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FINANCE COMMITTEE

Hundred and Thirty-fifth Session

Rome, 25 – 29 October 2010

**Governance of the Special Fund for Emergency and Rehabilitation
Activities**

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

Mr Laurent Thomas

Director, Emergency Operations and Rehabilitation Division

Tel: +3906 5705 5042

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EXECUTIVE SUMMARY

- At its Hundred and Thirty-Second Session, the Finance Committee reviewed the evaluation of FAO's operational capacity in emergencies. In its report, the Committee looked forward to reviewing the governance arrangements of the Special Fund for Emergency and Rehabilitation Activities (SFERA) at its session in October 2010.
- This paper provides the Committee with the requested information on the governance of the fund.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- This document is submitted for information.

Draft Advice

- **The Finance Committee takes note of the governance of the Special Fund for Emergency and Rehabilitation Activities.**

Background

1. The Finance Committee supported the creation of the Special Fund for Emergency and Rehabilitation Activities (SFERA) at its Hundred and Second Session in May 2003¹. Since its Hundred and Eight Session in September 2004² the Committee is provided at its fall session with a yearly report, which presents the financial and operational performance of the fund.
2. At its Hundred and Thirty-Second Session, the Finance Committee reviewed the evaluation of FAO's operational capacity in emergencies³. In its report, the Committee looked forward to reviewing the governance arrangements of the Special Fund for Emergency and Rehabilitation Activities (SFERA) at its session in October 2010.
3. As per the request of the Finance Committee, this document presents the governance of the fund.

Governance of the Fund

4. The governance of the SFERA ensures the successful implementation of the Strategic Objective I "Improved preparedness for, and effective response to, food and agricultural threats and emergencies". The Fund enables FAO to efficiently and effectively: (i) quick-start operations when donors have committed to making a contribution; (ii) establish or reinforce FAO's operational capacity on the ground, where a new crisis occurs or where there is a gap in donor funding to avoid disruption in services provided by the Emergency Coordination Units (ECUs); (iii) deploy assessment missions and programme formulation exercises rapidly, in close collaboration with FAO's partners in the field; and (iv) develop and implement programmatic response in specific large-scale emergencies.
5. In order to implement the above-mentioned activities, the SFERA is structured around three components: (i) a working capital component to advance funds to initiate project activities rapidly before donor funds on agreed projects are received, with the funds then being transferred back to SFERA upon receipt; (ii) a revolving fund to support FAO's involvement in needs assessment, programme development and early establishment of ECUs; and (iii) a programme component to support work on specific large-scale emergency programmes.
6. The SFERA is operated in compliance with Financial Regulation 6.7, which governs the Director-General's acceptance of voluntary contributions. This means that expenditure for projects financed through extrabudgetary funds should not create financial obligations on the Regular Programme. The operations, accounting and financial control of the SFERA are subject to the Organization's administrative and financial controls, as well as auditing by the Inspector-General and the External Auditor.
7. The Fund is operated under the general authority of the Assistant Director-General, Technical Cooperation Department (ADG, TC), as per the conditions provided in the documents FC 108/9 "Utilisation of the Special Fund for Emergency and Rehabilitation Activities" and FC 113/12 "Flexible use of the SFERA". The management of the Fund is delegated to the Director, TCE.
8. The Finance Committee is provided at its fall session with an annual status report, highlighting the financial performance of the SFERA and the results achieved under each component of the fund. The annual report gives an analysis of the receipts, the applications and

¹ FC 102/14 "Proposal to establish a Special Fund for Emergency and Rehabilitation Activities"

² FC 108/9 "Utilisation of the Special Fund for Emergency and Rehabilitation Activities"

³ FC 132/10 – PC 103/7

the advances, as detailed in the latest report FC 135/4 “Annual Report on the Special Fund for Emergency and Rehabilitation Activities”.

9. Internal monitoring and control are ensured through the periodic issuance of specific reports, namely: (i) a semi-annual analysis of all SFERA group accounts submitted to the ADG, TC and provided to other divisions on a need-to-know basis; (ii) a monthly review of deposits to projects with advances to determine whether a refund is required; and (iii) a quarterly review of the needs assessment and ECU set-up windows.

Conclusions

10. The governance of the Fund has enabled the SFERA to be an efficient and effective mechanism to support FAO’s emergency and rehabilitation programme successfully. SFERA allows FAO to take part in work with partners as soon as needs become apparent without any impact on Regular Programme resources. The Fund enables a timely response – a critical factor, when action in the early stages of an emergency is most important. It is now an integral part of the operations tools and, thus, allows FAO to respond more effectively and efficiently to food and agricultural threats and emergencies. It has contributed to FAO’s good track record in the field, showing that FAO is ready, willing and able to respond rapidly when needed.

11. The governance arrangements of the SFERA follow FAO’s rules and regulations and comply with required good management practices and accountability.