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Food and Agriculture
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Продовольственная и
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Organización de las
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FINANCE COMMITTEE

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FAO Efficiencies: Update and plans ahead

Queries on the substantive content of this document may be addressed to:

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EXECUTIVE SUMMARY

- This document provides further information on efficiencies generated, including cost reductions, cost avoidance, and time savings.
- It also provides an overview of quality improvements across the areas of administration, finance, human resources, ICT, logistics, procurement, and project cycle streamlining.
- The document provides a proposed reporting format, outlining the efficiencies generated, and proposes further integration of planned initiatives for future reports.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- Members of the Finance Committee are invited to take note of the information on efficiencies generated and the proposed reporting format and provide guidance as deemed appropriate.

Draft Advice

The Committee:

- **took note of the information provided on efficiencies generated and welcomed the significant cost and time savings reported;**
- **appreciated the quality improvements across the areas of administration, finance, human resources, ICT, logistics, procurement, and project cycle streamlining, which support the achievement of the Organization's objectives; and**
- **welcomed the proposed steps ahead and reporting format.**

Introduction

1. FAO prioritizes value-for-money and efficiency in its operations and presents key measures and results in this area to Members in the Programmes of Work and Budget and Programme Implementation Reports. The Conference in July 2023 requested that Management develop a longer-term financial plan to address greater efficiencies,¹ and the Finance Committee in May 2024, following a verbal update by Management, looked forward to receiving further information on the business plan and roadmap for efficiency gains and savings initiatives, including on the planned form of reporting on efficiencies and savings, both accrued and anticipated.
2. This document proposes a structured reporting format, including an overview of the efficiencies achieved in 2023 across various areas, as well as an outline of the way forward for the inclusion of information on planned efficiency initiatives.

Reporting on efficiencies generated

3. In line with the definitions developed in the context of the Secretary-General's UN Reform and its Efficiency Agenda, FAO reports on three main forms of efficiencies:
 - a) *Cost savings* – reducing the level of financial resources disbursed to achieve a given outcome. These comprise (i) cost reductions aimed at lowering current spending and (ii) cost avoidance, which avert future price or cost increases.
 - b) *Time savings* – reducing the overall effort to achieve a given task, freeing up time for other productive activities.
 - c) *Effectiveness improvements* – initiatives that result in qualitative improvements, such as reduced risk or better quality of service.
4. To gain additional information on efficiencies achieved in 2023 and to test out a reporting method, a structured reporting template and cost estimation methodologies were provided to relevant FAO units to gather information across the above efficiency areas.
5. A total of 87 initiatives were reported, varying in scope from a large range of processes to single activities spanning across enabling services, including administration, finance, human resources, information management and technology (ICT), logistics, and procurement, as well as project cycle processes.
6. The efficiencies reported in 2023 amounted to a total of USD 13.8 million, comprising USD 1.1 million in cost reductions, USD 5.3 million in cost avoidance and USD 7.4 million in time savings. Of the 87 initiatives reported, 52 were internal to FAO, while 35 were generated through joint UN collaboration as part of the UN Efficiency Agenda.
7. The 2023 data collection process served as a strong foundation for the proposed reporting, providing a solid basis for testing the methodology and including lessons learnt in future reports.

Proposed reporting format

8. The proposed reporting format shows the total USD value of efficiencies generated across the categories of cost reduction, cost avoidance and time savings, as defined above. The cost of the required one-time investment relating to the initiative is also indicated. It is important to note that this investment includes the cost of effectiveness improvements, which have not generated impact directly measurable in financial terms.
9. *Table 1* provides an overview of cost and time savings in 2023, while effectiveness savings that resulted in qualitative improvements are illustrated further below.

¹ C 2023/REP, paragraph 60

Table 1: Cost and time savings in 2023 (USD thousand)

Service Line	Cost savings		Time savings	One-time cost of investment
	Cost reduced	Cost avoided		
Administration including common facilities/premises	50	200	235	565
Finance	135	210	4 900	665
Human resources	690	105	440	180
ICT	80			230
Procurement	140		80	315
Project cycle streamlining (including TCP)		4 745	1 765	0
Total	1 095	5 260	7 420	1 955

10. The most significant **cost reductions** are in the human resources (HR) service line, with USD 0.7 million generated by changes to sick leave reimbursement procedures and the transfer of HR functions to the Shared Services Centre (SSC). The automation of administrative processes in finance and administration contributed to savings of USD 0.2 million. Long-term agreements or “piggybacking” on contracts of other UN entities, as well as the agreement for the Geographic Information System (GIS) solution accounted for the remaining USD 0.2 million.

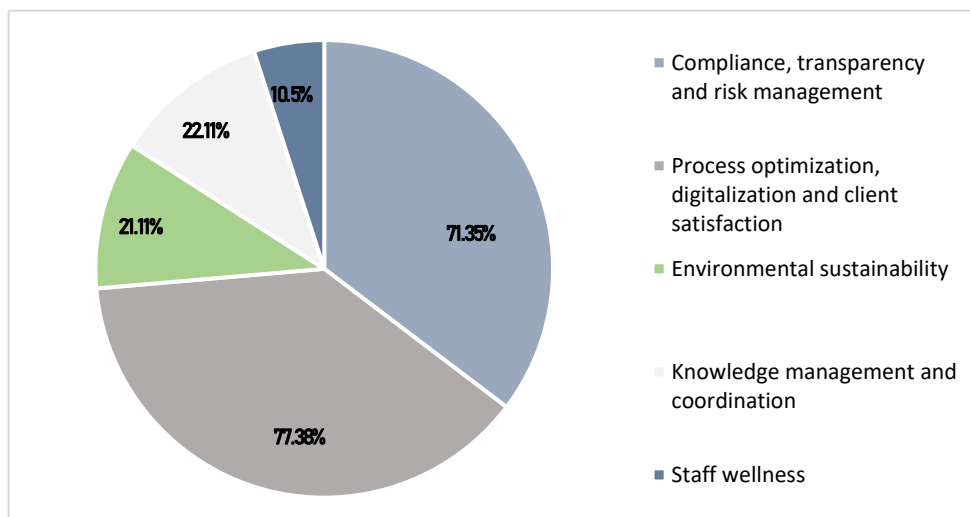
11. The main initiatives leading to **cost avoidance** are in the area of project cycle streamlining and relate to the implementation of new policies, tools and procedures for beneficiary grants and voucher programmes, replacing the use of ad hoc approaches involving high inefficiencies and risks. The new processes significantly reduced the cost of staff and management involved in the creation and negotiation of ad hoc arrangements, and reduced delays in the start of relevant projects, with positive economic impact and improved trust with resource partners and implementing partners. The total avoided cost is estimated to exceed USD 4.7 million for 2023.

12. The main **time savings** initiatives relate to financial management, where the implementation of digital banking tools leading to increased efficiency of the payments, and reconciliation processes generated significant savings of staff time in Decentralized Offices, with an estimated value of USD 4.9 million, as well as reduced financial risk and improved segregation of duties. Further USD 1.8 million in time savings resulted from the streamlining of Technical Cooperation Programme (TCP) approval and administrative requirements, freeing time of staff in Decentralized Offices.

Qualitative improvements

13. As seen earlier, quantitative benefits in terms of either cost or time savings are notable. At the same time, many of the efficiency initiatives undertaken have targeted qualitative benefits toward achieving better results at the same cost. The qualitative improvements are divided in five categories, with many initiatives contributing to various categories, comprising: (i) compliance, transparency and risk management; (ii) process optimization, digitalization and client satisfaction; (iii) environmental sustainability; (iv) knowledge management and coordination; and (v) staff wellness, as illustrated in *Figure 1*.

Figure 1: Quality improvements in 2023, by type



14. Most of the qualitative improvements are in the area of process optimization, where streamlining and modernization led to both better results and efficiencies. Many other qualitative benefits relate to strengthened controls and better management of risks, which are equally very important for supporting the achievement of objectives, as well as building trust with stakeholders through the maintenance of high fiduciary standards.

Highlights from major initiatives

15. Efficiency initiatives are implemented throughout the Organization, in all locations and areas of operations. Three areas where significant efficiencies have been generated in recent years are the **FAO Shared Services Centre**, an example of FAO's capacity to face increased volume of operations without increases in resources by implementing various efficiency-enhancing strategies, the **implementation of digital payment solutions**, where a well-crafted strategy has led to efficiencies through automation and decentralization of processes, and the **country level initiatives** where the engagement in the UN efficiency agenda has been supported through capacity building of Decentralized Offices and quality assurance of efficiency estimates.

FAO Shared Services Centre (SSC)

16. FAO's SSC in Budapest was established in 2008, with hubs in Bangkok and Santiago, with the main objective of transferring administrative transactions to lower cost locations and improving client service. Since 2008, the SSC has expanded its services in human resources, travel, finance, and system support, transferring activities where transactions are high volume, routine in nature, based on agreed and documented rules and standard procedures, of low strategic importance and location independent.

17. The SSC implementation has required continuous adaptation to overcome challenges in improving service quality and retaining personnel in a competitive environment and continuous evolution to better support FAO. In 2018, FAO consolidated the two SSC hubs and the Budapest office in a unified global virtual team, to ensure efficiency, support and consistency in processing transactions. Between 2017 and 2019, new functions such as payroll and asset management were transferred, further integrating services.

18. Since its inception, the SSC has also played a key role in implementing and maintaining systems like Oracle HRMS and the Global Resource Management System (GRMS). In 2019, the SSC established a Continuous Improvement Unit to drive system and process enhancements, including automation in areas like payroll and financial processes. Despite a 56 percent increase in workload from 2018, the SSC improved client satisfaction and maintained efficiency through automating processes and adopting new technologies, including robotics.

19. The SSC also leads the Segregation of Duties project to improve internal controls in key procurement and financial processes, with a key milestone reached by the development of the procure-to-pay (P2P) scheme for Country Offices. During 2023 and 2024, the SSC has scaled up training globally and collaborating with other UN agencies, such as IFAD, to enhance efficiency and streamline operations.
20. Quality of service and timely delivery are fundamental for the SSC, which holds ISO 9001 certification for 24 processes, ensuring continuous improvement. To maintain high-service standards and customer satisfaction, initiatives like Service Level Agreements (SLAs) and client feedback mechanisms have helped align services with client needs, improving client satisfaction to rates reaching 98 percent in 2024.
21. Over the course of eight biennia from 2008-09 to 2022-23, the cumulative labour cost savings from the implementation of the SSC are estimated at USD 95 million. This translates to an average of approximately USD 11.8 million per biennium, which exceeds the initial projections of USD 8 to 10 million in recurring savings (cost reduction) per biennium.² This figure does not include savings throughout the Organization from automation and streamlining of processes, such as the robotic process automation implementations in Finance and the Contact Centre, which has resulted in estimated annual savings of USD 135 000, and the ServiceNow platform, a tool for efficient and well monitored service management, which has reduced manual intervention in various processes by 25 up to 50 percent and cut average requests for service closure times by 20 to 30 percent. Furthermore, the automation of danger pay/dangerous duty station supplement processing has streamlined the handling of 18 600 annual invoices globally, significantly reducing workload in Level 3 (L3) emergency countries.

Implementation of digital payment solutions: digital payments/auto bank reconciliation initiative

22. The digital payments and bank reconciliation project, launched in 2022, builds on prior efforts to digitize payment processes over the past few years. It has now been successfully implemented across more than 70 countries, automating payments and reconciliations globally. Success is measured by achieving over 90 percent of payments via Electronic Funds Transfer (EFT) and 95 percent of transactions being automatically reconciled. Automation is further accelerating with a service from FAO's corporate bank that extends the reach of digital payments to multiple local clearing systems from a single bank account. Digitization metrics are regularly tracked through a dedicated dashboard. An emerging success indicator will be the consolidation of payment and reconciliation processes for automated Country Offices within the SSC through vertical integration.
23. The project delivers substantial cost savings, estimated at USD 6 million annually. This figure is based on labour savings of 10-20 percent across various roles, adjusted for regional rates and influenced by EFT usage and automatic bank reconciliation (ABR) rates in affected Country Offices. The new iMIS³ FAO Payment Dashboard will monitor EFT and ABR rates, providing dynamic estimates of overall savings.
24. The initiative also brings several qualitative improvements, including: (i) financial risk reduction, where EFT and mobile wallet payments enhance security as payment data is transferred directly from GRMS to banks without human intervention; (ii) stronger internal controls as ABR streamlines bank reconciliation, thus ensuring more reliable financial controls by integrating daily electronic bank statements into GRMS via the SWIFT reporting service; (iii) business continuity, as digitization allows payments to be made remotely without manual intervention; and (iv) financial inclusion, thanks to the introduction of cash point delivery and mobile wallet payments which enables FAO to better serve unbanked populations.

² Estimates based on staff standard rate difference between Rome and Budapest. This figure is not included as part of the efficiencies for 2023 in Table 1 above, in compliance with the UN guidance which foresees that initiatives that result in efficiencies on an ongoing basis should be reported up to a maximum of 10 years.

³ Integrated Management Information System (iMIS)

Stories from Decentralized Offices: UN efficiency initiatives

25. The Organization's engagement in United Nations efficiency initiatives is a key area for efficiency gains. FAO contributes to the streamlining of UN business operations supported by the signature of the Mutual Recognition Statement (in 2019), the Costing and Pricing Principles (in 2020) and the Client Satisfaction Principles (in 2020). These agreements have primarily benefited procurement processes as well as country-level common services, enabling FAO to leverage interagency cooperation, leading to significant savings through economy of scale and cost avoidance. Impact is expected from the implementation of common/joint initiatives at the country or regional level: (i) Business Operations Strategy (BOS), (ii) Local Shared Service Centre/Common Back Offices, (iii) Common Premises (CP). The cost efficiencies/cost avoidances estimated/realized by FAO are reported directly into the UN INFO⁴ online platform⁵ and are not included in Table 1 above.

26. Over the years, FAO has made coordinated and sustained efforts to enhance the capacity of its Decentralized Offices to engage meaningfully in the UN efficiency initiatives. At country level, FAO is currently engaged in 128 UN BOS, resulting in a total of USD 7 million in cost efficiencies/cost avoidance realized in 2023. Since 2019, FAO has generated a five-year total of USD 22 million in efficiencies, mainly in terms of cost avoidance across business operations, i.e. procurement, information technology, human resources, logistics, administration and finance.

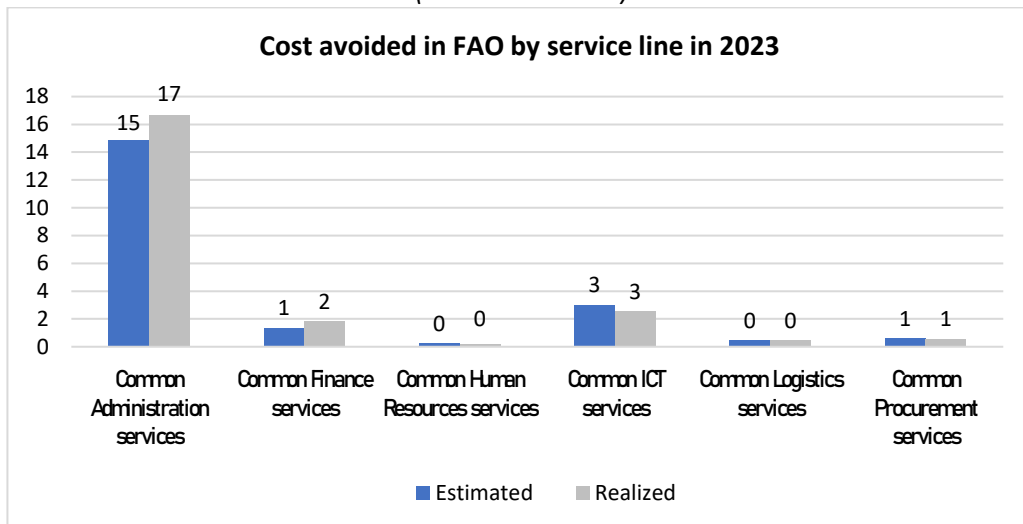
27. *Figure 2* displays information in the [UN INFO](#) online planning, monitoring and reporting platform. The first row shows the number and status of BOS with FAO participation and the status of cost/benefits analysis review. The graphs describe FAO cost avoidance (estimated or realized) by service line, year, total costs and cost by country, in order of importance.

⁴ UN INFO is an online planning, monitoring and reporting platform that digitizes the UN Country Teams' results frameworks (either the Development Assistance Framework or the Sustainable Development Cooperation Framework).

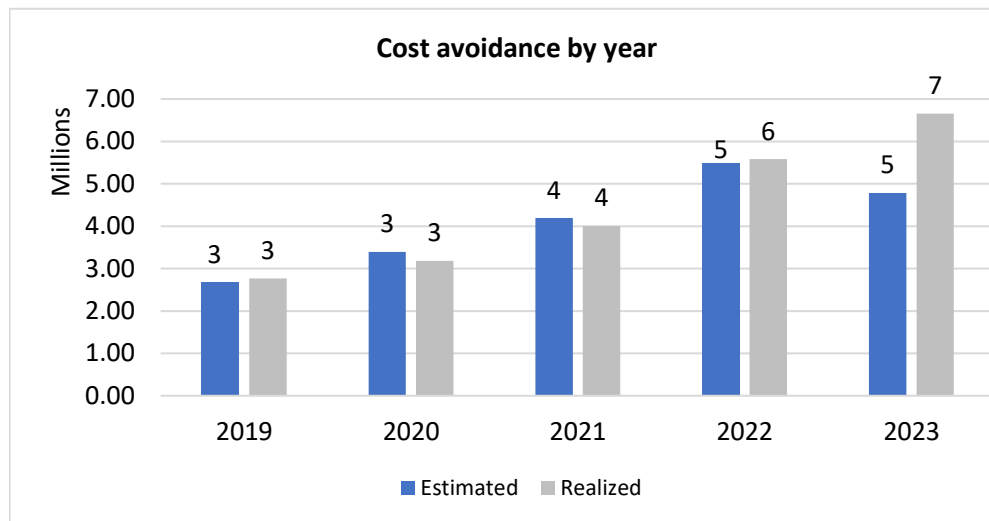
⁵ Information is not included in *Table 1* of this document.

Figure 2: FAO [UN INFO](#) data as of 31 December 2023

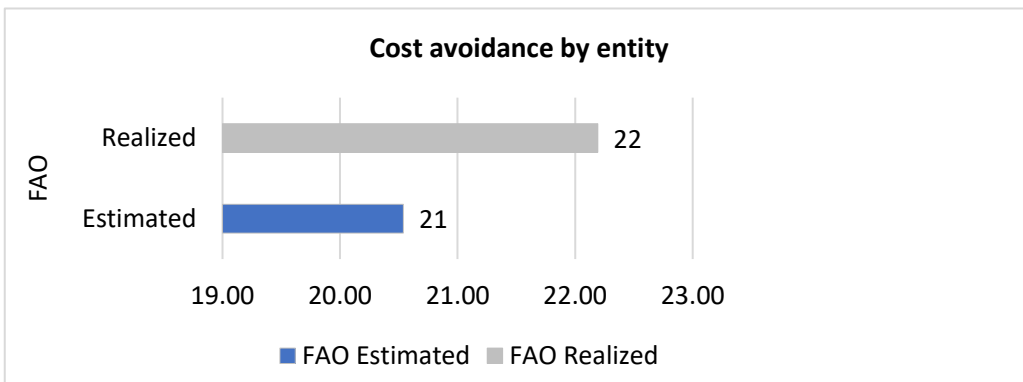
Estimated Benefit
(USD 20.5 million)



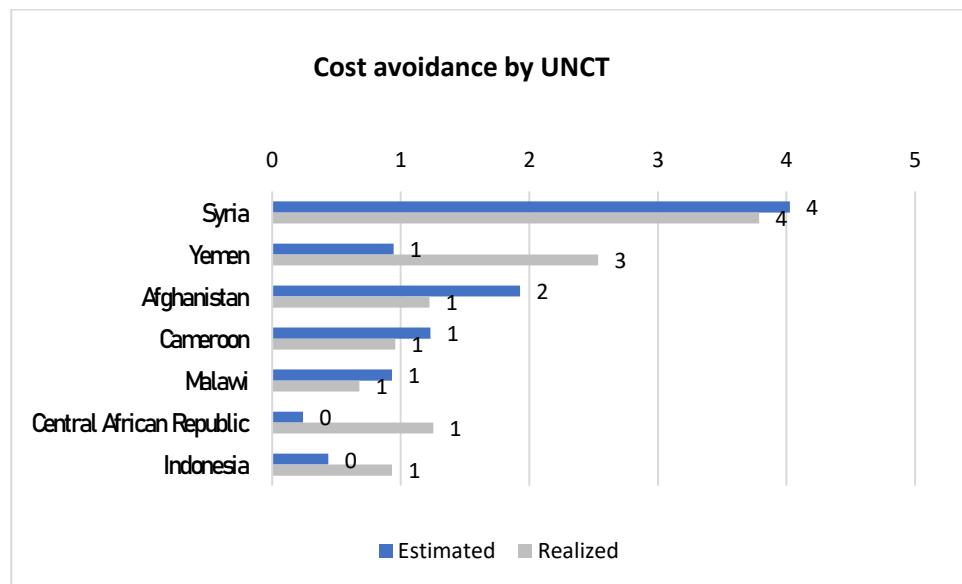
Realized Benefit
(USD 22.2 million)



Cost avoidance by entity



Cost avoidance by UNCT



28. In 2023, the FAO Business Operations Network, which includes FAO staff in headquarters and Decentralized Offices, focused on improving the accuracy of the estimated gains/benefits. This was achieved by strengthening the cost/benefits analysis methodology, as well as the quality assurance of FAO contributions to the UN INFO platform.
29. Common Back Offices are country-level shared service centres, designed to eliminate duplication, harness collective bargaining power, and improve the speed and quality of services dependent on location. Currently, FAO is engaged in four Common Back Office pilot projects in Brazil, Kenya, Tanzania and Vietnam, focusing on services such as the provision of office supplies, equipment rental, event management, customs clearance, translation, medical services and security. A review of lessons learned from the most advanced Common Back Office pilot in Kenya has shown significant operational simplification, including for the Kenyan Government that no longer needs to engage with over 50 entities on host country matters.
30. While Common Premises initiatives have a potential to contribute to cost efficiencies across the UN, this is not generally the case for FAO as the Organization often enjoys government-provided premises for its Decentralized Offices in line with the host country agreements' provisions. As of the end of 2023, FAO has 18 percent (measured by the percentage of occupied square meters) of its offices under the Common Premises arrangements, with the majority being in the Africa region.

Planned initiatives and reporting format

Governance and monitoring

31. A revamped internal FAO Efficiency Board was established in June 2024, with an expanded scope covering all FAO efficiency areas, beyond the UN efficiency agenda, with representatives of all relevant units and FAO Regional Representatives on a rotational basis. This board will play a key role in ensuring coordination of initiatives across the efficiencies areas, and in moving forward their implementation.
32. Many of the initiatives reported in 2023 will continue to generate efficiencies in the next biennium across enabling services, including: administration, finance, human resources, information management and technology (ICT), logistics, procurement, TCP/project cycle processes and the consolidation of services by the Shared Services Centre. The planned initiatives will continue to emphasize automation, process optimization and increased coordination across services and between headquarters and Decentralized Offices.
33. The reporting format used in this document will be applied for future reporting of these initiatives, highlighting the value of efficiencies achieved in areas such as cost reduction, cost avoidance and time savings, along with measures of quality improvements generated.