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Продовольственная и
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Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación

COUNCIL

Hundred and Thirty-sixth session

Rome, 15 - 19 June 2009

Report of the 125th Session of the Finance Committee
Rome, 9 – 10 March 2009

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REPORT OF THE HUNDRED AND TWENTY-FIFTH SESSION OF THE
FINANCE COMMITTEE

Rome, 9 – 10 March 2009

Introduction

1. The Committee submitted to the Council the following report of its Hundred and Twenty-fifth Session.

2. The following representatives were present:

Chairperson: Mr Yasser A. R. Sorour (Egypt)
Vice-Chairperson: Mr Lee Brudvig (United States of America)
Members: Mr MOUNGUI MÉDI (Cameroon)
Ms Yao Xiangjun (China)
Mr Søren Skafté (Denmark)
Mr Jean-Jacques Soula (France)
Mr Eckhard W. Hein (Germany)
H.E. Jorge E. Chen Charpentier (Mexico)
Mr Aamir A. Khawaja (Pakistan)
H.E. Eudoro Jaén Esquivel (Panama)

3. The Chairperson informed the Committee that Ms Yao Xiangjun had been designated to replace Mr Li Zhengdong as the representative of the People's Republic of China at this session. A summary of the qualifications of Ms Yao is listed in the addendum to this report (CL 136/7-Add.1). The Committee was also informed that Mr Robert Sabiiti (Uganda) would regrettably be unable to attend the session.

4. Some Members of the Committee voiced concern regarding the late submission of documents.

5. The Committee decided, under Rule II.3 of the Rules of Procedure of the Finance Committee to open, without prejudice to Rule II.3, the deliberations of its 125th Session to silent observers from all Member Nations of the Organization.

Reform and Immediate Plan of Action

REVIEW OF THE TRUST FUND FOR THE IMMEDIATE PLAN OF ACTION

6. In reviewing the status of the Trust Fund for the Immediate Plan of Action (IPA), the Committee noted that as at 6 March 2009, the Trust Fund had received confirmed pledges from donors for a total amount of USD 6 252 030, while the total amount of cash available in the Trust Fund amounted to USD 3 130 856. The Committee asked that those member countries pledging funds make deposits as soon as possible.

7. The Committee recommended that more member countries make pledges as a demonstration of the shared ownership and commitment to the IPA reflected in Conference Resolution 1/2008.

8. The Committee was informed of measures being initiated by Management to improve its communication on the implementation of the IPA to Members, including fortnightly news letters and informal briefings with Rome-based Members. The Committee also recalled measures being contemplated under the auspices of the Conference Committee on Follow-up to the Independent External Evaluation of FAO (CoC-IEE), including the designation of a *champion* from amongst the Permanent Representatives to encourage further pledges to the Trust Fund for the IPA. The Committee was informed of efforts by the Director General to encourage contributions into the Trust Fund during his travels to member countries, and the ongoing visits of the Chairperson of the CoC-IEE to member countries in this regard.

9. The Committee called upon member countries to engage in active fundraising and encouraged Management to continue its support to such efforts, including in conjunction with Regional Conferences.

10. The Committee requested that the status of the Trust Fund be a standing item on its agenda at its future meetings in 2009, including a summary of expenditures charged against the Trust Fund.

UPDATE ON THE ESTIMATED COSTS AND FUNDING MODALITIES OF THE IMMEDIATE PLAN OF ACTION

11. The Committee examined the document on Estimated Costs and Funding Modalities of the Immediate Plan of Action as a follow-up to the review undertaken at its Hundred and Twenty-third Session.

12. The Committee recognized the multiple demands placed on the Organization in implementing concurrently the 2009 planned programme of work, FAO reforms, and in playing its part in shaping the global governance architecture for food security. Members stressed the paramount importance of a renewed Organization, making FAO more efficient and effective.

13. The Committee appreciated that the cost estimates for the IPA actions had been updated bottom-up by concerned project managers.

14. It noted, however, that the document contained some editorial errors and inconsistencies between tabular and narrative presentation. It made suggestions for several changes in the presentation of data on this item in future sessions including: a more visible presentation of the savings that would be derived from IPA actions; improved formatting to align explanatory text adjacent to tabular presentation; and finally, an account of actual expenditures against forecasts and available budget. Timely availability of the document was important for full consideration by Members.

15. The Committee sought clarification on a number of cost and savings elements in the document, and expressed appreciation for the efforts exerted by the project managers in reviewing the estimated project costs as well as their presence in the session to respond to its requests for clarification.

16. The Committee looked forward in particular to updated cost estimates for the IPA at its next session based upon the stage 2 costing from the Root and Branch Review.

17. The Committee noted that over half of the IPA actions could be initiated within the planned Programme of Work and Budget 2008-09 and therefore did not require extra-budgetary funding.

18. The Committee supported in principle Management's cautionary approach to spending and at the same time the Committee noted that to-date the only expenditure charged against the Trust Fund pertained to some of the interpretation and translation costs for the meetings for the Conference Committee and its subsidiary bodies.

19. The Committee welcomed that the review of estimated project costs had resulted in a reduction in the requirement for voluntary funding in 2009 from USD 21.8 million (USD 23.39 million including 7% Project Support Costs) to USD 18.6 million (USD 19.9 million including 7% Project Support Costs), and a reduction of USD 0.42 million in the preliminary and tentative estimated costs for 2010-11.
20. The Committee noted that estimated cost reductions in 2009 were due primarily to delays in planned expenditures from 2009 to 2010-11 rather than to reduced 2009 cost estimates. It noted that this had not resulted in a corresponding increase in the total estimated cost for 2010/11 owing to a significant reduction of USD 3.4 million in the 2010-11 estimated cost for staff redeployment and separation (from USD 12.4 million to USD 9 million).
21. The Committee received clarification that the estimated reduction in redeployment and separation costs in 2010-11 was due to more timely action than originally assumed to redeploy staff affected by delayering. The Committee was informed that, in addition to the 13 headquarters D-level posts already delayered in 2008 on account of efficiency savings, 27 D-level posts would be delayered under the IPA and was assured that USD 17.4 million in savings would accrue in the 2010-11 biennium. The Committee also received reassurance that the forecast savings of USD 0.9 million in the TCP project cycle and approval processes was on track for 2010-11, and that further savings could be identified under the ongoing Root and Branch review. It urged the continued search for savings during IPA implementation.
22. The Committee reiterated the importance of considering all avenues for identifying resources, such as windfall savings or from freed up Regular Programme resources as a result of extra-budgetary contributions in support of technical programmes, while ensuring that the planned Programme of Work 2008-09 was fully implemented. The Committee noted that until now there had been no windfall savings or freed-up resources. Regarding the progress made in meeting the efficiency savings targets of USD 22.1 million in 2008-09, it was informed that USD 15.2 million in actual efficiency savings were expected to be achieved with the balance of USD 6.9 million to be found from one-time measures such as vacancies and a phased implementation of decentralization. The Committee looked forward to receiving a detailed update on efficiency savings at its next session.
23. The Committee noted that Council at its 119th Session in November 2000 had endorsed a policy on support cost reimbursements based on the principle of a reasonable alignment of charges to actual costs of providing administrative and operational support to projects. It appreciated that no waivers to this policy had been requested or granted since 2000, and recalled its concern at the persistent and growing under-recovery of administrative and operational support costs for extra-budgetary activities. The Committee was encouraged by the continuing inter-agency consultations on the harmonization of cost recovery policies.
24. In the case of the IPA Trust Fund, the Committee was satisfied that the proposed reduction of the project support cost to 7% was in accordance with the policy, since operational support was provided as a direct project cost in the project budget. While acknowledging the application of the policy, some Members were of the view that the IPA Trust Fund contained a very unique package of activities to strengthen FAO and a more flexible application of the policy might have been appropriate. It was recalled, however, that a 13% support cost rate was applied to the previous IEE Trust Fund for the preparation of the IEE report, and that several other organizations that had undergone reforms had charged support costs for the implementation of their reforms.
25. The Committee noted that if substantial additional voluntary contributions were not received by mid-May 2009, Management would need to prioritize actions in 2009 and postpone others to 2010-11, taking into account other avenues of funding. It requested that this be fully considered in the next report to the Finance Committee.

Human Resources Matters

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

26. The Finance Committee took note of the Progress Report on the Implementation of the Human Resources Management Strategy and Policy Framework as contained in document FC 125/4 and welcomed the progress that had been achieved to date in implementing the actions underpinning the three strategic goals.

27. Acknowledging that human resources (HR) management was fundamental and a key component of the FAO reform, the Committee underscored the importance of securing the requisite extrabudgetary funding under the IPA Trust Fund to implement the package of HR initiatives outlined in the Plan of Action and the strategy.

28. The Committee noted that the Secretariat would review the initial cost estimates of the proposed rotation policy and, upon finalising the policy, might reduce further these estimates. With regard to geographical distribution, the Committee reiterated its support of the delegation of authority to heads of departments and offices on recruitment of professional staff and recognised that the realisation of equitable geographic representation was ultimately a matter for which the Director-General was accountable. In this respect, the Committee emphasised the need for corporate oversight to ensure the effective monitoring of, and compliance by, Departments with the gender and geographic representation targets.

29. Reaffirming that the HR strategy framework should be a standing item on the agenda of its future sessions, the Committee requested that a “road map” be developed with timelines and measurable indicators for the implementation of the actions prescribed in the strategy, for consideration at its 126th Session to be held in May 2009.

Financial Matters

STATUS OF CONTRIBUTIONS AND ARREARS

30. The Committee took note of the information provided in document FC 125/5 – *Status of Contributions and Arrears*, which showed a lower cumulative percentage receipt of assessed contributions for the two months to February 2009 versus the corresponding period in 2008 (20.33% vs 22.00%). Due to time constraints it did not engage in thorough discussion and agreed to come back to it at its next session. The Committee noted the up-to-date information on the Organization’s cash flow situation circulated by the Deputy Director-General on 3 March 2009. The Finance Committee underlined the importance of information relating to the status of member countries’ current assessments and arrears, and was informed that such information was now available on the Organization’s public internet website, and updated on a monthly basis.

Other Matters

WORKING METHODS OF THE FINANCE COMMITTEE

31. The Finance Committee recalled Conference resolution 1/2008 (ref. C 2008/REP, para. 18.5) which outlined the role of the Committee vis-à-vis the Conference Committee (CoC-IEE) for continued follow-up to the Independent External Evaluation of FAO for the duration of 2009. In this context, the Committee decided that the report of its 125th Session be made available to the Members of the CoC-IEE as soon as it was adopted.

32. The Committee recognised the need to take into consideration the interrelation between its meetings and those of the CoC-IEE. It acknowledged the consequent constraints on the timing of preparation of Finance Committee documents, as Members request that the Committee be

provided with the latest proposals. At the same time, the Committee emphasised the requirement to receive documents in sufficient time in advance of its meetings to allow due consideration and preparation by Members. To this end, the Committee decided that henceforth documents be submitted to Members no later than two weeks before the start of any given session of the Finance Committee.

33. With specific reference to the forthcoming 126th Session in May 2009, the Committee noted that the Chairperson would coordinate with the Chairperson of the CoC-IEE to see whether the documents submitted to the Finance Committee could be informed by the deliberations of the CoC-IEE meeting scheduled for early May 2009.

DATE AND PLACE OF THE HUNDRED AND TWENTY-SIXTH SESSION

34. The Committee was informed that the 126th Session was tentatively scheduled to be held in Rome from 11 to 15 May 2009. The final dates of the session would be decided in consultation with the Chairperson.