**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 Organization\(^1\). 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 it 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 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.\(^3\)

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

---

\(^2\) 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.
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