**Management observations and 2009 actions resulting from
Root and Branch Review Stage 1 Report**

Introduction

The root and branch review (RBR) of administrative and support services is being undertaken in two stages:

- Stage 1 to deliver a high level business model with a completion date of end September 2008;
- Stage 2 to produce detailed recommendations for structures, processes, workflows and delegations with a time-bound implementation plan, due for completion by end April 2009.

The Stage 1 report has been produced by Ernst & Young, the consultants undertaking the review, and it comprises three elements – an Executive Summary, a Main Report and an Annex. The Stage 1 report is preliminary and the recommendations contained in these documents will be further developed in Stage 2 of the review to provide detailed proposals for structures, processes, workflows and delegations.

General comments[1]

Management welcomes the RBR Stage 1 report, and recognizes that the report has been delivered within a very compressed timeframe, limiting the capacity of the consultants to engage in broader interaction with the stakeholders. Management encourages the consultants during the second stage to ensure wider participation in the study, especially by Decentralized Offices. Project communications could be enhanced by periodic updates and news articles posted on the FAO Intranet, and the consultants could also consider holding a general briefing to advise staff on the progress of the study and to respond to questions and concerns. Efforts can also be made to enhance the interactions with the Culture Change Team.

The high level business model presented in the Stage 1 report logically focused on the central services. As the review enters Stage 2 and the administrative business processes are considered in greater detail, management will support the work of the consultants in their review of these processes throughout the Organization. This will involve active engagement with the Decentralized Offices, the Shared Services Centre (SSC), and all headquarters departments. The administrative services provided through the SSC are particularly relevant for review, as the SSC is the vehicle for the delivery of many such services. Administrative services are also provided through Decentralized Offices, as well as through the administrative tasks assigned to technical officers. Guidance on the appropriate balance between the delegated/decentralized provision of administrative services, versus the centralized provision of such services will be critical to the determination of an efficient administrative services model.

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[1] This paper does not include management's response to the consultant's considerations about the overall organizational model (pages 69-71 of Stage 1 main report) as these were provided in the earlier management response presented to Working Group 3 on 13 October 2008.

Management also noted that the Stage 1 report recommended the development of a value-added Management Information System (MIS). This has implications for practically all areas under the administrative functions, and is in line with the recommendations of the IEE. Management supports this recommendation and will work with the consultants to define a greater level of detail for this recommendation in Stage 2.

With respect to collaboration between the Rome-based agencies there is goodwill, but also obstacles to collaboration due to, for example, established practices and distinct systems. The second stage of the RBR should look more carefully at the various models of collaboration that can be carried out for further joint coordinated activities with WFP and IFAD to provide guidance for future efforts.

The Executive Summary indicates that the average cost of administrative services at FAO is broadly in line with the general trend in other UN organizations and programmes. Management notes that, in the past, administrative savings have been achieved in part by shifting administrative work to technical staff in both HQ and Decentralized Offices. The report therefore understates the overall administrative effort, and this may overlook possible productivity savings (e.g. savings in the time that technical officers spend on administrative processes). Management intends to provide Members with a clear definition of the costs of administrative services and the administrative portion of the overall budget of the Organization, and report to Members on a regular basis from 2010 on any changes to the proportion of overall budget represented by administrative costs.

Main recommendations

The remainder of this report provides management's observations on the RBR recommendations, which have been grouped into ten functional areas. It lists each main recommendation from the RBR Executive Summary, together with supporting text from the main report and any linkages to the IEE report. For each recommendation it provides a management observation and the implications in terms of management action for 2009.

These observations will form the basis of the 2009 RBR action plan, which will need to be updated when the RBR Stage 2 review recommendations are available in April 2009.

RBR Stage 1 Executive Summary recommendation (w/ RBR main report supporting text and link to IEE report)	Management observation	2009 action for management
Prioritization		
1. Selection and prioritization of on-going initiatives • RBR main report (page 4) reinforces the urgency to prioritize the many initiatives which are currently on-going to reform the Organization in order to focus and convey the energies of management and stakeholders towards the achievement of the most relevant objectives and the highest reachable benefits, and avoid fragmentation of efforts. A Programme Management Role is recommended to appoint an empowered manager able to harmonize, prioritize and drive all the current initiatives and ensure the proper degree of alignment.	Management is fully supportive of the need to prioritize initiatives and of the Programme Management approach.	In late 2008 and early 2009, management will further develop the classification and sequencing of IPA initiatives, and integrate these with the RBR Stage 1 recommendations and outstanding IEE Early Action items. These will be considered in conjunction with the available funding and organizational capacities to produce an ambitious, but achievable Reform Plan of Action. Management will adopt a programme management approach to implementation. In April 2009, the plan will be further reviewed and updated based on the RBR Stage 2 report.
Client focus		
2. Align the objectives of the support functions with the strategic objectives of the Organization, defining key efficiency targets and service level agreements - SLAs (commitment model). • IEE report paragraph 1342 (g) ...supports focusing administrative processes and support services on a client basis.	Management agrees with the RBR recommendations which are consistent with current initiatives to improve client feedback mechanisms at Headquarters and in Decentralized Offices and to better align administrative services to client needs.	Management will be guided by the outcome of the RBR Stage 2 report in April 2009, and will undertake needs assessment and introduction of formal Service Level Agreements, periodic client satisfaction surveys, and internal client feedback mechanisms in accordance with results-based management principles.
Policies and procedures		
3. Rationalize the set of policies and procedures of the FAO organization (manual) • IEE report paragraph 1342 (c) recommends the maximum degree of streamlining and simplification possible of rules and procedures. *4. A Regulatory Unit should be established*	Recommendations 3 and 4 are linked and will ensure compliance with rationalized policies and procedures. The review of the Organization's manual is an ongoing initiative, and management concurs that increased momentum in this process would be beneficial. Management agrees with the establishment of a Compliance Unit to proactively undertake this task, and	Management will include the establishment of a Compliance Unit in the planning for PWB 2010-11. The main purpose of the Compliance Unit will be to streamline and simplify the Organization's manual and ensure, in a proactive manner, staff compliance.

RBR Stage 1 Executive Summary recommendation (w/ RBR main report supporting text and link to IEE report)	Management observation	2009 action for management
	facilitate staff understanding and compliance.	

Decision making process

5. Re-define the role of the ODG with regard to administrative activities	Management agrees that ODG could play a more strategic role, with a limited involvement in administrative/support functions.	The role of ODG will be integrated as part of the development of organizational changes leading to the PWB 2010-11.
7. Review the roles of internal committees and reduce their number • RBR main report recommends that heads of Functions and Departments should be fully empowered and accountable for taking decisions relevant to their functional scope. It proposes that restrictions to this general principle should be the exception and clearly specified in the job description. It concludes that many decisions are currently not taken by the Head of Functions but by internal committees which implies longer processes, higher costs, lack of accountability of functional management and, as a consequence of the latter, a major risk exposure. • IEE report paragraph 1342 (d) recommends delegation of authority, based on the principle of subsidiarity.	Management has put in place a large number of delegations over recent months but has not fully enacted the principle of subsidiarity and empowerment of Heads of Functions and Departments. Full empowerment of functional managers would move the Organization away from the concept of shared responsibility to a more individual responsibility. Whilst improved timeliness of decision making could be achieved through a reduction in the number of internal committees, the nature of their tasks rather than their number is more important. Management would welcome consideration of alternative mechanisms to ensure corporate controls are in place, without prejudicing efficiency, consultation and transparency.	Management will undertake in 2009 a review of internal committees and options for replacing these with greater empowerment of managers. Changes will be made to the terms of reference of impacted managers, as appropriate.

Risks and controls

10. Implementation of the Enterprise Risk Management (ERM) • IEE report paragraph 1342 (e) recommends a substantial shift from *ex ante* to *ex post* controls.	Management endorses the need for an enterprise risk management approach to establish the appropriate level of controls bearing in mind the risks and costs.	Commission the Enterprise Risk Management study in 2009.

Human Resources

6. Define a new role for the HR Function • RBR main report recommends that HR should be a driver for the introduction of a Results Based Performance Management and should be provided with the right level of expertise and with the corresponding tools. In this way, the	Management agrees with the RBR analysis that the strategic role of HR is fundamental and will be achieved through an evolutionary process. The transformation of human resources management at FAO from an administrative function into a more strategic and advisory role will depend in part on acquisition of relevant skills	Management will review the capacities of and requirements for HR professionals in 2009 as part of the planning for PWB 2010-11. Management will continue to develop the necessary foundation and tools to position the human resources function on an appropriate strategic

RBR Stage 1 Executive Summary recommendation (w/ RBR main report supporting text and link to IEE report)	Management observation	2009 action for management
strategic role of HR will be the result of a long term evolution reflecting an increased maturity level of the Organization, after the reform process has been successfully completed in the next three years. • IEE report paragraph 1342 (b) proposes 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.	and competencies by staff of the HR Management Division. HR processes critical for transformation include *inter alia* performance management, competency development, staffing, HR strategy and communication. The precise quantification of the human resources needed to develop these processes may only be determined in the course of RBR Stage 2, as a more in-depth analysis is conducted of each process.	footing within the Organization. Management has formulated a plan of deliverables for 2009, which will initially focus on the implementation of the major HR initiatives to which greater priority was attributed in the IPA. These initiatives include, in the order of priority: the Performance Management System; Competency Framework; HR Management Information Reporting system; and the Management Development activities. The second tier of initiatives include the Mobility and Rotation policy, the Junior Professional Programme, and dual grading.
16. Complete the Competency Framework • RBR main report emphasizes completion of the Integrated Competency Framework is a critical initiative for the new HR operational model, and proposes that competencies should become the key element for the management of all HR processes – planning, role management, recruiting, staffing, performance evaluation (in accordance with the Results Based Management), career plan management and development.		
17. Review the Accountability Framework and unambiguous assignation of the responsibilities on each HR process among AFH and other entities (other departments, DOs, SCC)		
Sourcing of administrative services		
8. Transfer of low value added and transactional activities to the SSC and consider an assessment of the current governance	Management is already committed to the transfer of some procurement related activities to the SSC, and will consider the transfer of other transaction related administrative services as advised by RBR Stage 2. Management anticipates that Stage 2 will consider the current SSC structure and advise on its longer term suitability.	Management will undertake a review of governance arrangements for the SSC in 2009, and continue with the transfer of procurement related activities, holding back on further transfers until the Stage 2 report is available.
18. Identify and implement synergies with other UN Agencies to procure jointly common goods/services (Procurement for HQ) and to merging the facility management services	Services in this group should not all be treated in the same way, and the report does not distinguish sufficiently between the different	Management will be guided by the outcome of the RBR Stage 2 report in April 2009, and will undertake, starting in

RBR Stage 1 Executive Summary recommendation (w/ RBR main report supporting text and link to IEE report)	Management observation	2009 action for management
• RBR Main Report provides more examples of services for which the sourcing should be reconsidered. It proposes that FAO develop a business case for printing, records and archiving, mail distribution, language services and security through: outsourcing, improved internal processes, performing in partnership with another UN organization, or via a UN spin-off. • IEE report paragraph 1370 indicates that levels of security staffing should be re-examined in the light of comparator data showing FAO to have high staff levels, and proposes outsourcing a proportion and seeking some common service with the other Rome-based agencies. •	services. The reference to developing a business case for the outsourcing of printing does not take account that external printing activities are already outsourced and provided via competitive tender. It is expected that RBR Stage 2 will distinguish between services in this group and make specific proposals. Management is willing to consider alternative forms of service provision for any administrative service, provided this improves quality and will not increase overall costs.	2009, development of business cases for alternative sources of service provision (offshoring, SSC, outsourcing, partnership, etc.) for administrative services determined by the RBR to be appropriate for further analysis.
23. Define a plan for the registry management, considering the shift to electronic and the outsourcing of resources		
24. Define an approach to communication style and document which will reduce the need for printing and storage		

Budgeting, results-based management and finance

9. Implementation of IPSAS as key initiative for the finance division and FAO as a whole. • RBR main report page 41 notes that it will be necessary to upgrade "the capacity of local staff to ensure that increased demands of new business processes (delegations from HQ, IPSAS related activities) can be absorbed and dealt with efficiently and effectively. Support and training for imprest account holders in the field needs to be improved and should be broadened." • IEE report paragraph 1363 (recommendation 8.14) recommends that FAO leadership should use the transition	Implementation of IPSAS is a key management target, the full benefits of which will be realized when business processes and reporting are on a true accruals basis and improved financial information is readily available and has become embedded in the Organization's management of resources and decision making culture. Whilst significant qualitative improvements will be brought about in many areas as a result of the IPSAS implementation, incremental costs will be necessary to maintain certain new business processes (Receiving, Fixed Assets, Inventory)	Management notes that a project structure is in place and is resourced through 2008-09 and confirms that IPSAS project activities will proceed in accordance with approved plans. IPSAS implementation is a significant undertaking, to be achieved over a 4-year timeframe.

RBR Stage 1 Executive Summary recommendation (w/ RBR main report supporting text and link to IEE report)	Management observation	2009 action for management
to IPSAS to achieve significant efficiencies and improved effectiveness in financial accounting, financial management and decision support systems. The Organization should consider the introduction of accounting and budgeting in Euros and US dollars and possibly accounting for extra-budgetary funds in Euros, US dollars and possibly other currencies as part of the project to introduce IPSAS.	and comply with significantly increased financial reporting disclosure requirements. The new field accounting solution (FAS replacement) to be implemented together with the IPSAS project will result in a range of transaction recording and processing efficiencies, and empower managers in decentralized locations.	
11. Design the new Planning and Budgeting Model which will manage both Regular Program and Extra-Budgetary funds. *Write down the FAO Corporate Guideline for the new Planning and Budgeting Model* *Define the new structure of PWB streamlining the document and eliminating the post planning exercise.* *Outline the new standard streamlined logical framework for "Projects" budgets (Regular Program and Extra-Budget)* *Define the requirements for the standardized new reporting system.* • RBR main report finds that an integration of Regular Program (RP) ad Extra-budgetary (EB) resources in the planning and budgeting process should ensure a more results-oriented strategy and planning, more effective and efficient allocation of resources, and streamlining of planning, budgeting and reporting processes. It also suggests that the processes for annual budgeting and operational reporting should be integrated into the Finance Division. • IEE report paragraph 1190 (Integration of Regular Programme and Extra-budgetary resources in the planning and budgeting process) and IEE recommendation 7.4 (paragraph 1208) - establishment of a Strategy, Programme and Budget Office.	Management considers consolidation of RP and extra-budgetary resource planning a welcome opportunity for organizational improvement, but also a difficult project to manage during a period of comprehensive reforms. Clear definition of the role of the new Office of Strategy, Planning and Resources Management would be required. Integration of budget management activities into the finance function will improve overall financial management of the Organization's resources, providing more consistency between management accounting and official financial reporting. Management believes that the implementation of IPSAS will support this integration as it will be necessary to identify and clarify both financial accounting and reporting requirements, and budgetary reporting requirements, and ensure that both can be fulfilled; this in turn will support the introduction of RBM.	Management will focus on refinement of the draft elements of the Strategic Framework, Medium Term Plan and PWB 2010-2011 and streamlining of the planning process, including integration of voluntary contributions. These elements will provide the overall framework for results-based management in FAO. The definition of the new reporting system would take place in the second part of 2009. During 2009 the Organization will perform detailed analysis of the annual budgeting processes and procedures currently carried out (together with related system implications) to identify which activities can most appropriately be transferred to the Finance Division together with the resources to carry out such activities. Proposals for the transfer of functions to Finance Division will be included in the PWB 2010-11.
12. Identify the areas of improvement and define the actions for the enhancement of the Results-Based Management (RBM) • IEE report paragraph 1115 The Results-Based Management (RBM) system		

RBR Stage 1 Executive Summary recommendation (w/ RBR main report supporting text and link to IEE report)	Management observation	2009 action for management
Information Technology		
13. Consolidate into one "CIO" (Chief Information Officer) the IT functions.Strengthen IT Governance. All functions must abide by formal processes, e.g. project/change request procedures, project management and development processes • RBR main report supports this recommendation, pointing out that this solution will allow customers to have one single point of contact for all IT needs. Consolidation would also help improve skill management and operational efficiency and a "one CIO" structure would enable a more consistent view on IT strategy, IT budget and IT procurement control. The main elements are: ○ The IT Support Officers in Regional and Sub-Regional Offices should be maintained within the CIO structure to strengthen support capabilities from Headquarters, and compliance through central procedures in the field. ○ Customer interaction process should be improved and standardized to improve demand management, reduce application fragmentation, and clarify responsibilities. ○ IT governance in the Organization should be strengthened. ○ Information management process throughout FAO should be developed/improved through consolidation of administrative and technical information management into "one CIO". *The ownership of the context is under the responsibility of the Departments. Information Management process within the CIO has the technical responsibility on data management and content storage and retrieving. Business knowledge and knowledge policy responsibilities are not included under CIO responsibilities.* ○ Increase the range of support services and software development delivered from KCT offshore centre in Bangkok performing careful selection of IT services to be run in Bangkok.	All of the above areas – HR, finance, IPSAS, budgeting, results based management, and procurement have stressed the need for improved and integrated management information systems to support their business needs. In order to support these functions, to integrate the different IT systems, and to provide a basis for improved management information, management considers that Stage 2 will be critical to specifically address issues related to the responsibility for ERP systems, IT projects ownership and coordination, the capacity of business units to support IT initiatives (raised by the External Audit report). With regards to knowledge management, there is a need to define clearly the assignment of responsibilities between the management of the organization's technical knowledge and the provision of IT services. This should take place through a wider consultation with the technical departments, the office responsible for knowledge exchange and the decentralized offices on both their IT and knowledge/ information management functions and requirements. While the RBR will focus on the provision of IT services, it is an important related task for the Organization to clarify the responsibility for the information management chain – from content creation, structuring and organization, through to dissemination and the supporting information systems and technology.	The necessary staffing actions to consolidate IT governance will be planned in 2009 as input to the PWB 2010-11.

RBR Stage 1 Executive Summary recommendation (w/ RBR main report supporting text and link to IEE report)	Management observation	2009 action for management
• IEE report paragraph 1358 (recommendation 8.11) supports the concept of a Chief IT officer and consolidation of all IT functions under him/her.		
14. *Upgrade Oracle for staff Management and IT infrastructure in Dos*	Functions to support staff management are being introduced into the Oracle system on an ongoing and progressive basis, and the upgrade of the telecommunications facilities to Decentralized Offices has been included and costed in the IPA.	Upgrades of Oracle and the telecommunications facilities to Decentralized Offices as specified in IPA.
15. *Design of the Management Information System* • RBR main report indicates the need to develop a value adding corporate MIS which provides decision-relevant information for the different levels of management. 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. The main report also recommends to develop and improve information management processes throughout FAO by assigning clear ownership and responsibilities for data management and processing.	Management supports this recommendation and initial proposals for the development of a corporate management information system were included in the IPA	The initial phase of the project (to identify requirements) will commence in 2009.
Procurement		
19. *Involve AFSP in the initial phases and activities of the procurement actions (Procurement for projects)* • IEE report (paragraph 616) proposes the development of an overall strategy to elucidate and gain a clear mandate for those emergency functions in which FAO is strong, and this is one area where the involvement of procurement in the initial phases is relevant.	Management accepts the recommendations. There is also a strong need to clearly define and share within the Organization the policies, procedures and responsibilities of any procurement action, including in response to emergencies.	Implementation in 2009 with a revision/redesign of the project models and processes.

RBR Stage 1 Executive Summary recommendation (w/ RBR main report supporting text and link to IEE report)	Management observation	2009 action for management
20. Develop the registered vendors management towards an active suppliers management (partnership principles)		
21. Rationalize logistics and delivery processes		
22. Pursue a higher empowerment of the Regional and local officers in managing local procurement • RBR main report recommends that FAO's role in the purchasing process should move from a strongly centralized control model to a more decentralized operational model, giving adequate support to regional and local officers.		

Estimated early savings

In addition to the main recommendations, the RBR made six recommendations for which it was suggested that savings were achievable within 6-12 months following the relevant decisions, by undertaking some simple actions and investments:

RBR Executive summary recommendation	Estimated biennial savings	Management observation	2009 action for management
1. Reduce printing and eliminate printed publications: would enable to save the rent of a storage place	USD 450,000	Any efforts to reduce printing and storage must be without prejudice to the needs of Members. All FAO technical publications are already available electronically but there is a clear indication from Member countries, particularly those most in need of FAO assistance, that hard copies are also required. Thus some external warehousing capacity would be needed for storage of limited quantities to meet future requirements. Management is of the view that the warehouse volume could be reduced by some 50%.	Undertake a review of options to reduce storage space, consistent with Member States' requirements.
2. Ensure shift to electronic and better management of registry	USD 900,000	Management agrees with the potential for savings in this area, but a review is needed to determine whether the anticipated savings can be achieved within 6-12 months of the decision being taken.	Provide further investment in the registry area, and produce a business case for major cost reductions by a full move to electronic registry management.
3. Analyze and reinforce the opportunity to identify and implement synergies with the other Rome based UN Agencies in the procurement activities for the Headquarters (also improving and accelerating the use of the e-Tendering tool)	USD 500,000	Management accepts the recommendation which is dependent upon other agencies agreement.	In 2009, management will liaise with concerned agencies to agree on the principles of joint procurement and to estimate the potential and the modalities.
4. Consolidation of IT staff from across the Organization into a 'CIO' structure	USD 450,000	Management agrees with the potential for savings but a review is needed to determine what savings could be achieved within 12 months of the relevant decision, taking into account clarifications needed concerning IT governance.	Consolidation of the IT staff currently in KCT with IT staff in other departments and offices will be planned in 2009 and any resulting savings included as part of the PWB 2010-11.
5. Rationalization Information Technology Officers structure	USD 250,000	Management agrees with the recommendation.	Outposting of IT staff will be planned in 2009 and any resulting savings included as part of the PWB 2010-11.
6. Rationalization of other minor activities in different fields	USD 600,000	Further information needed from the consultants before a management observation can be provided.	