will be fully spent (i.e. recorded as valid expenditure or commitment) by end 2010, for the following IPA activities:

- *Project 8* Partnerships (actions 3.109, 3.110, 3.117) – Civil society and Private sector actions
- *Project 11b* Information Technology (action 7.26) – Design of MIS⁵
- *Project 14* Human Resources (action 3.60) – Management Leadership Programme training
- *Project 14* Human Resources (action 3.70) – PEMS⁶ training programme
- *Project 15* Governing Body Follow-up (action 4.6a) – CoC-IEE⁷ meetings

2010 IPA Expenditure under the PWB

6. As reported to the CoC-IEE⁸ in April 2010, the IPA budget for 2010 under the PWB was allotted to the individual IPA projects for expenditure against 2010 planned IPA activities.

¹ CR 1/2008 para 3 refers

² CR 3/2009 para 2 refers

³ FC 132/12 refers

⁴ CL 139/8, para 48.

⁵ Management Information Systems

⁶ Performance Evaluation Management System

⁷ Conference Committee on Follow-up to the Independent External Evaluation of FAO

7. Management has continued to closely monitor the overall IPA expenditure for 2010 against the approved biennial budget of USD 39.6 million. As at end September 2010, the IPA expenditure (recorded expenditures and commitments) totalled USD 10.02 million. An additional USD 6.81 million of recorded expenditures and commitments is expected by end 2010, including large commitments within the areas of Reform of Administrative Systems, Information Technology (IT), Culture Change and Human Resources, specifically:

- Project 9 Reform of Administrative and Management Systems (action 7.16 – Define plan for registry)
- Project 11b Information Technology (action 3.90 – Upgrade ICT⁹ in Decentralized Offices)
- Project 11b Information Technology (action 7.25 – Enhance Enterprise Resource Planning system)
- Project 11b Information Technology (action 7.26 – Design of Management Information System)
- Project 13 Culture Change (action 3.32 – Implement vision)
- Project 14 Human Resources (action 3.61 - Staff Rotation)

8. Taking into account the anticipated total expenditure of USD 16.82 million for 2010 and the anticipated utilization of the IPA Trust Fund balance of USD 3.08 million brought forward from 2009, the total expected expenditure on the IPA in 2010 is USD 19.91 million (Table 1).

⁸ Annex III, April Coc-IEE

⁹ Information and Communication Technologies

Table 1 –Total expected 2010 IPA Project Expenditure

IPA Project	Expected 2010 IPA Expenditure (USD Millions)			
	Actual Expenditure as at 30/09/10	Anticipated additional expenditure by 31/12/10	Anticipated utilization of Trust Fund Balance	Total
1. Governing Body Reform	0.63	0.75		1.38
2. Oversight	0.63	0.38	0.13	1.14
3a. Reform of programme budgeting & RBM	0.15	0.09		0.24
3b. Publishing in all languages	0.09	0.14		0.23
4. Resource mobilization and management	0.31	0.41		0.72
5. Technical Cooperation Programme	0.08	0.01		0.09
6. Decentralization	0.28	0.15		0.43
7a. Headquarters structure	0.53	0.07		0.60
8. Partnerships	0.44	0.15	0.08	0.67
9. Reform of Administrative and Management Systems	1.89	0.36		2.25
11b. Information Technology	1.41	2.25	0.04	3.70
12. Enterprise Risk Management	0.07	0.03		0.10
13. Culture change	0.33	0.37		0.70
14. Human resources	1.72	1.45	2.52	5.69
15. IPA governing body follow-up	0.04	0.04	0.15	0.23
16. IPA management follow-up	1.42	0.16	0.16	1.74
Total	10.02	6.81	3.08	19.91

2010-11 IPA Budget Revisions

9. Conference Resolution 3/2009 allocated USD 39.6 million to fund the implementation of the IPA under the budgetary appropriations, comprising an estimated amount of USD 18.2 million for net recurring costs and USD 21.4 million for investment costs, as shown in row 1 of Table 2. Management has completed an assessment of the 2010-11 IPA project budgets based on 2010 expenditure and delivery to-date. Whilst the overall budgetary requirements and aggregate costs and savings remain the same as the approved 2010-11 appropriation at USD 39.6 million (see Row 2 of Table 2), there have been some variations between IPA projects, as show in Table 3.

Table 2 – Summary of 2010-11 IPA costs and savings – including budget revisions

2010-11 IPA costs and savings (in USD millions)					
	One-time	Recurrent			Total
	Investment	Costs	Savings	Net	Total
Row 1: PWB 2010-11	21.4	23.5	-5.3	18.2	39.6
Row 2: Revised 2010-11	21.9	23.0	-5.3	17.7	39.6

Table 3 -2010-11 Summary of IPA Budget variations by Project

IPA Project 2010/11 USD Millions	Original Budget	Revised Budget	Variation
1. Governing Body Reform	3.67	2.87	-0.80
2. Oversight	2.40	2.40	0.00
3a. Reform of Programme, Budgeting & RBM	0.70	0.49	-0.21
3b. Publishing in all languages	0.30	0.38	0.08
4. Resource mobilization and management	1.43	1.43	0.00
5. Technical Cooperation Programme	-0.62	-0.62	0.00
6. Decentralization	0.80	0.80	0.00
7a. Headquarters structure	0.63	0.63	0.00
8. Partnerships	1.18	1.38	0.20
9. Reform of Administrative and Management Systems	1.68	2.89	1.21
11b. Information Technology	9.24	10.40	1.16
12. Enterprise Risk Management	1.30	0.70	-0.60
13. Culture change	2.30	2.30	0.00
14. Human Resources	11.27	9.91	-1.36
15. IPA governing body follow-up	0.16	0.48	0.32
16. IPA management follow-up	3.16	3.16	0.00
Total	39.60	39.60	0.00

10. Projects with significant budget variations include:

- *Project 1* Governing Body Reform (USD 0.8 million decrease) - primarily due to reduction in informal meetings.
- *Project 9* Reform of Administrative and Management Systems (USD 1.21 million increase) - to allow for additional procurement training of staff in Regional and Local offices and also increase staffing of procurement officers in the field.
- *Project 11b* Information Technology (USD 1.16 million increase) – to improve the internet services in countries that have limited connectivity by upgrading the Internet Service Provider thereby improving knowledge sharing, collaboration and video conferencing capabilities (including Skype).
- *Project 12* Enterprise Risk Management (USD 0.60 million decrease) - primarily due to a new approach to ERM leading to a revision in project scope.

- *Project 14* Human Resources (USD 1.36 million decrease) - due to a lower level of staff rotations for the biennium compared with the target, and delayed start of personnel for HR activities.
- *Project 15* Governing Body Reform (USD 0.32 million increase) - to cover costs of documentation for the CoC-IEE meetings.

11. To the total cost estimate for the Integrated IPA 2010-11 programme of USD 39.6 million is added USD 3.08 million (carry over from the IPA Trust Fund) to generate a total IPA programme funding and expected expenditure for 2010/11 of USD 42.69 million.

12. Management will continue to provide regular reports on expenditure and commitments against these revised IPA project budgets at future CoC-IEE and Finance Committee meetings.

2012-13 ESTIMATED IPA FINANCIAL REQUIREMENT

13. As requested by the Finance Committee at its 132nd Session, as well as by Members at the June 2010 CoC-IEE meeting, Management has developed a preliminary estimate of the IPA budgetary requirements for 2012-13, taking account of both the ongoing financial effect of the IPA actions already initiated and any planned new initiatives.

Ongoing financial effect of 2010-11 IPA Programme in 2012-13

14. The starting point for developing the ongoing financial effect of the IPA programme initiated in 2010-11 is shown in row 2 of Table 2. One-time investment costs of USD 21.9 million incurred in 2010-11 will not be required in 2012-13, as shown in row 1 of Table 4. The full net recurrent costs (recurrent costs less recurrent savings) that take shape at some stage during 2010-11 will be incurred throughout 2012-13 to support the on-going activities arising from the IPA as shown in row 1 of Table 4. These costs total USD 24.5 million. They are higher than the 2010-11 net recurrent costs of USD 17.7 million indicated in row 2 of Table 2 because such costs and savings are incurred for the *full* 24 months in 2012-13.

New 2012-13 IPA Programme Costs

15. In estimating the new IPA programme requirements for 2012-13 Management took into consideration two sets of costs

- a) The estimated costs of IPA projects delayed or extended in 2009 were revisited (following the advice of the Governing Bodies to reduce the financial impact of the IPA by USD 21.2 million for 2010-11) and estimates were made of the impact of 2012-13 costs¹⁰
- b) The 2012-13 costs and savings of actions to be taken as a result of the Root and Branch review¹¹

16. In arriving at the preliminary estimates for 2012-13 IPA programme, Management made a number of assumptions regarding not reinstating some of the scope reductions which were made in 2009 (ref. doc. C 2009/15, paragraph 115):

- *Project 1* Governing body reform - IPA action 2.22 - The Council Report will consist of conclusions, decisions and recommendations (verbatim to provide detail and be published in all languages) - not reinstated in the 2012-13 IPA programme

¹⁰ Specifically, IPA actions totalling USD 21.2 million contained in the draft PWB 2010-11 (PC 102/3 – FC 128/11 a) Rev.1) considered by the Programme and Finance Committees in July 2009 that were eliminated or reduced in the PWB 2010-11 proposed to Conference (C 2009/15) as a result of management reducing scope, extending timeframes, or delaying proposed start dates. These Management actions were taken to reduce the financial impact of the IPA programme for 2010-11 from USD 59.8 million (proposal July 2009) to USD 38.6 million (PWB 2010-11, para 115) and to mitigate risk, as reported in document C 2009/7.

¹¹ Table 1 and Annex 2 RBR costs and savings - CoC-IEE report, June 2009

- *Project 12* Enterprise Risk Management – (action 3.54) - Full Implementation of Enterprise Risk Management Structure and systems - new Enterprise Risk Management (ERM) approach – funding not required in 2012-13
- *Project 14* Human Resources - (action 3.61) - Establish an incentive based rotation policy in HQ and between HQ and the decentralized offices with clear criteria - decision to not increase number of staff rotations to original estimated numbers
- *Project 14* Human Resources – (action 3.68) - Rationalize the use of FAO retirees who will not be rehired for at least six months after their retirement from FAO - absorbed within divisional budgets
- *Project 14* Human Resources – (action 3.73) - Establish a staff redeployment fund initially funded from extra-budgetary resources and subsequently funded from a proportion of staff costs - no additional funding in IPA for staff redeployments

17. Taking into account the scope reductions, IPA projects that were delayed or extended, and the 2012-13 Root and Branch review costs and savings, a new 2012-13 IPA programme was developed with a projected net cost of USD 15.0 million - see row 2, Table 4.

Table 4 - Summary of IPA Budgetary Requirements for 2012-13 - preliminary estimates

2012-13 IPA costs and savings (USD millions)					
	One-time	Recurrent			Total
	Investment	Costs	Savings	Net	Total
Row 1. Financial effect of 2010-11 IPA Programme	0.0	32.5	-8.0	24.5	24.5
Row 2. New IPA Programme Costs	13.6	3.9	-2.5	1.4	15.0
2012-13 Programme Total	13.6	36.4	-10.5	25.9	39.5

18. In summary, the total preliminary estimated 2012-13 IPA programme costs are USD 39.5 million. This comprises IPA programme costs for new initiatives that will commence during 2012-13 of USD 15.0 million, plus net recurrent costs in 2012-13 of IPA actions that commenced during 2010-11 of USD 24.5 million. Updated figures will be presented in the PWB 2012-13.

Annex 1

Contributions (USD) to IPA Trust Fund as at 17 September 2010				
Country	Type of Pledge	Amount pledged	Amount received	Extension 2010
Austria	MOU signed 12/12/08	65,933	65,933	
Australia	MOU signed on 7/04/09	111,900	111,900	Agreed
Brazil	C 35 statement	100,000	100,000	
Belgium	MOU signed 26/03/09	250,000	250,000	Agreed
Cameroon	MoU signed 9/11/09	23,579	23,579	
Chile	MOU signed 23/09/09	15,000	15,000	Agreed
China	Council declaration 18/05/2010	200,000		
Cyprus	Contribution	9,186	9,186	
Estonia	MOU signed 31/12/08	4,000	4,000	
EC	Agreement signed 6/08/09	1,388,889	1,380,814	Agreed
Ecuador	Spa Version MOU sent 8/09/09		3,202	Agreed
Egypt	LET/Noori/06/08/09MOU sent 14/08	20,273	20,273	Agreed
Finland	MOU signed 26/05/09	557,880	557,880	Agreed
France	Let/ADG-AFD/17/02/09	900,000	900,000	Agreed
Gabon	C 35 statement			
Germany	MOU signed 5/12/08	906,736	906,736	
Greece	C 35 statement+ transfer US\$ 4,757	91,095	91,095	
Indonesia		24,705	24,705	Agreed
Italy	NV received 11/02/09	1,200,000	1,200,000	Agreed
Ireland	Let/ODG/29/12/08	142,638	142,638	
Japan	C 35 statement			
Kenya	Payment on 27/08/09	1,616	1,616	
Lithuania	MOU prepared 22/10/09	5,000	5,000	
Mauritius	MOU signed 26/08/09	5,000	5,000	Agreed
Mozambique	N V received 22/01/09	1,680	1,680	
Netherlands	MOU signed 19/06/09	400,000	400,000	Agreed
Nigeria	MOU signed 04/06/09	25,000	25,000	
New Zealand	MOU signed 16/02/09	70,000	70,000	Agreed
Slovakia	Contribution	44,000	44,000	
South Africa	C 35 statementPayment 9/04/2010	144,777	144,777	Agreed
Spain	LET/DG/28/09/09	650,888	650,888	Agreed
Sweden	MOU signed 4/09/09	164,090	164,090	Agreed
Switzerland	2 MOUs signed28/01/09	301,434	301,434	Agreed
Thailand	MOU signed 16/09/09	50,000	50,000	Agreed
Turkey	Contribution received 17/11/09	60,000	60,000	Agreed
United Rep.of Tanzania	MOU signed 25/03/09	19,975	19,975	Agreed
United Kingdom	MOU signed 22/09/09	541,480	541,480	Agreed
United States	Let Glover/Nelson 24/08/09	500,000	500,000	
Vietnam	NV received 08/05/09 MOU sent 21/05	5,000		
Zambia	Payment on 16/09/09	10,000	10,000	
Transfer IEE Trust Fund		774	774	
TOTAL	36 PLEDGES	9,012,528	8,802,655	