Food and Agriculture Organization of the United Nations

Root and Branch Review

Executive Summary

April 17, 2009

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17 April 2009

Dear Sirs,

We have the honor to submit you the Executive Summary of the final Report of the Root and Branch Review of the Organization Business Processes of FAO.

This Summary outlines the main findings, recommendations, costs and potential savings of the RBR and is accompanied by the main Report, which includes the detail of our analysis and by two Annexes providing additional figures and information about specific topics.

We would like to take this opportunity to thank everyone involved in the process of the Root and Branch Review, especially all the dedicated work-stream leaders of FAO, the members of the Steering Committee, the Advisory Board and all the other stakeholders who contributed to this review.
In particular we wish to express our gratitude to the representatives of the member states and to the senior management of FAO for the trust and support during the entire review.

Ernst & Young is proud to have been involved in this initiative and hope that FAO will benefit from this review in the future.

On behalf of the entire Ernst & Young team,

Yours sincerely,

Paolo Prisco   Adriana Salvatore
Partner   *Senior Manager*

2

Executive Summary

A. Introduction and background

1. The Food and Agriculture Organization of the United Nations **(FAO)** is undergoing a crucial reform process in its history, which represents an important opportunity to align internal processes and organizational structure to the strategic mission of the Organization, in order to be better prepared to accomplish its role and cope with the new challenges of the future years.

2. The Root and Branch Review **(RBR)** has been initiated after the recommendations of the Independent External Evaluation **(IEE)** of September 2007 and concentrates on the critical analysis and validation of the recommendations of this review, prioritizing the most significant actions to improve the efficiency of the Organization.

3. This document finalizes and summarizes the results of the entire RBR and outlines the most relevant actions which are recommended in order to enhance the FAO reform process with regard to Corporate Services and general administrative matters.

4. The scope of the RBR includes the administrative and support functions and processes (finance, planning and budgeting, information technology, human resources, procurement, administrative services) as well as the coordination, the authorization and the administrative activities of other organizational units, such as the Technical Cooperation Department (TCD), the Office of the Director-General (ODG), the Office for Coordination and Decentralization (OCD) and related functions within Decentralized Offices. Technical Departments are not included in this review. Considerations about the organizational business model of FAO have been added especially with reference to the principles of responsibility, subsidiary, accountability, empowerment and Result-Based Management, focusing mainly on the interactions between administrative functions and overall organization.

5. While there is a general consensus within the RBR Team about the IEE observation that FAO is able to provide excellent services in the technical field, a lack of efficiency and service orientation has been clearly perceived within the administrative and support area. The slow decisional process increases the lead time to mobilize resources and constitutes a burden at Headquarters level as well as in the regional and field operations. Consequently, the need to transform FAO administrative and support functions into more efficient, effective and customer-oriented functions has been continuously indicated to us and has provided a strong driver to our work. A demand for greater transparency and accountability in the management of the processes has also been outlined, fostering the Organization through the implementation of key performance indicators, service level agreements and monitoring systems in support of a result based management approach.

6. The RBR has been divided into 2 major stages. The first stage of the project encompassed a high-level analysis conducted between June 2008 and September 2008 leading to the representation of a high level business model. This provided the grounds for a more focused analysis on the major issues and areas of concern, analysis which was carried out in Stage 2. In Stage 1, activities were carried out not only focusing on the specific processes incorporated in the six work-streams, into which the administrative and support functions were classified in the Tender Specifications, but also adopting a cross-functional approach, based on the analysis of five dimensions: values and culture, people and organization, processes, systems and technology, and customers.

7. To this end, a highly participative approach was adopted, involving both FAO representatives of administrative and support functions (suppliers) and representatives of technical functions and decentralized offices (customers) in several workshops and interviews, as well as involving external stakeholders such as other UN Organizations.

8. Stage 2, through a more detailed analysis in the specific functional work-streams, has focused on the most relevant issues and opportunities resulting from the first stage. Through a consensus oriented process in which management and stakeholders were intensively involved a plausibility check of the findings of the first stage was undertaken in Stage 2. This enabled to select and reinforce a list of key recommendations which represents a strategic priority for the Organization and which have strong impact on the efficiency and effectiveness of the processes.

9. This "modus operandi" allowed developing a more detailed analysis of processes and costs in order to identify potential for service improvements, savings and benefits resulting from an overall improvement of the performance of the organizational structure in the area of Corporate Services.

10. Stage 2, starting from the conclusion of Stage 1, has developed organizational options to support the FAO new vision for Corporate Services concentrating on the Headquarter structure, since the strong potential for improvement of the service and performance in the Headquarter represents a priority which will then have a beneficial impact also on the Decentralized Offices.

11. It is important however to underline that further potential for improvement in the Decentralized/Regional Offices represents a significant aspect which can be better exploited only after implementing first crucial changes envisaged at HQ level.

12. In order to fully exploit the potential for improvements in Corporate Services and, according to the priorities expressed by the FAO Management, the RBR focused its available resources and time on the analysis of the Corporate Services function. However it must be underlined that a review of the administrative activities performed by the Office of the Director General (ODG) is still critical and should be carried out as soon as possible, in order to ensure a more effective delivery of the support activities and in order to speed up the decision making process.

13. The success of the Reform Process is depending on the correct interaction among three main Stakeholders: the Governing Bodies, the Final Customers/Users and the Management.
With regard to this we noticed that the Management is currently engaged in a wide range of initiatives frequently diverting them from the priority objective of implementing the Reform process. We recommend a clear prioritization of the ongoing initiatives in order to allow the best use of FAO resources.

14. It must be underlined that a clear understanding of the current performance of FAO can be achieved only considering the historical perspective and the experiences made in the past. In this sense several initiatives recommended by the RBR can be described as "common sense" and were already suggested in the last years but unfortunately not yet implemented. Due to this reason, the past experiences were described by many stakeholders as disappointing.

15. The RBR has to be seen as part of the IPA implementation which, as we noticed, is currently under-funded. If sufficient funding and resources are not provided in a timely manner, many of the benefits in terms of Cash Savings and Effectiveness Gains will not be realized by the Organization.

16. The current reform process is a unique opportunity for the future survival of the Organization: it is highly recommended, therefore, to actively pursue the implementation of the identified measures allowing transparency and immediate benefits tracking, which would ensure momentum and faster return on the money spent.

17. To this purpose the identification of an external and independent entity able to continuously monitor the progresses of the implementation, ensure co-ordination of the activities, escalation of issues and reporting to the stakeholders is a seen as a strong necessity in order not to lose the initiative or fail to realize a return from the investment made to date.

B. Costs and Savings

18. By estimating Costs and Savings, it is important to underline that the Benefits which the identified initiatives bring to the organization can be differentiated in two main categories:
    - *Cash Savings (also referred as "Savings")*, which have an immediate impact on the financial performance
      and
    - *Effectiveness Gains,* which have an influence on the processes but are not immediately quantifiable from the cash perspective, since they have an impact on the quality and speed of the services provided.

19. Cash Savings and Effectiveness Gains can be achieved within a defined period of time (either short-, mid- or long-term), considering the need for possible transition periods, the measures to be put in place to implement the recommendations and the associated investments. Both can be achieved internally within FAO and/or through a better co-operation with other UN agencies.

20. FAO is an organization with significant potential: its role in promoting knowledge and supporting the challenges of many countries and many projects in agricultural environment has to be supported at Headquarters level with an effective organizational structure which guarantees efficient corporate infrastructure and services and avoids duplications of functions and bureaucratic administrative burden. This objective is achievable not only in the mid- long-term but also in the short term. One of the main objectives of Stage 2 has been to examine in more detail the initiatives identified in Stage 1 and, in particular, in describing them in terms of one-off and recurring Costs and Savings.

21. By detracting, from the overall Savings, the one-off and the recurrent Costs, over the 5 years period 2009-2013 it is expected that the RBR initiatives will generate gross Cash Savings of USD 45.4 Mil. yielding **net Cash Savings** of approximately **USD 37.4 Mil.** This figure represents the cumulated amount of net Savings of the entire period after deducting one off and recurring Costs for a total amount of USD 7.9 Mil. The amount of the estimated Cash Savings takes as a basic reference for comparison the biennium 2008-09. Compared to this biennium the net Savings achievable on a recurring basis reach USD 1.2 Mil in 2009, USD 12.7 Mil in the biennium 2010-11 and USD 23.5 Mil in the biennium 2012-13.

22. In order to realize the Savings, by considering the broad number of initiatives and their complexity, it will be crucial to immediately start the suggested initiatives, to introduce an experienced project management and to have a constant and independent monitoring of the implementation.

23. Additional process improvements *(Effectiveness Gains)* have been identified in other areas including Finance & Budgeting, through the integration of the planning process within the Finance Division, and in HR through the revision / development of critical processes.

24. It must be underlined that these Savings can be achieved without negative impact on the services provided. The RBR considered the Savings achievable in comparison to the necessities of modern streamlined processes, and also in comparison to the resources employed by other international and public organizations.

25. Additionally, a better cooperation with other UN agencies in several areas can be an important source of efficiency. The RBR underlines the necessity here to analyze not only the options related to the Rome based UN agencies but also to other UN organizations worldwide. We encourage FAO

to conduct further detailed analysis in this area. However we understand that progresses on this topic is not only depending on FAO but also on the willingness of other agencies.

26. We understand that for this change FAO will clearly have to manage a transition period including the implementation of appropriate social plans, voluntary packages and/or retraining initiatives aimed at creating new opportunities and new skills within the organization.

27. As already said, in order to achieve the savings, the FAO organization will have to carry out some investments or sustain costs in order to undertake the changes and achieve the expected improvements. These costs and investments refer to redeployment plans, purchase of new IT applications, restructuring of processes and transfer of activities and staff.

28. We invite to take a close look to the Chapter regarding "Costs and Savings" in the main report in order to gain a detailed overview of the calculated figures and initiatives.

29. Finally we want to underline that one of the major challenges faced by the RBR study has been the lack of availability of proven figures and quantitative information. This has represented a significant burden to the review, increasing the time spent for the analysis and raising the need to double-check costs and savings in order to eliminate or at least reduce to the minimum the risk of errors.

30. Table 1 represents a summary of the initiatives and of the corresponding Costs and Savings grouped by function and expressed in USD (000):

Work-streams Stage 2	One-off Investment USD ('000)			Recurrent cost USD ('000)			Recurrent Savings USD ('000)		
	2009	2010-11 (biennial)	Total	2009	2010-11 (biennial)	2012-13 (biennial)	2009	2010-11 (biennial)	2012-13 (biennial)
Total Overall Initiatives	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Finance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Budgeting	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Information Technology	200	525	725					4'175	4'175
Total Human Resources	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Procurement	30		30	1'065	2'130	2'130	1'781	6'735	9'590
Total Administrative Services	200	930	1'130		340	340	950	5'740	12'220
TOTAL	**430**	**1'455**	**1'885**	**1'065**	**2'470**	**2'470**	**2'731**	**16'650**	**25'985**

Year 2009	Gross Saving 2009	**2'731**
	Net Saving 2009	**1'236**
Biennium 2010-11	Gross saving 2010-11	**16'650**
	Net saving 2010-11	**12'725**
Biennium 2012-13	Gross saving 2012-13	**25'985**
	Net saving 2012-13	**23'515**
Period 2009-2013	Gross saving 2009-13	**45'366**
	Total of one-off investments	**1'885**
	Total of recurrent cost	**6'005**
	Net saving 2009-13	**37'476**

Savings achievable on a recurring basis reach:
USD 1.2 Mil in 2009
USD 12.7 Mil in the biennium 2010-11
USD 23.5 Mil in the biennium 2012-13

Over the 5 years period 2009-2013 it is expected that the RBR initiatives will generate:
Gross Cash Savings of USD 45.4 Mil.
Net Cash Savings USD 37.4 Mil.

Table ES-1: Summary of the initiatives and of the corresponding Costs and Savings

C. Considerations about the overall Organizational Model

31. As in Stage 1, the RBR has continued in Stage 2 to observe the evolution of the organizational model of FAO concentrating especially on the impact on the expected improved performance of the Corporate Services processes. In this context, the RBR team has been asked to provide its opinion on the newly developed organizational chart by focusing on the implications deriving from the study on Corporate Services.

32. Knowledge is the core business of FAO. As a general rule we perceive the key responsibility of the DDG Knowledge in managing the core business, while all the support activities belong to the DDG Operations.

33. In this sense, although the RBR has not looked into great detail into this area, FAO management might wish to consider, through a more detailed discussion, whether the key responsibility for all Decentralized Offices (including Regional Offices) appears to be more linked to the core business of FAO or to the support activities, depending on the nature of their primary mission and on the overall strategy aimed at increasing the decentralization.

34. Clearly and equally important, if the management wants to consider also other possibilities to review the organizational structure, we also would emphasize the importance of the contribution to the core business of FAO of some parts of the Technical Co-operation Department.

35. However, as a final remark, we would reiterate the fact that, as we already indicated in the previous sections, the key area of analysis of the RBR has been the Corporate Services area. Therefore, comments and remarks related to other areas are to be related to the impact which they can have on the improvements targeted in Corporate Services. Accordingly, comments expressed on areas outside this domain are therefore additional thoughts provided to the management for their further discussions.

D. Description of the Support Services Organizational Model

In the following paragraphs we outline the Organizational Model for the Support Services.

36. **Human Resources (HR)** - As indicated in Stage1, the compelling need to have an HR function more in line with the needs of a knowledge-based organization has been emphasized in Stage 2. We suggest that the ADG of Corporate Services become the key responsible for HR policies and governance representing in this way the HR vision and strategy in all senior management instances. According to this the name of this function should change to ADG HR, Finance and Corporate Services.

37. In order to optimize the synergies between Medical and HR functions, the RBR recommends to allocate the Medical Unit within the HR function.

38. From the organizational perspective, critical HR processes have been reviewed and/or designed in order to allow streamlining existing cumbersome activities and in order to provide new processes to enable the transformation of the current HR function in a proactive a business partner.

39. **Information Technology (IT)** - The difficulties in obtaining reliable management information clearly points towards the need to unify Information sources and harmonize IT strategy, governance and policies and accordingly, to rationalize all the IT roles and services within a "CIO Division", which would have the task to build an comprehensive Management Information System for the entire Organization.

40. In this sense the organizational allocation of IT as a "unique CIO Division" has to be considered, due to its natural affinity with other support functions, within the domain of the DDG Operations rather than within Corporate Services. The CIO should report therefore directly to the DDG Operations. The CIO Division would also have responsibility for the IT staff and resources interacting directly with the Technical Departments and would have responsibility for major strategic projects across the organization. This change will enable a higher efficiency, reducing costs and improving the overall service which appear to be currently disadvantaged by the high degree of fragmentation.

41. IT staff and resources, assigned to work with the Technical Departments should report to the CIO but obviously should have an additional secondary ("dotted") reporting line to the Technical Departments Head or to the corresponding Decentralized Offices Manager.

42. On the other side some selected IT support services (e. g. switch-board, meeting support etc.) currently provided by the IT Division could be re-grouped with other support services under the area of responsibility of the ADG HR, Finance and Corporate Services Finance.

43. **Policies and Regulatory Unit** - A new small unit in charge of administrative policies and regulation is recommended. The mission of this unit is to make administrative policies and regulation easy to understand and to adhere to. With this in mind, this Unit will be in charge of revising the Policies Manual by eliminating superseded documents and introducing new ones. This function will be in charge of communicating, in a user-friendly manner, all new policies and regulations and, in addition, it will be the repository of the defined standards and key performance indicators (KPIs) to be referred to during future performance checks of the Corporate Services functions and in the event of surveys to assess the level of customer satisfaction with the support services.

44. **Events** - We suggest to aggregate specific activities related to the organization and support of FAO events within a new Event Division. This Division would encompass translation & interpretation, Printing & Distribution, Meetings Organization and Protocol.

    Regarding ***Printing & Distribution***, these activities, so far performed in part by an internal printing shop (under KCCM) and in part by external service providers (under the coordination of KCII), should be consolidated under one function, (the internal printing shop), to ensure better capacity management and more effective use of financial resources.

45. **Procurement & Facilities Management** – This new Division groups the Procurement Activities, Facilities Management, Mail Distribution and Security Management.

    In particular for ***Registry*** it is recommended to introduce an electronic system which will not only speed up the activities but that will provide consistent cost savings. This would foresee the streamlining of the resources currently dedicated to the Registry and their reallocations to other parts of the organization. In addition, it is suggested that the newly revised function is moved out of AFSIR into the CIO Division.

46. **Shared Service Centre (SSC**) - The RBR has not performed a review of the SSC in Budapest as it was not in scope of the study. However, we had the chance to observe the challenges that the FAO organization is facing with the SSC and would recommend to assess further whether the large number of personnel employed by the SSC, but still based in Rome, could perform more effectively and in a more cost efficient way their roles and responsibilities by being based in Budapest. In addition, it is advised to reconsider, whether it is really necessary to have 3 hubs for the SSC.

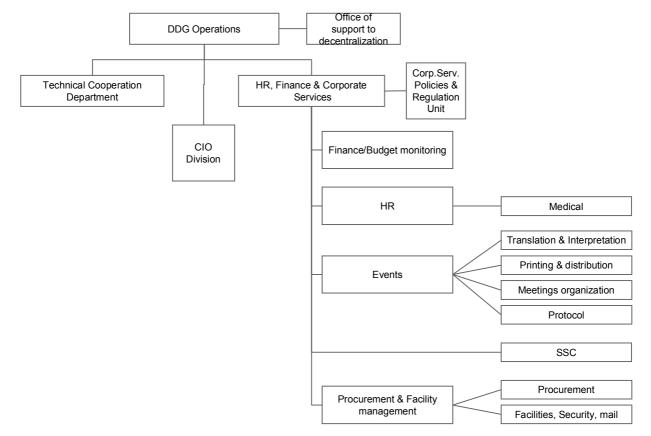47. According to the comments expressed above, a representation of a possible organizational chart appears in Fig. 1:

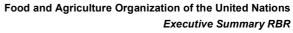*Figure ES-1: Support Services Organizational Model*

E. Detailed Work-Streams Analysis

In the following paragraphs we list the outcome of the RBR study with reference to the single wor-streams.

Human Resources

48. **Human Resources (HR):** In the area of HR the analysis identified mainly Effectiveness Gains. Stage 1 of the RBR had concluded that the Human Resources Management function at FAO should be reinforced and enabled to undertake a more strategic and advisory role. The review further concluded that the transformation of the HR Function should be led by an HR Division empowered to become a business partner in the corporate management of the Organization. Stage 2 was given the task of mapping this transformation. In this respect, the RBR focused on reviewing some selected initiatives and processes, in order to map the transformation of the HR Function, and carried out its tasks in three distinct phases, namely to:
    - Review the accountability framework (In. 1)
    - Define a new role for the HR Function (In. 2)
    - Evaluate the opportunity for outsourcing aspects related to the development courses (In. 3).

49. The main objective of initiative 1 (**new Accountability Framework**), was to identify and revise/develop 10 critical HR processes with the intent of streamlining existing cumbersome processes and of developing new ones, needed for the transformation of the current HR function.
    The different processes were grouped together according to their respective stage of development and were subsequently analyzed and re-designed. The four categories of processes are described as follows:

    - **Existing, to be improved**: a gap analysis and the definition of the "To-Be" model were pointed out for each process, focusing on the improving and streamlining possibilities
    - **Under development, to be formalized**: processes to be reviewed in order to simplify the flows of activities
    - **Partially existing, to be further developed**: processes which are partially carried out to date. The RBR defined a wider scope for these processes aiming at improving the management of activities considered as particularly relevant for being connected to the HR development area
    - **New, to be designed**: processes which needed to be created *ex novo* (i.e. currently not implemented at all within FAO). The RBR designed a standard process, which was adapted to FAO context.

50. The analysis aimed to achieve several objectives. First of all, it aimed at the simplification and streamlining of processes by reviewing the logic of the current delegation of authority based on the following principles:
    - increase the responsibility of HR Division, facilitating the HR role transformation into that a business partner
    - highlight interdependencies and links between the different processes
    - increase decisional authority and accountability of the HR Director and render HR branch managers operationally responsible for the delivery of activities
    - identify redundant steps within the processes, aiming at evaluating the opportunity for their elimination
    - increase the collaboration of HR Division with other entities

▪ ensure an effective support to the ADG of Corporate Services, Finance and HR during the Senior Management Meetings.

51. The main results of Initiative 1 are listed below:

▪ **HR Strategy** – The process is characterized by new activities: the definition of the strategic framework for human resources and of the guidelines for the development of the Strategic Plan. This will provide a proactive support to the whole Organization at any place and any time, whenever FAO has to take decisions that have an impact on its own human resources.

▪ **HR Policy** – this process was reviewed and streamlined. The major changes were:
  – delegation of authority to the HR Director on decisions concerning the HR policies
  – elimination of several approval steps (from 9 to 2)
  – reduction of the time needed to define/review HR policies (from 2 years to less than 6 months).

▪ **HR Planning** – this new process will supplement the current monitoring and reporting activities performed by AFHP, and will ensure that the HR Division undertakes a more effective support and partnering role in assisting Departments and Offices in planning the use of human resources.

▪ **HR Recruitment** – this process is very complex and time-consuming. It was reviewed and streamlined from an average of 380 days to less than 180 days.

▪ **HR Learning** – this process was reviewed, streamlined and improved. The major changes were:
  – the elimination of two approval steps in the Corporate HR Development Plan definition (List of methodologies and List of courses)
  – the full operational responsibility assigned to AFHT branch manager
  – regular updates of the training catalogue, that will result in less time and effort for the Organization when searching for training courses.

▪ **HR Communication** – this new process was described including additional activities which require specific competencies and coordination between branches, corporate communication and SSC.

▪ **HR Performance Management** – the analysis outlined the need to change the activities carried out by the branch (AFHE) in charge of realization and first application of the process through the *ad hoc* support system (PEMS).

▪ The **HR Career Development** – the RBR designed a new process characterized by a strategic and advisory orientation.

▪ **HR Staffing** - the scope of this process was extended in order to cover all movements of staff resulting from the application of new policies (e.g. mobility).

▪ **HR Job Design** – this new process was designed to ensure that:
  – the creation of the Generic Job Profile Library would allow departments to save time in defining of post descriptions
  – the standardization of profiles would result in a more efficient revision of the descriptions proposed by Departments.

52. **Define a new role for the HR Function (Initiative 2).** This initiative defined a Transition Map aiming at collecting, integrating and organizing in a rational way all the initiatives needed for leading the transition of the Function, and for ensuring the correct implementation of the selected processes. All the proposed actions were prioritized in a time-frame in order to facilitate the HR Function in evaluating and selecting the steps forward. The RBR grouped and prioritized all the actions, identifying the following clusters:

- high priority actions to be taken immediately to ensure a successful evolution of the HR Function, (i.e. the actions related to the implementation of processes, to the new HR brand image construction and promotion and to the dissemination of HR culture and values)
- "functional" actions to be carried out in order to facilitate the transition by enabling a correct implementation in the short/medium period (implementation of internal and external coordination mechanisms, skills and competency requirements, establishment of communication flows and definition of supporting tools)
- actions needed after the implementation of "priority" and "functional" actions in order to achieve a comprehensive HR transformation (definition of linkages between processes, specific training to perform the "To Be" processes, workload analysis, etc.).

53. In order to ensure a successful transition, the RBR recommends to:
    - evaluate the actions in the Transition Map, in order to limit the initiatives that will need to be managed concurrently, and assure the necessary coordination within all HR activities
    - focus on the initiatives on which the HR Function has formally committed itself with the Organization for the realization of defined results, within the targeted time-frame
    - reinforce the managerial competencies of HR branch managers who will be operationally responsible for the outputs of their processes
    - conduct a realignment of skills and competencies on professionals currently employed in the HR Function
    - stress on the activities connected to the improvement of the processes currently carried out, and that can contribute to the perception in the Organization that there is an ongoing change in HR management
    - provide training for all FAO line managers in order to develop management competencies with particular attention to those related to the management and the development of human resources.

54. **Initiative** 3 (Evaluate the opportunity for outsourcing aspects related to the development courses), with the aim to identify possible savings, focused its investigation first of all on the language training. The analysis did not identify any further possibility of outsourcing the language courses, neither for achieving an improvement nor for obtaining additional savings in the management of the process. An alternative saving was identified in the policy development by streamlining the new "To-Be" process. In fact, according to the new accountability framework, the HR Director should be accountable for emanating all HR policies and, as a consequence, all the following approval steps shall no longer be needed in the "To-Be" model.

Finance and Budget Management

55. The recommendations of RBR Stage 1 clearly defined the landscape for an ambitious set of improvements that were necessary to address the main critical issues which were preventing FAO from achieving a holistic, integrated, result-oriented and management responsive Planning and Budgeting (P&B) model:
    - FAO should have a single planning and budgeting cycle that encompasses all organizational resources and is centered on its core activities. The cycle should be based on the existing internal best practices, through streamlined and flexible standard tools and procedures for all its main processes (Strategic Framework, Medium-Term/Biennial Plan, Annual Workplan and Reporting) in order to take into account existing specificities (i.e. emergency operations) without losing a holistic view of organizational direction

- The planning and budgeting cycle must be results oriented in all its processes in order to create organizational alignment with strategic objectives, efficiency, transparency and accountability in the use of resources. Monitoring and evaluation activities should play a clear and systematic role throughout the entire cycle
- An integrated Corporate Management Information System should support management's decisions in order to ensure cooperative and effective planning, budgeting and implementation cycle (Governance - Support functions – Departments – Decentralized Offices). In particular, the reporting process should be streamlined and standardized with respect to the different management requirements for effective decision-making.

56. Based on these recommendations, the main objective of RBR Stage 2 for the Finance & Budget Management work-stream was to provide FAO with a high level P&B operational model, allowing the organization to make clear the link between activities carried out, costs, resources (human and financial) and outcomes, integrating both Regular Programme and Extra-budgetary activities and related information.

57. Consequently, in designing the new model, three main general principles have been taken into consideration:
    i. **Negotiation:** it refers to the ability of the model of enhancing people's commitment around agreed (negotiated) objectives. This principle is also related to the creation of a positive competition on resource allocation: indeed, in a negotiated cycle, activities will be prioritized according to their capacity of achieving results and their coherence with corporate objectives. Resources will be then allocated to those activities that appear to be more effective and more consistent
    ii. **Integration and coordination:** this refers primarily to all activities and funding sources that need to be brought under a unitary planning and monitoring framework. Integration also refers to the need of creating a tight connection between the results chain and the organizational structure, as well as strengthening the connection between MTP, PWB and AWP
    iii. **Accountability and empowerment:** it implies assigning responsibility for results to managers, as well as giving them a fair degree of authority and flexibility in using budgeted resources to achieve agreed performance targets.

58. The new P&B model, as well as being tailored to FAO specificities and its broad range of activities, is based on the introduction of a number of innovations and improvements encompassing procedural, organizational and operational processes within the organization:

    - A modular and scalable budgeting model, based on an integrated view of the organizational activities
    - An integrated planning process, directly linking resources to results and outputs
    - The re-definition of the accountability framework within the P&B processes, in order to clarify the different roles and responsibilities
    - An improving of the quality and usefulness of business information through full and timely capturing of relevant data on costs and activities.

59. To fully support the introduction of these improvements, an integrated and fully accessible corporate information system will be required, in order to:
    - Reduce manual / redundant activities, integrating the different planning and monitoring tools currently in place and replacing the existing "shadow systems" (stand alone spreadsheets)
    - Provide relevant information and reporting flows to support the decision-making process

In particular, the implementation of the new P&B model shall be also supported by:

- The introduction of a time-recording system that will allow Budget Holders and Management to have a complete (and constantly updated) view of current human resources efforts and cost
- The tracking of all other relevant information currently not captured by corporate systems (including local commitments). With regard to this point, it is essential to ensure the full funding and completion of IPSAS projects and Field Accounting System (FAS) replacement.

60. If considered as a "stand alone" initiative, the full deployment of the new P&B model will require no less than 24 / 30 months. This timing includes:

- The detailed design of processes and management reporting requirements
- The analysis and definition of the best solution to upgrade and rationalize current IT systems
- The testing and fine tuning of the new model on a pilot project basis
- The full deployment of the PWB system (and related support).

However, taking into account a broader perspective, it must be stressed that the definition of a realistic and sustainable road map for the implementation of the new P&B model should also consider the coordination of these activities with the other ongoing interrelated key initiatives such as IPSAS, RBM, FAS replacement, MIS and Oracle upgrading.

Therefore, the deployment activities need to be planned in the overall FAO portfolio and coordinated with the other ongoing initiatives. Initiatives and related investments should be prioritized according to their relevance and to FAO implementation capacity in order to meet expected timing and results.

Procurement

61. In the area of Procurement a saving potential between $ 6.2 and 8.8 Mil has been identified. The analysis conducted in Stage 1 for the Work-stream Procurement work-stream identified implementable initiatives and recommendations based on the differentiation between core processes and procurement servicing processes and, secondly, on the necessity to allow the distinction between the procurement activities for headquarters, field and projects. According to the outcome of Stage 1, the RBR Team selected the following key initiatives for Stage 2:

- **Initiative 1**: New procurement model for managing the initial phases of purchasing actions
- **Initiative 2 and 3:** Operational model for the implementation of procurement actions in partnerships with other Rome based UN Agencies
- **Initiative 4**: Empowerment of regional and local officers in managing local procurement
- **Initiative 5**: Transfer of transactional activities to the SSC.

The main findings and conclusions for each initiative in scope comprise:

62. **The new procurement model for managing the initial phases of purchasing actions (Initiative 1)** focused on procurement for projects with the objective to optimize time, timeline, planning and subsequent execution of procurement actions.
The RBR evaluated the possibility to improve the activities described above through a higher involvement of AFSP (the Procurement Service at HQ) in the initial phases of procurement planning. AFSP and its stakeholders would share the functionalities and the information available through the Business Intelligence tool developed by AFSP itself.

The solution proposed is thus based on knowledge sharing and is implementable by establishing a new Advisory Function within AFSP that has to provide AFSP and its customers with up-to-date/real-time procurement information upon request.

This new Function would be responsible for the support of Technical Divisions and Decentralized Offices in the identification of data and information that could be valuable for an appropriate planning of procurement activities in field projects.

The RBR recognizes in this initiative a concrete opportunity to improve the quality of project formulation (and subsequent implementation and management) providing the best possible advice and information to AFSP customers by:

- faster retrieving crucial and consistent information, gaining access to AFSP archives and tools and by having all the available information on procurement accessible in one place
- identifying realistic prerequisites, timelines, funding requirements and risks for project success
- minimizing duplication of information sources.

63. **Operational model for the implementation of procurement actions in partnerships with other Rome based UN Agencies (Initiative 2 and 3)** consisted of the identification and implementation of synergies with other Rome based Agencies, namely WFP and IFAD, to jointly procure common goods and manage a joint insurance portfolio.

In order to identify specific opportunities for joint procurement, the RBR reviewed all contracts issued by the Contracts Unit at HQ since 2002 including field contracts and significant goods procurement over the same period.

Compared to the savings obtained by comparable joint undertakings of other UN agencies (i.e. in Geneva, which reaches in specific cases percentages close to 30%) we estimate a conservative saving potential of 10% to 15% corresponding to US$ 1.5 – 2.3 millions.

In order to realize the savings identified and to systematically achieve leverage through joint procurement, the RBR Team considered the establishment of a dedicated Joint Procurement Unit as an opportunity to obtain a concrete commitment from the three Rome Based Agencies.

64. Within the **Empowerment of regional and local officers in managing local procurement (Initiative 4)** performed an assessment of the possibility for FAO to move towards a more decentralized model in procurement.

In order to evaluate the concrete possibility of delegating further and additional specific responsibilities to the field, a desk analysis has been conducted on:
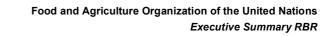
- the characteristics of different types of procurement processes
- the competencies needed in order to manage the different types of procurement
- the merchandise categories mostly purchased in the field (currently through AFSP/HQ)
- the human resources that are involved in procurement actions and that are currently available in the Decentralized Offices (RO, SRO, Field Projects and FAORs).

The analysis showed that, in relation to the minimum assumed by RBR within an empowered delegation framework, some FAO countries seem to have an inadequate number of posts and profiles dedicated to procurement actions.

Moreover, by comparing specific theoretical Procurement Service models (Decentralized, Centralized and Hybrid) with the current operative model adopted by FAO, it was possible to highlight the features that FAO is missing today to be able to move towards an effective and efficient decentralization of procurement.

The model proposed for FAO aims at achieving more empowerment for the Field, but the move has to be gradual so as to allow:

- Retaining a comprehensive and exhaustive view of the overall procurement activity/volumes at central level

- Ensuring harmonization and optimization of procurement processes and documentation across the organization and vis a vis the markets
- Ensuring that minimum performance standards/benchmarks in procurement are met
- Invest on local staff career growth and development
- Minimizing unnecessary or increased risk exposure.

65. Within the **Transfer of transactional activities to the SSC (Initiative 5),** the RBR carried out an assessment on the procurement servicing processes, evaluating the impact of these processes on AFSP current activities with the aim to identify those processes that, after a further analysis and an attentive evaluation by FAO, could be suitable to be transferred to the SSC.

Five processes were classified as suitable for transfer, recommending the Organization to conduct an additional and in-depth analysis on the same processes in order to describe the precise impact that the transfer to the SSC will have on the current organization, procedures, service levels and system requirements of AFSP.

In summary the final recommendations of the RBR concerning Procurement emphasizes the importance of implementing the solutions suggested by the above mentioned initiatives in a coordinated and integrated way while conducting a comprehensive assessment of the competencies existing in AFSP. This is crucial in order to align the Procurement Service to the changes introduced by the RBR. It must also be underlined that a strong involvement of the Field in the implementation will impact the Decentralized Offices organization and activities and is thus highly recommended.

Information Technology (IT work-stream)

66. In the area of IT a gross saving potential of about USD 4.18 Mil and net **USD 3.4 Mil** considering the investments needed, has been identified (one off), of which potentially USD 0.9 would arise in the Regular Program.

For FAO, as a Knowledge Organization, it is crucial to have a clear and harmonized strategy for the role of Information Technology. The role of IT should ensure value creation and the optimization of costs across the entire organization. In addition it should support effectively the achievement of the Strategic and Functional Objectives and provide an effective Management Information System.

Currently IT activities are widespread across the organization with limited or only rudimentary collaboration or alignment activities in place. There is no clear picture of the IT costs for the entire organization. Furthermore there is no comprehensive view of the applications in place and no exhaustive inventory. This results in many cases in redundant development of software and systems.

In addition, different organizational units are responsible for the same IT function (e.g. Internet and Intranet service is divided into different units). This fragmentation of IT work and applications responsibility does not allow FAO to reap savings on synergy effects or economies of scale. Therefore the RBR has put forward the following recommendations:

67. *IT responsibilities and IT functions should be consolidated into "one CIO" Division in order to improve IT services delivery effectiveness.*

We recommend to establish a CIO Division responsible and accountable to deliver IT services to the entire organization, in particular to provide application development and application support throughout FAO*.*

The CIO Division would be composed of the aggregation of KCT, KCEW, Program Management Function in AF (successor to AACU) and by resources from the current IT units in other

departments.

By consolidating IT activities into one unit a headcount reduction on "Non Staff HR" (NSHR) and "Work Order Contracts" can be achieved through more efficient employment of resources in application development and streamlined application support structure.

As IT consolidation is constrained to Headquarters, the focus on the savings calculation is also confined to Headquarters. During the transition phase in 2009 no savings will be made. According to general experiences a 5 % headcount reduction of NSHR at headquarters is realistic for 2010 and a headcount reduction of 10 % in 2011, due to economies of scale and synergy of resources, should be feasible. At the end of 2010 the IT consolidation should be completed. The RBR consider a potential saving of USD 2.1 Mil in 2011.

68. ***IT governance in the organization should be strengthened.***

    A more effective IT governance would provide FAO with a mechanism to gain improved control over the current fragmentation of applications throughout the organization. There is no single clear view of all the applications which are currently in use or of those that have been decommissioned across the entire organization.

    The reinforcement of clear IT Governance Rules would allow a higher degree of control and avoid redundant application development, ensuring compatibility between systems where needed.

    Savings can be achieved through reduction of duplication of applications, re-use of existing applications, and exploitation of functionalities within current applications. A first indication for potential savings has been made based on the total IT spending on application development and support across FAO in the 08/09 biennium and a high-level application portfolio analysis. We expect that savings of at least 10 % can be achieved when application development and support have been centralised. Therefore, a potential saving of USD 0.8 Mil (regular budget) and USD 0.14 Mil (extra budgetary) in 2011 should be considered.

69. ***Customer interaction process should be improved and standardized***

    The re-engineering of the customer interaction process (between IT Division and user/clients of IT services) needs to be managed through Service Level Agreements (SLA). In addition it is crucial to identify a single point of contact for any client requests. Currently, clients of IT services are confused as to who to address in case of IT related matters.

70. ***The IT Support Officers in Regional and Sub-Regional Offices should be reporting to the Organization of the CIO, within the "one CIO" structure.***

    This would strengthen compliance with the rules and improve support capabilities from Headquarters implementing the central standard procedures in the field, and thereby maintaining and improving the control of resources and IT skills in the decentralized offices.

71. ***Information Management Process throughout FAO should be developed, managed, and facilitated through consolidation of administrative and technical information management into "one CIO"***

    We suggest the establishment of a central Information Management Unit within the "one CIO" organization which develops, manages and facilitates Information Management, across FAO. The ownership of the content of the information will continue to be under the responsibility of the Departments. In this sense the Information Management Unit has only the technical responsibility on data management, content storage and content retrieving. Business knowledge, knowledge policy and knowledge sharing responsibilities are not included under the domain of the CIO. This unit will work closely with the Office of Knowledge Exchange, Research and Extension to support their Knowledge sharing activities.

72. ***Increase the range of support services and software development delivered from OSDSC (Off-Shore Development Support Centre) in Bangkok.***
Responsibilities and processes off-shored to the office in Bangkok should be improved and clarified. Appropriate skill management and retention processes must be implemented in order to ensure on-going delivery of effective services. The off shoring of IT services to Bangkok has to be continuously evaluated according and depending on the availability of a strong local base of IT skills. By increasing the IT work off-shored in Bangkok a saving of USD 33'000 per NSHR transfer per year can be achieved. An estimated headcount transfer of 10 NSHR based on the total number of 172 NSHR in 2011 to low cost locations in 2011 is achievable realizing savings of USD 330'000.

Other Administrative Services

73. **Other Administrative Services** in this area of other Administrative Services a saving potential of **USD 6.1 Mil** has been identified.
The Work-stream Other Administrative Service examined the areas of Translation service, Printing service (including External & Internal Printing and the network printers), Registry Service, Distribution including the external warehouse and the Travel processes. The following key aspects in the respective areas were considered.

74. **Translation Service:** In the area of Translation Service a saving potential of USD 1.1 Mil has been identified.
The translation costs within FAO are back-charged to the requesting units. The perception of the Translations service is outlined as expensive and time intensive. In a questionnaire sent out by the RBR Team the departments mentioned that the main reasons for external translators are costs, time and quality of the internal service. 50% of the departments rated the quality of external translators equal to the translations service provided internally whilst 30% rated the quality of external translations as better then the internal one. The cost of internal translation are on average USD 545.- per 1000 words compared to average USD 184.- per 1000 words externally. Therefore the RBR recommends having 90% of the translations done externally and only urgent translations (for an estimated 10% of the total volume) processed internally. The proposed model foresees that the Translation Service offers the following services:

- Terminology management
  The terminology database provided by KCCM internally and externally is an important factor for outsourcing translation services and for ensuring FAO language and quality.
- Roster management
  The roster maintained by KCCM needs to be merged with all rosters maintained by other departments. Only one global roster for translators should remain within FAO and maintained by KCCM.
- Revision / Proofreading
  KCCM will provide a revision and proof-reading service for all translations done. The revision and proofreading service will help to ensure the quality and the right FAO terminology within the documents.
- Translation (estimated 10% of total translation workload)
  The proposed model foresees that KCCM does translate about 10% of the total translation work of FAO. Translation requests send to KCCM can either be done internally or externally. This service by KCCM should be offered at a rate of USD 250.- per 1000 words.

The proposed model for the Translation service should be financed through the regular program of FAO. The reduction of workload would allow to reduce the posts by around 50%, which would result in a saving of around USD 1.1 Mil per annum.

75. **Printing Service, Distribution and Warehousing:** In the area of Printing Services, Distribution and Warehousing a saving potential of USD 0.86 Mil has been identified.
This initiative evaluated the following elements:
    - Network / Workgroup printer
    - Multi Functional Printers
    - Internal Printing within the KCCM department
    - External Printing within the KCII department
    - Distribution and Warehousing

We recommend to merge the Internal and External Printing services and also to include the Distribution and Warehousing service. The new Printing and Distribution unit would support a cost reduction through: better planning, worldwide external printing providers and local distribution, reduction of references in the warehouse and reduction of headcount FTE through the generation of synergy effects.
For the network printers and the Multi Functional printers available within FAO, it is recommended to reduce the quantity of these printers and to arrive to a ratio of 1:10 for network printers and to a ratio of 1:20 for Multi Functional printers.

The savings identified are around USD 220'000 through the reduction of Multi Functional Printer, USD 60'000 through the reduction of references stored in the warehouse, and about USD 580'000 through the merger and enhancement of technology in the printing department. The overall savings in the area of Printing and Distribution would be an estimated USD 860'000 per annum.

76. **Registry service:** In the area of Registry service a saving potential of USD 3.1 Mil has been identified.
FAO had already initiated a reform to upgrade the registry systems. The RBR assessed the registry reform and identified certain shortcomings; therefore, the RBR recommends transferring the responsibility of the registry reform to the CIO division, which will be responsible for identifying the requirements for a new registry system and qualified vendors, implementing and maintenance of the system.
The new system should enable all staff members to store, retrieve and manage records by themselves. It has been estimated that FAO would have to invest around USD 800'000 for a new registry system and additionally USD 100'000 for a system supporting electronic signature. This would allow FAO to reduce FTE headcount by an estimated 60% in headquarter and to realize savings of about USD 2.2 Mil per annum. A rollout in decentralized offices and a redeployment of the registry staff to the technical units would allow FAO to further realize a savings of around USD 900'000 per annum. The total estimated saving for registry results this in USD 3.1 Mil.

77. **Travel:** In the area of travel a saving potential of USD 1.05 Mil has been identified.
The current travel process of FAO includes for some travel multiple approvals of the Travel Authorization. This cumbersome process leads to a delay in the advance booking time of travels. In 2008 FAO booked around 10'000 tickets and spent around USD 18.0 Mil. Around 42% of the airline tickets booked by FAO have an advance booking time of less than 14 days. The RBR investigated that the introduction of quarterly approved travel plans and a changed process would allow FAO to

enforce a minimum advance booking time of 14 days. Due to this reason, it is recommended to change the travel policies and to request a minimum advance booking time of 14 days as mandatory.

The result of the enforcement of the advance booking time would result in an estimated saving of around USD 0.85 Mil per annum. The same study reveals that around 2.3% of the total volume could be saved through the enforcement of restricted airline tickets. The saving for FAO enforcing this rule would about USD 0.2 yearly.

F. Implementation plan

78. The RBR initiatives will allow FAO to introduce numerous improvements in the way Corporate Services are nowadays provided, while simultaneously providing huge opportunity for cost Savings. However, several points have been recognized by the RBR as essential for the successful implementation of the initiatives.

79. It is critical to prioritize not only the initiatives proposed by the RBR but also those envisaged in the broader FAO reform project; it is also critical to schedule the initiatives in a way to consider dependencies and level of benefits. Therefore, it is recommended to put in place an empowered project management with clear schedule and prioritization as shown in the picture below.
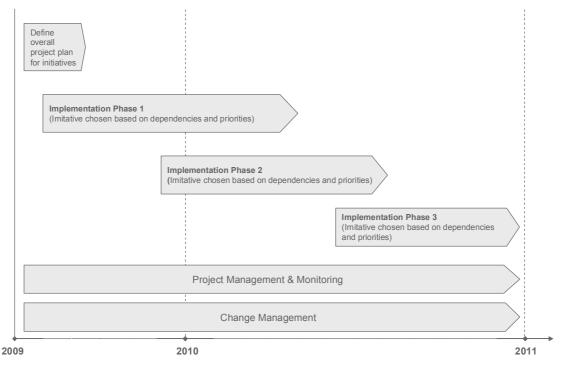

Figure ES-1: Indicative Roadmap

80. It will be crucial to ensure full Management commitment to achieve the results identified and to undertake all necessary actions for the success of the implementation. In addition, some of the envisaged initiatives require the cooperation of the other 2 Rome-based UN agencies (WFP and IFAD).

81. The overall Implementation Plan for the RBR recommendations takes into consideration that all initiatives will be started within 2009 to achieve the full potential of savings identified. At very first stage of the implementation, the RBR recommends to define an overall project plan including prioritization and the interdependencies of the initiatives identified. The required budget & resources will need to be allocated to the initiatives to avoid delays. If sufficient funding and resources are not provided in a timely manner, many of the benefits in terms of Cash Savings and Effectiveness Gains will not be realized by the Organization.

82. The RBR foresees the reduction of FTEs; this will imply for FAO to consider socially responsible actions to enable training and redeployment of resources when possible.

83. Last but not least, it will be critical to have in place Change Management initiatives aiming at facilitating the adoption of the new modus operandi.

84. The transition maps, available in each work-stream chapter within the main report, define the actions to be undertaken in order to realise the RBR initiatives and obtain the benefits associated.