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FINANCE COMMITTEE

Hundred and Thirty-second Session

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**Progress Report on Adjustments to the Programme of Work for
Unidentified Further Efficiency Gains and One-Time Savings**

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EXECUTIVE SUMMARY

- Conference Resolution 3/2009 approved a 2010-11 budgetary appropriation of USD 1,000.5 million, which was net of USD 12.4 million of unidentified further efficiency gains and USD 10.4 million for one-time savings. The Conference requested that the Director-General report to the Finance Committee ongoing adjustments to the Programme of Work for unidentified further efficiency gains and one-time savings which were not reflected in the chapter structure at that time.
- Building on procedures successfully used to identify further efficiency savings in the past biennium, each office has been requested to identify measures to achieve quantified targets for efficiency gains and one-time savings as part of the preparation of their biennial work plans in the first quarter of 2010.
- Proposals for use of the USD 1.4 million Innovation Fund have been solicited from all units, intended for use both as seed money, to invest where necessary to achieve savings and increase effectiveness, as well as providing incentives and rewards for innovative proposals.
- The corporate work planning process will conclude in early April. Proposed measures to achieve efficiency gains and one-time savings will then be assessed and implementation started. The Innovation Fund proposals will be reviewed and awards made by end April.
- Through these measures, the Secretariat expects to fully retrieve the overall USD 22.8 million further savings from within the Programme of Work. Progress on the specific initiatives and measures being taken along with projected savings will be reported to the Finance Committee in October 2010, and the impact on the appropriation by chapter will be reported in March 2011.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

The Committee is invited to:

- note the actions being taken by the Secretariat to put in place measures to fully achieve the USD 12.4 million of unidentified further efficiency gains and USD 10.4 million for one-time savings through the work planning process and the Innovation Fund;
- note that progress on the specific initiatives and measures being taken along with projected savings will be reported in October 2010, and the impact on the appropriation by chapter in March 2011.

Background

1. Conference Resolution 3/2009 approved a 2010-11 budgetary appropriation of USD 1,000.5 million, which was net of USD 12.4 million of unidentified further efficiency gains and USD 10.4 million for one-time savings. These are in addition to the USD 19.6 million in efficiencies already planned in the PWB 2010-11 and USD 5.31 million in savings to be achieved under the IPA¹. The Conference put emphasis on actions aimed at containing the costs of non-staff human resources and official travel, while protecting the delivery of the technical and economic programmes. The Conference requested that the Director-General report to the Finance Committee ongoing adjustments to the Programme of Work for unidentified further efficiency gains and one-time savings which were not reflected in the chapter structure at that time.
2. The achievement of sustainable efficiency gains and one-time savings is a deliberate and ongoing management process. The Secretariat is first building on procedures successfully used to identify further efficiency savings in the past biennium and integrating the process into the new results-based planning system. Then the further efficiency savings measures will be implemented based on proposals by departments and offices within their work plans, stimulated by incentives and investment through the Innovation Fund.
3. This progress report provides an overview of the process the Secretariat has put in place to identify the required efficiency gains and one-time savings, including the Innovation Fund. The Secretariat expects to fully retrieve the USD 22.8 million savings from within the Programme of Work. The impact of proposals in the appropriation by chapter will be reported to the Finance Committee in March 2011 in the Annual Report on Budgetary Performance.

Summary of progress in the first quarter of 2010

Efficiency gains and one-time savings

4. In 2008-09 the Organization put in place a corporate approach for achieving sustainable efficiency savings in five main areas: a) achieving lower costs of inputs; b) streamlining administrative and operational support processes; c) selective delayering; d) progressively adjusting the human resources input mix; and e) improving the funding base of the Programme of Work through further extra-budgetary resources. This approach was used to identify and put in place further efficiency measures with an estimated full biennial effect of USD 22.1 million beyond the amount planned in the PWB 2008-09. The same approach will be used for seeking the further savings in the current biennium, enhanced by the new results-based approach to programme planning, monitoring and reporting.
5. Under the new results-based planning system, every department and office is preparing an operational work plan for 2010-11 by refining their unit results and defining sets of products and services and associated costs. Under the new programme and budget cycle approved by the Conference², the work planning process would normally take place during the last six months of the preceding biennium, following Conference approval of the PWB in June. This process allows for adjustments to the results frameworks and budgetary allocations following Conference decision on the budget level, as foreseen in the IPA (action 3.9). In this transition biennium, where the PWB 2010-11 was approved in November 2009, the work planning process took place during the first three months of 2010, including putting in place measures for achieving unidentified efficiency gains and one-time savings.

¹ FC 132/12 paragraph 11

² CR 10/2009

6. Therefore, starting in December 2009 each department, independent office, regional and subregional office was requested to identify measures to achieve quantified targets for efficiency gains and one time savings as part of the preparation of their biennial work plans, with a focus on lower costs of inputs, particularly targeting those related to official travel and non-staff human resources. The attention of technical departments and decentralized offices was drawn to the under-recovery of technical support services rendered to TCP and trust fund projects, and measures are being put in place to ensure full cost recovery and crediting of such services.

7. The Conference clarified that one-time savings should comprise initiatives aimed at realizing one-time, fortuitous savings only in the 2010-11 biennium. Such savings can be achieved through, for example, holding posts temporarily vacant, foregoing travel and deferring discretionary expenditure.

Innovation Fund

8. The Innovation Fund was established to encourage, support and reward creative measures that increase the efficiency and effectiveness of delivering FAO's programmes. The Innovation Fund is intended for use both as seed money, to invest where necessary to achieve the savings and increase effectiveness, as well as providing incentives and rewards for units that present convincing and innovative proposals. The Fund is budgeted at USD 1.4 million and is administered by the Deputy Director-General for Operations (DDO).

9. Guidelines providing the criteria for solicitation of proposals were issued in February 2010 to all offices. The criteria for evaluation of proposals build on those of the previous biennium, but have been expanded to reflect elements of the new Strategic Framework and of the results-based planning model:

- a) the proposed measure incorporates an innovative approach that has corporate implications beyond normal due diligence;
- b) the expected savings are of a recurring nature;
- c) the proposed measure offers opportunities for adaptation by others or similar "scaling up";
- d) the proposed measure contributes to the efficiency and effectiveness of the results-based work plans of the involved units.

10. Proposals are expected to be of two basic types: a) innovative approaches *that have already been demonstrated* on at least a limited scale and could be adapted by others or otherwise scaled up to provide additional benefit; b) innovative approaches *that have not yet been demonstrated* and therefore may require resources or other support.

11. Proposals will be assessed by a *peer review panel*. The panels will consist of officers acting in their personal capacity as technical experts and who are not directly involved in the processes covered by the proposals. Proposals will be reviewed and awards issued during the month of April. Successful proposals will be recognized by, for example, specific mention in the Programme Implementation Report (PIR), and citation in PEMS-related processes.

Expected progress second and third quarters 2010

12. The work planning process will conclude in early April. Proposed measures to achieve efficiency gains and one-time savings will be assessed and implementation started thereafter. The Innovation Fund proposals will be reviewed and awards made by end April. Progress on measures being taken, and actual and projected savings, will be reported to the Finance Committee in October 2010. Through this process, the Secretariat expects to fully retrieve the USD 22.8 million savings from within the Programme of Work.