


October 2012

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## PROGRAMME COMMITTEE

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| <b>Hundred and Twelfth Session</b>                   |
| <b>Rome, 5-9 November 2012</b>                       |
| <b>Peer Review of the Evaluation Function of FAO</b> |
| <b>MANAGEMENT OBSERVATIONS</b>                       |

### *Introduction*

1. Management welcomes this opportunity to submit its observations on the final report of the Peer Review of the Evaluation Function of FAO, especially in view of the fact that it touches upon a range of matters which are important both for the Secretariat and the governing bodies.<sup>1</sup>
2. Management has closely examined the Peer Review report and wishes to stress, as also emphatically stated by the Peer Review team itself, that the whole matter requires far more attention than the panel could devote to it. In general, Management considers that both the Secretariat and the governing bodies – which have designed the function as it stands and operates at present – should take due notice of the recommendations and use the report as a starting point for a comprehensive and in-depth assessment of the evaluation function, also in relation to all existing oversight functions in FAO, within their context, and taking into due account the demands that these functions place upon the Secretariat and the membership.

#### **A. General observations on the Peer Review, including on its methodology and scope**

3. The Peer Review report correctly acknowledges that the review was not a comprehensive exercise, insofar as it could not cover a wide range of fundamental aspects related to the evaluation function. Thus the report devotes extensive developments to the fact that the exercise was based on “*a light peer review process*” (cf. paragraph 17). It underscores that there was very limited consultation with key external stakeholders, including the full range of staff involved, in a way or another, in evaluations and that this should be left to another, more comprehensive, exercise.
4. In another of its general sections dealing with methodological issues, the Peer Review examines systematically a large number of areas which remained outside its scope. These areas are important and have to do with the interaction of the function with FAO as a whole. The Peer Review lists nothing less than seven areas that were not covered and should be examined by a full assessment of the function.

<sup>1</sup> Management notes that neither the action matrix on “*evaluation*” of the Immediate Plan of Action for FAO Renewal (IPA), nor the Charter for the FAO Office of Evaluation, adopted by the Council and included in the Basic Texts of FAO, provide that there should be a Management’s response to the Peer Review. Nonetheless, this has been foreseen in the process of preparation of the Peer Review.

5. The Peer Review recalls that the panel conducted an exercise which concentrated primarily “*on the functioning of OED*”, but not on the roles and responsibilities of other related parties and institutional players (cf. paragraph 183). It did not examine if and how the other parties identified in the Charter - the Council, the Programme Committee, the Director-General and the Evaluation Committee – have fulfilled their roles or what they might do differently to enhance the value of evaluation to meet the needs of both Management and membership. The team indicates that this was not examined in any depth, neither whether the function “added value”. The Review did not examine other areas such as evaluation as a component of results based management (cf. paragraph 184). It did not address the implications of decentralization upon the function, nor its relationship with decentralization, whereas decentralization is currently a critical feature of FAO and a significant number of staff members serve in decentralized offices. The learning dimension of the function was not addressed either (cf. paragraph 186). In the same vein, the Peer Review did not examine the extent to which evaluation supports and enhances accountability (cf. paragraphs 187 ad 188). The Peer Review did not address issues related to quality assurance and credibility (cf. paragraph 190), nor matters pertaining to behavioral and functional independence of OED (cf. paragraph 191). Management observes that these extensive functional areas were not covered and is inclined to hold the view that the question of whether the evaluation function, seen in isolation from any inter-relationships, operates internally in conformity with “*international benchmarking*” and standards established by an informal professional network is substantially less important than the issue of whether evaluation serves its purpose and is useful in a dynamic context of decision-making by Management and governing bodies alike.

6. In the same vein, Management observes that the Peer Review interacted only with a limited number of officials of FAO and had essentially contacts with officials of the Office of the Evaluation, as evidenced by the list of persons interviewed, and did not interview a representative sample of officials concerned by the function. In addition, it is reported that the panel met the Chairperson of the Programme Committee and three members of that Committee.<sup>2</sup> Such limited consultation of the membership would seem to be unsatisfactory, also in consideration of the membership of FAO consisting of 193 Members.

7. Management wishes to underscore these limitations regarding the scope and methodology of the Peer Review. This is especially importantly because, on one hand, the review rightly qualifies itself as not being a comprehensive and an in-depth exercise, and as reflecting a “*light*” process and, on the other hand, invites Management, OED and the governing bodies to act upon a number of far-reaching recommendations.

8. For its part, Management sees the Peer Review as a starting point for a future comprehensive and in-depth assessment of the evaluation function, including in relation to all other oversight functions in FAO, as well as the demands which these functions, seen together, place upon the membership and the Secretariat alike. Both Management and the membership should refrain from any action based on the Peer Review until a fuller assessment is conducted.

#### **B. Observations on the current status and operation of the Evaluation function in the context of the overall range of oversight mechanisms of FAO**

9. The evaluation function is one among other oversight functions within FAO and, therefore, should be seen in that overall context, including their inter-relationship, and the demands that these functions place on the Secretariat and the membership. These functions include: (i) internal audit; (ii) investigation; (iii) evaluation; (iv) the Joint Inspection Unit; (v) the External Auditor; (vi) the ethics function, to which (vii) the Ombudsman function might be soon added. In addition, there is (viii) an investigatory function related to cases of harassment. While that is not an oversight function

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<sup>2</sup> Except for the Chairperson of the Committee, each of the three representatives interviewed had a direct role in the introduction of the current structure and *modus operandi* of the function in FAO and thus direct involvement in the situation under review.

as such, there is an important (ix) security unit which occasionally performs fact finding responsibilities.<sup>3</sup>

10. In some cases these oversight functions (or aspects related thereto) operate under the guidance of other committees, such as the audit committee, the ethics committee or the internal evaluation committee. In addition, these various functions, units or bodies report to distinct, parallel governing bodies, with particular reference to the Programme and Finance Committees which may not be always fully informed of each other's activities. These special oversight functions are also in addition to the regular oversight functions carried out by the governing bodies within their specific statutory provisions.

11. There is potential or actual overlapping among oversight functions. This may reflect a different status and relationship with both Management and the membership, as is the case with the internal and external audit functions. An External Auditor is appointed by the Council and reports to the Finance Committee, the Council and the Conference. Under Financial Regulation 12.4, the External Auditor "*may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in the general, the administration and management of the Organization*". The External Auditor carries out so-called "*value-for-money*" reviews which are included in the long-form part of its report. This is in addition to the possibility for the Finance Committee, under Financial Regulation 12.6., to request the External Auditor to perform certain specific examinations and issue separate reports on the results. Many, if not all areas covered by evaluation are also under regular and close scrutiny by the internal and external audit functions, as evidenced by various examples. Thus, to mention an example, the latest Long Form Report of the External Auditor on the Financial Statements of FAO for the financial period 1 January 2010 to 31 December 2011 indicates that the External Auditor examined the work of the Office of Evaluation and made a number of recommendations in connection with project evaluation (cf. paragraphs 242 to 267).

12. The normal operation of all oversight structures, seen together, may have resulted in a sense, within the Secretariat, of disconnection between, on the one hand, the capacity of oversight structures and mechanisms to produce reports and recommendations and "*over-analyze*" FAO and, on the other hand, the ability of the Organization's administration and technical services to support ongoing initiatives and, once completed, to review and implement the recommendations emerging from those exercises. At times, the oversight units have "*protected budgets*" which confer upon them a capacity of delivery which might be out of proportion with that of the Secretariat. "*This looking more and more inward could be making FAO bulkier rather than more efficient*".<sup>4</sup> This situation has resulted in a steady flow of recommendations. The oversight functions have established mechanisms to follow up the implementation of these recommendations. There might be reason to believe that, in itself, the impressively large number of recommendations produced is incompatible with their strategic use, both by the Secretariat and the governing bodies themselves, notwithstanding, in the case of the Programme Committee, additional sessions devoted to consideration of evaluation reports, management responses, and follow-up documents on recommendations. It is unclear whether recommendations are effectively integrated in priority setting and results based management and there could be a risk that both Management and the governing bodies may be unable to prioritize, differentiate among the recommendations which could become ultimately equivalent and interchangeable.

13. The evaluation function is structurally, operationally and budgetary independent to such an extent as it became a form of external function. While there is an evolution towards functionally independent structures throughout the United Nations system, the evaluation scheme of FAO, directly modelled on the evaluation schemes of international financial institutions with particular reference to IFAD, does not conform to the prevailing model within the United Nations System. This is of relevance, because international financial institutions (IFIs) have both a governance structure and a

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<sup>3</sup> The total Regular Programme biennial budget for FAO oversight functions listed in points (i) to (vii) is approximately USD 19.8 million for the 2012-13 biennium.

<sup>4</sup> Statement of the Director-General Elect to the 143<sup>rd</sup> Session of the Council, 28 November-2 December 2011.

relationship between that governance structure and the secretariat that are different from those of the organizations of the United Nations system.

14. The Peer Review has, itself, concluded that the FAO model involves unsatisfactory features that must be addressed. Thus FAO's evaluation function is independent from the Office of Evaluation itself, insofar as evaluation teams are operationally independent from that Office and fully responsible for the content of their work. The Office of Evaluation – in accordance with paragraph 24 of the Charter – has no control over the actual content of the reports, insofar as the “*independent external consultants*” hired by the Office are fully responsible for their work.

15. Management is generally of the opinion that there might be justification for initiatives aimed at correcting unforeseen consequences of the current situation. Subject to such views as the membership may hold, Management considers that there seems to be substantial potential for efficiency savings in this area and that responsibility for taking corrective action is a duty both of membership<sup>5</sup> and Management.

16. Management is also concerned that the current situation could lead to a form of isolation from reality, unawareness of, and remoteness from challenges and difficulties to which the administration is confronted in its day-to-day work. The Secretariat may not have a sense of ownership of the recommendations of evaluations, perceived as an alien, external function, which may be incompatible with their strategic use.<sup>6</sup> Furthermore, in financial terms this could be a costly luxury which FAO can hardly afford in present times.

17. Therefore, Management submits that although the evaluation function of FAO is the result of decisions taken by the governing bodies a few years ago, there might be some merit in reassessing its current status and *modus operandi*, in the context of all oversight structures and units. An overarching objective of the assessment should be to determine whether they are useful for learning, decision-making and accountability, with recommendations oriented to the better attainment of these goals. Management also considers that such an exercise should be carried out in a context involving, in a suitable manner, both governing bodies and Management, including the Office of Evaluation,<sup>7</sup> It should take into consideration, as appropriate, all oversight units with a view to more cost-efficiency. There might be merit in involving in the exercise other oversight functions of the Organization. The Finance Committee which has, over the years, performed important oversight functions should be involved in the process. Pending this exercise it might be useful, as far as practicable, to consider a reduction in the number of evaluations, so that both Management and governing bodies could devote common efforts to a reassessment of the situation.

### **C. Observations on specific recommendations of the Peer Review**

18. In view of the above considerations, Management does not think it appropriate to definitively comment on the specific recommendations made in the Peer Review report. Management is generally of the view that given its limited scope, the conclusions and recommendations of the Peer Review could be called into question by a future more in-depth and comprehensive exercise.

19. Without prejudging the outcome of a more comprehensive assessment, Management believes that there is consensus around the need for more strategic and effective use of evaluations to the governing bodies and at country level (Recommendations 1 and 2 refer). Management is of the general view that the evaluation function should not exist and operate for itself and in a vacuum, in the

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<sup>5</sup> Management notes that the Finance Committee, at its 143<sup>rd</sup> Session of May 2012, under item “*approach to the review of reports of the Joint Inspection Unit*” took the initiative of examining how these reports should be treated. The Committee “*noted the information provided by the Secretariat on the number of oversight bodies to which the Secretariat must provide information, responses and follow-up, and where there might be opportunities for streamlining improvements. The Committee agreed to review this matter at a future session*”<sup>5</sup>.

<sup>6</sup> Some of these concerns are explicitly articulated in the latest long form report of the External Auditor, paragraph 243, which goes as far as recommending amendments to the Charter, although apparently only in relation to project evaluation.

<sup>7</sup> There are risks in entrusting an exercise of this nature to external consultants with vested commercial interests in the function.

absence of sustained and genuine demand from all other institutional players, but should respond to a purpose outside the evaluation function itself.

20. These areas were not examined *in concreto* by the Peer Review, nor did the Peer Review examine the conditions to be met for these objectives to be reached. Still, subject to the above general reservation, Management can subscribe to these general objectives. It notes, in this connection, that the latest version of the long form report of the External Auditor also makes recommendations along the same lines regarding project evaluation aimed at enhancing quality control, usefulness and relevance for decision making (cf. op. cit, paragraphs 242-266).

21. Management agrees with the recommendation that there should be a better linkage between the evaluation function and the role of the Office of Evaluation and the results based management system as per recommendation 3. Management notes that, as reflected in the Peer Review report, this area was not examined in any detail by the panel but, nevertheless, concurs with this overall objective.

22. The Peer Review team makes three recommendations (from 4 to 6) regarding more effective quality assurance on the part of the Office of Evaluation. Again, Management subscribes to these recommendations and, in particular, notes in relation to recommendation 3 that the current situation where the Office of Evaluation is not responsible and accountable for the content of evaluations is a very unsatisfactory one. This recommendation would involve, in due course, amendments to the Charter for the Office of Evaluation. Management also believes that more synthesis of results from all internal and external oversight exercises (audit and inspection, as well as evaluation) are needed and it would expect that the various concerned functions would take the necessary steps in that respect. While noting that this is, to a large extent, a matter for the concerned units, Management considers that the general objectives outlined by these recommendations would need to be examined, not in abstract terms, but from the practical standpoint of the actual conditions that need to be effectively met for their implementation.

23. Management does not agree with recommendations 7 to 9, as explained below.

24. As regards recommendation 7, the review does not explain the rationale for increased “*functional independence of OED*”. Management considers this recommendation and any other changes to the Charter should be the result of a comprehensive assessment of the function carried out in an inclusive manner by all concerned stakeholders, including the Office of Evaluation, the governing bodies and Management.

25. In this connection, Management notes that the Review recognizes that FAO’s evaluation function is “*probably the most functionally and structurally independent evaluation function across the UN family*” (cf. paragraph 49) to such an extent as it may have become “external” to FAO. A situation may have arisen where the function could operate in a form of vacuum, and its usefulness and credibility could be impaired. There is no system of accountability of the Office and, in addition, evaluation teams are completely independent from the Office itself, in accordance with the Charter of the Office. Throughout the United Nations system (except for financial institutions), the evaluation function typically resides within the organizations, despite emerging reporting lines to governing bodies. As a general rule, the head of the evaluation is appointed by the head of agency and remains accountable to him or her and is part of the senior management team. In general, there are no strict rules on the tenure of the incumbent who remains accountable to the Organization of which he/she is a staff member. The only other organization where the function could be to some extent comparable to that of FAO, would seem to be UNDP. However, the UNDP Administrator performs a number of functions that the FAO Director-General does not exercise. The Administrator appoints, renews the appointment and/or dismisses the Director of the Evaluation Office “*in consultation with*” the Executive Board. Reporting by the Director of the Office to the Executive Board is made through the Administrator.<sup>8</sup> The UNDP Administrator submits an annual report on the performance of the Director

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<sup>8</sup> Mandate of the UNDP Evaluation Office, paragraph B.

of the Evaluation Office to the Bureau of the Executive Board and makes resources available for the functioning of the office<sup>9</sup>.

26. A number of features of the Charter allow the Office of Evaluation to work independently, in isolation from other concerns. Management fails to see the need for additional changes, extraneous to current predominant practices and evaluation models in the United Nations system and could only exacerbate negative aspects of the current situation. Management would be prepared to re-examine issues as a result of a comprehensive assessment of the function, while noting, as pointed out by the Peer Review itself, that there are “*solid reasons and legal grounds for not granting full structural independence, and no other UN evaluation function has greater structural independence (than FAO’s)*” (cf. paragraph 140). In the same vein, as pointed out by the review, current arrangements for performance assessment of the Director of the Office are not satisfactory. These matters should be addressed as a result of a comprehensive assessment of the function.

27. As regards recommendation 8, concerning changes to the calendar of evaluations, this does not seem to respond to any immediate need. However, the outcome of a future assessment of the function could be reflected in due course in the Charter.

28. Recommendation 9 proposes that an agreement should be concluded between Management and OED identifying how administrative policies and rules on procurement, human resources, budget management and travel should be applied. It is important to stress that many of these policies and rules were designed to contain costs. Management does not agree with recommendation 9 and considers that OED, as other units of FAO, including units entrusted with oversight functions, should comply with existing policies and rules, especially in view of the very large number of consultants recruited by the Office and travel involved, as well as costs incurred in that connection. It would be clearly inappropriate that a unit entrusted with oversight functions should be exempted from rules that apply to all units of the Organization, including all oversight units.

*Guidance sought from the Programme Committee*

29. The Programme Committee is invited to

- a. take note of the Peer Review and Management’s observations;
- b. endorse the proposed comprehensive assessment of the evaluation function, seen in relation to all other oversight units and functions within the Organization, to be carried out as soon as possible in an inclusive manner, involving Governing Bodies, Management, including concerned oversight functions of the Organization.

30. Without pre-judging the outcome of the proposed comprehensive assessment of the evaluation function in the context of all FAO oversight functions, which should be initiated as soon as possible, and subject to the views of the Programme Committee, Management submits that there might be merit in putting on hold the recruitment process of the new Director of Evaluation, whose four years’ term would start from 1 September 2013. As necessary, consideration could be given to appointing an interim Director, who would work under the current framework governing the function set out in the Charter. The Programme Committee is invited to advise on this matter.

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<sup>9</sup> The function remains within the Programme, although benefiting from substantial facilities. In the context of the function as it exists within UNDP and other organizations of the United Nations system, it is normal that the head of organization or agency should be entrusted with the responsibility for ensuring the functional independence of evaluation. This is not the case in FAO.