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FINANCE COMMITTEE

Hundred and Twenty-sixth Session

Rome, 11 – 15 May 2009

Progress Report on Adjustments to the Programme of Work for Unidentified Savings and Efficiency Gains

Executive Summary

- i) The budgetary appropriation of USD 929.8 million for 2008-09 voted by Conference in November 2007 foresaw that further savings and efficiency gains of USD 22.1 million should be identified during the biennium in delivering the Programme of Work. This progress report provides information on the actions being taken and the forecast efficiency savings for the biennium. The impact at the budgetary chapter level of the distribution of the savings is provided in document FC 126/2 Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2008-09 Biennium.
- ii) FAO units have identified measures to achieve USD 18.1 million in biennialized savings and efficiency gains in five broad categories, and measures to achieve the USD 4 million balance will be identified before the end of biennium, building in part on the recommendations of the Root and Branch Review available in April 2009. The actual savings achieved during 2008-09 will be less due to the lead time needed to implement the measures, and the balance of savings needed to keep expenditure within the 2008-09 appropriation will be found from one-time measures in the biennium.

Action Required

The Finance Committee may wish to note the implementation of further unidentified savings and efficiency gains which were not reflected in the PWB 2008-09.

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Introduction

1. The budgetary appropriation of USD 929.8 million for 2008-09 voted by Conference in November 2007¹ foresaw that further savings and efficiency gains of USD 22.1 million should be identified during the biennium in delivering the Programme of Work, in addition to the USD 13.3 million in efficiencies already planned in the PWB. This progress report provides information on the actions being taken and the forecast further savings and efficiency gains for the biennium. The impact at the budgetary chapter level of the distribution of the full amount of USD 22.1 million in savings is provided in document FC 126/2: *Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2008-09 Biennium*.

STATUS OF SAVINGS AS AT END-MARCH 2009

2. Management has been successful in identifying measures to achieve USD 18.1 million in biennialized savings and efficiency gains² in five broad categories (see *Table 1*, columns A and B)³. The Secretariat will identify and put in place efficiency measures by the end of the biennium to achieve the USD 4 million balance, building in part on the recommendations of the Root and Branch Review available in April 2009.

3. However, while measures to achieve the USD 22.1 million in biennial efficiency savings will be in place by the end of the biennium, the actual savings achieved during 2008-09 will be less due to the lead time needed to implement the measures. For example, savings from selective layering only materialise this biennium from the date when posts are actually vacated, while the full biennial savings will result in 2010-11. Other measures that are based on changes in procedures take effect during the course of the present biennium only from the date of implementation (e.g. the change of policy in entitlement travel) and thus do not accrue over the entire 24 months of 2008-09. The balance of savings needed to keep expenditure within the 2008-09 appropriation will be found from one-time measures in the biennium.

4. As of end-March 2009, actual efficiency savings of USD 9.3 million have been achieved (see *Table 1*, column C), and a total of USD 15.9 million of actual efficiency savings are expected to be achieved by the end of 2008-09 (see *Table 1*, column D). This represents an improvement of USD 0.8 million over the end-August forecast⁴.

¹ CR 3/2007

² *Biennialized* refers to the aggregate savings over two years, starting as from the date of implementation

³ FC 122/12 Progress Report on Adjustments to the Programme of Work for Unidentified Savings and Efficiency Gains, also refers

⁴ The end-biennium forecast of actual savings as at end-August 2008 was provided during the 123rd session of the Committee in October 2008 (*FC 123 Information Note on Item 18*).

**Table 1: Identification of Savings and Efficiency Gains – status at end-March 2009
(USD million)**

Category of Efficiency Gains	Biennialized efficiency gains	Actual savings as at end-March 2009	Forecast of actual savings 2008-09 biennium
A	B	C	D
1. Achieving lower costs of inputs	5.9	2.3	3.7
2. Streamlining of administrative and operational support processes	1.7	1.1	1.7
3. Selective delayering	3.0	1.4	2.5
4. Progressively adjusting the human resources input mix	5.2	2.2	4.3
5. Increasing the funding base of the Programme of Work through integration of extra-budgetary resources	2.3	2.3	3.7
Sub-total from identified efficiency gains	18.1	9.3	15.9
6. Efficiency savings from measures to be identified before the end of the biennium	4.0	0	0
7. One-time savings needed in 2008-09			6.2
TOTAL	22.1	9.3	22.1

EFFICIENCY SAVINGS MEASURES

5. Progress in identifying and applying efficiency savings measures is provided below for each of the five categories.

6. *Category 1: Achieving lower costs of inputs.* Most measures are on track including: transfer of local audit function; lower telecommunication costs using new technologies; lower costs of corporate and desktop software under a new enterprise licensing arrangement; and, increasing the proportion of meeting documents and publications distributed electronically.

7. Two measures are resulting in lower than expected savings because of the netting off of unforeseen higher costs that are outside FAO's control. Entitlement travel savings is dependent on external factors such as market pricing, industry conditions, fuel prices and currency rates. During 2008, measures to reduce the cost of educational travel have been partially offset because of the withdrawal of published excursion, student and discounted fares in some geographical areas. Higher energy costs during 2008 have partially offset the savings made on the joint inter-agency tender for the electrical energy on the liberalized market. The higher actual cost of electricity reduced the overall foreseen savings forecast for 2008, although it is estimated that electricity costs will stay within the original planned level in 2009.

8. Potential savings could arise under the initiative to make FAO's workplace and work practices more environmentally friendly. These include measures being put in place to reduce energy consumption such as: progressive replacements of fluorescent light bulbs with new energy-saving bulbs; installation of lighting timers in corridors; and improvements in management of the heating, ventilating, and air conditioning (HVAC) system.

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9. *Category 2: Streamlining of administrative and operational support processes.* Most measures are on track with the exception of finding savings related to Council. Additional savings measures will be identified in this category, building in part on the recommendations of the Root and Branch Review available in April 2009.
10. *Category 3: Selective delayering.* Thirteen Director-level posts have been identified for abolition or downgrading at headquarters through the consolidation and re-organization of current areas of work, and to-date nine posts have been vacated. Savings materialise when posts are vacated.
11. *Category 4: Progressively adjusting the human resources input mix.* Nineteen professional and general service posts have been identified for abolition or downgrading and to-date the majority of the posts have been vacated. Savings materialise when posts are vacated.
12. *Category 5: Increasing the funding base of the Programme of Work through integration of extra-budgetary resources.* All measures are on track, including: recovering FAO's cost of processing visa and laissez-passer requests from other Rome-based agencies; shared funding of posts where extra-budgetary resources contribute directly to the Programme of Work; review the support cost recovery policy to ensure eligible costs are recovered, including recovery of housekeeping and utility costs charged to projects accommodated at headquarters.
13. Some promising efficiency savings ideas are being sponsored from the Innovation Fund. For example, the development of a document tracking module to streamline the document production workflow will be operational in the last quarter of the year. Work has started to create a database that will enable the requests for visas and laissez-passers to be automated. A one-time investment cost is being made to develop e-learning, in particular, the use of creating a 'virtual classroom' that could cut travel costs of decentralized offices staff participating in training. Savings will be quantified as the measures are implemented later this year.
14. The Finance Committee may wish to note the implementation of further unidentified savings and efficiency gains which were not reflected in the PWB 2008-09.