

Chair's Aide Mémoire - Second Meetings of CoC-IEE WG III
Wednesday 30 January 2008
Ramalingam Parasuram, Chair

1) **Root and Branch Review (RBR)– Preliminary Terms of Reference:** The Director-General's Representative introduced the proposals for the Root and Branch Review, as attached in Annex I. Members discussed the proposal extensively and endorsed it. In doing so they emphasised:

- a) If it was possible, without impairing quality to reduce the lead time from the expected 100 days in issuing a contract for the first stage of the work to be completed by September, this should be done. Management was requested to report on progress at the WG meeting on 20 February;
- b) The WG should be kept fully informed of, and have the possibility to discuss all aspects of the RBR and either written reports or presentations should be provided by the consultants to the working group; consultants should have the opportunity for several interactions with the WG between their appointment in May and the delivery of the first report in September;
- c) The RBR should not repeat work carried out by the IEE;
- d) and The WG would expect the contract to specify intermediate deliverables (or milestones).

The management was asked to present at the working group meeting on 20 February, a document with a specific timeline between May and September on how the working group can be informed about the work of the RBR.

2) **Review and Monitoring Progress on Work Plan for Deliverables by Management (Quick Wins):** The WG discussed only those items of the work plan for early deliverables which would not be covered under the subsequent agenda items. Clarifications were provided and the WG made the following comments:

- a) points 22, 23, 26 & 27 Allocation of resources to empower senior managers for unforeseen requirements and to foster inter-disciplinarity: Members looked forward to detailed management suggestions in this regard; and
- b) point 47 Culture Change: The WG looked forward to the management's future reports to the WG on culture change, including a paper on actions planned for consideration at its meeting on 26 February. The WG questioned if the existing consultative arrangements between staff and management were adequate to the achievement of cultural change and emphasised the need for a participatory non-hierarchical approach to play a role.

3) **FAO's Overall Approach to Risk** (IEE paras 24-26, 32, 1214 a) & 1364): A preliminary discussion was initiated by the WG of the overall approach to risk without attempting to reach closure and recognising that this was an underlying principle which would flow through in the Root and Branch review and many aspects of reform, including Culture Change. Members generally shared the IEE's analysis of the issue and considered that FAO was excessively risk averse. They recognised, as did the IEE, that financial (as distinct from transaction) risk was an expert area. The discussion highlighted the importance of a move away from ex-ante to ex-post controls, making also the following points:

- a) risk analysis and assessment were important but an excessively theoretical approach should be avoided;

- b) rapid progress should be made on significant concrete measures, including simplification of the checks in ex-ante systems, more delegation and training and systems to support that delegation, including in the decentralized offices;
- c) the present controls and lack of delegation demotivated staff; and
- d) once re-engineering of the business models and practices had been achieved, FAO must put in place the culture and systems to ensure that improvements continued in line with best-practice, rather than once again falling behind.

4) **Human Resource Policies and Practices** (IEE paras 939-941, 1344-1355): Members emphasised the value of FAO's human resources and appreciated the frank and comprehensive approach being developed by management to tackle the problems, which was largely in line with IEE recommendations. The limitations imposed on FAO by the "UN Common System" were recognised and it was noted that Governing Body intervention could be important in the medium-term for change of the Common System itself. The Working Group agreed with the IEE analysis and recommendations and in discussion emphasised the following further points with respect to Human Resource Policies:

- a) management skills being an important selection criteria for recruitment of managers, in addition to the provision of management training;
- b) development of criteria and a system for staff rotation;
- c) increasing resources for staff training;
- d) strengthened efforts to widely publicise FAO vacancies;
- e) improved gender and geographical balance (Several G77 Members considered that the developing countries were inadequately represented in FAO staffing).

The Working Group would return to Human Resource issues at its next meeting focusing in particular on staffing incentives, flexibility and need for a staff redeployment and redundancy fund.

5) **Future Work Plan for WG III:** As requested by the WG, a revised work-plan had been developed which grouped issues for discussion (Annex II). This had of necessity been done quickly and there had not been opportunity to consult with FAO management to ensure its coherence with their deliverables and potential to support the WG. The revised work-plan was thus subject to further revision.

ANNEX I ROOT AND BRANCH REVIEW

Draft Terms of Reference (29 January 2008)

INTRODUCTION

The Food and Agriculture Organization of the United Nations (FAO) is an intergovernmental Organization with 192 members. Since its inception, FAO has worked to alleviate poverty and hunger by promoting agricultural development, improved nutrition and the pursuit of food security - defined as the access of all people at all times to the food they need for an active and healthy life. To achieve its goals, FAO cooperates with thousands of partners worldwide, from farmers' group to traders, from non-governmental organizations to other UN agencies, from development banks to agribusiness firms.

FAO budget approved by the member nations for the 2008-09 biennium is US\$ 930 million and this portion of FAO's resources is funded from assessed contributions. In addition, the extra-budgetary funding from voluntary contributions is estimated in excess of US\$ 900 million in 2008-2009. The FAO headquarters are located in Rome, Italy, with five regional offices (Accra, Bangkok, Budapest, Cairo, and Santiago), 11 sub-regional offices, 5 liaison offices and 78 FAO Representations.

In 2005, the Governing Bodies of FAO commissioned an independent external evaluation (IEE) of the Organization¹. The Report of the IEE Team was issued in September 2007.

IEE REPORT

The IEE report provided a number of recommendations and conclusions with respect to FAO, including an overarching recommendation that the Organization should conduct a root and branch review of its administrative services. To understand the context for this recommendation the following references are provided from the Report.

Whilst recognizing that "*FAO's financial, human resources and general administration are highly effective in ensuring the application of approved systems, rules, regulations and procedures*" and that "*the management of FAO has taken very seriously – and commendably so - the importance of the fiduciary responsibilities of administration and finance.*", the report faults FAO for sustaining this approach through a "*heavy and costly bureaucracy*".

The IEE report stated that FAO will not overcome its challenges unless it is "*... more flexible and overcomes its aversion to risk-taking*" and that this will not be obtained "*... without major changes to the way FAO is organized, the way it works, the behaviours it seeks and the systems it applies in its administrative and its human resources management*". The report further states that "*FAO currently has a heavy and costly bureaucracy characterized by: excessive transaction control processes, high levels of overlap and duplication and low levels of delegated authority relative to comparator organizations*".

The Report describes FAO's administrative structure as excessively focused on *ex ante* controls process involving review and scrutiny over individual transactions prior to their approval, leading to an "*... organizational culture of rigidities, highly centralized authorities, weak horizontal communications*".

¹ The complete report of the IEE (<http://ftp.fao.org/docrep/fao/meeting/012/k0827e.pdf>) as well as related reform documents are available on the FAO website.

and linkages and risk aversion". The report recommends in this regard a substantial shift to *ex post* controls.

The Report included numerous recommendations regarding FAO's Administration, Human Resources and Finance aimed at changing what the evaluators found to be a risk-averse culture and a need for greater efficiency and effectiveness. A key conclusion of the Report was that FAO must become a more flexible Organization while continuing to be a responsible manager of public funds.

The overarching recommendation of the report is that an external agency specialized in institutional analysis and cultural reform should be engaged to facilitate a "*comprehensive root-and-branch review [which] should be undertaken on all aspects of the Organization's human and financial resources management and administration.*"

The Report also suggests that the process followed "*should be fully consultative, engaging with staff and management, seeking views and guidance and building ownership throughout the entire process.*" It acknowledged that the Organization can be commended for taking a number of positive actions to achieve efficiency savings totalling some US\$ 120 million per biennium under the regular budget of 2004-05 compared with 1994. However, the report recommends that the Root and Branch Review "... *provide a time bound target for substantial administrative efficiency improvement ...*" and "... *quantify the improvements that can be realized in monetary terms (i.e. in the form of budget reductions) and those that provide indirect improvements by reducing the "hidden" costs of administration...*".

Purpose

The management of FAO has decided to act on this recommendation and engage a specialized consultancy firm to carry out such a task. The purpose of the review is to examine the current arrangements with reference to the recommendations of the IEE and to recommend a series of measures aimed at ensuring that FAO's administration, human resources and financial management support the business of the Organization in an efficient, effective and economic manner within an appropriate framework of internal control.

The review should take into account the recommendations of the IEE Team with reference to the following elements:

- a) giving substance to the Director-General's reform proposal to consolidate and integrate core administrative functions with a single policy perspective and one clear line of authority;*
- b) modernization of the Human Resources Management Division to make it less a process facilitator and more a strategic partner, building human resources strategies and advising and supporting senior management;*²
- c) the maximum degree of streamlining and simplification possible of rules and procedures;*
- d) delegation of authority, based on the principle of subsidiarity;*
- e) a substantial shift from ex ante to ex post controls;*
- f) incentives to encourage, recognize and reward initiative and performance at both the group and individual levels; and*
- g) focusing administrative processes and support services on the client basis.*"³

² Since commencement of the IEE, Accenture prepared a report on the Human Resources Management Model which is provided as background material.

³ IEE Report, paragraph 1342.

The application of the above elements must take due consideration of its overall business objectives to raise levels of nutrition and economic well-being, combat hunger and sustainably use natural resources for food and agriculture. FAO delivers on these objectives through the collection, analysis and dissemination of data, the provision of technical advice in many areas related to agriculture, fisheries and forestry, and support to projects around the world. Within this environment FAO also has a large emergency programme responding to the rehabilitation of agriculture after natural disasters, and responding to outbreaks of plant and animal diseases and infestations. An optimal business model for the Organization will take these business objectives into consideration. It will consider variations, to tailor the necessity of effective action (e.g. timely delivery of services in emergency programmes) with different levels of risk appetite. It will also take into consideration the wide decentralized offices' network of the Organization and the need to delegate authorities to these offices for fast and cost effective action at field level.

The business model should also consider the resource flows through FAO and the governance structure of the Organization. FAO's core resources are provided through assessments paid by the member nations based on a biennially approved programme of work. Substantial extra-budgetary resources almost equal to the core resources are also provided to the organization for additional normative, technical and emergency programmes.

In identifying the tasks to be undertaken to achieve the above objectives, the selected consultant firm also should give due consideration to other recommendations of the IEE Report and in particular those contained in Chapter 1 (the IEE in Synthesis), Chapter 6 (Situating FAO's Culture, Organization and Structure), Chapter 7 (FAO's Programme Cycle), Chapter 8 (Administration, Human Resources and Finance), and Annex 1, Tentative Costs and Savings and Summary of Recommendations by Cluster of the report.

The work will be overseen by and reports will be submitted to **the Deputy Director-General**.

SCOPE

The scope of the study will cover both policy and service delivery aspects of the broad areas of management and administration including finance, human resources management, information technology, budget management, procurement, meeting management, language services, printing and distribution of documentation and publications, and other administrative services. The review should consider how these support the various areas of FAO business at headquarters and decentralized offices within an appropriate framework of internal control, covering both Regular Programme and extra-budgetary funded operations including emergencies. The scope of the review will *inter alia* include the activities of the Department of Human, Financial and Physical Resources (AF), the Knowledge and Communications Department (KC) and the Programme and Budget Service (PBEP), as well as the coordination, authorization and administrative activities of other organizational units, such as the Technical Cooperation Department, the Office of the Director-General (ODG), the Office for Coordination and Decentralization (OCD) and related functions within decentralized offices.

CONTEXTUAL CONSIDERATIONS

The Review would be undertaken within a context of a change environment within FAO. The Governing Bodies of FAO (the member nations) and FAO's management are aggressively pursuing the

implementation of the IEE recommendations. These reforms and improvements include a number of efficiency and streamlining proposals that will be implemented by management in concomitance with the Root and Branch Review. The aim of these actions will be to reduce *ex ante* controls and to apply the principle of subsidiarity. Since the Root and Branch review will be conducted in parallel with management's on-going streamlining initiatives, due consideration should be given to this process to bring awareness to areas of convergence or divergence, thus providing a guide to the Organization on the way forward.

The study should also consider *inter alia* the following elements:

- The FAO reform of Decentralized Offices.
- Broader reforms at the UN system level with specific reference to the “Delivering as One” pilots and the TCPR (Triennial Comprehensive Policy Review of Operational Activities of the UN Development System).
- FAO's participation in the UN common system of salaries, allowances and human resource practices.
- Opportunities for administrative streamlining through closer cooperation and shared services with the other UN Rome based agencies.
- The Organization has a major project underway for the adoption of IPSAS (International Public Sector Accounting Standards) and will carry out an enterprise risk management assessment.
- FAO's significant emergency programmes, including consideration of an on-going evaluation of this work to be completed during 2008.

The study will be undertaken in two stages. Firstly to determine the administrative systems that will need to be provided to best support the business objectives of the Organization, and secondly to determine the most efficient and effective way to deliver those systems.

DELIVERABLES

The deliverables to be produced include:

- A. A proposal for a high level business model which identifies an appropriate administrative support architecture based on the principle of subsidiarity (i.e. delegation to the lowest level while retaining an appropriate framework for internal control and risk assessment) for the most effective and efficient delivery of the organization's business outputs at Headquarters and in decentralized offices. This business model would cover:
 1. administrative services including finance, human resources management, information technology, budget management, procurement, meeting management, language services, printing and distribution of documentation and publications, and other administrative services;
 2. a single strategic and coherent human resources policy framework, aligning recruitment, staff development and promotion criteria;
 3. implications of the business model on the organizational structure (including the Shared Service Centre approach), programme delivery and delayering within FAO;
 4. mechanism for the delivering of these services to FAO's offices and staff world wide;
 5. identification of opportunities for a more cost effective and efficient delivery of services through a collaboration with the other UN Rome based agencies, as well as within the UN reform context world wide; and
 6. an initial presentation of a range of costs, savings and the implementation period for the delivery of this model.

The business model proposal will identify the areas of convergence and divergence with the streamlining initiatives being carried out by the Organization in parallel to the study.

This deliverable would be required by **26 September 2008**.

B. Detailed recommendations for structures, processes, workflows and delegations with a time-bound implementation plan related to the administrative services noted above, including;

1. a time-bound target for substantial administrative efficiency and productivity improvements, with a quantification of savings that may be obtained through improved delivery systems, with consideration of:
 - rules and procedures to be simplified, improvements to the efficiency of current procedures, improved administrative and decision-making processes according to the principle of subsidiarity, increased delegation of authority and reductions in the level of bureaucracy;
 - improvements to the hierarchical and organizational structures, and
 - improved administrative workflows between Headquarters and decentralized offices.
2. opportunities for service quality improvements; and
3. the identification of one-time and on-going costs (including backfilling costs) and savings arising from implementing the detailed recommendations with an indication of the break even point.

This deliverable would be required by **17 April 2009**.

The selected consultancy firm would be required to provide monthly progress reports.

ROOT AND BRANCH REVIEW**Primary Materials to Provide for the Consultant's background**

IEE Report – particularly Chapters 1, 6, 7 and 8

PWB 2008-09 – particularly overviews and budgetary information

Manual Section 108 – functional statements

Basic Texts of FAO

Extracts from FAO intranet of divisional pages (e.g. SSC, AFS, AFF, AFH, KCT, KCC, KCE, KCI) to give a better picture of procedures than the M.S.

Circular on Roles and Responsibilities

New Functional Statement of Decentralized Offices under the Reform

Audited Accounts 2004-05 (without the long form report)

Accenture work on Human Resources Management Model

Joint Finance/Programme Committee Paper “Collaboration on Administrative and Processing Work between FAO, WFP and IFAD”

Also background material on ICT environment, common system elements, and the organigram

Secondary Materials (to be provided to selected consultant upon commencement of work)

Coopers and Lybrand review of AF

KPMG reviews of AFF and AFI

Client Services Support Portal information

Fungibility Rules

Results based Budgeting

PBE presentation on Support Costs

Independent Evaluation of FAO's Decentralization

Finance Committee Report on Support Cost Expenditure and Recoveries

2007 UN TCPR Resolution and FAO TCPR Resolution of November 2005

Report of the Secretary-General's High Level Panel on UN System-wide Coherence

Annex II CoC-IEE Working Group III – Reform of FAO Systems and Culture
Revised Recommendations Summary and Work-Plan
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Introduction

- 1) The summary below brings together all the recommendations and summaries of findings of the IEE in the purview of Working Group III. All quotes are referenced to the IEE report and management response to facilitate Members' work.
- 2) The "Management Response in Principle" is provided where there was a difference of view with the IEE or a difference of nuance. It has not been included where, as was very often the case, the management response agreed with, reinforced the IEE findings and recommendations, or described steps previously underway by the Organization. Where management has already initiated certain precise steps within its authority as detailed in the Management Response, these are referred to but details of progress on management action will be provided in separate management papers.
- 3) A number of areas concerning modalities for technical work fall in the purview of Working Groups I and III – in particular programme and strategy development and organizational arrangements for technical work, where there is a very close relation between form and function, as emphasised by both the IEE and management. These areas have been identified for joint consideration.
- 4) The overall approach to timing has been driven by the need for the Working Group to produce its basic report in May. This is in order to allow the orderly consideration of the reports of the working groups by the CoC-IEE itself, culminating in the production of the Immediate Action Plan in September covering all aspects from all working groups. The Group will thus produce follow-up report to the CoC-IEE to reflect later developments in the period up to the finalisation of the CoC-IEE's report, including the Immediate Action Plan:
 - a) Joint work with Working Group I has been envisaged mainly in April and May.
 - b) Joint discussions with the Governing Bodies of IFAD, WFP, OIE, etc. have been proposed for May and thus can not be fully

reflected in the main report but in a subsequent memorandum to the CoC-IEE.

- 5) The groupings of the recommendations in the paper has been dictated by subject matter, sequencing in discussion by the Working Group and identification of work which will need to be handled jointly with other groups.

Context – Overall Messages

- 6) (IEE para 30) **Message 11: FAO has many talented staff with a deep commitment to the mission of the Organization, but they are stifled by the fragmented structures of FAO and rigidly centralized management systems.** High-quality human resources are the most valuable asset in a knowledge organization - which is what FAO is. FAO has, for the most part, talented staff with high levels of technical expertise that are strongly committed to the Organization's mission. However, they are currently discouraged. While this is partly a result of resource decline and staff members' uncertainty about their future, staff are also feeling stifled by outgrown and 'over-managed' management and administrative systems. While often feeling overburdened, they are, in effect, underused. This holds the Organization back from reaching its full potential and undermines its effectiveness.
- 7) **Technical Work of FAO** (IEE para 582) The administrative efficiency of FAO is not the subject of this chapter, but the negative effects of this on the Organization's technical work and its image are considerable and need recognition here. Technical staff find an inordinate amount of their time is taken up with trying to overcome administrative hurdles to hiring consultants of the required competencies in a timely way. For work at country level, the difficulties of procurement and contracting represent major hurdles. Maintaining the right competencies in the staff is also an issue, but the lack of flexibility in the system, the absence of a more flexible formula to ensure that all parts of the membership are equitably represented in the Secretariat, and the difficulties of adjusting staffing in line with evolving needs are all major difficulties which limit the Organization's

technical effectiveness. Nowhere is this more important than getting the right competency mix in FAO Representations and ensuring an optimal formula for technical support at country level. All these issues are dealt with elsewhere in this report. However, their resolution is central to improving the Organization's technical effectiveness.

8) **Director-General's letter to Chairs of Regional Groups, December 2007** *The Organization will also continue to pro-actively identify savings and efficiency gains, to enable delivering the programme of work with US\$ 22 million less resources, as foreseen in the Conference Resolution on Budgetary Appropriations. Areas where immediate savings could be found include selective delayering of Director-level posts, more cost effective travel arrangements in cooperation with the Rome-based agencies, lower-cost software licensing agreements, modifications of lump-sum entitlement travel arrangements, energy saving and environmental measures. Efficiency savings targets will be established for all managers so as to further institutionalize the search for efficiencies and productivity gains in the work of the Organization.*

9) *Also, we are moving forward to plan for implementation during 2008 of many administrative and human resources improvements based on the groundwork laid by ongoing reform processes. These include,*

for example: assigning responsibility for selection of professional and national officer staff to ADGs; implementing a recruitment strategy to improve gender and geographic representation profiles; increasing corporate training on management development and results-based management; developing a staff rotation policy; reviewing delegations regarding approval levels for rates offered to consultants; developing a delegation of authority framework and further empowering heads of decentralized offices; decentralizing further the TCP approvals; revising relevant procurement rules and simplifying controls on proof of travel; and, initiating the systematic development of an "Enterprise Risk Management Framework".

10) *I have taken it upon myself to set an example for culture change and openness, by posting reports of my official visits and major meetings on the FAO Intranet and removing my personal security detail inside headquarters. You will have noticed the increased incidence of formal and informal briefings by senior staff to Permanent Representatives. This will continue and accelerate during 2008, especially in conjunction with the High Level Conference on World Food Security and the Challenges of Climate Change and Bioenergy, and on Feeding the World in 2050.*

11)

Overall Timetable Area of Work – Grouping of Recommendations

	Start Date	Completion Date
Root and Branch Review	January	Ongoing
Review and Monitoring of Progress on Deliverables by Management (Quick Wins)	January	Ongoing
Culture Change within the Secretariat	January	January with Feedback ongoing on Management Action
Overall Conclusions on Approach to Risk	January	February
Human Resources (Policies and Procedures)	February	February
Financial Systems, Standards and Audit	February	March
FAO Field (Decentralized) Structure	February	March/April
Service Provision and Procurement, etc	March	March
Information Technology	March	March
Programming Budgeting and Resource Mobilization	March	April
Functions, Functioning and Organization of Headquarters Departments	March	May
Partnerships	March	May
Commissary and Credit Union	undecided	undecided
First Overall Report to CoC-IEE	May	May
Follow-up Reports to CoC-IEE	June	July

Summary of Recommendations and Details of Work-Plan

Root and Branch Review

(IEE paras 1342 & 1343) **Recommendation 8.1**

12) A **comprehensive root-and-branch review** should be undertaken on all aspects of the Organization’s human and financial resources management and administration. The review should be guided by:

- a) giving substance to the Director-General’s reform proposal to consolidate and integrate core administrative functions with a single policy perspective and one clear line of authority;
- b) modernization of the Human Resources Management Division to make it less a process facilitator and more a strategic partner, building human resources strategies and advising and supporting senior management;
- c) the maximum degree of streamlining and simplification possible of rules and procedures;
- d) delegation of authority, based on the principle of subsidiarity;

Working Group Specific Actions and Deliverables	Timing of WG Deliverables to CoC-IEE (2008)
Approval in principle to proceed	Agreed – January
Review indicative ToRs	January

Root and Branch Review

(IEE paras 1342 & 1343) Recommendation 8.1

- e) a substantial shift from *ex ante* to *ex post* controls;
- f) incentives to encourage, recognize and reward initiative and performance at both the group and individual levels; and
- g) focusing administrative processes and support services on the client basis.

13) The review should be facilitated by a contracted external agency specialized in institutional analysis and cultural reform. The process followed should be fully consultative, engaging with staff and management, seeking views and guidance and building ownership throughout the entire process. For organizational, administrative and coordination purposes, the external agency should report either to the Deputy Director-General, or to a revamped Office of Strategy Resources and Planning in the Office of the Director-General or to the Reform Group. It should specifically not report to the proposed Corporate Support Services Department, as this could entail conflicts of interest. One of the outcomes of the review should be to provide a time-bound target for substantial administrative efficiency improvements. The target should quantify the improvements that can be realized in monetary terms (i.e. in the form of budget reductions) and those that provide indirect improvements by reducing the “hidden” costs of administration to the benefit of programme delivery.

14) (Man res para 135) *Management agrees to contract an external agency specialised in institutional analysis and reform to facilitate a comprehensive root and branch review of all aspects of the Organization’s human and financial resources management and administration. (DG letter to Regional Groups, December 2007) This will be overseen by the Deputy Director-General.*

Review and Monitoring of Progress on Deliverables by Management (Quick Wins)

15) in the Director-General’s Authority and within the mandate of the Working Group Begin January and provide ongoing monitoring and feedback

Culture Change within the Secretariat

First round of discussion completed January February onwards Feed-back on further measures taken by management on culture change, including any consultancy inputs

16) **Culture Change** (IEE paras 939-941) **Recommendation 6.1:** Building on the high levels of commitment of staff to the mandate, goals and objectives of the Organization, and of staff motivation related to the Organization’s work management should lead in rallying this positive asset around a much clearer vision

Working Group Specific Actions and Deliverables	Timing of WG Deliverables to CoC-IEE (2008)
Review results of bidders conference and tender documentation	February
Continue to follow-progress including interaction with consultants	February onwards

of how FAO will work towards its mission with clearly articulated objectives and measurable indicators. This cannot be top down or formalistic, but must reach into the Organization for shared ideas on ways forward. It must be done through processes of genuine consultation and participation aimed at building a practical sense of common purpose and be a first step in re-orientation to a culture of high performance. Deep and extensive changes are then needed to policies and procedures on human and financial resources in order to ensure that they are aligned with and focused on that clearer vision, and engaged as efficiently and effectively as possible to achieving those clearer goals. In other words, aligning all the Organization's means with its ends explicitly. FAO's human resources should be treated as the primary and strategic asset they are. Human resources policy and systems should be re-oriented to attract the calibre of people and enable teamwork in the way FAO needs to fulfil its aims. Administrative procedures should be fundamentally reviewed, simplified and re-oriented to be more 'client-focused', encouraging and supporting staff to be effective and accountable for achieving the results agreed above in an efficient way. Proposals should aim to advance transparency, promote the principle of subsidiarity and facilitate and enable horizontal and vertical communication.

17) (IEE para 942) **Recommendation 6.2:** A special working group should be constituted to lead development of and oversee an overall programme of culture change. Its members should be selected from different parts and levels of the Organization. Its work should be serviced by one specially assigned member of staff who should have both management and staff acceptance. He/she should be advised and accompanied by consultant specialists in culture change.

18) **DG to lead internal culture change** (IEE paras 944-947) **Recommendations 6.4 and 6.5:** Early and transparent action on the fundamental changes described above - some of which will take a long time to complete – should be supported by immediate actions by the Director-General to signal his readiness to lead and engage in change and to present a more open and accessible image. Building on the openness demonstrated in the recent seminars for Permanent Representatives to FAO and the higher frequency of other informal presentations by senior staff, these might include: actively encouraging senior staff to informally brief Permanent Representatives on technical and administrative issues; announcing, *post factum*, on the intranet the Director-General's official overseas visits and his major meetings with external contacts of importance; and meetings with small and informal groups of staff on topics of internal importance to FAO. Such meetings should not be focused only on issues of staff-management relations but should in the main relate to the work of the Organization. FAO needs to accelerate development of a leadership cadre who consistently model good management practice, including "open door" styles to increase informal, direct communication; the giving and receiving of feedback; regular staff meetings to inform them of developments and solicit their ideas; and periodic retreats. To achieve this: a) Expand the courses of the Joint Management Development Centre to include regular courses for senior management as well as lower levels; and Involve the Human Resources function as a strategic partner in planning and executing management training, focused on the needs of specific individuals. This might include an increase in management training or coaching.

(DG letter to Regional Groups, December 2007) A Reform Group comprising senior representatives from every headquarters department and office, with arrangements for consultations with decentralized offices, will coordinate and monitor early actions and support. Communication with staff will be ensured through regular departmental and divisional meetings. In addition, I am re-activating the Joint Advisory Committee on FAO Reforms (JAC-FAR) to foster open dialogue between management and staff representative bodies. The Senior Management Meeting and PPAB will meet frequently to provide policy guidance and review progress.

Overall Conclusions on Approach to Risk

- a)
- b) to inform the Root and Branch Review and FAO management in undertaking reforms
- c) Presentation of IEE and management's perspectives for discussion and conclusion February Introduction **February meeting 1**

19) IEE paras 24-26) **Message 7: FAO must become a more flexible Organization while continuing to be a responsible manager of public funds. It needs to break out of its risk-averse culture, creating greater efficiency and effectiveness.** FAO currently has an especially heavy and costly bureaucracy characterized by: excessive *ex ante*⁴ control processes involving review and scrutiny during the execution of individual transactions and prior to their final approval; high levels of overlap, duplication and transaction costs; and low levels of delegated authority relative to comparator organizations. This heavy bureaucracy creates and reinforces an organizational culture of rigidities, highly centralized authorities, weak horizontal communication and linkages and risk aversion. It also greatly limits FAO's potential for development effectiveness in meeting the needs of its Members.

20) Yet, FAO needs to exercise fiduciary responsibility while ensuring that the execution of its programmes is efficient (e.g. conducted at the lowest level of the hierarchy commensurate with responsibility for the transaction) and effective (e.g. deployment of required inputs supporting high quality and timely action). Many routine actions still require routing through multiple layers of the hierarchy (e.g. travel, overtime requests and letters of agreement). Moreover, ultimate approval for some transactions is fixed at very senior levels (e.g. hiring consultants over 62 years of age on more than US\$150 per day; hiring of international consultants on the TCP facility; registration of small consultancy firms). This is a drain on scarce staff resources, entailing time-consuming preparation and review of submissions. It acts as a major break on efficiency and rapid response, and weakens individual responsibility and accountability for transactions. Everyone is responsible, yet no one is responsible. The cost of *ex ante* controls for transactions entailing financial commitments must be commensurate with the value of the transaction (for example on support staff overtime) and tailored according to the potential loss (for example on travel). The IEE believes that FAO has not struck a desirable balance in the exercise of fiduciary and programme delivery responsibilities, and that a change in the "business model" is warranted. This could draw upon on the best practices of other organizations.

21) At the same time, the current practices for transaction approvals feed through into the daily practices of FAO staff, making them risk-averse, rendering staff reluctant to take decisions, reluctant to innovate, reluctant to use even the authority they have. The criticisms for untimely action are perhaps insufficient - '*The consultant arrived three weeks late but we followed the rules*'. The criticism for innovation or a timely decision which went wrong is generally greater than the praise for a risk which went right. Human resources management to support change will need to establish positive incentives, reward excellence, encourage informed risk-taking and acceptance of errors as opportunities for learning and continuous renewal. At the same time, true delegation of responsibility will require an emphasis on staff training and improvement in corporate administrative systems, as well as an increase in *ex post* monitoring. The overarching challenge is to open the Organization up to initiative and individual responsibility and move the Governing Bodies, management and staff away from their entrenched risk-averse culture.

22) (IEE para 32) **Message 13: There is scope for FAO to achieve further major efficiency gains.** These efforts can build on the many positive actions taken

⁴ *Ex ante* refers to approval and control measures applied **before** the event that is subject to control takes place. It contrasts with *ex post* control and validation measures, applied **after** the event that is subject to control has taken place (i.e. retrospective).

since 1994 to quantify and achieve efficiency savings as well as the emphasis on streamlining in the 2005-06 reforms. However, further savings will require a forceful effort to remove FAO's excessive bureaucracy, reduce inefficient and costly hierarchical structures, delayer and amalgamate units, simplify and streamline procedures, move procedures from detailed descriptions of what transaction path must be followed to the establishment of criteria which must be met and overall processes observed. There are many areas identified throughout the IEE report where FAO could increase cost-efficiency. The movement from a risk-averse culture to a culture of responsibility with *ex post* monitoring is perhaps the most important element in this.

23) (IEE para 1364) **Recommendation 8.15:** FAO must develop an **institutionalized strategy for financial risk management**, guided by clear distinctions between what lies within management's authority (i.e. financial strategy and approaches) and what requires specific authorization by the Council (i.e. financial policy). The objective is not to create bureaucratic impediments, but to provide assurance that sufficient checks and balances exist to prevent the Organization from accidentally taking on unnecessary financial risk and to provide protection to the Organization and its staff.

Human Resources (Policies and Practices)

Introduction February Meeting 1 or 2 Conclusion on principles of human resource policy and Conclusions on policy changes and advice to Management, for immediate changes pending Root and Branch Review February

24) **Culture Change** (IEE paras 939-941) **Recommendation 6.1:** FAO's human resources should be treated as the primary and strategic asset they are. Human resources policy and systems should be re-oriented to attract the calibre of people and enable teamwork in the way FAO needs to fulfil its aims. Administrative procedures should be fundamentally reviewed, simplified and re-oriented to be more 'client-focused', encouraging and supporting staff to be effective and accountable for achieving the results agreed above in an efficient way. Proposals should aim to advance transparency, promote the principle of subsidiarity and facilitate and enable horizontal and vertical communication.

25) (IEE para 1344) **Human Resources Policy** entails an enhanced degree of communication between the Human Resource function and senior management. A strategic human resources management framework is needed to engage senior management and the Human Resources Division jointly in implementing key human resources objectives. As part of this, staff will need to be convinced that a true alignment exists between incentives and superior performance.

26) (IEE para 1345) **Recommendation 8.2: Policy framework:** The IEE recommends alignment of recruitment, staff development and promotion criteria into a single and more coherent human resources policy framework. This should also give attention to the age profile of FAO employees and ensure thereby a continuous renewal of the Organization by recruiting younger employees. In preparing it, and following FAO Management's acceptance of the need for field and regional experience to be taken into account when selecting for senior positions, FAO should implement the recommendation of the Independent Evaluation of FAO's Decentralization on the **rotation** of technical staff (which it has already broadly accepted). This is both a means to assure effective linkages between headquarters and the field and to catalyse staff competencies development. More specifically, the IEE recommends a new policy whereby within the next two years, the general practice would be for **all FAO Representative posts to be filled by rotation**. Development of this should include full communication and consultation with FAO staff, including staff associations as appropriate.

27) (IEE paras 1346-1348) **Recommendation 8.3: Contracting modalities** should be designed to respond to the rapidly changing context in which FAO works

by increasing staffing flexibility to respond to shifts in technical competency requirements and geographic placements, while also delivering the highest possible quality to FAO's clients in the most cost-effective way. This must always be within the human resources framework of the International Civil Service Commission, International Labour Organization Tribunal and national practices. The IEE recommends particularly the following:

- a) just as staff contracts are a simple package of three types with gradually progressing entitlements, a similar package should be developed for other employees. A fee-based contract format with no benefits, with transparently determined fee variations, could be envisaged and fully delegated to the divisional level. Such contracts could have graduated time and cost parameters related to the length of the expected contract, allowing for reasonable extensions to cover unforeseen developments yet provide real disincentives to continual contract extensions;
- b) a move towards greater use of call-down contracts⁵, which should now be greatly accelerated. If the Organization were to proceed to a greater use of call-down contracts, the need for continuity and corporate memory would require a judicious balance between that modality and indeterminate staff. There would seem to be no doubt, however, that a much greater use of call-down contracts would furnish major benefits. At the same time, call-down contracts could sometimes be the basis for long-term relationships;

the provision of financial resources to accord management greater flexibility in making proactive changes in staffing for reasons of ensuring competencies, aligning competencies with programme priorities and addressing consistent underperformance. Consideration could be given to financing this as a percentage of staff costs (e.g. 5 percent) placed in a separate fund. Consideration could also be given to membership funding of a one-time special programme of institutional re-alignment;

FAO should help to initiate and work within the United Nations system for a major overhaul of the UN employment system which has led to an inefficient and inequitable combination of highly insecure short-term staff and overly protected staff on continuing contracts;

c) modifications should be made to FAO payment bands for consultants so that the Organization gains true competitiveness and is aligned with market rates. Better pay bands will facilitate simpler contracts, eliminating non-financial benefits and leading to more effective delegation; and more liberal conditions and simpler procedures should be in place for paying former FAO staff and UN and other retirees market-based rates. Time limits on FAO retirees working for the Organization should be retained and there should be a strictly enforced requirement, with no exceptions, that retirees have a six-month gap after their last day in service before re-employment in any capacity. Retirees from other employers and consultants over 62 should simply be recruited at market rates.

28) (IEE para 1349) **Recommendation 8.4 - Recruitment:** Clear levels of responsibility for recruitment should be established, Division Directors should be assigned responsibility for selection of general service staff and ADGs for professional and national officer (professional) staff. Director-level staff and FAORs should continue to be selected and appointed by the Director-General. The Human Resources Management Division should be assigned responsibility in the selection process for all professional positions (particularly for those at P4 and above), for ensuring that accurate competency profiles are prepared and applied and that proper reference and background checks are conducted

29) (IEE paras 1350 & 1351) **Recommendation 8.5 - Achieving geographic balance and gender balance:** The Director-General should continue to hold overall responsibility for achieving these balances, but within a more inclusive framework of delegated responsibilities. To this end, ADGs or their equivalent

⁵ Call-down contracts allow for the rapid access of specialized expertise by pre-qualifying individuals and then entering into service contract arrangements with them against agreed fees and on either a retainer or call down arrangement, often for a specified number of days per year.

should be required to meet general targets set on a broad regional basis⁶ (for geographical balance) and FAO's medium-term target of 35 percent for gender balance, together with a high-priority target of achieving 35 percent of women in management and FAOR posts. The situation in each department should be reported to the Director-General quarterly, showing annual cumulative progress. The Human Resources Management Division should be specifically tasked to support this effort by developing a supply of suitable candidates, encouraging suitable junior recruits with long-term potential and through targeted recruitment missions and advertising.

30) Also with a view to greater gender balance, the IEE welcomes the Human Resources Gender Plan of Action that is currently being prepared, particularly its emphasis on integrated approaches to recruitment and retention of female staff with policies such as work-life balance.

31) (IEE para 1352) **Recommendation 8.6 - Performance management of Staff:** The IEE endorses the broad thrust of the new performance appraisal approach set out by the Human Resources Management Division, particularly its emphasis on staff development.

However, the IEE strongly recommends that it not be introduced gradually, as is the current intention, but implemented fully and as quickly as possible. During the early period of implementation some adjustments and additional support for supervisors may be required, but a performance appraisal system in FAO has been pending for many years and should not be further delayed. It is also central to the success of Results-Based Management in the Organization;

- a) consistent with emerging best practice, the IEE recommends that performance appraisal begin at the top with the Director-General, the Deputy Directors-General and the Assistant Directors-General. Corporate performance objectives should be set by the Governing Bodies and the Director-General's achievements assessed against these and reported to Governing Bodies, as should those of other senior staff (**also relates to culture change**);
- b) managers should be assessed on their ability to conduct performance appraisal both quantitatively and qualitatively, including ranking staff into different performance categories. Comprehensive training in performance management will be needed for all managers from the Director-General down;
- c) the evaluation of FAO Representatives should be a two-way process following a principle of peer group review. Selected FAORs would also evaluate their colleagues at headquarters, and in particular the division directors who are tasked with providing services to them; and
- d) poor performance should first be addressed through appropriate training.
- e) Thereafter, earmarked funds equivalent to a proportion of common staff costs should be put aside in a pool for agreed separations and for *force majeure* separations, where required.

Possible WG Proposal for a proportion of staff costs to be placed in a redundancy fund

(IEE paras 1353 & 1354) **Recommendation 8.7: Staff incentives:** A proposal for limited financial incentives, perhaps along the lines of the scheme now being applied in the European Free Trade Association (see Box 8.4 – IEE report), should be studied for possible introduction into FAO on a low-cost, trial basis. In the absence of a financial reward system, the IEE recommends introduction of a range of non-financial incentives (i.e. recognition awards, special learning opportunities, sabbaticals) for exceptional performance. This, of course, needs to be linked to the strong performance appraisal system indicated above. Much greater encouragement should be given not only to rotation, but also to lateral moves. High-performing staff should be identified and accelerated career development practices applied.

32) (IEE para 1355) **Recommendation 8.8 - Training:** Increase the overall resources for training in FAO, which are still relatively small for a knowledge-based institution, and:

⁶ Based on present mid points of target ranges the broad targets could be Africa 13%, Asia 21%, Europe 31%, Latin America 11%, Near East 6%, North America 13%, and S.W. Pacific 5%.

- a) training support in FAO assigns disproportionate emphasis to languages and basic office skills (which can be expected on recruitment). A better balance is required between these areas and others such as the development of RBM, technical and project support activities (including gender analysis), effective management of administrative and operational processes and management training. The IEE especially recommends significant investments in management training to equip FAO managers with leadership skills and the capabilities required to respond with flexibility to the new and changing circumstances confronting FAO; and

if training allocations are to be distributed, this should take account of dollar amounts per professional and per general service staff member throughout FAO and not on the basis of the dollar payroll for each office which severely disadvantages smaller departments and especially FAORs. In addition, however, a central training allocation should be retained to ensure that highest priority training needs are addressed on a corporate and strategic basis.

Financial Systems, Standards and Audit

Discussion to be initiated in February Meeting 2: Conclude on desirable changes in principle in February and on any desirable changes in the Basic Texts pending completion of the Root and Branch Review in March

33) (IEE para 1362) **Recommendation 8.13:** Despite some attempts to **integrate purely financial and more strategic management processes**, full integration of the supporting systems needs to be pursued more vigorously so as to address strategic and programme accountability processes with financial management and financial reporting requirements. A structured automated system for a series of management reports should be developed that meets the needs of the different levels of management and line users.

34) (IEE para 1363) **Recommendation 8.14:** The transition to IPSAS should be used to achieve significant efficiencies and **improved effectiveness in financial accounting, financial management and decision support systems**. The Organization should consider the introduction of **accounting and budgeting in Euros and US dollars** and accounting for extra-budgetary funds in Euros, US dollars and possibly other currencies as part of the project to introduce IPSAS.

35) (IEE para 1368) **Recommendation 8.17:** In addition to TCP and capital and security accounts, the possibility for **roll over of a relatively small proportion of working funds** between biennia should be introduced in FAO, both as a matter of good financial management and of income and expenditure smoothing.

36) (IEE para 1369) **Recommendation 8.18: After Service Liabilities**

- a) continue funding all under-funded long-term after-service liabilities which are presently in the order of US\$445 million. The changeover to IPSAS may open possible channels for discourse between Member Nations and the Secretariat on alternative means for addressing this issue. The IEE recommends that this opportunity be taken;
- b) within this objective, accelerate the provisioning and earmarking of funds to cover after-service liabilities. FAO deserves credit for the fact that it is already ahead of many other UN agencies on this; and

pursue more proactive and creative thinking on plan design for non-financial opportunities to reduce liabilities to retirees (e.g. on health costs by using national health schemes for routing costs where feasible), to serving staff (e.g. through greater but equitable use of deductibles related to health costs) and for FAO self-insurance against major risk (perhaps in an inter-agency pool).

37) **Arrears and Late payments** (shared with Working Group II) (IEE paras 1365-1367) **Recommendation 8.16:**

The consequences to FAO of arrears and of major payments arriving late in the fiscal cycle are severe, not only in the cost of borrowing but also in damage to programme efficiency and effectiveness. This is a problem that affects many multilateral organizations. The IEE is fully aware that arrears and late payments raise complex political issues that have been discussed in many fora over many years. The IEE is also convinced, however, that serious and transparent actions to address this problem are long overdue. Member country demands that FAO should demonstrate high and transparent standards of accountability should be matched by similar standards for their own accountability as Members. With this in view, the IEE recommends that:

- a) FAO continue its policy and practice of borrowing in order to address liquidity shortfalls;
- b) FAO's website should show the arrears and late payments situation by country, updated on a monthly basis; and
- c) the interest costs of borrowing to meet liquidity shortfalls should be met by charges against FAO investment income and not to miscellaneous income as is the current practice. Charges to miscellaneous income entail a *de facto* subsidy to countries that do not pay their assessed contributions on time. In addition to demonstrating clearly the financial costs of arrears and late payments, the change would establish a much more accurate baseline picture of FAO Regular Budget finances.

Following a review of long standing arrears, some of which may be written off, the FAO Governing Bodies should give consideration to strictly enforcing provisions linking voting rights with arrears. The established practice of FAO has been to waive these provisions and this should cease. As set out in current provisions, the voting rights of countries in arrears should be suspended and no exceptions granted. Similarly, citizens of countries in arrears should not be eligible for appointment to FAO posts. Finally, it is recommended that eligibility for new TCP grants should be suspended for countries in arrears.

38) Audit (Internal and External – some interface with WG II) (IEE para 1214) Recommendation 7.9: Ensuring the adequacy and independence of audit. Although performing well in many respects, several systemic weaknesses in FAO's audit function merit attention. The IEE recommends:

- a) preparation of an organization-wide risk-management framework to inform the annual or biennial audit work plan, including the selection of areas to be audited. Priority should obviously be accorded to the areas of highest corporate vulnerability. In particular, since they have not yet been accorded adequate, systematic attention, this would be expected to lead to risk audits in such areas as FAO reserves, liabilities after service, borrowing policies and practices, currency risks and provisioning against arrears. If capabilities for such audits are not currently available in the Office of the Inspector-General, they should be obtained through contracts;
- b) the IEE endorses FAO's intention to re-constitute its Audit Committee entirely on the basis of independent external membership. The committee should advise the Director-General but should also report directly to the Governing Bodies. Membership on the committee should be jointly agreed by the Finance Committee and the Director-General;
- c) FAO's internal audit work plans should be provided to the Governing Bodies as is called for in the standards of the Institute of Internal Auditors;
- d) FAO's Office of the Inspector-General should cease to hold membership on all internal management and administration committees, but should, of course, be called to meetings when the results of any audits are discussed;

- e) the Inspector-General submits an annual report on his activities to the Finance Committee at the same time as it is presented to the Director-General. The Inspector-General reports to the Director-General⁷ with discretion to submit specific reports to the Finance Committee together with the Director-General's comment. Consistent with the guidance of the JIU, this should be adjusted to afford direct access to the Finance Committee;
- f) FAO's **External Auditor** should be specifically mandated by the Governing Bodies to conduct regular audits of the functions of the Organization's senior management with adequate funding for this work to be assured by the Governing Bodies. The External Auditor should also be mandated to conduct regular oversight reviews of the functioning of internal audit, consistent with best practice;
- g) an FAO **ethics committee** should be established with a mandate for independent review of any ethical issues brought to its attention, including any resulting from internal audits; and
- h) an external peer review of FAO's internal audit function should be conducted at least once every five years.

FAO Field (Decentralized) Structure

Discussion of Organizational Structure for Field and Decentralized Offices to be initiated in WG III and then consolidated with discussion in WG I for functional requirements on technical delivery. **Discussion to be initiated in February Meeting 3** for conclusion with Working Group I in March/April

39) (IEE para 1037) **Recommendation 6.19 – There is a need to restore balance between headquarters and the field, including a radical change in the institutional structure, business model and decision-making processes of FAO, in order to re-position the institution and provide it with efficient and effective link to countries and regions. Moreover, no further net transfers of resources from headquarters to the field should occur until resource adequacy has been assured.** (IEE paras 1034 & 1035) **FAO needs a strong presence outside Rome**, if it is to achieve the relevance, outputs and impact that all its Members should correctly require of it. The question is not whether FAO needs a strong presence, it is **how best to achieve it and with what means**. Although many changes are now underway, **the current FAO infrastructure aimed at a strong presence outside Rome is not functioning well**. The system does not function systemically; the parts do not join; and the evidence points clearly to unsupportable cost-benefit ratios. There is insufficient budget for offices to function properly. The main structural components of the FAO field organization (technical departments in Rome, Regional Offices, Subregional Offices, and the Country Offices) are at present disconnected; they do not share a common development strategy or programme framework; and the lines of authority between the components are unclear. The mandates, functions and authorities of the system require fundamental re-examination and adjustment. (IEE para 1038) The structural problems derive in part from an inflexible uniformity in the design of both headquarters and decentralized offices. The highly centralized decision-making structure, low level of delegated authority, and the lack of communication between Regional Offices, Subregional Offices and Country Offices are all problems that cause a severe loss of effective capacity to respond to needs and opportunities. (IEE para 1039) Structures should reflect differing levels of development as well as a number of features that characterize the food and agriculture landscape in each region. Our proposed structure for FAO introduces variations among regions, subregions and the country level. Some elements may be applicable to all regions, and others will have to respond to these differing situations. Criteria are proposed to help to reach decisions in each case.

40) (IEE para 1041) **Recommendation 6.20 – Regional Offices:** The number and location of the existent Regional Offices remains unchanged in our proposed institutional structure. Their functions will be streamlined and focus more on analysis and policy advice. They will have greater autonomy and decision-making

⁷ The IEE recommends that this reporting route should be via the proposed new Chief Operations Officer for administrative purposes.

powers. All professional staff in Regional Offices would report to the Regional Representative and not to their headquarters divisions. The Regional Offices would assume first-line responsibility and accountability for the development of strategies and programmes across their regions. Reporting lines would be established to have both Subregional Office Coordinators and FAORs report to the Regional Representative functionally and administratively. **The Subregional Coordinators** would have no administrative responsibilities for Country Offices. While reporting to the Regional Representative, all professional field staff would maintain regular knowledge exchange and communication with technical colleagues at headquarters and in other decentralized offices to ensure that the highest standards of technical quality are maintained and stimulated and to build corporate coherence. Technical colleagues, whether in headquarters or other decentralized offices, would exercise a quality assurance function vis-à-vis each other's work and rotation policies would build competencies and corporate interchange. (IEE paras 1042-1048): Six core roles would be assigned to Regional Offices.

- a) analysis and policy work in close collaboration with the relevant technical divisions. In cooperation with other relevant regional organizations and non-regional organizations, such as IFAD, they should be entrusted with the preparation, on a biennial basis, of a report on "The State of Agriculture, Food and Rural Life" in their respective regions;
- b) responsibility for convening, conducting, codifying results, preparing the final reports for, and following up on, the Regional Conferences. On a trial basis, **the conferences would become part of the governance system of FAO, reporting to the FAO Conference;**
- c) monitoring regional perspectives and needs and ensuring that these serve as guides to normative work conducted at headquarters;
- d) participation, with appropriate information and authority, in the preparation of the biennial budget and in the design and approval of regional and subregional projects;
- e) development of a strategy for capturing external funding that is consistent with the priorities, themes and issues of the region. TCP funds should be allocated among regions in line with PWB decisions and the Regional Offices should allocate them and monitor their use within the national medium-term priority frameworks. In doing so, they should concentrate the scarce resources available for regional projects in a few areas of strategic regional significance;
- f) the Regional Representatives should provide direction and guidance to the work of the Subregional Offices and Country Offices. They should also be assigned authorities in the evaluation, appointment and removal, and monitoring of performance of Subregional Coordinators and FAORs.

41) (IEE paras 1049-1052) **Recommendation 6.21 – The Subregional Offices would become the technical support arm of FAO in the respective regions.** They are helping to develop strong institutional links between countries and to reinforce the subregional integration processes. Following the decentralization proposals made by the Director-General, FAO has created an additional four Subregional Offices (together with the five already in existence) and has proposed further additions. The obvious prerequisite to ensuring the efficiency and success of these offices is that they have adequate staff and funds to perform their tasks. This is not the case today. The IEE discovered many examples during its field visits of technical officers in Subregional Offices, who did not have the funds needed for travel to their countries of responsibility. Until existing offices are adequately resourced, it would be unwise to open new ones. The IEE supports management's proposal to link the location of these offices, when they can be established, to the sites of regional and subregional economic integration organizations or agricultural organizations or to UN centres, as appropriate. The work of Subregional Offices should be strictly determined by the needs of the countries (and UN country teams) they serve. Staff should not be expected to undertake extensive normative or administrative work. They should have the seniority required to play a policy role and staffing should be adjusted flexibly in both disciplines and duty station in line with needs. Staff/consultants on call-down contracts can play a particularly important role in the Subregional Offices by providing a broader base of expertise. Sufficient non-staff resources will be critical to the workings of the Subregional Offices. An effective staff ratio should also be achieved before increasing staff numbers to ensure staff and consultants can fulfil their responsibilities. The IEE recommends that the establishment of new Subregional Offices be analysed in the light of:

- a) the cost implications of sustaining Regional, Subregional, and Country Offices; and
 - b) the implications of the dispersion of technical staff and budgets among such large numbers of units, for the capacity of the Organization to carry out its more normative work. FAO now risks losing some of its main technical core competencies and comparative advantage. If this risk is not addressed through convincing strategies to restore the FAO technical base in critical areas, comparative advantage will be lost and, once lost, will not be regained.
- 42) (IEE para 1054) **Recommendation 6.22** – Quite new foundations need to be established for the presence, structure, functions and staffing of **FAO Country Offices**, including benchmarks such as cost-efficiency norms, for opening and closing such offices. Decisions should be made in the light of criteria defined below. (IEE para 1053) As recommended by the evaluation on decentralization and agreed by the Organization, work at the country level should be based on the national medium-term priority frameworks, and these should provide strong underpinning for the subregional and regional strategies. The majority of the current national priority frameworks do not currently serve this purpose. Most of them amount to generic “shopping lists” and as such are unrealistic and of no decision-making value. (IEE paras 1055- & 1056). The IEE field visits and survey of Members provide solid confirmation of the decentralization evaluation’s conclusion that the smaller the Field Programme, the lower FAO’s visibility and ability to respond as a partner with government and the international community. In all cases, significant intrinsic weaknesses hamper operations and effectiveness of Country Offices. Most of these are recurring themes in this evaluation and they include: a critical lack of resources; a lack of delegated authority; an absence of strategic or programmatic foundations; slow response to urgent demands; a heavy administrative cost; and bureaucracy. While there are many exceptions, the weight of evidence indicates a high frequency of FAO Country Offices headed by FAORs that have become of doubtful cost-effectiveness and of limited development impact. (IEE para 660) FAORs should be the FAO policy advisors to national governments and in the UN country team, well connected to all aspects of FAO’s work but in particular its policy work. In fact, policy does not appear in their job description and thus feature in the way they are selected. (IEE para 1057) Existing **Country Offices** should be reviewed against the **criteria** below, bearing in mind various alternative arrangements, such as the extension of dual coverage by FAORs and having FAO Country Coordinators stationed outside the country in a neighbouring Regional or Subregional Office:
- a) (IEE para 1058) **UN “Delivering as One” at country level:** FAO has already demonstrated its commitment to and leadership on this initiative. It should be a principal partner, but FAO has great difficulty in acting, and being viewed, as a serious player in collective action due to its paucity of resources. This should be a matter of deep concern to FAO members who are also major donor countries. Most such members have urged FAO to integrate fully into the One UN, but the Organization requires resources for delivery of its active participation. The issue here is one of co-commitment or reciprocal conditionality. It should be explored much more seriously and systematically than has been the case as an integral component of discourse on the FAO architecture. (IEE para 1059) In addition, “Delivering as One” may present FAO with opportunities for “win-win” consolidations and administrative cost savings. An FAOR could be replaced by a technical specialist in a UN office under the umbrella of the UN Country Coordinator. FAO’s presence and effectiveness could increase and revised arrangements could yield cost efficiencies, but this would need to be handled on a case-by-case basis as placing FAO staff in UNDP offices and hiring services has in the past often proved more costly.
 - b) (IEE para 1060) **Size of the programme:** If the size of a country programme falls below a specified ratio to office costs for more than three years, the office should be transformed into some other lower cost arrangement (e.g. multiple country accreditation, Regional Office coverage). The IEE suggests a ratio consistently above 1 to 3 (i.e. US\$1.00 in office costs to US\$3.00 in programme expenditures) as the benchmark in this regard.
 - c) (IEE para 1061) **Size and poverty levels of agriculturally dependent population:** The higher the dependence on agriculture and of national poverty levels, the greater the justification for keeping an office.
 - d) (IEE para 1062) **Level of development** of countries: Special consideration and criteria should apply to sponsoring and retaining FAOR offices in least-developed countries (LDCs) which are likely to be less able to access FAO services via other means.

- e) (IEE para 1063) The existence of **well-prepared FAO national priority frameworks**: These instruments would need to be realistic in setting out what FAO can actually do, taking into account resource adequacy and linked to resource mobilization, as appropriate.
 - f) (IEE para 1064) The **relevance of existing technical cooperation projects to FAO's overall strategy and the UNDAF**: FAO activities in some countries are, in relative terms, adequately funded, but the activities have no apparent strategy or purpose. The activities have been determined by demand or donor-driven. Where this situation prevails, consideration should be given to the merits of retaining an office. A similar situation would prevail where country studies have demonstrated little impact and spill-over effects of projects being implemented at the national level.
 - g) (IEE para 1065) **Ease of servicing the country from a nearby country** and the cost-effectiveness of multiple accreditations, especially to smaller, reasonably contiguous countries.
 - h) (IEE para 1066) **Potential for agriculture in economic growth**: The growth and development of some countries will depend to a large extent on the increase, diversification and modernization of their agricultural sectors. In reviewing the structure of FAO's presence in the field, this criterion should be taken into account. A number of middle-income countries have a much more diversified economy or levels of local expertise in agriculture, which could justify that they be given a lower level of priority in the allocation of an FAO national presence.
 - i) (IEE para 1067) **The potential for major gains through new partnerships**: Rather than a single FAO presence at the national level, consideration should be given to partnerships with other organizations, both for technical support and representation needs. Partnerships between FAO and the Inter-American Institute for Cooperation in Agriculture (IICA) should be encouraged (both organizations have similar mandates and offices in all Latin American and the Caribbean countries). This opportunity for strong synergies should also be explored with IFAD, which is itself now experimenting with different models aimed at improving its country presence.
 - j) (IEE para 1068) **Willingness of governments to cover costs of FAO country presence**: Even where justification fully consonant with FAO's mission and priorities is difficult to discern, it would be difficult for the Organization to decline to have a Country Office where the country offers to meet full operational and administrative costs. Clear policy guidelines are needed on the share of cost coverage Member Governments are expected to contribute to the establishment and maintenance of an FAO Country Office – along a graduated scale that takes into account the country's economic condition. This should not, however, in any way be applied as a criterion for representation in LDCs. There should be full transparency about all aspects of such relationships, including national contributions. Failure to honour obligations should be public information.
- 43) (IEE paras 1069-1071) **Latin America – A pilot case to observe**: In addition to the country studies, the IEE undertook an in-depth case study of the activities of FAO in the Latin America and Caribbean Region. It looked into the organizational structure; the problems in relations between Regional Offices, Sub-regional Offices and Country Offices; their links and partnership with other relevant regional organizations; and the current and potential role of the Regional Conference. As a result, the IEE came out with a clear diagnosis of the multiple constraints and structural problems which prevent the current field structure responding to needs and opportunities. The results of this work also pointed out to a number of conclusions on how to make the presence of FAO in the region much more relevant, efficient and operational. In that light, the IEE is recommending a new institutional structure for that region. In Latin America and the Caribbean, there is currently one Subregional Office that covers the Caribbean countries. The establishment of a second Subregional Office for Central America has been agreed by the Council. **The IEE recommends the establishment of two additional Subregional Offices in Latin America, covering the Mercosur and Andean regions. This recommendation should not be implemented without prior amalgamation of Latin American Country Offices into the IICA or UN Resident Coordinators' offices.**
- 44) (IEE para 1073) The needs of **Africa** are clearly a priority in terms of hunger and poverty. Communication difficulties in that continent are also greater. Nevertheless, the same constraints as elsewhere have applied to the effectiveness of offices. The IEE finds that there is a strong case for the combination of some

Country Offices into the Resident Coordinator's Office and the support of those countries from neighbouring countries with air or road connections which make even visits for one day possible. The consequent resource savings will help enable Subregional Offices to select staff on the basis of the specific needs of the subregion and in some cases of a higher grade and competency to provide the necessary strategy and policy inputs. The extensive use of call-down contracts can also assist in providing the necessary support and there remains a need as elsewhere to re-balance budgets with greater relative provision for non-staff resources. (IEE para 1074) In **Asia**, evidence did not emerge during the IEE to support a radical departure from the present decentralized structure but also here there is some room for consolidation of country-level support with multiple accreditations, senior nationals in the Resident Coordinator's Office and greater use of call-down contracts.

Areas to be considered Jointly with Governing Bodies of IFAD and/or WFP

45) (IEE para 879) **Recommendation 5.4: the Rome-based agencies** should continue working together – and the Governing Bodies should encourage – more ambitious efforts in strategic and programmatic partnerships, including:

a) joint representation in field offices with IFAD (and in Latin America, with IICA).

46) (IEE para 1370) **Recommendation 8.19:** :

a) levels of security staffing should be re-examined in the light of comparator data showing FAO to have high staff levels, with a view to outsourcing a proportion and seeking some common service with the other Rome-based agencies (for example, with WFP taking day-to-day responsibility for inter-agency security and FAO making relevant executive decisions); and

b) travel services in particular present a major opportunity and are being jointly tendered with IFAD. The IEE recommends undertaking a joint feasibility study under the IICC, with the participation of outside consultants, before any new contracts are negotiated with travel agencies, to decide on the best common operating procedures, the most cost-effective way to deliver a common service and related standardization of procedures.

Service Provision and Procurement, etc.

Initiate discussion **March Meeting 1:** Advice to management and Conclude on desirable changes in principle and on any desirable changes in FAO regulations pending completion of the Root and Branch Review

47) **Service Provision and Efficiency** (IEE para 1356) **Recommendation 8.9:**

a) FAO management committees in the administrative field should be chaired by ADGs or D2 staff. These committees should be empowered to make decisions, although they would, of course, need to refer strategically important issues to Senior Management. Consistent with the subsidiarity principle and that of effective delegation, the Office of the Director-General would hold representation on these committees by exception only;

b) outpost one administrative officer to each department: to act as an administrative problem-solver, to support and train departmental general service personnel dealing with administrative matters, and more generally to stimulate and assure client focus approaches to the technical divisions. This should be done in a balanced manner. For example, small departments might initially share one support officer. Experiences should then be assessed to

determine if more staff should be outposted or the outposting discontinued; and

- c) evaluate the success of relocation of Shared Services Centre functions on the basis of ‘client’ satisfaction and efficiency considerations, before outposting further functions.

48) **Procurement:** IEE para 1357) **Recommendation 8.10**

- a) Two different procurement policies should be developed for supporting first and second phase emergency response respectively, focusing on *ex post* controls and tolerating a higher level of risk for first phase responses (note an evaluation of FAO’s operational capacities in emergencies is due for completion in July0;
- b) with advice from the Legal Office, a simpler and more flexible policy and system for Letters of Agreement with partner organizations should be developed, using an ‘umbrella’ format with standardized user options. The Director of the Administrative Services Division (or its successor in the event of organizational change) should be delegated authority to approve a suitable proportion of major LoAs. Approval for registration of LoA partners should be delegated to division directors, based on risk-assessment metrics to decide appropriate flows of advance funding. *Ex ante* pre-audit control should be eliminated; and
- c) division directors should be given authority to approve travel, thus facilitating fast decision-making in order to capture savings for FAO. Proof of purchase for self-purchased tickets should be simplified (i.e. it should require only one proof of purchase – the ticket receipt – and not also credit card information as is now required). Controls on proof of travel should also be simplified.

49) **Business continuity plan** (IEE para 1371) **Recommendation 8.20.a:** in an era of security uncertainties, a stand-by business continuity plan should be part of overall risk assessment and planning. At a minimum, it should cover core human resources activities, payroll, building management, communications and key financial activities including field accounts.

WG to decide Conclusion on need for plan and preliminary advice to Management March. Consideration of draft indicative plan possibly together with Root and Branch review

50) (IEE para 611) IEE Priority Medium **Information systems and publications** constitute a major element in the system by which FAO aggregates analyses and disseminates knowledge. They underpin FAO’s technical cooperation, the workings of treaties and agreements, and FAO’s policy and technical meetings. The lack of access to FAO documents in countries with limited computer access is a matter of concern. Immediate policy attention is also required to languages of dissemination. Main documents for Governing Bodies and other meetings are produced in all the languages of the Organization. FAO needs to be highly selective of the documents it publishes in more than one language, given severe budgetary constraints and the high costs involved. A very mixed picture emerges with determination of the languages of other documents, whether web or hard copy, largely left to senior management pressure and the priority assigned to translation by different technical managers.

51) (IEE para 612) **Recommendation 3.6:** The maintenance and strengthening of information systems is thus fundamental to the performance of the Organization’s role and requires adequate resourcing. It is also recommended that:

- a) for the LDCs, more hard copy publications should be made available in view of the continued difficulty with internet and computer access;
- b) further consideration be given to the modalities of implementing the language policy. Main documents for Governing Bodies and other meetings are produced in all the languages of the Organization. However, what else should be produced either on the web or in hard copy in the various languages is unclear. The IEE has concluded that in addition to main meeting documentation, a budget should be agreed for each

language and within that budget envelope, a panel of users of each language should then decide on the application of the funds for translation; and

- c) there could be advantages in developing separate mirror websites for Chinese and Arabic, based in the respective countries/regions. Documents in those languages at individual and institutional levels on the central site but with a link to the mirror site (the very low use of Arabic and Chinese documents on the FAO website is evident).

Areas to be considered Jointly with Governing Bodies of IFAD and/or WFP

52) (IEE para 879) **Recommendation 5.4: the Rome-based agencies** should continue working together on merging common services in Rome, including, as soon as possible, IT and communications applications that could be operated under common ownership, such as library management system platform and, eventually, enterprise resource planning;

53) (IEE para 1370) **Recommendation 8.19:** levels of security staffing should be re-examined in the light of comparator data showing FAO to have high staff levels, with a view to outsourcing a proportion and seeking some common service with the other Rome-based agencies (for example, with WFP taking day-to-day responsibility for inter-agency security and FAO making relevant executive decisions); and travel services in particular present a major opportunity and are being jointly tendered with IFAD. The IEE recommends undertaking a joint feasibility study under the IICC, with the participation of outside consultants, before any new contracts are negotiated with travel agencies, to decide on the best common operating procedures, the most cost-effective way to deliver a common service and related standardization of procedures.

Information Technology

Initiate discussion **March Meeting 1:** Advice to management and Conclude on desirable changes in principle and on any desirable changes in FAO regulations pending completion of the Root and Branch Review

54) (IEE paras 1358-1360) **Recommendation 8.11:** The IEE supports the concept of a Chief IT Officer and consolidation of all IT functions into one division (the Information and Communication Technology Division) under him/her. The division would integrate IT systems development activities, including systems programming of corporate systems and: IT long-term planning; corporate applications (including management reporting systems); field, regional and liaison office applications; and user support group.

55) Each functional sub-unit within the Information and Communication Technology Division should provide an integrated service for a defined user group, including re-establishment of Information Technology Officers (ITOs) in each user department or office selected jointly by the department head and the Chief Information Technology Officer. This should facilitate system coherence and quality improvements; provide efficiencies, particularly at the policy level, that will enable staff reassignment to enhance technical and field applications in particular; and ensure retention of knowledge on new developments within each sub-unit. The IT Division would need to work extremely closely with the main technical divisions operating databases and with the Office of Knowledge Communication as per the proposed new organizational structure and ensure that representatives from the different technical areas are in the committees and sub-committees that make decisions on standards for technical applications. At the same time, an updated and careful examination should be carried out on the costs and benefits to

FAO of outsourcing versus in-house IT services to achieve the most advantageous balance between the two.

56) **Recommendation 8.12: IT risk management:** A comprehensive risk assessment should be undertaken for the IT structure in Country Offices and Liaison Offices; and

- a) as a precursor to improved risk management, Oracle-based Financials should be deployed to Country Offices as soon as technically feasible and with appropriate training in use; and
- b) funding procedures and cost/benefit studies for new applications need to be established, which are realistic and include certain foreseeable long-term costs (such as maintenance and staff training on upgrades).

Programming Budgeting and Resource Mobilization

Recommendation To be considered jointly with Working Group I with respect to Programming Budgeting and Resource Mobilization and with WG III for the Governing Body Process Initiate Work March meeting 2

57) **Strategy and PWB (IEE para 1206) Recommendation 7.3: The Conference should meet in May or June to set the budget level, so that the detailed programme of work can then be subsequently established.** Prior to the Conference, the Council should endorse a general programme direction and agree, with some degree of political realism, on an indicative but reasonably reliable biennial budget level. The Secretariat (not necessarily the Director-General) will then need to be proactive in informally talking with key Governing Body Members to build consensus on this programme. (IEE para 1207) This will require changing the date of the Conference to May or June, so that the executable PWB can be drawn up thereafter. It will also enable the Secretariat to streamline the programme and budget process along the lines of the WHO model and clarify programme and budget documents, eliminating elements which cause misunderstandings, such as the presentation of the lapse factor.

Note Preliminary understanding from Open seminar of all WGs on 23.01.08 was that if a date shift was to be made for the Conference it could best be in 2011

58) (IEE para 1211) **Recommendation 7.6: A coherent and dynamic resource mobilisation strategy should be put in place around the priority themes and the national medium-term priority frameworks.** This should encompass the following:

- a) the requirement that **resources be mobilized around the priority themes** and the national medium-term priority frameworks. Any resources mobilized outside these parameters and over US\$1 million should be referred to the Governing Bodies before they may be accepted;
- b) encouragement, delegations of authority, support and incentives to FAORs and managers to mobilize resources within this framework;
- c) new sources of support outside the traditional donors, in particular the **new private foundations**, offer considerable possibilities for FAO. Targeted investments towards this objective should be specifically delineated as part of the strategy;
- d) as recommended in the **TeleFood** evaluation, with the aim of building and reinforcing FAO support from the public and small businesses, a new, independent foundation should be established. This should be entirely outside the Organization's bureaucracy. The foundation should replace TeleFood and funds raised should go to the priority themes. FAO should support the start-up of the foundation but there should be a strict time limit of three to four years (a so-called "sunset provision") for the success of the venture. After this, support would cease;
- e) donors should be encouraged to move towards **pool funding around the themes** and national medium-term priority frameworks (and SFERA for emergencies), reducing transaction costs and increasing ownership in line with the Paris Declaration. Individual donors may also

enter into long-term partnership programmes consistent with the framework; and **agreements on conventions and on FAO serving as a statutory body are increasing as a function of accelerating requirements for global arrangements and governance.** Under the leadership of FAO's Governing Bodies, agreements should be sought to ensure that the costs of these global roles are placed on a predictable and sustainable basis and increase member ownership of them within the FAO family. This would include requirements for conventions and other statutory arrangements to finance fully the roles required of FAO. This may require changes in the basic texts and even revisions to existing conventions.

59) (IEE para 600) **Recommendation 3.2 c: The FAO Technical Cooperation Programme (TCP)** should continue to be a priority demand-led programme within the overall priorities of the Organization and approved national medium-term priority frameworks. Funds should be stabilized at their present proportion of the overall budget and the programme should not be treated as a reserve fund any more than any other technical programme of the Organization. Indeed, treating it in this way detracts from its essential characteristic of timeliness of response. Indicative amounts should be assigned on a regional basis with the countries in each region being made aware of those amounts. Restrictions on use of international expertise should be removed in the interests of flexibility. Approval authority should lie with the Regional Representative with no requirement for referral to headquarters. TCPs would specify the results being sought and the outcomes expected and would continue to be subject to *ex post* audits and evaluations.

60) (IEE para 1213) **Recommendation 7.8: The FAO Technical Cooperation Programme** should remain demand-driven, but regional allocations should be defined and indicative working allocation criteria based on country need and track record in effectiveness of utilisation of resources, should be developed and applied by the Regional Offices in making country allocations. TCP funds should be allocated by region, using published criteria. Regional Representatives should be responsible for country allocations within the agreed national medium-term priority frameworks. (Man resp para 121) *On TCP, management agrees with the priority demand-driven nature of the TCP and the need for decentralized approval. It considers that national TCP should be approved by the FAOR, TCP for regional economic unions should be approved by the Head of the subregional office, regional TCP by the regional ADG, global and emergency TCP by the ADG responsible for technical cooperation in consultation with relevant technical ADGs at headquarters with some set-aside funds to ensure flexibility in the system. It will be necessary to first ensure that the various decentralized offices to have the capacity to assess and formulate projects that fully meet TCP criteria and to establish an appropriate ex-post control.*

Evaluation

to be considered by all WGs – beginning March

61) (IEE para 1215) **Recommendation 7.10: FAO's evaluation function should be made independent**, continuing the line already set by the Governing Bodies in 2003. Institutional arrangements for this should be such as to ensure the responsiveness of the evaluation office to the needs of both the Governing Bodies and management. This would also enable easier integration of the evaluation functions of the three Rome-based agencies should this be agreed upon at a later date. This recommendation includes the following components:

- a) establishment of the Evaluation Office as a separate office, with a strong consultative link to management and reporting to the Council through the Programme Committee;

- b) establishment of a small expert evaluation panel to provide advice to the Governing Bodies on evaluation policy and standards;
- c) the head of evaluation should prepare rolling multi-annual evaluation plans, maintaining the 'demand-led' principle to ensure that evaluation meets the immediate needs of the Governing Bodies and management, while at the same time ensuring coverage of different areas of work and that no significant body of work escapes independent evaluation in the medium term and areas of greatest risk are evaluated. The plans would be reviewed and approved by the Governing Bodies after appropriate consultation, including with management. The evaluation budget, once voted by the Governing Bodies, would be allocated directly to the Evaluation Office. To ensure continued flexibility in responding to management needs, a percentage (possibly 15 percent) of the biennial evaluation budget should be set aside in a reserve to respond to unprogrammed and unforeseen requirements;
- d) the classification of the position of the head of the Evaluation Office should be reviewed to ensure it is classified on a par with the heads of evaluation in those other UN agencies with a mature evaluation function. S/he should be appointed by the Governing Bodies, following an open competitive process and screening by a panel including independent evaluation specialists, representatives of FAO management and the Governing Bodies. The Head of Evaluation would be appointed for a fixed term and not be eligible for other appointments in FAO for a suitable period after completion of this assignment. S/he would have the sole responsibility for appointment of staff and consultants, following open and competitive processes and as authorized by Governing Bodies; and
- e) the Evaluation Office should have a formal advisory role on: i) programme priorities in the light of overall evaluation results; ii) development of RBM systems that feed monitoring and evaluation, including auto-evaluation; and iii) providing lessons learned in and to knowledge networks.

(IEE para 1217) **Recommendation 7.11: Evaluation Budget and Resources.** Core evaluation plans approved by the Governing Bodies should be funded adequately. In line with best practice amongst the most mature evaluation services in the UN system, independent evaluation budget targets should be set at one percent of the Organization's Regular Budget for independent corporate evaluation, and 0.3 percent for periodic independent thematic impact assessments. Further, FAO should maintain its leadership in requiring a mandatory contribution, amounting to approximately one percent of the value of each extra-budgetary contribution, for evaluation purposes. The Evaluation Service should continue to assign highest priority to strategic, corporate-level evaluation and continue to assure full evaluation of extra-budgetary programmes, in line with the new regime approved by the Council in June 2007.

Functions, Functioning and Organization of Headquarters Departments

(Overall principles on Technical Department Modalities and Structures, including the functions of strategy, programme and budget management, knowledge management and advocacy and communication to be agreed with Working Group I): Starting in March

- 62) (IEE para 976) A number of basic organizational principles were applied by the IEE:
 - a) **span of control:** The Director-General is both the Organization's chief executive and its ambassador and chief negotiator which necessitates a heavy travel schedule. Currently, ignoring FAORs and five Liaison Offices in developed countries, the Director-General has 13 direct

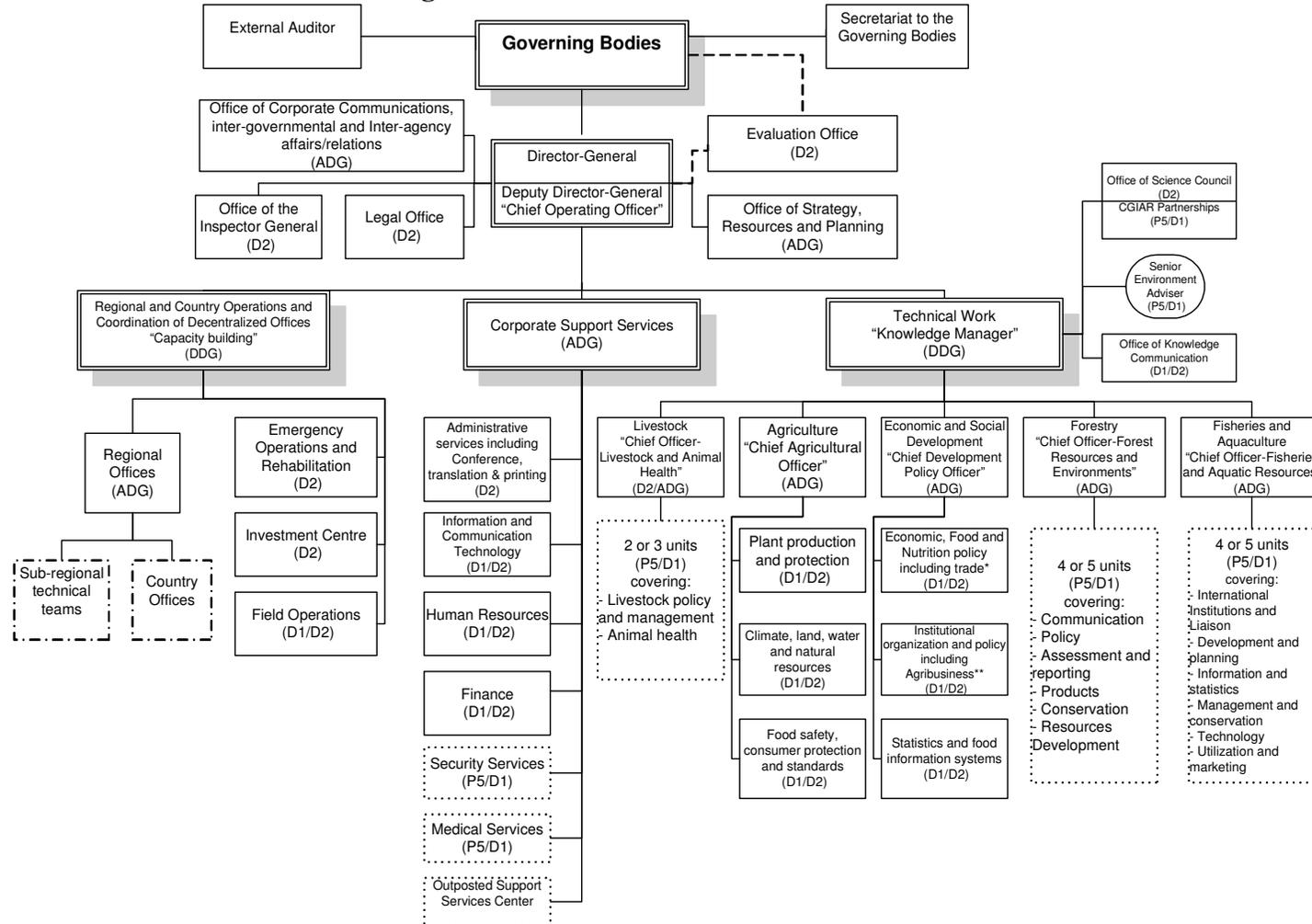
reports responsible for substantive activities in FAO headquarters (14 including the DDG) and a further five Regional Representatives. This is too large a top management group, given modern management practice which suggests that the optimum would be around six and that beyond twelve effectiveness declines substantially;

- b) **competencies in managers:** All managers, including Deputy Directors-General, must possess management competency and be selected through a competitive process based on these;
 - c) **teamwork and management committees:** The larger a decision-making committee, the less probable it can function as a team. Large senior management committees most often focus more on an amalgam of individual concerns than the larger interests of the organization;
 - d) there should be **no search for uniformity:** Depending on the nature of the work to be performed, departmental or divisional status can be large in one instance and considerably smaller in another. One size fits all management structures usually create problems by placing functions where they do not belong;
 - e) **economies of scale and cost-efficiency gains:** The size of several divisions and functions within FAO has fallen below critical mass levels (see Chapter 3). At the same time, the Organization needs to do all that is possible to achieve administrative cost savings, both as a necessary end in itself and to build confidence with the donor community;
 - f) **de-layering and fragmentation:** FAO has too many small units in hierarchies. These increase transaction costs unnecessarily, reinforce a focus on process rather than product and strengthen the “silo” approach. The layers are also very costly in financial terms, requiring excessive numbers of middle-level managers (D1-D2);
 - g) **flexibility:** Organizational structures need to take into account the need for flexibility and the place of incentives in an overall system. Structure should encourage and facilitate cross-unit work;
 - h) **delegation:** The principle of subsidiarity should apply, so delegation should be encouraged to the lowest possible level consistent with good practice and accountability, reinforced by an *ex post* culture of control; and
 - i) **clear lines of responsibility and accountability:** These should result from effective spans of control. A logframe based means-ends approach to management accountability is necessary for FAO. There should be regular reporting on this basis to the Governing Bodies of the Organization.
- 63) (IEE para 977) Some of the guiding principles and programme thrusts proposed by the Director-General in his reforms provide an opportunity to rationalize and slim down the management structure of FAO by establishing a small senior management team with major and clear responsibilities. This would bring several advantages. First, giving a few top managers greater responsibility will result in a more substantive and strategic dialogue with the Director-General. Second, the performance of these managers can be measured openly and transparently against Results-Based Management (RBM) indicators for the relevant budget chapters with no necessity to consider the impact of other competing departments. Third, the top managers would be in a powerful position to optimize delivery in their areas of work, including achieving the integration required for greater corporate effectiveness in FAO’s global knowledge management. Fourth, fewer direct reports to the Director-General will benefit the overall effectiveness of his office. Finally, the structure below each senior manager can be aligned differently as required to reflect the needs of the business line.
- 64) (IEE para 978) The IEE applied the principles enumerated above in as rigorous a manner as possible to the current headquarters structure and derived a possible organizational model. In the view of the IEE, it holds considerable potential. It would certainly bring about a much sharpened clarity in roles and responsibilities, streamline decision-making and invite greater integration across the Organization. It should also provide the opportunity for significant efficiency savings over time, although initial costs to effect the changes could also be considerable and would need to be

taken into account. It is, however, only one possible model. Others and variations on what we present are obviously possible (Figure 6.5).

65) (Man resp paras 158 & 159) *Management agrees with the IEE that the proposed headquarters structure is only one possible model. Others and variations on what we present are obviously possible. The assumptions underlying the model would need to be reviewed carefully, including those related to both costs and benefits. It also agrees with the IEE report that form should follow function and that thus the recommendations on headquarters structure need to be examined against the programmatic, cultural, functional and partnering issues raised in the analysis. The IEE report acknowledges the need to factor constraints of...achieving greater interdisciplinarity through organizational arrangements, in particular with respect to climate change and bioenergy. Discussions of the proposal will have to take into consideration, among other factors, the principles and best practices of the “span of control” and “chain of command” taking due account of the direct day-to-day support received by the Director-General from the Deputy Director-General, the Directeur de Cabinet and the Director of OCD, as well as the critical functions undertaken by Assistant Directors-General as a primary executive decision-making arm of the Secretariat.*

Figure 6.5: Possible FAO structure



Notes:

*: Economic, food, nutrition, trade policy including TCA HQ.

** : Gender, extension, training, employment, research institution and policy, tenure, agribusiness (including marketing) and rural finance.

.... : Dotted boxes represent units.

___ : Boxes with hard lines represent divisions or offices.

66) (IEE para 979). **Recommendation 6.6: Senior Management:** Three Deputy Directors-General are suggested to be selected on the basis indicated above of competency, profiles and competition. The designation of two additional Deputy Directors-General (DDGs) will allow for major rationalization and consolidation of divisions and units with significant cost savings through elimination of two departments and a significant reduction in divisions and services. As is common in many large organizations, including the United Nations secretariat, it would also enable the Director-General to maintain overall managerial responsibility and direction while focusing outwards – defining and adapting strategy to meet the changing external environment, building and strengthening the political base of support for the Organization, ensuring strong and durable external relations and ensuring the Organization maintains the resource base it needs to meet its objectives:

- a) one DDG would hold the title of **Chief Operating Officer** and be *primus inter pares*. This DDG would deputize for the Director-General in his/her absence. The Chief Operating Officer's main task would be to support the Director-General in ensuring effective and efficient day-to-day operations;
 - b) **DDG-Regional and Country Operations and Coordination of Decentralized Offices** will help to counterbalance the tendency towards a headquarters-centric culture and will:
 - i) give ADG/Regional Representatives and, where necessary the FAO Representatives, a senior champion within FAO headquarters;
 - ii) bring together all work for technical cooperation with responsibility for the decentralized offices; and
 - iii) provide a central point at the most senior level for the major priority of capacity building in member countries;
 - c) **DDG-Technical Work** (Knowledge Manager) will:
 - i) drive FAO's focus on the three interlinked goals of member countries, as specified in the Strategic Framework for FAO 2000-2015, holding some five percent of funding to promote cross-disciplinary work (while the DDG-Regional and Country Operations would hold a further five percent);
 - ii) provide a central focus of leadership to ensure coherence in the technical knowledge of the Organization, which is currently divided and fails to draw adequately on the Organization's comparative strengths to address the needs of field work and normative priorities (see Chapters 3 and 7);
 - iii) ensure weaknesses or gaps at management level in technical departments are adequately supported; and
 - iv) manage major cross-cutting issues, in particular knowledge management and support of the technical departments in capacity building.
- 67) (IEE para 980) **Recommendation 6.7: Senior Management and Office of the Director-General:** We suggest a top management team led by the Director-General that would comprise:
- a) the three Deputy Directors-General (DDG) described in Recommendation 6.6;
 - b) ADG Corporate Support Services, responsible for all FAO support services;
 - c) ADG Strategy, Resources and Planning; and
 - d) ADG Corporate Communications, Intergovernmental and Interagency Affairs/Relations.

68) (IEE para 981) **Office of Strategy, Resources and Planning:** Building from the current base of the office responsible for programme and budget (PBE), this office would bring, into one integrated system, the functions of:

- a) strategy development;
- b) programme planning; and
- c) resource mobilization, management and distribution, bringing together Regular Programme and extra-budgetary resources, in support of the agreed priority themes and the national medium-term priority frameworks. Within this overall framework, decentralized resource mobilization would be encouraged and facilitated, with some support to decentralized offices if found desirable. At the same time, some routine budget management functions would be transferred to the Corporate Support Services Department together with finance.

This would facilitate 'means to ends' thinking and the corporate strategic action required to mobilize the means. The Field Programme Development Service, currently in TCA, would migrate to this office, as would certain of the functions for overall resources management currently carried out by the

Department of Human, Financial and Physical Resources.

69) (IEE para 982) **Office of Corporate Communications, Intergovernmental and Interagency Affairs/Relations:** The mandate of the current Office of UN Coordination and MDG Follow-up includes intergovernmental and interagency relations as well as large elements of corporate communications. Related matters of intergovernmental affairs are handled by the Conference and Council Affairs Division. There are major opportunities for synergies and cost-efficiency gains by bringing the functions together. This should also establish an enhanced base for the transmission of FAO's messages by the Director-General to the larger international community. In addition, it should facilitate corporate resource mobilization on an integrated and strategic basis through its close connection to the Office of Strategy, Resources and Planning (above). This office would include the functions now conducted by protocol affairs and the corporate strategy components of communications now in the Communications Division (KCI), including the International Alliance against Hunger. Routine technical and administrative aspects of communications (such as printing, visa, tax exemptions, etc.) would migrate to the Corporate Support Services Department.

70) (IEE para 983) This new structure would provide FAO with a lean and well equipped senior management team, able to focus on the corporate agenda and able to collectively support the Director-General in making decisions. Efficiency gains should result throughout the Organization. Lines of responsibility and accountability would be clearly delineated and current ambiguities on these matters removed. The Director-General's span of direct control of seven to eight would become manageable. At the same time, the Director-General would utilize larger managerial meetings and fora, including fora linking in the decentralized offices, to communicate with managers at large.

71) (IEE para 984) **Recommendation 6.8: The Technical Programme Departments:** Considerable de-layering and combinations of units is both possible and recommended. Many details would need to be worked out carefully, but the IEE recommends four technical departments, with the possibility of a fifth. The four departments would be: i) Agriculture; ii) Economic and Social Development; iii) Fisheries and Aquaculture; and iv) Forestry. The potential fifth department would be Livestock and Animal Health, given its growing importance and the clear comparative advantage of FAO in this area. An Office of Knowledge Communication would also report to the DDG Technical Work.

72) (IEE para 985) **Recommendation 6.9: the Economic, Social and Development Policy and Programmes Department** should become the development policy analysis centre of FAO under an ADG, who would function *de facto* in the role of Chief Development Policy Officer. This department should exercise a much greater and more central role in FAO's knowledge management. The department could comprise three main divisions:

- a) the Economic, Food and Nutrition Policy Division, which would also include policy assistance (currently the Policy Assistance Service in the Technical Cooperation Department). This would integrate all FAO food and nutrition policy work, including that currently carried out in the Nutrition and Consumer Protection Division;
- b) the Institutional Organization and Policy Division, which would include gender, extension, training, employment, research (policy and institutions), tenure, agribusiness (including marketing) and rural finance (currently in AGS);
- c) the Statistics and Food Information Systems Division, which would integrate all aspects of FAO work in statistics and food information, including in agricultural trade, commodities and early warning; and
- d) if and as resources permit and effective sustainable demand is determined, consideration could also be given to adding legal expertise to the department.

73) (IEE para 986) **Recommendation 6.10: The Forestry and the Fisheries and Aquaculture Departments:** Both these existing departments should continue to be headed by ADGs. Each currently has three divisions, but all have become exceedingly small. Accordingly, the IEE recommends the establishment of four or five "units", combining the present services in the most functional manner and no divisions.

74) (IEE para 987) **Recommendation 6.11: The Agriculture Department** would be comprised of three divisions⁸:

⁸ The current Joint FAO/IAEA Division (AGE) would be dissolved or distributed functionally as units in areas of food safety, livestock and plant production.

- a) Climate Change, Land, Water and Natural Resources Management Division, combining the Land and Water Division and the Environment, Climate Change and Bio-energy Division;
 - b) Food Safety, Consumer Protection and Standards Division (which would include *Codex Alimentarius* and could also address such issues as organic standards); and
 - c) Plant Production and Protection Division (unchanged but with a possible reduction in services to two).
- 75) (IEE para 988) **Recommendation 6.12: The Livestock Department:** Given the growing importance of this area and FAO's comparative advantage, the creation of a separate department would offer significant advantages.
- 76) (IEE para 989) **Recommendation 6.13: The Regional and Country Operations and Coordination of Decentralized Offices Department:** Establishment of this department would unify all major aspects of FAO field operations, and strengthen reporting and support relationships between headquarters and the field. Regional ADGs would report directly to the DDG in charge of this department. Both FAORs and the heads of the subregional technical teams would report directly and exclusively to the Regional ADG. The department would thus be comprised of the decentralized offices and three divisions:
- a) Field Operations Division as the coordination and responsibility centre link between headquarters and the field;
 - b) Investment Centre whose activities are almost exclusively devoted to field- level support; and
 - c) Emergency Operations and Rehabilitation Division.
- 77) (IEE para 990) **Recommendation 6.14: The Corporate Support Services Department:** The following functions should be integrated into this single department with four divisions and three units:
- a) Finance Division;
 - b) Administrative Services Division, which would include conference services translation and printing;
 - c) Information and Communication Technology Division;
 - i) Human Resources Division;
 - ii) Outposted Support Services Centre (Budapest);
 - iii) Security Services Unit; and
 - iv) Medical Services Unit.
- 78) (IEE para 991) **Recommendation 6.15: Dual grading and ceilings:** In addition to the above, the IEE recommends the application of dual grading: D1 and D2 for division heads; and P5 and D1 for service and unit heads. Ceilings should be established on the number of D1 and D2 positions for each department. This would afford much needed flexibility to departmental ADGs to adjust positions to needs, while at the same time preventing any risk of upward position drift.
- 79) (IEE para 992) **Recommendation 6.16: Building incentives for interdisciplinary work and focus on global goals and priority themes:** A relatively small proportion of the Regular Programme budget for their area of responsibility (perhaps 5 percent) should be assigned roughly equally to the DDGs for Technical Work and Regional and Country Operations to be allocated as an incentive to cross-departmental and interdisciplinary work. This would help provide focus on delivery against the three goals of member countries and the five to six priority themes.
- 80) (IEE para 993) **Recommendation 6.17: Empowering programme ADGs:** Annual budget allotments are currently assigned to divisional heads as the budget holders. For the most part, this should not change as it is consistent with the principle of subsidiarity. Nevertheless, it leaves the ADG with limited means to address unforeseen requirements, to seize new opportunities or to furnish incentives and rewards to his/her directors. Up to 10 percent of the total allotment for each technical division should be assigned to the ADG for these purposes. These funds should also be non-lapsing, with carryover from one fiscal biennium to the next to avoid any pressures to disburse unwisely at the end of a fiscal year.
- 81) (IEE para 994) **Recommendation 6.18: The key management layer for headquarters delegations should be division directors,** who should be:
- a) the default level for all delegations – i.e. divisions should be given all delegations not expressly reserved for higher levels;

- b) the level where full responsibility exists for informing all staff of FAO activities, for team-building and for passing concerns up and down the management chain; and
 - c) charged with ensuring that they and all their staff complete a full annual performance review, eventually based on assessment against RBM indicators.
- 82) (IEE paras 996 & 997) **Efficiency gains:** Under the above model, two current departments would have been merged elsewhere – Knowledge and Communications and Natural Resources Management/Environment. The number of DDG posts would increase by two, but the number of divisions would be reduced from 26 to 15. The new arrangements would shift the organizational emphasis of FAO strongly towards delivery against agreed goals. This model would result in very substantial recurrent cost savings. These have been preliminarily estimated at not less than US\$24.5 million and possibly up to US\$26 million. A one-time cost for all aspects of staff re-alignment is estimated at US\$50-55 million but would be less if undertaken over a longer period.

Areas requiring Governing Body Joint Discussion:

- 83) (IEE para 881) **Recommendation 5.6: CGIAR:** Serious discussions at the levels of senior management and Governing Body of both FAO and the CGIAR are long overdue on the development of a genuine coalition for agriculture, rural development, and knowledge availability and transfer. FAO and the CGIAR would form the core of this coalition, but it would be open to much wider partnerships. Lessons may be learned from the agreement under which FAO holds the CGIAR genetic resources in trust as a global public good.
- (IEE para 882) **Recommendation 5.7: World Organisation for Animal Health (OIE):** The time has also come for FAO and OIE to examine the potential for a much closer relationship, which could include a merger of their secretariats (but not their governance structures) for animal health. The examination should also include attention to ways and means for joint collaboration on global governance requirements in animal health.

Partnerships

Culture of partnership and administrative and organizational structural partnerships are within the mandate of Working Group III.

Technical and organizational partnerships for technical delivery will need to be considered jointly with Working Group I beginning work in March

- 84) (IEE para 876) **Recommendation 5.1:** In developing the IEE-recommended Organization-wide strategy, and in undertaking its concomitant priority-setting exercise, it must be recognized that there are now many other actors in the territory FAO once held on its own. FAO must enlarge its vision if it wishes to influence the governance of agriculture in the 21st century. This places a high premium upon *strengthening partnerships and alliances based on comparative advantage and the search for greater effectiveness and efficiency*. Drawing on the lessons and recommendations of the Evaluation of FAO's Partnerships and Alliances, **FAO should develop a corporate-wide partnership strategy** to (i) build a stronger culture of partnership within FAO, making it a part of the way it does business rather than an after-thought, and (ii) foster a more strategic and less fragmented approach to initiating, implementing and assessing partnerships. The strategy will also want to take account of many of the general lessons learned in attempted development partnerships over the past several years. **The IEE would suggest as a starting point the five outlined in Box 5.2** (following IEE para 876)
- 85) (IEE para 878) **Recommendation 5.3: United Nations:** Ensure that FAO partnerships – through collaborative arrangements, interagency coordination mechanisms and interaction with UN intergovernmental bodies – contribute to the accomplishment of the FAO mission and, in turn, contribute to that of the UN system as a whole, and specifically:
- a) promote the Collaborative Partnership on Forests model as a useful way to address key issues and build networking opportunities;
 - b) promote partnerships that reduce FAO's direct role in implementation where it is less strong;
 - c) foster opportunities for real partnerships at the country level by empowering FAO country representatives to make decisions on substance and budget;

- d) promote results-oriented partnerships that configure the comparative strengths of UN system entities, in which FAO may lead, facilitate or participate;
 - e) continue to contribute to UN reform and to help shape UN system policies, through interagency coordination mechanisms; and
 - f) play a constructive role in initiatives that enable more joined-up and effective UN system support at the country level, while recognizing the overarching need to ensure: national ownership and coordination; building and using national systems and scaling up through partnerships beyond the UN system (e.g. bilaterals, IFIs and NGO networks).
- 86) (IEE para 883) **Recommendation 5.8: Civil society/NGOs:**
- a) update FAO policy and procedures, and expand information flow, to help educate FAO staff of the importance and benefits – and risks – of partnerships with NGOs. The policy should recognize that partnerships based on mutual respect can help FAO gain greater exposure and professional credibility at global, national and local levels. It should focus particularly on developing partnerships with CSO/NGOs with a strong interest and experience in rural areas;
 - b) FAO should also have an active outreach programme to environmental NGOs with an interest in FAO’s commitment to environment in agriculture and natural resource management;
 - c) FAO should also continue to maximize collaboration with NGOs on emergencies, including the deepening of relationships on the basis of a clear strategy, thus increasing the acceptance and legitimacy of FAO’s coordinating role;
 - d) while effective public awareness campaigns are important and need broad advocacy, FAO should cease TeleFood projects as they are largely ineffective in reaching their objectives and expensive and burdensome to administer for both FAORs and recipients;
 - e) FAO should seek to draw civil society and private sector representatives into national policy processes facilitated by FAO; and
 - f) empower FAO country representatives to make project and budgetary decisions that will make associations with NGOs on common interests feasible.
- 87) (IEE para 884) **Recommendation 5.9: Private sector:** Establish a clear corporate strategy and policy framework for working with the private sector, including particularly with small- and medium-sized firms. Undertake to strengthen FAO staff understanding of the varied and increasingly significant roles played by private firms in agricultural development. Focus on partnership opportunities in the fields of agriculture and rural development with members of the UN Global Compact. (Man resp para 81) *Management agrees to establish a clear strategy and policy framework for working and partnering with the private sector including particularly with small and medium enterprises. Apart from examining experiences and practices outside FAO, this would build on FAO’s dialogue with the private sector on promoting the SPFS/NPFS, TeleFood and the IAAH, and through the Private Sector Partnerships Advisory Committee.*

**Areas to be considered Jointly with Governing Bodies of IFAD and/or WFP
– starting March**

- 88) (IEE para 879) **Recommendation 5.4: the Rome-based agencies** Governing Bodies should encourage – more ambitious efforts in strategic and programmatic partnerships, including:
- a) ensuring synergies with WFP at the technical level which would include early warning, food and nutrition assessments, and policy issues in safety nets and food aid; and
 - b) ensuring synergies with IFAD in a broad range of technical interfaces from rural finance to agribusiness and gender, and including project development, supervision and national policy dialogue (PRSP); and

c) build a joint communications and advocacy strategy with WFP and IFAD.

The Commissary and Credit Union

(to be discussed when possible)

(IEE para 1371) **Recommendation 8.20.b:** should be run by independent boards, appropriately representing the users. Each board should include a representative of the Director-General to protect the interests and reputation of FAO. Both the Commissary and the Credit Union should be run as fully financially independent operations. The day-to-day operations of the Commissary should be contracted out and run by a suitable organization experienced in the retail trade. Management of the FAO catering contract, currently a Commissary responsibility, should revert to Facilities Management.