

Group of “Friends of the Chair” of FAO Council
Programme of Work and Budget 2010-11
Information Note 4 - October 2009

Timing, cost and funding of the Immediate Plan of Action for FAO Renewal¹

A. Context

1. In response to the advice of the Finance Committee, Joint Meeting of the Programme and Finance Committees and the Working Groups of the CoC-IEE in July 2009, changes were made to the proposed 2010-11 IPA programme. These changes had five impacts. They reduced the scope and timing of some activities planned for 2010-11, reduced the 2010-11 financial impact of the IPA programme, changed the balance of funding between Net Appropriation and Core Voluntary contributions, extended the timeframe for completion of some actions, and reduced the risks associated with running a large number of complex IPA projects in parallel in 2010-11. This Information Note provides further information on the nature and implications of these changes.

B. Extension of IPA timeframe from three to five years

2. The timeframe for the implementation of the Immediate Plan of Action (IPA) was established in the IPA approved by the 35th (Special) Session of the Conference in November 2008, which addressed the actions to be initiated for “*FAO Renewal*” in the three year period 2009-11. The estimated time period of the action plan has since been formally prolonged to five years, mainly as a result of the factors described below.

Incorporation of Root and Branch Review Actions

3. The 2008 Conference-approved IPA stated that a Root and Branch Review (RBR) had been contracted to an external consultancy firm, covering all aspects of administrative servicing, contracting, purchasing, financial management and systems, human resources, and information technology and communication systems. The IPA foresaw the completion of the RBR report, the development of a follow-up action plan and review by the governing bodies in 2009, with implementation from 2010 onwards². In April 2009, the consulting firm Ernst and Young released its report as foreseen in the IPA, which included costs and savings estimates over a five-year period. The costs and savings of the RBR recommendations have been fully integrated into the IPA plan for 2010-11. The Finance Committee, in July 2009, noted this as a positive indication that the underlying RBR proposals had been accepted and widely pursued³. One consequence of this inclusion was that the IPA timeframe was extended to five years for those RBR actions - which were not known at the time of the 2008 Conference – that spanned into the 2012-13 biennium.

¹ C 2009/15 paragraphs 109-123

² C 2008/4 IPA, actions 3.44 to 3.48

³ CL 137/4, para 12.

Risk Mitigation

4. The full incorporation of the Root and Branch Review actions further increased the complexity of an already ambitious plan. While many relatively small activities have been completed, looking ahead, the Organization has to face the simultaneous undertaking of several major complex projects. These will individually and collectively have a significant impact on staff and the way they work, the Organization's information systems and its processes, and will require a sound oversight mechanism. Management therefore considered ways of mitigating the risk of IPA implementation by allowing for an adequate sequencing of projects. The Finance Committee recognized this approach in September 2009, when it "acknowledged that an extended timeframe would reduce the risk of less than full implementation of the IPA actions"⁴. Similarly, on 17 September 2009 the Joint Meeting of the CoC-IEE Working Groups noted that the full incorporation of the Root and Branch Review recommendations had significantly increased the complexity associated with the implementation, and that an extended timeframe would reduce the risk of less than full implementation of the IPA actions.

Financial Considerations

5. The Resolution adopted by the Special Session of the Conference in 2008 foresaw a provisional requirement of USD 21.8 million (exclusive of 7% Project Servicing Costs) for 2009. The funding requirement for 2009 has been revised down to USD 9.8 million (USD 10.5 million including Project Servicing Costs) and this figure represents the starting point for determining the integrated IPA and RBR funding requirements from 2010. In July 2009, the Finance Committee took note of the proposed funding requirements of USD 59.8 million for IPA implementation in 2010-11 presented in the draft Programme of Work and Budget (PWB). Considering these costs high, it "welcomed Management's commitment to carefully re-examine in the light of discussions all cost items before the next session of the Committee"⁵. Similarly, in July 2009 the Joint Meeting of the Finance and Programme Committees "noted the Director-General's commitment to review the assumptions underpinning the costs of the IPA in 2010-11 and adjusting them prior to finalization of the PWB proposals."⁶ The subsequent review resulted in the total net estimated IPA costs for 2010-11 being reduced by USD 21.2 million to USD 38.6 million. The CoC-IEE Working Groups, at their Joint Meeting on 8 September 2009, noted with appreciation the reduction in cost, and the changes made to a number of the IPA actions to arrive at the reduced cost estimate, including the extension of the timeframe for some actions into 2012-13, as well as the reduction in scope in some of the activities. Likewise, the Finance Committee in September 2009 appreciated the reduction of estimated costs for IPA implementation in 2010-11⁷.
6. The measures used to effect these cost reductions are described in the following section.

⁴ CL 137/9, para 11

⁵ CL 137/4, para 14.

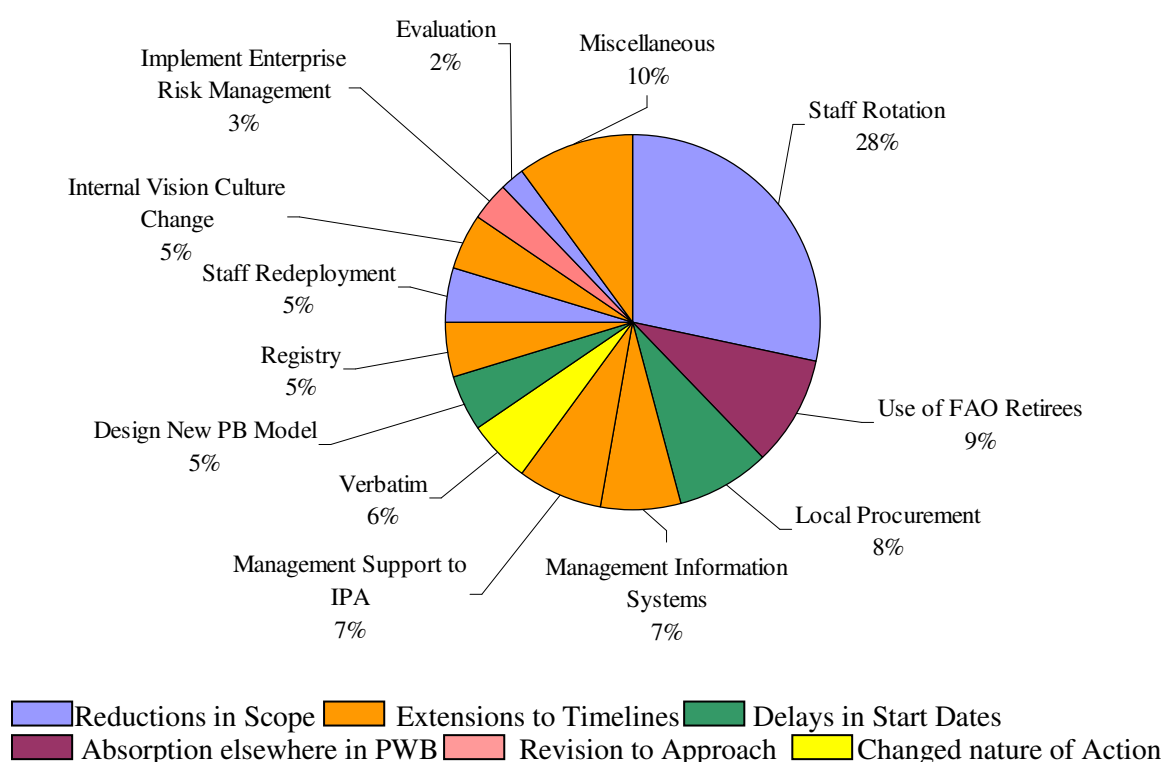
⁶ CL 137/2, para 10.

⁷ CL 137/9, para 10.

C. Reduction of IPA cost estimates

7. Management has taken action to reduce estimated IPA costs for 2010-11 by USD 21.2 million, from USD 59.8 million in the draft Programme of Work and Budget (PWB) to USD 38.6 million in the full PWB 2010-11.
8. Reductions have been effected through a variety of measures including: (i) reductions in scope, (ii) extensions to timelines, (iii) delays in start dates, (iv) absorption elsewhere in the PWB, (v) changed nature of action, and (vi) revision to approach. Figure 1 provides a visual representation of the relative impact of each cost estimate reduction.

Figure 1 – Relative elements of USD 21.2 million IPA cost reductions



9. Table 1 provides a detailed breakdown of IPA actions, indicating the cost reduction and the measure employed.

Table 1 - Actions taken to reduce IPA costs for 2010-11 by USD 21.2 million

Integrated IPA reference ⁸ and brief description	Measure taken by Management	Estimated costs (USD millions)		
		Draft PWB	Final PWB	Reduction
3.61 Staff rotation	Reduction in scope - from 80 additional staff rotations per annum to 25 additional rotations per annum (which is double the current level of staff rotations)	8.80	2.80	6.00

⁸ RBR references integrated within the IPA all start with “7”.

Integrated IPA reference ⁸ and brief description	Measure taken by Management	Estimated costs (USD millions)		
		Draft PWB	Final PWB	Reduction
3.73 Staff Redeployment	<u>Reduction in scope</u> – elimination of the provision for staff redeployment from IPA, retaining USD 4 million in the PWB	1.00	0	1.00
2.78 - Evaluation	<u>Reduction in scope</u> – with full recommendation to be implemented in 2012-13 as per IPA	1.6	1.1	0.5
Reductions emanating from reductions in scope				7.50
7.26 <i>RBR action</i> : Management Information Systems	<u>Extension to timeline</u> – from 2010-11 to 2010-13. This reduces risk and enables the benefits of IPSAS implementation to be fully reflected in the MIS system.	4.75	3.25	1.50
7.16 <i>RBR action</i> : Registry	<u>Extension to timeline</u> – from 2 to 4 years, from 2010-11 to 2010-13, for this complex action involving the introduction of new IT systems and redeployment of staff.	2.60	1.60	1.00
4.9 IPA Management Support	<u>Extension to timeline</u> – 2010-11 provision reduced in line with size of IPA in 2010-11, with corresponding funding deferred to 2012-13	4.66	3.16	1.50
3.32 Culture Change	<u>Extension to timeline</u> – by 1 year for support to implementation of the internal vision and culture change initiatives - from 2010-11 through 2012	3.30	2.30	1.00
<i>Miscellaneous RBR actions</i> , comprising: 7.0 - IT Governance (0.5m), 7.15 - Joint Procurement initiative - Travel (0.5m), 7.25 - Enhance Oracle system (0.5m), 7.6 - New Procurement Model (0.3m), 7.7 - Develop Registered Vendors (0.3m)	<u>Extension to timelines</u> - from 2010-11 to 2010-13	4.95	2.85	2.10
7.8 <i>RBR action</i> : Local Procurement	<u>Delay in start date</u> – the start date of this action will be delayed from 2010 until 2012 (this delay also reduces the risk associated with an earlier start due to the need to ensure that these changes are in full conformity with IPSAS)	1.70	0	1.70
7.2 <i>RBR action</i> : Design New Planning & Budgeting Model	<u>Delay in start date</u> – of the design phase from 2010 until 2011	1.50	0.50	1.00
Reductions emanating from extensions to timelines and delays to start dates				9.80
3.68 Use of FAO Retirees	<u>Absorption elsewhere in PWB</u> – the costs of conformance with new guidelines on the use of retirees will be absorbed within the budget by all programmes	2.00	0	2.00
2.22 Verbatim	<u>Changed nature of action</u> – instead of translating verbatim records, changed for 2010/11 to fund (at	1.70	0.50	1.20

Integrated IPA reference ⁸ and brief description	Measure taken by Management	Estimated costs (USD millions)		
		Draft PWB	Final PWB	Reduction
	significantly lower cost) the interpretation and translation of informal sessions			
3.50/3.54 Implement Enterprise Risk Management	Revision to approach – funding reduced as a result of new (internally led) approach to ERM, as recommended by consultants	2.00	1.30	0.70
Reductions emanating from other criteria				3.90
Total reduction				21.2

10. Extending timelines and delaying start dates have facilitated alignment of the IPA programme with the RBR recommendations, many of which have an implementation period extending beyond 2010-11. In addition, extension of timeframes and delay in start dates represent a pragmatic risk mitigation measure, bearing in mind the large number of complex projects running in parallel in 2010-11.

11. It should be noted that, of the USD 21.2 million IPA cost reductions, some USD 9.80 million are as a result of extending timelines or delaying start dates. With the exception of the extensions of Culture Change and IPA Management support to cover the extended period of implementation, all other IPA actions entailing an extension of the timeline or delay in start date pertain to RBR actions that have now been integrated with the original IPA.

D. Proposed funding of IPA Actions

12. The Joint Meeting of the Programme and Finance Committees in July 2009 stressed the importance of *guaranteed* funding for the IPA. Following, inter alia, the review described in the previous section, the balance of funding source for the IPA was since modified with the result that the funding from the Net Appropriation increased from 20% in the draft PWB to 51% in the full PWB (C 2009/15) with the balance proposed for funding from Core Voluntary contributions. In responding to the advice of the Committees as well as the guidance previously provided in the IPA and by the Working Groups of the CoC-IEE in July 2009, it was considered that funding 100% of IPA costs from the Net Appropriation would not have been possible without adversely impacting upon the proposed programme of work of the Organization for 2010-11 or increasing the proposed assessments on Members.

13. Table 2 below indicates the proposed funding source (Net Appropriation or Core Voluntary contributions) for each of the IPA projects in 2010-11. It should be noted that, although IPA projects may be funded by a combination of Net Appropriation and Core Voluntary contributions, the IPA actions within each project may also have a combination of funding sources, or may be funded by a single source. The 2009 Progress Report on the IPA Implementation⁹ contains a more detailed description of the funding sources proposed for the entire IPA programme at the level of detail of each IPA action.

⁹ C 2009/7 Annex 5

Table 2 - IPA projects 2010-11 by funding source

IPA Project	USD 000,s		
	Net appropriation	Core Voluntary	Total
1 - Governing Body Reform	2,160	1,660	3,820
2 - Oversight	1,100	300	1,400
3 - Reform of Programming, Budgeting and Results Based Monitoring	700	300	1,000
4 - Resource Mobilization and Management	0	1,400	1,400
5 - Technical Cooperation Programme	-620	0	-620
6 - Decentralization	4,600	0	4,600
7 - Headquarters Structure	250	-370	-120
8 - Partnerships	0	1,180	1,180
9 - Reform of Administrative and Management Systems	0	1,120	1,120
10 - FAO Manual	0	0	0
11 - IPSAS and Oracle	1,625	3,975	5,600
12 - Enterprise Risk Management	0	1,300	1,300
13 - Culture Change	1,950	1,150	3,100
14 - Human Resources	6,178	5,490	11,668
15 - IPA - Governing Body Follow-up	0	0	0
16 - IPA Management Follow-up	1,580	1,580	3,160
Total	19,523	19,085	38,608
Percentages	51%	49%	100%

Legend

IPA actions funded 100% from Net appropriation	13,508	0	13,508
IPA actions funded by a combination of Net appropriation and Core voluntary	6,015	6,015	12,030
IPA actions funded 100% from Core voluntary contributions	0	13,070	13,070
Total	19,523	19,085	38,608

14. As indicated in Table 2, of the total USD 38.6 million IPA funding, USD 13.5 million of the Net Appropriation amount was allocated to IPA actions that would be funded 100% from Net Appropriation, USD 6 million of the Net Appropriation amount and USD 6 million of the Core Voluntary contributions were allocated to IPA actions that would be funded on a combined basis, and USD 13.1 million of the Core Voluntary contribution amount was allocated to IPA actions that would be funded 100% from Core Voluntary contributions.
15. Funding from Net Appropriation offers a higher degree of certainty of funding compared with funding from Core Voluntary contributions and, in determining which projects should be funded from which source, criteria were applied that were similar to the criteria applied for sequencing 2009 IPA activities.
16. Highest priority was given to Managing for Results. The IPA actions that most contribute to this were proposed for funding from Net Appropriation: development of the results based monitoring system, preparation of a new planning and budgeting model and standardized reporting system (Project 3); and full introduction the staff appraisal system (Project 14).

17. High priority was also given to Functioning as One. The IPA actions that most contribute to this were proposed for funding from Net Appropriation: introducing benchmarks and performance based reporting for decentralized offices, upgrading the IT infrastructure to enable staff in decentralized offices to be able to use the same corporate tools and facilities as their colleagues in headquarters (Project 6); and staff rotation to double the number of staff rotating between headquarters and decentralized offices (Project 14).
18. A third high priority area is Human Resources reform and the IPA action that most contributes to this, in addition to the introduction of the staff appraisal system, is the investment in additional professional staff in the Human Resources Management division to support their role as business partners to the Organization (Project 14).
19. Within the 2009 IPA sequencing, three projects were earmarked for funding as they were considered fundamental to supporting the reform effort. These were Culture Change (Project 13), Management follow-up (Project 16) and Governing Body follow-up (Project 15). Within the 2010-11 funding, it was considered that the effort to be expended on Culture Change and Management follow-up would be proportional to the overall size of the programme, and these projects were allocated for funding from a combination of Net Appropriation and Core Voluntary contributions. No specific IPA funding provision in 2010-11 was made for Governing Body follow-up as it is covered in the PWB.
20. The original proposal for verbatim translation of Council reports under Governing Body Reform (Project 1) was modified as part of the cost reduction exercise for 2010-11 (see table 1, ref. 2.22) to provide, at lower cost, for interpretation and translation services in support of informal meetings between Management and Members. This was allocated for funding under Net Appropriation.
21. In addition to the above the IPA action to allocate TCP resources to regions (Project 5) was also allocated for funding under Net appropriation, as this contributes a net saving to the Regular Programme. Actions associated with Headquarters structure were also funded under the Net appropriation to pursue the necessary refinement and implementation of the Headquarters structure.
22. The costs of other projects (e.g. Project 11a - IPSAS, and Project 10 - FAO Manual) are also covered under the regular programme provisions in the PWB 2010-11, but the cost of these projects is not quantified within the IPA. If the 2010-11 costs of IPSAS implementation and FAO Manual were included, this would substantially increase the proportion of the IPA funded from the proposed Net Appropriation.
23. Table 3 below indicates the composition of all IPA actions proposed to be funded 100% from Net appropriation, with the criteria applied by Management in arriving at the determination.

Table 3 – IPA actions funded 100% from Net appropriation

Ref	Abbreviated description of IPA Action	Net Appropriation	Criteria
Project 3. Reform of Programming, budgeting and Results Based Monitoring			
1.6	Develop results based monitoring system	0.20	Part of Managing for results
7.2	Design new planning and budgeting model	0.50	Part of Managing for results
Project 14. Human Resources			
3.70	Introduce an objective staff appraisal system	1.40	Part of Managing for results
Project 6. Decentralization			
3.88	Introduce benchmarks and performance based reporting to decentralized offices	0.40	Part of Functioning as One
3.90	Upgrade IT infrastructure to decentralized offices	4.20	Part of Functioning as One
Project 14. Human Resources			
3.61	Establish incentive based staff rotation policy	2.80	Part of Functioning as One
7.27	Define new role for HR function and review competency and accountability frameworks	1.98	Part of HR reform
Project 1. Governing Body Reform			
2.22	Verbatim records (amended to interpretation/translation support to informal sessions)	0.50	Part of Governing body follow-up
Project 2. Oversight			
2.78	Evaluation Budget: The evaluation Regular Programme budget will be increased to 0.8-1.0% of the total Regular Programme Budget (over two biennia)	1.10	Commitment given to regular increases in each biennium
Project 5. Technical Cooperation Programme			
3.22	TCP resources to be allocated to regions	-0.62	Contributes net saving to Regular Programme
Project. 7a Headquarters Structure			
3.97	Apex of the Organization	0.10	Commitment given to ongoing review
3.101	Introduce new Headquarters structure	0.15	Cost implications of IPA action undertaken in 2009
Project 13. Culture Change			
3.33	Appoint Ethics officer	0.80	Cost implications of IPA action undertaken in 2009
Total		13.51	

E. Outline Indications of the 2012-13 IPA Programme

24. The 2012-13 IPA programme will be based on three elements:

- A large part of the 2012-13 IPA programme will be based on implementation of the Root and Branch Review (RBR) recommendations that have a longer planned implementation period than two years. The RBR recommendations have been fully integrated into the IPA to form one integrated IPA programme including several large and complex initiatives. Examples of these are the introduction of a new records management system, management information systems, procurement initiatives and development of a new budgeting and monitoring system.
- The 2012-13 IPA programme will also include IPA actions from 2010-11 that have recurring costs, or where 2010-11 costs were reduced in scope with a view to possible expansion of scope in 2012-13 (e.g. valuation).
- The third element of the IPA programme for 2012-13 is a number of IPA actions that were subject to extended timelines and/or delayed start date as part of the review of 2010-11 IPA costs.