Introduction

1. Management welcomes the Root and Branch Stage 1 report received from Ernst & Young and the revised Executive Summary. The Stage 1 report to management provides an initial indication of a high level business model and administrative support architecture, with estimated investments and projected savings, and the implementation period for delivery of the model.

2. This represents the first stage of a two stage process. The Stage 2 report, due in April 2009, will cover detailed recommendations for structures, processes, workflows and delegations within a time-bound implementation plan.

3. The Stage 1 report was completed within a short timeframe between May and September 2008, and management is grateful to Ernst & Young for completing this stage of the review on time, a delivery that has facilitated the work of the Organization leading up to the special session of Conference in November 2008. Management recognises, as a consequence, the preliminary nature of this report and associated recommendations, and notes that confirmation of required actions and associated costs and timeframes will be delivered upon completion of Stage 2 in April 2009.

4. There are three overarching messages arising from this review which are consistent with management objectives, and to which management subscribes:

   • the recommendation for a stronger client focus for administrative and support services to better support technical departments to deliver programmes with an outcome oriented focus in line with the strategic framework.

   • the need to rationalize and better integrate the number of initiatives in progress and planned, and for rationalization, coordination and harmonization to be guided by a responsible official or management structure assigned explicitly to this task.

   • the need to speed up the decision making process, by a reduction in the number of internal committees, and by other methods.

Current business model

5. In the review of the current business model Ernst & Young indicate that the administrative costs of FAO are broadly in line with those of other comparable UN organizations. However, they indicate that this is not a measure of quality and confirm many of the IEE findings, drawing attention to the need to improve numerous aspects of the current administrative framework. These include the need to improve performance monitoring, client focus and client feedback mechanisms, and to be more responsive to the needs and priorities of decentralized offices in administrative services provision.

6. This is consistent with management initiatives to improve client feedback mechanisms at headquarters and in decentralized offices to align administrative services to client needs. The introduction of formal Service Level Agreements, periodic client satisfaction surveys, and internal client feedback workshops are all mechanisms that will be adopted to ensure improved client alignment and feedback.

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1 Client in this context refers primarily to the internal clients of administrative services – i.e. staff in the Technical Departments and Decentralized Offices.
Proposed business model - overall

7. In terms of the overall business model, Ernst & Young have made recommendations based on the interaction of the corporate support functions with the Organization.

8. Their initial recommendations concerning the top level management arrangements are broadly consistent with the presentation made by management to Working Group III on September 9:

Leadership team – In the Stage 1 recommendations Ernst & Young propose an Executive Leadership Team (ELT) with decision making responsibilities, comprising 5-7 people, which constitutes the Leadership Team of FAO. The management presentation to Working Group III on September 9 recommended an Executive Management Team, led by the Director-General, and including the two DDGs who are representatives of the knowledge base of the Organization and of the decentralized offices and operational aspects of its work.

Number of DDGs – the management presentation on September 9 indicated two DDGs, whereas Ernst & Young indicated to management and members that this is an issue for FAO to determine.

Organizational Structure – in the Stage 1 recommendations, Ernst & Young recommend that the Director-General should be supported by a restricted group of three Executives in charge of Corporate Services and Finance, Technical Operations, and Decentralized Operations, with the Deputy Director-General as one of these executives, who will be the primus inter pares. The management presentations to Working Group III have proposed a two way split of responsibilities, with the DDG (Operations) also having an overall responsibility for Corporate Services.

Role of the Senior Management Meeting (SMM) – In the presentation to Working Group III on September 29, Ernst & Young emphasized the importance of having the proper level of communication between the Executive Leadership Team and the other staff levels. They proposed the continuation of a Senior Management Forum for consultation, information and knowledge sharing within the organization, as a part of a wider communication strategy, although this forum would not have decision making responsibilities. The management presentation to Working Group III on September 9

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2 With the addition of the Office of Support to Decentralization, attached to the Deputy Director-General (Operations) which was indicated by the Deputy Director-General at the September 9 meeting.
recommended, in a similar vein, that the SMM would operate as a meeting of peers in a forum for ADGs to share knowledge, resolve resource issues, and plan in a collaborative manner for the best achievement of the Organization’s Strategic Objectives and resolution of cross-organizational issues where individual departmental inputs are required.

9. Ernst & Young also recommended an increase in delegations and streamlining of the decision making processes by empowering managers, reducing the number of internal committees, and focusing the Cabinet on strategic matters. Management is in a continuous process of improving and streamlining the decision making process, and has recently introduced a wide range of delegations in support of this. However, more progress can be made in this area to achieve improved timeliness of decision making through the empowerment of functional managers. This approach would move the Organization away from the concept of shared responsibility to a more individual responsibility, and the Organization would need to ensure prior consultation and transparent criteria as the basis for decision making.

10. Ernst & Young recommend the establishment of a Compliance unit to assist with simplification of the current manual to make it more understandable by staff, and to provide a pro-active role in ensuring compliance with the simplified manual and associated procedures. The review of the Organization’s manual is already an ongoing initiative, and increased momentum in this process would be beneficial. Management would welcome the establishment of a Compliance unit to proactively undertake this task, and facilitate staff understanding and compliance.

**Proposed business model - details**

11. The main focus of Stage 1 of the review is on improvements in each of the main administrative areas, functions and projects within scope of the review:

   **Human Resources** - Ernst & Young acknowledge the need to have the right level of expertise and appropriate tools to speed up the HR related processes, and indicate that the more strategic role of HR will evolve across the three years of the reform process. This role will actively align staff recruitment and development to meet the strategic objectives of the Organization. This is in accordance with management views, and the current HR function will need to receive inputs of expertise across the reform period and evolve into the strategic partner role.

   **Results based management** - Ernst & Young recommend a strategic planning and result monitoring function for PBE, integrating regular programme and extra budgetary resources, and ensuring the full introduction of Results-Based Management. Management considers that such refocusing of effort represents a welcome opportunity for organizational improvement, but also one of the most difficult projects to manage over the period of reform. This proposal is consistent with management’s plans to entrust this task to PBE which possesses the basic skills and experience to build upon.

   **Annual budget management** - Ernst & Young recommend a change of responsibility for post-allotment budget management activities from PBE to the finance function. They consider that this will improve overall financial reporting by centralizing annual work planning, annual budget management and operational reporting. This is consistent with management thinking to ensure a single source of financial reporting.

   **International Public Sector Accounting Standards (IPSAS)** – Ernst & Young emphasize the importance of IPSAS implementation as key to improved financial reporting, and encourage speedy introduction. IPSAS implementation is already a key management target, and activity is progressing well. However, implementation will not be speedy, as IPSAS introduction impacts across Headquarters and Decentralized Offices with implications on many processes, and provides a unique opportunity to consider synergies with other IT initiatives linked to the IPA.

   **Procurement** - Ernst & Young recommend a more strategic role for the headquarters division, focusing on the core purchasing activities and increasing empowerment and training for Regional and local offices in managing local procurement. This is in line with current
management activities. Success in delegation of procurement activities is a key management objective, and further investments will need to be made in training and support to decentralized offices to ensure success in this endeavour.

**Information technology** - All of the above areas – HR, finance, IPSAS, budgeting, results based management, and procurement have stressed the need for improved and integrated management information systems to support their business needs. In order to support these functions, integrate the different IT systems, and provide a basis for improved management information, Ernst & Young recommend a consolidation of IT services into one CIO organization, indicating that this will also deliver efficiency and effectiveness improvements as well as the strengthening of IT governance. This recommendation is consistent with the IEE recommendations and management is in general agreement. In Stage 2, Ernst & Young will need to clarify the responsibility for the information management chain – from content creation, structuring, and organization, through to dissemination and the supporting information systems and technology. In the area of knowledge/information management, Ernst & Young will need to delineate between the function of the CIO, that of the Director of the Office of Knowledge Exchange, Research and Extension, and the Deputy Director-General (Knowledge Manager). This should include a wider consultation with the technical departments on both their IT and knowledge/information management requirements.

**Other Administrative and Support Services** - Ernst & Young also made recommendations concerning a range of other administrative and support services, including record and archiving services, language services, printing etc. Their recommendation is to develop a business case for outsourcing, performing in partnership with other UN organizations or via a UN spin-off for selected activities. Some of these services are already provided by a mix of internal and external resources, and Stage 2 of the review will need to indicate more clearly the scope, viability and realistic timeframe of alternative sourcing options.

**Conclusion**

12. This Stage 1 report to management is of a preliminary nature, and represents the first part of a continuous process leading to specific recommendations for structures, processes, workflows and delegations within a time-bound and costed implementation plan in the Stage 2 report, due in April 2009.

13. Notwithstanding the preliminary nature of this Stage 1 report, management is pleased to note the emphasis on improved client focus, prioritization of initiatives, and a streamlining of the decision making process. This builds confidence in the relevant sections of the IEE report and other aspects of the IPA, and provides a sound basis for the Stage 2 work. This will build upon the Stage 1 recommendations for each functional area and produce specific costed and timebound proposals for achieving these objectives.

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3 Chief Information Officer