Management Response to
Root and Branch Review Final Report

Introduction

Ernst and Young delivered the Executive Summary of Final Report on the Root and Branch Review (RBR) on 17 April 2009 and the detailed report on 23 April. The RBR had been requested by the IEE and was seen as a critical instrument to streamline FAO’s administrative and financial systems, making it more effective and reducing costs. Work by the consultants started in June 2008 and an initial (Stage 1) report, which focused on a high level analysis and identified major areas of concern, was submitted in September 2008.

The Final (stage 2) Report builds on the major conclusions of the Stage 1 report with a focus on improving corporate services related to five work-streams: Finance and Budget Management, Human Resources, Procurement, Information Technology (IT) and Other Administrative Services. The recommendations identify opportunities for improvement primarily at Headquarters. However, a number of proposed changes, for example those related to procurement and IT, will directly impact Decentralized Offices (DOs). The Report includes an estimate of investment and recurrent costs to implement the recommendations, as well as expected savings over a five year period (2009-2013).

General Comments

FAO Management welcomes the report and finds that it includes a number of useful and practical recommendations, many of which complement and confirm the ongoing work being undertaken as part of the Immediate Plan of Action. Management plans to implement most of these recommendations as soon as practical. Some recommendations need further review and discussion inside the Organization, while others need consultation with and buy-in from partner agencies and their governing bodies— for example, with IFAD and WFP on joint procurement.

The RBR provides a useful contribution to the ongoing efforts to achieve a key goal in the renewal of FAO by improving the customer orientation and effectiveness of its administrative services, and thereby increasing the efficiency of FAO’s work and responsiveness to our Member States. A number of recommendations in the report confirm planned changes in FAO administration to increase transparency, accountability and client voice in administrative services. This change is also in line with the increased emphasis across the organization on results in our work as reflected in the new Medium Term Plan and Strategic Framework, which in the case of many issues raised in the RBR are covered under the Functional Objective Y on more efficient and effective administration. The shift to a greater client orientation of administrative services is also an essential part of the culture change process in FAO.

In addition to the responses to the five work-streams below, management would like to bring to the attention of the CoC certain key considerations that may be useful as implementation moves forward. These are:

- **Alignment with Ongoing Reform Activities.** The RBR recommendations touch on a number of subjects that have been discussed extensively over the past 18 months
within FAO in the context of the consideration of the IEE and the implementation of the IPA. The RBR recommends that Management prioritize among the different initiatives it is working on, as well as put in place an external and independent entity to monitor and coordinate reform activities. Management view is that the Immediate Plan of Action, approved by the FAO Conference, provides important guidance for priorities in implementing the renewal process in FAO. Regarding the RBR recommendations in particular, management believes that priority for consideration of the specific recommendations should be given to those areas which have not been extensively debated in the context of the CoC-IEE process such as procurement, information technology, and other administrative services rather than those where the CoC-IEE has devoted considerable time such as budget management, human resources and the apex HQ structure. Management believes that review of priorities and implementation experience is an ongoing process and that it would most effectively be carried out in a coherent structured and strategic manner through harmonization and sequencing with other ongoing commitments and actions related to the IPA, the preparation of the Strategic Framework, the Medium Term Plan and in the context of the Results-Based Framework. Alignment with some UN system-wide initiatives will also have bearing in this exercise.

- **Collaboration with Other Rome-based UN agencies.** The first phase of the RBR recommended an extensive collaboration with the other Rome-based agencies with regard to procurement, facility management and other administrative services. The second phase report focused on the area of joint procurement for the Rome based collaboration. FAO is independently following up on collaboration with the other Rome based agencies in other areas such as human resources, facilities management, mail and distribution, information technology and knowledge management, finance, and travel. This collaboration will be the basis of a report to be presented to the Joint Meeting of the Programme and Finance Committees in July 2009.

- **Further Analysis and Reviews.** The RBR concentrated its efforts in examining corporate services activities at headquarters level but recognized that Ernst & Young considered that improved performance at Headquarters would have a beneficial impact on decentralized offices. Management notes that consultations by the RBR team with decentralized offices and technical departments were limited and considers that this may affect the robustness of some recommendations. Additional analysis may be necessary to understand the full impact of proposals on the relationship between headquarters and the field and to identify potential administrative improvements in the decentralized offices. Further analysis is also warranted, as proposed by the RBR report, to review the administrative activities of the Office of the Director-General and to examine the roles, responsibilities, and number of Shared Service Centre hubs.

- **Service Level Agreements.** One measure evident across a number of the recommendations is the introduction of service level agreements (SLAs) that clarify the administrative and support services being provided. Management strongly supports these recommendations and would extend their general use as a principle across a wide range of administrative and support services to 1) clarify through the medium of SLAs the services being provided, 2) ensure through regular surveys amongst the clients of administrative services that services are aligned to their changing needs, and 3) modify services on a regular and ongoing basis to ensured continued alignment with the needs of the Organization.
• **Funding of IPA Implementation.** The RBR recognizes that the IPA Implementation is currently underfunded and that this could hinder efforts to make the cash savings and efficiency gains outlined in the report. Management agrees with this assessment and particularly notes that the reform process outlined in the RBR, as well as the IPA, follow ambitious timelines dependent on the timely availability of resources.

• **Costs and Savings.** The RBR estimates that investments of about US$1.9 million will be needed across the period 2009-2013, and that these would result in a net recurrent savings over this period of about US$37.5 million. As was indicated in the separate paper on the costs and savings proposals prepared earlier for the Finance Committee, Management considers that some important costs were not included, and the net savings estimates need to be treated cautiously. The report does not include necessary investment costs associated with the redeployment of existing staff where reductions or movements are proposed, with establishing a joint procurement agency among the Rome-based agencies or with investments for the new planning and budget model. Several proposals in the RBR Stage 1 report with costs and savings were not included in the total for Stage 2. In this regard, Management is undertaking its own review and will be discussing with Ernst & Young which of these proposals should be included in the overall Stage 2 summary.

Further analysis of the detailed savings estimates is necessary particularly regarding the distribution of savings between regular programme and extrabudgetary activities. In addition, some estimated savings are dependent on the actions of others such as establishment of the joint procurement agency. In this particular case, success would depend not only on the other Rome-based agencies, but also on the active support of Member countries. At the same time Management notes that the magnitude of net savings proposed, between one and two percent of FAO’s budget, is in line with recent savings from efficiency gains in the operations of FAO. Management notes that the recurrent savings after 2012/13 could provide a valid long-term business case for a number of the investments proposed in the Report.

**Summary for Budget and Finance Work-stream:**

In the Finance and Budget Management area, Ernst & Young recommend introduction of a new planning and budgeting model, including a revised PWB and new Annual Workplanning process, supporting an integrated view of the organizational activities and the direct linkage of resources to results and outputs. Management generally supports the recommendations, noting that they are consistent with, and would help to implement, the reform of programming, budgeting and results-based monitoring set forth in the IPA.

The proposals as a whole, which are described in terms of a high level model, represent a significant change from current practice. Management agrees with Ernst & Young that much further work requires to be done to clarify details and define the model at a working level in terms of new processes and procedures, roles and responsibilities, specification and implementation of new systems, training etc.

Management agrees with Ernst and Young’s conclusion that the feasibility of full deployment of the new P&B model is “deeply linked to the results of other major projects currently in progress influencing both the timing and the magnitude of the organizational effort needed to
accomplish any important transformation initiative”. These major projects, which include implementation of results-based management, IPSAS, FAS replacement and an integrated, globally accessible corporate information system, must be clearly prioritized, planned and funded. Given the timelines for implementation of these projects, management believes that full implementation of the planning and budgeting model, consistent with the results-based programming framework in the IPA, would take place over several biennia. Finally, Management notes that the Ernst and Young report does not include any estimate of the costs required to achieve implementation of the new planning and budget model.

Summary for Human Resources Work-stream

The major shift proposed in the HR function towards a “business partner” approach is fully supported by management. In a knowledge organisation such as FAO, where the employees constitute the primary asset and a substantial proportion of the capital, the HR management function should constitute a fundamental business partner with a view to ensuring that the workforce could be mobilised effectively in support of programme delivery and the realisation of corporate goals and strategic objectives.

The RBR recommendation for streamlining HR policy processes, and improving HR planning and communication is agreed. However, the proposal to delegate decisions on HR policies to the Director, AFH, requires further review, given the corporate nature and ambit of such policies and the role to be played by the Executive Leadership Team proposed in the Stage I Report of the RBR, as well as the authority attributed to the Director-General in this area under the FAO Basic Texts. Plans to increase the standardization of posts and vacancy announcements, to make greater use of internal vacancy announcements for mobility and promotion, and to develop the IRecruitment system are planned management actions in line with this recommendation. The proposal for a single selection committee for professional staff will be examined taking into consideration the need for flexibility to safeguard timely appointments and that selection procedures are adapted to the various needs of the Organization, including for field activities.

The RBR proposal to create a new HR Career Development function under AFHT is endorsed. Career Development is a critical function which had already been identified through the culture change initiative as being essential, and discussions with the staff associations are already in progress. Changes in line with the RBR recommendation to change the activities carried out by AFH in HR Performance Management and HR learning are also agreed.

The RBR recommendations to realign the competency of HR managers, improve their professionalism and review the balance between professional and GS staffing in the HR function with a view toward future requirements are accepted by management. The filling of professional and GS positions in 2010/11 will be made in line with this review. Management will also review the ratio of HR staffing to total employees with an aim to improve this ratio and comparison with other intergovernmental organizations facing similar UN common system rules and diversity issues might be more appropriate.

With regard to the list of actions for transition (table 2-5), management agrees with the general thrust of these actions and would study them in more detail for progressive implementation. It is important to note however that the timeframe given for the adoption of new processes, re-engineering processes while reducing the overall ratio for the function, needs serious reconsideration as the overall HR strategy framework now encompasses a very
significant workload. It should be equally noted that some initiatives and related investment costs envisaged under RBR phase 1 have not been carried forward to RBR phase 2 recommendations, which needs clarification.

**Summary for Procurement Work-stream**

Management agrees in principle with the recommendations contained in the procurement work-stream. In line with these recommendations the Organization is already moving forward in the same direction with other and similar initiatives.

There is general agreement that AFSP should become more strategic and play a greater role in the planning stage of projects. Rather than create a “new” function AFSP agrees that this enhanced role will be an integral part of procurement officers’ responsibilities, included in their terms of reference, insuring that they contribute during project formulation by providing the information necessary to complete the procurement plan. Procurement officers should be viewed as part of a “team” approach to project formulation and implementation with a service-oriented mentality.

The RBR recommendation for increased joint procurement between Rome Based Agencies (RBAs) is welcome and FAO has already started with the agreement by the three RBAs on the establishment of a joint procurement plan (2009-2010). The establishment of a joint procurement unit takes this collaboration one step further and would serve to possibly eliminate duplicative efforts currently existing within the three RBAs.

All of the savings estimated for procurement work-stream result from the proposal for joint procurement of the Rome based agencies and management feels these savings are very tentative because they rely on the agreement of the other agencies, and the level of saving, 10% -15%, are a “best guess” estimate done without an analysis of Rome market conditions.

Management supports the greater empowerment of decentralised offices as proposed by the RBR and is of the opinion that the recently proposed revision of FAO Manual Section 502 on procurement is one step in this direction to support this recommendation. Specifically, greater empowerment can be foreseen particularly for routine and specialized procurement based on the assumption that “specialized” procurement is defined as those inputs that can be procured only locally due to particular characteristics (e.g. crop seeds, some hand tools) or conditions (e.g. import or licensing constraints). AFSP is moving in this direction and the RBR provides the additional motivation to continue the efforts to decentralize and empower local procurement.

**Summary for Information Technology Work-stream**

The RBR diagnosed that FAO’s Information Systems (IS) and Information Management (IM) environment is fragmented and duplicated, activities being distributed across many organizational units, and that this is impeding FAO in its ability to deliver its programme. Along with other corporate service units, the Information Technology Division (KCT) which forms part of the IS environment was characterized as having insufficient customer focus.

A major RBR recommendation aimed to reduce fragmentation and duplication is the consolidation of information systems activities into a single division (“CIO”) under the responsibility of a Chief Information officer (CIO) responsible and accountable for delivery
of Information Systems (IS) and Information Communications and Technology (ICT) services. The principle of a single point of contact for provision of service is accepted. This division would report directly to the Deputy Director-General (Operations) recognizing its crucial role across the entire Organization. The vision and architecture for information systems would be progressed within that Division and it will develop the vision for information systems management with the Organization ensuring effective consultation, collaboration and support for consistent, common approaches. The CIO Division will decide on the best common ICT infrastructure, as well as corporate software design, development, and maintenance to insure compatibility with other systems in the Organization. Information systems needs of technical departments and decentralized offices will be addressed through the close interaction of an IT/IS officer with technical experts. The IT out-posted officers will report to the CIO division working day-to-day closely with the unit in which they are deployed. This RBR recommendation is similar to IEE Recommendation 8.11. Management supports this recommendation, but notes, in particular, that as an alternative to SLAs, CIO Division personnel would be out-posted into subject-matter departments.

The RBR recommends that the IT Support Officers in Regional and Sub-Regional Offices should be outposted members of the CIO division in order to maintain accountability for operation of the global FAO network of which their offices form a part. The subsidiary points include that they should be used as the basis for operational IT support also for the country offices of the region/subregion. Management supports this recommendation.

Management agrees that within the broad area of information management, the information system and technology aspects of data management be planned, developed and managed through the CIO Division to ensure at an enterprise level improved integrity, integration, interoperability, security and accessibility across administrative and technical information domains. The CIO Division will work closely with the business and subject level information specialists with the goal to develop these aspects of information management and business intelligence solutions. Overall substantive responsibility and data, information systems and business process ownership remains in the Departments. Final products and content management remain under the responsibility of technical departments which will provide needs assessments to the CIO division, collaborate with the development of the product and endorse the product upon receipt.

The RBR also recommends that the customer interaction process of the CIO division must be improved and standardized. The point additionally applies to users, and to the client/supplier relationship. Management fully supports this recommendation, whose successful implementation is essential for the success of the previous recommendations. The subsidiary action/study points are also broadly supported. However, in regard to the action point “Merge the web services for internet and intranet into one distinctive web publishing unit”, management considers that the “web publishing” terminology is not appropriately used in this context and that single point of contact applies to the systems, methods and tools, while the existing responsibility of subject-matter experts of what is published on the web should be retained.

Summary for Administrative Services Work-stream

**Registry.** There is basic agreement that FAO Registry and Records Management procedures are in need of an overhaul and management is pleased for the consideration given to this issue. Much work still needs to be done by FAO as indicated in the final RBR report in
directing and revising policies in this area as well as system development. The Report recommends the implementation of a single registry system across FAO with a reduction in staffing by 60%. The general direction proposed by the RBR is supported in principle by management, noting that a number of components of the proposal still have to be defined. In addition, the cost estimates for implementation appear low, especially in light of redeployment or separation costs. Management disagrees with the RBR recommendation to transfer the registry function to the new CIO division and believes that, once the electronic system has been identified and related IT issues addressed, routine implementation should fall under support services in HR, Finance and Corporate Services Department.

**Translation.** The RBR recommends the implementation of a model characterized by a new financial mechanism for the FAO translation services at lower costs by providing reduced internal services (focussing on revision and proofreading) and with an increased proportion of externally contracted translations (up to 90% of the current volume from 50% currently). The internal service would be mainly responsible for quality control (with all outsourced translations being revised internally), management of terminology and roster of freelance translators, with about 50% of the current staffing (one or two translators and one general service staff per language group). Management agrees with the RBR proposal to review the existing back-charge system in order to address its disincentive effect on translation rates. While there might be scope for increasing the outsourcing of translation, it should be noted that, among comparable UN organizations, FAO already has the highest level of outsourcing. A further increase in the proportion of outsourced translations, combined with the proposed staff reduction, would seriously affect the Organization’s capacity necessary to carry out urgent translations (including in-session for meetings) and to provide the quality revision services needed to review externally translated documents. Management agrees with the RBR recommendation for KCCM to improve and extend the Terminology database, which is largely in place and freely available. Management also agrees that a centralized roster of external translators would be beneficial for the Organization and should be implemented.

**Printing.** Management generally supports the recommendations on printing which include the merging into a new Unit of three functions currently carried out in three different divisions: Internal Printing, External Printing and Distribution. The new Printing and Distribution Unit would result in cost reduction through: better planning, use of worldwide external printing providers and local distribution, reduction of publication stock in the warehouse, and reduction of staff through the generation of synergy effects. Further savings might be achieved thanks to better distribution and reduction of multifunctional printers. Management will evaluate where the merged unit should be located in line with the related decisions on Organizational Structure.

**Travel.** Management can generally accept the new travel processes suggested in the RBR. The RBR “to-be” proposed travel process recommends detailed quarterly or monthly travel plans and the use of advanced booking and restricted airfares which are current practice in FAO. However, there are two key differences in the RBR proposals that are not supported: (i) the report proposes that ADGs be involved in the approval of all travel, whereas this is generally delegated at present; and (ii) they suggest that final responsibility for approving travel should be taken away from budget-holders and supervisors and passed instead to the SSC, despite there being no added value. These proposals are rejected, as they do not conform with the principle of subsidiarity, would increase administrative work (especially with regard to off-line e-mail correspondence between budget holders and the SSC), and would increase delays.
Management recognizes that there is scope for savings in travel management but note that savings might need to be found in an alternative manner. The RBR focused only on Headquarters travel, from a back-office ticketing (travel agent’s) point of view, and did not include an analysis of world-wide travel by looking at decentralized offices’ travel. Additionally, the report did not analyze the front-end business requirements. For example, while HQ travel agent statistics show that FAO does not get the very best fare in 2% of cases in headquarters, the RBR does not analyze the real business reasons for this – which are often due to the nature of FAO’s work: emergencies (climatic events, civil unrest, recently-approved projects, etc.), donor-driven requirements, and considerations such as other, higher, non-ticket costs, of which a travel agent would not be aware.

Next steps

This management response has indicated a number of areas where further detailed discussions need to take place with Ernst & Young to produce a final agreed summary of estimated costs and potential savings (both regular programme and extrabudgetary). Management will organize these meetings and produce a modified costs and savings analysis for consideration by the CoC. Following this, the RBR recommendations will be considered alongside other IPA activities to determine an overall prioritization of activities in 2009 within the funds available in the Trust Fund, or across 2010/11 subject to funding availability within the PWB 2010/11.

Management has already put in place a structure of Project Leaders for the 14 projects contained in the IPA, and the RBR recommendations will be reviewed in detail and aligned with each of the IPA projects and responsibility for implementing each agreed recommendation assigned to the appropriate Project Leader. Management considers that this approach of integrating the RBR implementation effort into the IPA structure provides the best mechanism for effective implementation because the RBR recommendations are linked to and are best delivered alongside existing IPA activities.