

**REVIEW OF MANAGEMENT AND ADMINISTRATION IN  
THE FOOD AND AGRICULTURE ORGANIZATION  
OF THE UNITED NATIONS (FAO)**

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**ACRONYMS**

<b>AFF</b>	Finance Division
<b>AFH</b>	Human Resources Management Division
<b>DDG</b>	Deputy Director-General
<b>ERP</b>	Enterprise Resource Planning
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>FAORs</b>	FAO Representations (country offices)
<b>FAS</b>	Field Accounting System
<b>FPMIS</b>	Field Programme Management Information System
<b>HRC</b>	Human Resources Committee
<b>IDWG</b>	Inter-Departmental Working Group
<b>ILO</b>	International Labour Organization
<b>ITU</b>	International Telecommunication Union
<b>JIU</b>	Joint Inspection Unit
<b>LIFDCs</b>	Low Income Food Deficit Countries
<b>MSS</b>	Management Support Service
<b>MSU</b>	Management Support Unit
<b>MTP</b>	Medium-Term Plan
<b>NPO</b>	National Professional Officer
<b>OCD</b>	Office for the Coordination of Normative, Operational and Decentralized Activities
<b>PAIA</b>	Priority Area for Inter-disciplinary Action
<b>PBE</b>	Office of Programme, Budget and Evaluation
<b>PER</b>	Programme Evaluation Report
<b>PIR</b>	Programme Implementation Report
<b>PIRES</b>	Programme Planning, Implementation Reporting and Evaluation Support System
<b>PLANSYS</b>	Programme Planning and Budgeting System
<b>PPAB</b>	Programme and Policy Advisory Board
<b>PSSC</b>	Professional Staff Selection Committee
<b>PWB</b>	Programme of Work and Budget
<b>RBP</b>	Results-based programming
<b>RO</b>	Regional Office
<b>RR</b>	Regional Representative
<b>SRO</b>	Sub-Regional Office
<b>SRR</b>	Sub-Regional Representative
<b>TC</b>	Technical Cooperation Department
<b>UNDP</b>	United Nations Development Programme
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization
<b>UNHCR</b>	United Nations High Commissioner for Refugees
<b>UNICEF</b>	United Nations Children's Fund
<b>WAN</b>	Wide Area Network
<b>WFP</b>	World Food Programme
<b>WHO</b>	World Health Organization

## EXECUTIVE SUMMARY: OBJECTIVE, CONCLUSIONS AND RECOMMENDATIONS

### OBJECTIVE:

*To identify areas for improvements in the administrative and management practices of the Food and Agriculture Organization of the United Nations (FAO) in the light of past, current and planned reform initiatives in the Organization.*

### PLANNING, PROGRAMMING, BUDGETING, MONITORING AND EVALUATION (CHAPTER I)

A. FAO has embarked on a major reform of its programming cycle, with the adoption of a long-term strategic framework and of a rolling Medium-Term Plan (MTP), which operationalizes the framework into a six-year programme defined in terms of constituent programme entities. Efforts have also been undertaken to strengthen the work-planning process at the departmental level, and to develop a new evaluation system based on auto-evaluation by managers.

B. The main challenges met in developing and implementing the new framework stem from the need to reconcile the cross-sectoral strategic objectives of the Organization with the sectoral structure of the Secretariat, and to arbitrate between the integrated nature of the programming framework and the specific priorities of each region. While significant efforts have been made to identify Priority Areas for Inter-disciplinary Action (PAIA), few incentives have been developed to facilitate their implementation, and assessing their progress remains particularly complex.

C. In addition, the full implementation of results-based programming (RBP) at FAO is hampered by difficulties encountered in the development of meaningful indicators and quantifiable targets for achievements that cannot always be directly attributable to the Secretariat. A results-focused organizational culture is yet to be fully established, and more comprehensive training is needed with regard to concepts and tools linked to RBP, especially in the decentralized offices.

### RECOMMENDATION 1

**The Director-General should ensure that:**

- (a) Efforts continue to provide precise performance indicators and targets, and to identify what the Secretariat can be held directly responsible for;**
- (b) Links between activities described in operational work plans at the departmental level, and, overall strategic objectives, are clearly identified;**
- (c) Monitoring and accountability mechanisms are established to ensure the implementation of Priority Areas for Inter-disciplinary Action (PAIA) (see paras. 13-25).**

### RECOMMENDATION 2

**The Director-General should ensure full institutional acceptance and implementation of the new programming process through an extensive training curriculum for managers and concerned staff—at headquarters and in the Regional Offices—which would:**

- (a) emphasize inter-disciplinary approaches as well as the general principles of RBP;**
- (b) impart specific skills, such as the formulation of objectives and indicators as well as self-evaluation techniques (see paras. 27–29).**

## **GENERAL MANAGEMENT SYSTEMS (CHAPTER II)**

D. Important changes have also been introduced since 1994 to the organizational and managerial structure of FAO, aimed at simplifying and clarifying it. Among these changes, the creation and subsequent dismantlement of the Management Support Units (MSUs) in each department was initially a particular cause of instability and disruption, although it ultimately resulted in cost savings. While many of these administrative and structural changes have indeed been driven by the desire to increase efficiency and the need to reduce costs, they have also been shaped, to a great extent, by the hasty choices made by the Secretariat with regard to computerized management information systems and the severe funding shortages it faced in their development.

E. The need for consultation, change management, training and guidance was certainly under-estimated and under-resourced in the development and implementation of the project for the replacement of the Organization's legacy information systems with Oracle applications. In particular, the impact of the changes brought about by Oracle—to both the nature of the work of support staff and to the relations between Headquarters and the decentralized offices—has yet to be fully analysed. Because many of the changes in structures and processes were rushed through for budgetary reasons, a careful study of which processes could be simplified and which decisions could be effectively delegated was not undertaken before their implementation. In addition, existing tools for consultation and coordination have not been used to their full potential and thus, have not significantly altered the centralized nature of decision-making in the Secretariat, despite apparent efforts to further delegate authority.

### **RECOMMENDATION 3**

**The Director-General should:**

- (a) Invite Regional Representatives (RRs) to participate, at least on a rotational basis, in the Senior Management Meetings (the use of video-conferences could be considered for this purpose);**
- (b) Consider ways to disseminate more widely and systematically, as appropriate, the conclusions of the Meetings (see paras. 32–33 and 71).**

### **RECOMMENDATION 4**

**The Director-General should prepare an overall plan of action for the delegation of authority and responsibility to managers at Headquarters and in the decentralized offices, including:**

- (a) A clear definition of those areas of responsibility which require that administrative authority be retained centrally;**
- (b) A clear division of responsibilities and description of channels of communications between the various central administrative services (including the Finance Division (AFF), the Human Resources Management Division (AFH), the Management Support Service (MSS) and the Management Support Unit (MSU) of the Office for Coordination of Normative, Operational and Decentralized Activities);**
- (c) A transparent and comprehensive system of accountability;**
- (d) Precise timelines for updating and simplifying important administrative instructions (see paras. 34–43).**

### **RECOMMENDATION 5**

**The Director-General should ensure that offices away from headquarters are fully consulted in the definition of business requirements linked to the design of systems included in the second phase of the Oracle project, and in particular, in the development of the human resources/payroll modules (see paras. 48 and 65).**

**RECOMMENDATION 6**

**The Council may wish to approve the proposals included in the Medium Term Plan 2004-2009 for the introduction of capital budgeting to ensure sufficient and stable funding for the further development of corporate administrative systems.**

**DECENTRALIZATION (CHAPTER III)**

F. Within the framework of the policy of decentralization endorsed by the Council in 1994, key changes have occurred in the last eight years regarding the distribution of responsibilities and resources among the three levels of the Organization: headquarters, regional and national. In the initial phase, the handover of functions of direct regional relevance from headquarters to the Regional Offices, accompanied by a considerable strengthening of their human resources through the transfer and recruitment of staff, allowed them to develop a significant operational capacity.

G. However, a subsequent decision was taken to further decentralize operational responsibilities for national projects to the country offices ("FAO Representations" or FAORs), and to cut the resources of the Regional Offices accordingly, primarily in order to reduce the cost of supporting the field programme. This has left Regional Offices with uncertain terms of reference. At the same time, the level of administrative and operational support which Regional Offices are required to provide to FAORs has not been significantly altered, owing to the insufficient resources initially allocated to FAORs, and in particular, to their lack of access to the main corporate information system.

H. In addition, limitations on the authority delegated to the RRs, as well as the use of confusing and contradictory language in the main internal document outlining their responsibilities, have restricted them in their ability to perform their duties effectively. As a result, the decentralization of the Organization's activities has been limited in effect to their operational and some of their administrative aspects, while policy decisions remain strongly centralized at headquarters.

**RECOMMENDATION 7**

**The Director-General should urgently undertake a review of the terms of reference of the Regional Offices, as well as of the resources and authority granted to them, taking into account:**

- (a) An evaluation of the decentralization of operational responsibilities to FAORs as applied over the last three years;**
- (b) The need to maximize synergies at the regional level; in particular, with regard to the field programme;**
- (c) The need to ensure a genuine decentralization of the decision-making process in the Organization and to provide RRs with additional opportunities to make substantive contributions to this process;**
- (d) Practices of other United Nations organizations;**
- (e) The Circular on Responsibilities and Relationships should be updated, clarified and revised accordingly, in consultation with the decentralized offices (see paras. 63-73).**

**RECOMMENDATION 8:**

**FAORs should be provided with adequate human resources and guidance to fulfil their responsibilities, and the Director-General should, in particular:**

- (a) Develop a standard description of the competencies, skills and experience required of FAO Representatives;**

- (b) Ensure that the selection of FAO Representatives is an open and fair process which duly takes into account previous experience acquired in the Organization/United Nations system;**
- (c) Ensure the prompt completion of the Wide Area Network (WAN) project and the availability on-line of administrative handbooks with search functions;**
- (d) Organize periodic regional meetings of FAO Representatives (see paras. 74–86).**

I. While Member States expect the Organization to be able to work with all of them and whereas many have requested full FAO representation within their territory, present budgetary constraints do not allow for the expansion of a field network whose limited resources are already too thinly stretched. Although the Secretariat is allocating new resources to FAORs through a new scheme for the distribution of support-cost earnings and with supplementary funding for training purposes, significant additional means would be necessary to implement all the improvements required even to allow existing FAORs to operate efficiently. The location and nature of FAO representation at the country level, therefore, may need to be reviewed on the basis of objective, pre-established criteria.

#### **RECOMMENDATION 9**

**The Council may wish to formally define a set of objective criteria to determine the nature and extent of FAO country representation. These criteria should reflect not only the specific needs of the countries as measured by their indicators of human development and designation as low-income, food deficit countries, but also the cost-effectiveness of FAO activities at the national level. Therefore, these criteria should include:**

- (a) The level of foreseen programmes and activities at the country level;**
- (b) The ratio of operating costs to overall programme resources;**
- (c) The extra-budgetary resources expected for each FAO Representation;**
- (d) The nature and degree of substantive and administrative services that can be provided by the United Nations Resident Coordinator system;**
- (e) The nature and level of activities of other FAO partners (such as National Committees when applicable) at the country level.**

**Once these criteria are adopted, the Council may wish to request the Director-General to undertake a review of the country network of FAO, which should extend to cover liaison offices and take into account the results of the ongoing review of the National Correspondents scheme (see paras. 87–94).**

#### **HUMAN RESOURCES MANAGEMENT (CHAPTER IV)**

J. After nearly a decade of budget cuts which have resulted in downsizing and decreased opportunities for promotion, staff of the Organization must be given assurances that its views and suggestions will be taken into account in the formulation of new policies as the Secretariat embarks on the much-needed reform of human resources management in FAO. A full understanding of the purpose and design of the reforms which must now be addressed in a comprehensive and decisive manner and a shared sense of ownership of these new policies and procedures will facilitate their implementation and maximize their impact.



**RECOMMENDATION 10****The Director-General should:**

- (a) Establish a task force composed of human resources management specialists and programme managers with a time-bound mandate to prepare a comprehensive plan of action for the reform of human resources management policies and practices;**
- (b) Consider allowing staff representatives full participation in, or at least direct access to, this task force;**
- (c) Resume meeting personally with representatives of recognized staff associations at reasonable intervals (see paras. 86–90).**

K. Despite the important reduction in the overall number of budgeted posts over the last decade, the vacancy rate in the FAO Secretariat has remained steadfastly high—especially at the Professional level—reflecting:

- the persistent centralization of the recruitment process;
- under-spending on the staff appropriation in an effort to achieve budgetary savings; and
- the widespread use of short-term staff and non-staff human resources (such as consultants and Retired Experts).

L. Delays in filling vacancies limit the intake of younger Professionals and women, thus hampering the required rejuvenation and gender diversification of the Organization's personnel. The policy of the Secretariat with regard to spouse employment may also be a factor impacting negatively on the recruitment and retention of women at the Professional level. In addition, there is a need to provide all staff with better and wider career opportunities and to develop a personnel policy that will allow increased staff mobility and thus be more attuned to the focus of the Organization on decentralization.

**RECOMMENDATION 11****In the short term, and in order to:**

- **reduce the excessive number of vacant posts;**
- **accelerate the recruitment process; and**
- **provide the Secretariat with a more flexible, dynamic and responsive workforce,**

**the Director-General should:**

- (a) Instruct the Human Resources Management Division (AFH) to issue in both electronic and paper form a compendium of all present vacancies, and ask departments and offices to promptly initiate the advertisement of all vacant posts;**
- (b) Consider delegating to the Regional Representatives—on a pilot basis and with appropriate guidance and monitoring from departments at headquarters—the authority to propose candidates for established posts in Regional Offices up to the P-4 level;**
- (c) Ensure that consultants and Retired Experts do not serve as a long-term alternative to regular staffing and inform the Council of the proportion of staff recruited over the last two biennia who had previously been contracted as consultants by the departments in which they now serve;**
- (d) Undertake a cost-benefit analysis of establishing a managed mobility system for Professionals (see paras. 92–99 and 102–107).**

**RECOMMENDATION 12**

**In order to improve gender balance among the Secretariat's Professional staff and conform to policy statements by the United Nations system Chief Executives Board, the Director-General should modify relevant staff rules and sections of the Manual that forbid the employment of spouses of staff members (see paras. 100–101).**

**INTERNAL AND EXTERNAL OVERSIGHT (CHAPTER V)**

M. The Charter for the Office of the Inspector-General, introduced in 2000, offers most of the guarantees for operational independence and adequate reporting channels that Member States seek from internal oversight services in United Nations organizations. The staffing and structure of the Office, with a relatively high ratio of auditors per staff and the out-posting of resident auditors to the Regional Offices, also provides a solid basis for the Inspector-General to carry out his mandate effectively. The importance attached by the Director-General to the oversight function is illustrated by the fact that he has tasked his Directeur de Cabinet with following-up on audit recommendations. After granting repeated extensions to the Inspector-General beyond the normal retirement age, the Director-General has now initiated the selection process for his successor.

N. Concerns expressed by some Member States as to the working practices regarding the appointment of the External Auditor may be partly linked to the absence of formal limits on the latter's term of office, and to the need to ensure reasonable rotation while preserving the necessary level of continuity.

**RECOMMENDATION 13**

**The Council may wish to consider recommending to the Conference a modification of the Financial Regulations of the Organization so as to institute limits on the term of office of the External Auditor (see paras. 118–119).**

## INTRODUCTION

1. Like most other United Nations organizations, FAO has undergone major changes since the beginning of the 1990s. This comprehensive reform, aimed at lending a greater degree of coherence to the Organization's activities and developing a strategic vision for its future while improving resource management, has affected FAO structure, governance mechanisms and operational procedures. Efficiency savings have been achieved, and staffing levels have been reduced considerably, particularly at headquarters. While a series of measures were adopted in 1994, many others were developed in the following years, and important changes are still being implemented or considered. Because of the scope and complexity of these changes, and owing to the limited capacity of the Organization to absorb them at a time of significant budgetary reductions, some discrepancies have emerged between the stated principles underlying the reform and their actual implementation.

2. Therefore, this JIU review of FAO attempts to assess the actual results of changes undertaken thus far. It is also hoped that it can contribute to the ongoing process of transformation of the Organization. While it is well understood that reform is a continuous process rather than a distinct event, the report presents a picture of the Organization at a given time, as at mid-2002, although recent developments which have occurred during the course of the preparation of the report have been taken into account to the extent possible.

3. This report is the fifth in a series of similar comprehensive reviews of administration and management in United Nations specialized agencies. A first report on the International Labour Organization (ILO) was issued in 1999,<sup>1</sup> a second on the United Nations Educational, Scientific and Cultural Organization (UNESCO) in 2000,<sup>2</sup> followed by two more in 2001, on the International Telecommunication Union (ITU)<sup>3</sup> and the World Health Organization (WHO)<sup>4</sup> respectively. This review builds on the experience acquired by the Unit in the preparation of the previous reviews and takes into account the practices of these and other United Nations systems organizations for benchmarking purposes, although it does not overlook the specificity of each organization's mandate and circumstances.

4. After completion of a thorough desk review, the Inspectors carried out missions to FAO headquarters, as well as to two of its regional offices, two country offices (FAORs) and one liaison office.<sup>5</sup> Information was collected from another regional office by means of a questionnaire. Thus, the Inspectors were able to examine extensive public documentation as well as additional data and information provided by the Secretariat. Based on this examination, they decided that the report should focus on the following topics: planning, programming, budgeting, monitoring and evaluation; general management systems; decentralization; human resources management; and external and internal oversight.

5. In each field, the report concentrates on those issues where it was felt that particular value could be added by the Joint Inspection Unit, recognizing that other issues have already been widely addressed either by the External Auditor, the Office of the Inspector-General or the Evaluation Service, or by the JIU itself.

6. The Inspectors wish to extend their appreciation to all those who assisted them in the preparation of this report, in particular, to all the FAO officials who were interviewed and who helped organize their missions at headquarters and in the field. They are very grateful for the cooperation which they received from so many in their efforts.

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<sup>1</sup> JIU/REP/99/4.

<sup>2</sup> JIU/REP/2000/4.

<sup>3</sup> JIU/REP/2001/3.

<sup>4</sup> JIU/REP/2001/5.

<sup>5</sup> The regional offices visited were: the Regional Office for Asia and the Pacific and the Regional Office for Latin America and the Caribbean. The Inspectors also visited the FAORs located in New Delhi and Lima, as well as the Liaison Office in New York.

## I. PLANNING, PROGRAMMING, BUDGETING, MONITORING AND EVALUATION

### A. New concepts, new instruments

7. The wide adoption of advanced strategic planning and results-based budgeting principles is probably the most important change, at least in conceptual terms, which has occurred in the management of FAO since 1994. In 1997, the Conference decided to proceed with the introduction of a revised process to replace the traditional two-year budget document and six-year Medium-Term Plan with a better articulated family of documents, coupled with an enhanced programming approach. The first of these documents is the FAO Strategic Framework, adopted by the Conference at its 1999 session. Covering the period 2000-2015, it sets out the major policy orientations for the Organization over the longer term and identifies twelve strategic objectives as well as six key cross-organizational strategic issues. While the global conferences of the 1990s and the Millennium Summit held at the United Nations in September 2000 led to the adoption of far-reaching declarations and long-term goals for the United Nations system as a whole, FAO distinguishes itself apart by so clearly stating its core strategic objectives over a fifteen-year horizon in one single integrated document.

8. The MTP for 2002-2007, endorsed by the Council in November 2000, translates the Strategic Framework into a six-year programme, defined in terms of constituent programme entities rather than sub-programmes and programme elements as before. For each of these entities, which fall into three categories (technical projects, continuing programme activities and technical service agreements), the Plan provides a rationale, objectives, major outputs and indicators, as well as an indication of the timeframe and overall resources required. Thus, it is intended to provide the bridge between the corporate strategies in the Framework and the biennial proposals in successive Programmes of Work and Budget (PWB). The first MTP to follow this new format and results-based approach covered the period 2002-2007, but it is a rolling plan, to be updated every two years, taking into account the outcome of evaluations and implementation performance reporting. The second version, covering the 2004-2009 period, was issued in August 2002. The PWB for the current biennium (2002-2003), which was presented to the Conference at its 2001 session, is based on the MTP 2002-2007.

9. After adoption of a given biennial programme of work, programme managers at the working level must break it down into activities to be achieved in a given year, taking into account the availability of resources. Programme Coordination Units in each department assist in the preparation of these annual work plans and monitor their implementation. The Secretariat states that further improvements will be brought to that stage of the programming process in 2002 through the provision of new tools and work-planning guidance to managers. In particular, they will be provided with working-level applications to better track production of outputs and services through a Departmental Programme Management Tool Kit.<sup>6</sup>

10. Finally, the last component of this enhanced planning process is a remodelled evaluation system, which is based in good part on auto-evaluation, meaning a systematic process of evaluation by managers of all operations. Thus, while the Evaluation Service in the Office of Programme, Budget and Evaluation (PBE) will continue to serve as the focal point, providing programme managers with methodological guidelines and preparing periodic synthesis reports, and while it will retain responsibility for programme and thematic evaluations as well as field programme evaluations, all units will have an active part in the revised evaluation process. In particular, programme managers are expected to carry out "pre-evaluation monitoring of programme implementation results", as well as auto-evaluation (at least once every three biennia) for the regular programme of work.<sup>7</sup> The latter is expected to include an external element, usually through peer review groups.

11. New computerized instruments are being devised to implement this system, and funds (US\$ 475 000) have been allocated in the PWB 2002-2003 for the replacement of the current Programme Planning and Budgeting System (PLANSYS). The scope of this project, which was deferred from the biennium 2000-2001 and will lead to the development of a new Programme Planning, Implementation Reporting

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<sup>6</sup> PC 87/6.

<sup>7</sup> Strengthening the FAO evaluation system, Director-General bulletin, No. 2001/33 (5 November 2001).

and Evaluation Support System (PIRES), includes the full programme management cycle: strategic planning, programming and budgeting, work-planning and monitoring, and evaluation and reporting. The Secretariat asserts that the basic functionality provided by the PLANSYS application will be replaced by the end of 2002, and that benefits of the investment in PIREs will already be reflected in 2002 in the form of enhanced corporate planning and reporting processes. Thus, the Programme Implementation Report (PIR) for the biennium 2000-2001 was prepared using PIREs for data gathering on the implementation of PWB outputs. Similarly, preparation of the PWB for the 2004-2005 biennium will follow a new budgeting module in PIREs, which at the time of writing this report was being put in place.<sup>8</sup>

## **B. Integrating the programming process while preserving sectoral and regional specificities**

12. Thus, FAO has embarked on a major reform of its whole programming cycle. It is certainly too early to fully assess how these changes will affect the programming process, and the reporting and evaluation regime in particular, since the first PWB which will be evaluated in its new format is the current one. Similarly, the PIR on the biennium 2002-2003 will only be presented to the Council in November 2004 and to the Conference in November 2005. In their discussions with the Inspectors, therefore, Secretariat officials stressed that this change-over to a more strategic culture is still in progress, and recognized that improvements need to be made to translate this new vision into daily practice.

13. The main challenge met in developing and implementing the new framework stems from the need to reconcile the cross-sectoral strategic objectives of the Organization with the sectoral structure of the Secretariat. While the initiation of results-based programming (RBP) is intended to overcome long-standing tendencies toward fragmentation and to enhance viewing the Organization and its programmes as a whole through the adoption of corporate objectives, this will be a long process, owing to a number of important choices made.

14. First, the decision was taken to retain the Secretariat's sectoral structure, which is reflected in the MTP's major programmes, and to limit the use of inter-disciplinary approaches to a number of priority areas. This decision was based on the need to preserve the specialized expertise acquired by the Organization in various sectors (such as Agriculture, Fisheries and Forestry) and on the perceived cost of inter-disciplinary action. Thus, sixteen Priority Areas for Inter-disciplinary Action (PAIAs) were identified in the MTP. It was also decided that inter-departmental working groups (IDWGs) would carry out responsibility for implementing the PAIAs. Experience has shown that the creation by organizations of new specific units or entities to carry out cross-sectoral activities can lead to structural outgrowth, and therefore, to duplications and inefficiencies, and that cooperative efforts between existing structures may be preferable and more cost-effective. However, this option carries the risk that accountability will be very diffused, and that the strategic programme may be detached from managers' daily work, thus becoming an isolated exercise to which individual departments pay scant attention during actual implementation.

15. The Secretariat is aware of this risk, and has made significant efforts, as recognized by the Council at its 119<sup>th</sup> session, to highlight the links existing between the programme entities in the MTP and the twelve corporate strategies of the Strategic Framework.<sup>9</sup> It remains to be seen whether operational work-plans at the departmental level will also reflect these overall corporate strategies, and whether links between operational activities and strategic objectives will also be clearly identified. The Inspectors note that Part III of the MTP 2004-2009, which relates to the six complementary strategies identified in the Framework to address cross-organizational issues, has been vastly expanded since the very brief exposition in the MTP 2002-2007. It describes more concretely than in the previous version the follow-up actions which the Secretariat will undertake to implement the strategies, and includes estimates of the additional resources required where applicable.

16. On the other hand, the Secretariat acknowledges that while PAIAs were "born in enthusiasm", they operate "against" this vertical structure of the Organization by forcing collaboration across

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<sup>8</sup> See FC 99/13.

<sup>9</sup> CL 119/REP, para. 45.

departmental lines to address recognized problems or issues. Hence, there exist a number of disincentives against them. Conversely, only limited incentives towards cooperation have been developed to ensure the proper implementation of PAIAs, and the Council has emphasized the need for monitoring their implementation and ensuring accountability within the Secretariat.<sup>10</sup> Officials met by the Inspectors stressed that effective implementation would only be assured if PAIAs were fully integrated, both into the work-planning of each divisional activity and the evaluation regime. The work-plan for any given PAIA will, in fact, consist of the sum of all the work-plans of concerned divisions, and PAIAs should therefore theoretically be “mainstreamed” into the planning process for each department. While the PAIAs Coordinators (usually the chairpersons of the related IDWG) are to report yearly to the Director-General, it was recognized by the Secretariat that they might need to hire consultants to assist them with various tasks, including with assessing success in the achievement of planned results.

17. While the introduction of this enhanced planning process has not yet managed to do away entirely with a certain segmented and sectoral outlook on the Organization’s programme, it may have unintentionally contributed somewhat to the dilution of regional perspectives. Such regional perspectives are taken into account in the preparation of the Strategic Framework, with the major sources of information drawn upon being the reports of the most recently held regional conferences along with the regional and sub-regional offices’ submissions, but they are not spelled out in the document, which is meant to convey the global, corporate vision for the Organization. Nor do they appear in the MTPs. Likewise, the previous Programme of Work and Budget document, covering the 2000-2001 biennium, did not convey to the governing bodies information regarding priorities identified in the regions, providing only (on the web site rather than in the document) tabulated regional estimates by programmes. However, a brief description of “regional dimensions” of the Organization’s activities was introduced in the text of the Programme of Work and Budget for 2002-2003 itself, to “provide cross-cutting views of these activities of particular interest to individual regions”, perhaps as a way to fill a perceived gap in the information hitherto provided to Member States.

18. In fact, Secretariat documents emphasize the identification of priority areas of action for the Organization in the regions as the main responsibility of the RRs.<sup>11</sup> However, as RRs do not participate on a regular basis in any decision-making or consultative internal body of the Secretariat, in particular in the Programme and Policy Advisory Board (PPAB), regional submissions to the preparation of the regular programme of work run the risk of being overtaken by global priorities, to which heads of departments at headquarters pay more attention during the programming process. Because planning and monitoring are essentially led by departments at headquarters (to whom technical officers in regional offices report as described in Chapter III), regional inter-disciplinary priorities defined by regional conferences may, in fact, be difficult to implement and report on. Member States have expressed in the past their desire to see improvements in programme implementation reporting from the perspective of each region.<sup>12</sup> In one region at least, Member States have again expressed some concern and have called on FAO to incorporate in future reports to the Regional Conference a clearer assessment of outcome of actions and activities undertaken in the region.<sup>13</sup>

19. It can be noted in this regard that upon adopting a global format for its programme budget, WHO has strived to retain inputs of regional offices and committees through the submission of the draft programme budget document to regional committees before its submission to the Executive Board. ILO, for its part, has organized meetings with senior staff of each of its regions at Headquarters to ensure the relevance to regions of the indicators and targets for operational objectives included in its biennial Programme and Budget.<sup>14</sup>

## ➡ **RECOMMENDATION 1**

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<sup>10</sup> CL 119/, REP para. 49.

<sup>11</sup> Circular OCD/99/22 on Responsibilities and Relationships.

<sup>12</sup> CL 117/2, para. 31.

<sup>13</sup> APRC/00/REP, Summary of main recommendations.

<sup>14</sup> Progress report on strategic budgeting, GB.277/PFA/3.

### C. Measuring and reporting on performance

20. A second major challenge met in the implementation of the new programming framework is the development of appropriate instruments to measure the achievement of results. The emphasis placed on *ex post* review and measurement of results is a cornerstone of RBP, which is founded on a clear statement of programme objectives in terms of measurable results for a specific period. While the programming process at FAO can now be characterized as “strategic”, in that it clearly defines corporate objectives in the long-term, it may not yet be accurate enough to describe it as fully “results-based”.

21. As described in paragraph 8 above, the MTP 2002-2007 did provide for each “programme entity” a rationale, objectives, outputs and indicators, but the latter were often vaguely defined, and few time-bound achievement targets can be found in the document. Therefore, the Programme Committee, after reviewing the MTP 2002-2007, considered that there was room to identify more precise and measurable indicators, particularly in the case of technical projects. Similarly, the Council, while welcoming the efforts made to provide indicators, called for sharper formulation in the future.<sup>15</sup> Significant efforts were made in the preparation of the new version of the Medium-Term Plan, covering the period 2004-2009, to improve the formulation of programme entities, expand on the rationale for each entity, and clearly identify the people and organizations who would be their end-beneficiaries. Indicators, however, have not progressed to the extent expected.

22. The Secretariat candidly exposed to the Programme Committee at its May 2002 session the persistent difficulties met in the development of meaningful indicators. It stressed in particular, that while indicators can reasonably be specified during planning up to a certain level, the “very long line of causality between the delivery to primary users of many FAO normative products” would require more complex processes of analysis and judgement at a later stage to arrive at a meaningful assessment of results. It is also noted that “the cost of systematically compiling information on outcomes and impacts becomes proportionately greater as the number of links in the chain of causality increases”.<sup>16</sup>

23. Most United Nations organizations face the same hurdles in the implementation of RBP, and all need to carefully balance the quest for coherence and accountability against complexity and costs of operating the management and budgeting systems. A recent exploration by the JIU of the results-approach in the United Nations, for instance, highlighted some of these challenges. The report noted that “it is obviously more difficult to use results-based budgeting and planning in the United Nations context than in a national government context, owing to the number of decision makers (the Member States), the nature of programme activities, the imprecision of objectives and the inadequate correlation of objectives with resources”.<sup>17</sup>

24. Given the collaborative nature of their programmes in regions and countries in particular, specialized agencies are confronted with an inherent difficulty in determining what they expect to achieve as a consequence of their own actions, and secretariats may hesitate to provide quantified targets for achievements that cannot always be clearly attributable to them in isolation of other actors. FAO does make the distinction between the “Global Goals of Members” and FAO Strategic Objectives in the Strategic Framework. The MTP 2004-2009, for its part, attempts to distinguish between “outcomes” (specifying the immediate use of each major output by someone outside the particular unit producing it) and “objectives” (to be seen as the expected result of all the outcomes of a programme entity), and does not include information of outcome-level information, which it admits may “make it more difficult to measure and attribute in a straightforward fashion to FAO’s work”. Outcome indicators, however, which should be easier to attribute, will be posted on the Internet.

25. Other agencies, such as WHO, attempt to address the issue of attribution at the level of the biennial Programme Budget by clearly distinguishing in that document between “objectives” (what WHO is committed to, i.e. what it hopes to influence) and “expected results”, or what its Secretariat is directly responsible for.<sup>18</sup> ILO, for its part, provides performance indicators with quantified targets for all its

<sup>15</sup> CL 119/11, paras. 7, 8 and 12) and CL 199/REP, para. 47.

<sup>16</sup> PC 87/6.

<sup>17</sup> JIU/REP/2002/2, Results-approach in the United Nations: Implementing the United Nations Millennium Declaration.

<sup>18</sup> EB 107/INF.DOC./9.

“operational objectives”.<sup>19</sup> The definition of “targets”, however, is not without difficulties since it presupposes that managers have established baseline data against which change can be measured.

➡ **RECOMMENDATION 1**

26. Further clarification would also appear useful as to how progress towards achievement of outputs listed in the MTP and PWB will be monitored and reported to governing bodies, and how expenditures will be matched against these outputs. At FAO, governing bodies have long relied on the two “accountability reports”, namely the PIR and the Programme Evaluation Report (PER). Both are prepared by the PBE. The Secretariat notes that future PIRs are expected to evolve into documents with a longer-term perspective, encompassing the time period of the MTP, which should enhance its complementarity with the PER, the latter being a report on selected evaluations usually covering a period of six or more years. At the same time, the timeliness of performance reporting is an essential element in ensuring that it can usefully contribute to planning and programming, and consideration could be given to issuing very concise annual performance reports, in tabular rather than narrative form, as a complement to the new PIRs.

**D. Ensuring institutional acceptance**

27. Research shows that “one of the difficulties most frequently raised by practitioners engaged in introducing a results focus is to ensure institutional take-up, or [...] establishing a results-oriented organisational culture”.<sup>20</sup> It also underlines that careful change management, involving education, resources, leadership and consultation is indispensable if the results approach to budgeting and management is to be internalised in everyday behaviour. In particular, the training of programme managers on concepts and tools linked to RBP is indispensable.

28. At FAO, training has been provided to 44 resource persons, or approximately ten percent of technical staff in the technical and economic departments, to enable them to assist their colleagues in improving programme entity formulation, with particular respect to entity statements, indicators and their means of verification.<sup>21</sup> While the Secretariat assesses this ratio as appropriate, the Inspectors note that training has been limited to headquarters, and that managers in the regional offices have yet to benefit from it. While the development of an Intranet-based distance-learning course—now under consideration—would be helpful in disseminating a basic knowledge of RBP more extensively, and would obviously minimize the resources required, it is unlikely to be as effective as a systematic training package to be rolled out to the departments at headquarters and to the regional offices. Such a training programme should be extended to include auto-evaluation techniques in addition to the elements listed above which have been provided to the resource persons. Guidelines on evaluation methodology are presently available on-line, but additional training may be necessary to ensure that programme managers integrate information from these evaluations into their decision-making, and use such information in reporting on their programmes’ results.

➡ **RECOMMENDATION 2**

29. Similarly, experience in other United Nations organizations has shown that cross-sectoral coordination and cooperation should be approached through the development of a culture of communication and accountability. Therefore, success in developing such a culture at FAO (and in assuring the implementation of PAIAs) will be first and foremost predicated on efforts to change its somewhat compartmentalized and highly specialized staff into a more mobile and more versatile staff that is better integrated as a global team, without losing the required level of expertise.

<sup>19</sup> Performance indicators and targets, GB.279/PFA/7.

<sup>20</sup> OECD, Public Management Committee, PUMA (2002)7, Governing for Results.

<sup>21</sup> PC 87/6.



## II. GENERAL MANAGEMENT SYSTEMS

30. RBP should lead to increased delegation of authority to programme managers, as it shifts attention away from resource inputs and controls on processes, to outputs, outcome measurements and *ex post* controls. Such delegation must be supported by appropriate information systems. While many of the reforms adopted since 1994 have been driven by the desire to increase efficiency and the need to reduce costs at a time of shrinking resources, they have also been shaped to a great extent by the hasty choices made by the Organization with regard to computerized management information systems.

### A. Rationalizing structures, streamlining decision-making and delegating authority

31. The Director-General described the structure of the Organization in 1994 as “too centralized”, and at the same time “excessively fragmented and diffused”, and noted that Member States and management alike were especially keen on clarifying the distinction and complementarity of FAO normative and operational activities.<sup>22</sup> A number of proposals for changes in the organizational structure, aimed at remedying these shortcomings, were submitted to and endorsed by the Council. In particular, a new Technical Cooperation Department was established which now serves as the hub for operational work. An Office for Coordination of Normative, Operational and Decentralized Activities (OCD) was also set up in 1995 to facilitate the functioning of decentralized offices and to ensure adequate substantive and administrative interaction between all geographical levels of the Organization. The present resulting structure of the Secretariat relies on eight major departments. It is transparent and unambiguous, and, as noted in chapter I, its links to the corporate strategies presented in the Strategic Framework have now been explicitly established in the MTP.

32. The Secretariat of FAO was also among the first in the United Nations system to establish an internal tool for consultation and coordination in the form of a Senior Management Meeting. The meeting, held on average once a month, is chaired by the Director-General, or, in his absence, by the Deputy Director-General (DDG). Participants include the Director-General/DDG, all heads of department and the heads of other offices reporting directly to the Director-General, as required. They consider important policy issues prior to their eventual discussion at the larger PPAB, which comprises all Division Directors and which also meets monthly. The Senior Management Meeting could be a powerful device for increasing programmatic and administrative coherence in the Organization and for achieving the integration of all departments in a global team, as called for in paragraph 29.

33. However, it appears not to have fully achieved this potential, probably because it is not inclusive enough nor is it perceived by the staff at large to be sufficiently transparent. In particular, it does not include RRs unless they happen to be at headquarters. While other specialized agencies such as UNESCO or WHO have opted to post the minutes or at least a summary of the discussions held by the internal bodies akin to the Senior Management Meeting on their Intranets, information regarding the agenda, discussions and recommendations of the FAO Senior Management Meeting is communicated to non-participants only if it is deemed relevant and appropriate for a broader audience. This is done through any number of ways, including: participants conveying the main results to their subordinates; computer log-on messages; *ad hoc* meetings; or, through administrative issuances, such as Director-General Bulletins or Administrative Circulars. Generally, and despite the devolution of transaction authorization to the programme managers (described below), the Inspectors found that the reality of the Secretariat seems to remain one of centralized decision-making with limited consultation of staff or managers outside the Cabinet.

### ➔ RECOMMENDATION 3

34. Among other important structural changes which have occurred over the last eight years, the creation of MSUs in each department, followed by their dismantlement and their replacement by a

<sup>22</sup> “FAO’s internal strengths and weaknesses”, in “Reforming FAO into the New Millennium”, 2000.

centralized MSS, were initially serious causes of instability, although the entire process is reported to have ultimately resulted in cost savings. MSUs were originally set up as part of a broader set of restructuring measures undertaken in the 1994-1995 biennium to provide direct administrative support to departments at headquarters, and to consolidate at the departmental level, hitherto a widely dispersed administrative staff. Thus, the administrative workload in support of the Organization's activities at headquarters was divided between the central units in the Administration and Finance Department (which primarily ensured overall consistency and guidance) and the MSUs in the various departments (which prepared the bulk of administrative transactions in corporate systems).

35. However, further restructuring measures announced in the PWB for 2000-2001 included the elimination of MSUs at headquarters, as the introduction of Oracle-based and associated management information systems to replace the legacy systems (see below) significantly affected working arrangements in the administrative areas. In particular, easier access by non-specialized staff and enhanced reporting capacities allowed budget holders to initiate transactions directly in the system instead of relying on MSU staff as previously. However, a number of complex financial and personnel resources transactions could not be simplified enough to be performed by staff in substantive departments, and were therefore assigned to a central management support structure (the MSS) reporting to the Assistant Director-General (ADG) for Administration and Finance. The MSS, therefore, now provides personnel and limited financial servicing to headquarters' departments and to the Regional Office (RO) for Europe. While it carries out transactions on behalf of the budget holders, approval authority is vested in the department being serviced. The Secretariat also indicates that this has led to significant economies of scale,<sup>23</sup> and that after the introduction of the Oracle Human Resources Module, many personnel transactions are expected to be initiated directly by the concerned units.

36. The impact of these changes was profound, both from a human point of view and with regard to the processing of transactions. The transition was gradual, to allow for: user adaptation to the new roles; to address the redeployment or separation of staff whose positions were no longer needed; and to firmly establish the MSS, using posts from the MSUs as they were dismantled. At the same time, some functions, such as verifying travel expense claims and payments, were reassigned to the AFF, which was already closely involved in the installation of Oracle. The Secretariat acknowledges that AFF faced some difficulties, owing to the volume of work that was assigned to it and to an underestimation of the resources required to carry out this work.

37. The secretarial and clerical staff in substantive departments who lacked experience in administrative matters found that after receiving a very brief intensive course, they would become "initiators" for a large number of transactions, including: the processing of travel authorizations; the hiring of consultants; and the raising of purchase orders, letters of agreement, and reimbursable loan agreements—all administrative duties which had formerly been performed by specialized staff. Training mostly addressed the transfer of technical skills for specific operations, but did not necessarily help staff understand neither the reasoning behind the process design nor their resulting new roles and responsibilities.

38. This transformation in responsibilities on the part of General Service staff is not linked only to the Oracle project, nor is it unique to FAO, as the effect of technology and changing organizational requirements have led most employers in the public and private sectors alike to review the job descriptions and required profiles of their support staff, whose career aspirations have evolved. However, the impact of change was certainly under-estimated at FAO, and the need to facilitate it through extensive communication and training was not adequately budgeted for. The Inspectors welcome, therefore, the review of the General Service category currently underway in the Secretariat. They note, however, that, in accordance with the original terms of reference for the review, its preliminary findings should have been submitted to the Human Resources Committee (HRC) in June 2001, rather than in July 2002, when they were finally submitted. The final report is scheduled for submission to the Committee at the end of 2002,

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<sup>23</sup> According to the PWB 2002-2003 (C 2001/3), the net savings attributed to the creation of the MSS amount to approximately US\$ 3 million per annum.

and it would be important to ensure that the Secretariat abides by its timetable regarding the implementation of the report, which it asserts will be implemented by the end of 2004.<sup>24</sup>

39. Similarly, while the Professionals concerned have received training for a number of new responsibilities in their capacity as budget holders, they may not have been given sufficient background information on the Organization's general administrative rules and regulations which frame these responsibilities. Hence, these rules and regulations may have not always been adhered to. In addition, a preliminary survey conducted by their staff association shows that Professionals in substantive departments generally resent the additional time which they must now spend on administrative matters. In addition, they feel that the administrative support being provided now is generally less effective than it was previously, and that the cost-savings achieved from the abolishment of the MSUs have been largely outweighed by the costs incurred within the technical divisions.<sup>25</sup>

40. The implementation of Oracle and the decision that budget holders should have the authority to initiate and approve transactions implied a "cultural revolution" in the Organization, and the need for change management, training and guidance was certainly under-estimated. In fact, the PWB 2000-2001 document cautioned that ideally, given the limited operational experience with the Oracle system, it would have been preferable to have waited until the next biennium before making adjustments to organizational structures. Thus, because many changes in structures and processes were rushed through to meet imposed budgetary reductions, a careful study of which processes could be effectively simplified and which decisions could be effectively delegated was not undertaken prior to their implementation. As a result, a genuine delegation of authority was sometimes confused with measures aimed at shifting clerical tasks within the Secretariat from the Department of Administration and Finance to substantive offices, though some of these tasks could have potentially been carried out more effectively by common services units.

41. An overall plan of action should now be developed and a policy decision taken on which areas of responsibility require that administrative authority be retained centrally, and which really permit authority to be delegated in the interest of a more efficient management system. The division between those central services which deal with policy development (such as AFH and AFF) and those limited to servicing (MSS) should also be kept under careful review, to ensure that there is sufficient communication between the former and the latter.

42. In addition, the plan of action should identify not only the supplementary support and guidance that must be provided to substantive departments to carry out their new responsibilities, but also the means through which such support and guidance will be delivered. Up-to-date information should be available and easily accessible to programme managers and the staff at large, at headquarters and in the decentralized offices. The FAO Manual has yet to be fully updated, despite the creation of both a "Helpdesk" and an Intranet MMS web page, and the recent undertaking by the Human Resources Division of a comprehensive review of FAO Staff Rules and procedures. Efforts are being pursued to make the Manual progressively available on-line through the Intranet and on CD-ROM. Furthermore, whereas a commendable effort was made to clarify respective responsibilities and lines of command for organizational units in all locations through the issuance in 1999 of a Circular on Responsibilities and Relationships,<sup>26</sup> the Inspectors found that the circular contains some inconsistencies (see chapter III) which should be either corrected or justified.

43. Finally, authority must be delegated commensurate with the responsibility to be exacted. There is a need, therefore, for an appropriate accountability framework to be put in place in the FAO Secretariat which will underlie this process of delegation of authority, and for a heightened monitoring role to be entrusted to divisions and services providing common support and administrative functions. As noted in chapter IV, the existing performance appraisal system is inadequate, and it is not clear how programme managers and staff will be held accountable for their performance. While the MTP for 2004-2009 states that a system for performance management-based upon work plans which reflect the Organization's

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<sup>24</sup> Medium Term Plan 2004-2009, CL 123/7, para. 872.

<sup>25</sup> Association of Professional Staff, Results of APS Oracle Survey, October 2000.

<sup>26</sup> OCD/99/22.

corporate objectives in addition to linking individual performance to that of concerned units will be developed<sup>27</sup>—no specific date or detailed modalities for its implementation are provided.

➔ **RECOMMENDATION 4**

**B. Management information systems**

44. Another element required for the effective delegation of authority to programme managers is the existence of current corporate information systems that give them access to the necessary information and allows them to perform those transactions for which they have been given responsibility. The proposal by the Secretariat to replace the legacy systems (consisting mostly of financial and a personnel information systems known respectively as FINSYS and PERSYS), which could no longer meet the basic requirements of the Organization with Oracle applications, was endorsed by the Finance Committee at its 78<sup>th</sup> session in 1994. Originally, it was expected that the new system would be operational by 1 January 1998, and that the project would cost an estimated US\$ eight million.<sup>28</sup>

45. In reality, the new financial system, as part of the first phase of the project, covering all FAO financial business processes worldwide, went live in mid-May 1999. As for Phase II of the project, which covers the budget and human resources modules (including payroll), its development was deferred from the 1998-1999 biennium to the 2000-2001 biennium, and then to the present biennium, as funding earmarked for it was used to complete the work on Phase I. No target date for completion of Phase II has been provided, since it will depend entirely on the availability of funding.<sup>29</sup>

46. Total investment for the implementation of Phase I, from the inception of the project to the end of 2000, amounted to US\$ 22 million, exclusive of internal staff costs. Supplementary investments in 2002-2003 for consolidation of Phase I and migration to a new release of the Oracle financial applications will amount to approximately US\$ one million. As for Phase II of the Oracle project, it is expected that it will cost US\$ 12 million (also exclusive of internal staff costs, which would bring the total to US\$ 22 million). The total cost for FAO for the Oracle project, therefore, will be at least US\$ 35 million, not including costs incurred by owner divisions for functional expertise and support to the implementation effort.

47. It should be noted that at the United Nations, the total cost of the Integrated Management Information System (IMIS) project—which was completed in 2000 as a project and has since been established as a permanent service in the Secretariat—was calculated at US\$ 78.6 million, including US\$ 46.7 million in contractual services.<sup>30</sup> At UNESCO, the total budget for the replacement of its systems for budget, finance, human resources and payroll, has been estimated at US\$ 19 million.<sup>31</sup> At ILO, an initial capital of US\$ 25 million has been allocated for the upgrade of ILO financial, procurement and human resources computer systems.<sup>32</sup> At WHO, the overall cost of the project for the replacement of its core systems for budget and finance, human resources, payroll and procurement is estimated at US\$ 50 million over a three to four year period.<sup>33</sup>

48. Comparisons between projects whose scope and modalities differ so widely may not be very meaningful. What these figures do clearly illustrate, on the other hand, is that all such projects require major investments from United Nations organizations over several successive biennia; investments which have often been underestimated, and the immediate benefits of which are sometimes difficult to gauge. At FAO, the Secretariat points out that, through the implementation of Phase I: administrative costs were reduced (in particular through the creation of MSS as described above); accounting processes were

<sup>27</sup> Medium Term Plan 2004-2009, CL 123/7, para. 877.

<sup>28</sup> The original investment in 1995 for the package itself was US\$ 1.8 million.

<sup>29</sup> FC 99/13.

<sup>30</sup> IMIS project, Thirteenth progress report of the Secretary-General, A/56/602.

<sup>31</sup> Report by the Director-General on the reform process, Part II (New Management Tools), 164EX/5.

<sup>32</sup> Information Systems Technology Fund, GB.283/PFA/3.

<sup>33</sup> Revolving and other long-term funds, EB109/22.

rationalized and improved; and significant decentralization of financial management was accomplished. In general, users consider that the implementation of Oracle has indeed improved data accessibility and reliability, and provides monitoring capabilities that were not in place in previous systems. The External Auditor also assesses that “the concepts, structures and foundation to support a more effective and efficient FAO have been put in place”.<sup>34</sup>

49. Nevertheless, the Inspectors note that some of the initial goals of the FAO Oracle project, such as achieving an integrated and simplified system architecture, have not been fully met. The External Auditor has already performed an extended audit of the new financial system implementation in which the defects of the Oracle project, which have led to delays, budget overruns and major implementation problems during the first few months, were analysed in terms of conception, governance, funding and staffing.<sup>35</sup> The audit found that the process was deeply flawed, and that it generated important disruptions in financial reporting.

50. The JIU itself will shortly issue a report entitled “Managing Information in the United Nations System Organizations: Management Information Systems”, for the preparation of which FAO has provided extensive documentation. This present review, therefore, need not go in greater details into the history or technical aspects of the implementation of Oracle. However, the Inspectors believe that a number of important points relating to the way in which the Organization selected, developed and implemented its management information system must be highlighted, as they are closely linked to other important administrative and managerial choices made by the Organization in recent years, and as they may be of use to other Organizations as they embark on similar projects.

51. The first lesson relates to the need to carefully define business requirements prior to the selection of an Enterprise Resource Planning (ERP) or other system. The External Auditor has underlined the “hurried manner in which the more important contracts were awarded” and the fact that “Oracle applications were purchased on the basis of insufficient definition of the Organization’s requirements”. He also described the problems encountered by FAO in the development and implementation of the Field Accounting System (FAS), which was used for the purpose of transaction processing in small decentralized offices when it was found that weak remote connectivity, the lack of accounting expertise and the need for huge training and support assistance would make it impossible for them to use the Oracle application. In addition, the specific requirements of users in the field, and in particular of operations linked to the field programme, were not adequately taken into account in the design of the system. At ILO—which embarked on its own project more recently and has therefore been able to build on the experiences of other United Nations organizations—four key documents were prepared prior to the selection of software which addresses the Office’s core business requirements, and which includes a set of comprehensive test cases designed to confirm that the software fully meets the needs of ILO.<sup>36</sup>

#### ➡ **RECOMMENDATION 5**

52. The difficulties experienced by FAO have also highlighted the importance of developing basic “electronic competencies”. The Secretariat acknowledges that the required competencies (such as trained staff, an information technology-oriented corporate culture, established mandatory mechanisms and working methods for effective use of the system, etc.) were not in place to cope successfully with either the implementation of the new system or the impact it would have on the Organization. Instead, they were built as the Organization proceeded with the implementation of the new system, which seriously impacted on the timely achievement of expected results. As discussed above, there was resistance to change, resulting from a lack of information about both the new approach to work and the new system. In addition, insufficient understanding of the system’s potentialities meant that many users, in particular, those away from headquarters, still failed to make full use of these potentialities, such as the retrieval of information from the new Data Warehouse. Most other United Nations organizations have met with similar problems in this area. For some of them, it took up to one year before their new systems reached

<sup>34</sup> Audited accounts, FAO 1998-1999, C/2001/5, paras. 176 to 209.

<sup>35</sup> Ibid.

<sup>36</sup> Information Systems Technology Fund, GB.283/PFA/3.

stability after their launch, and for all, it will probably take much longer for the users to have fully internalized the new systems into their working habits.

53. The third major difficulty underscored in this process is the near impossibility for United Nations organizations to rely on the biennial funding structure of the regular budget for the financing of long-term information technology investments. The Secretariat has clearly stated that many of the hurdles met by the Organization in the Oracle project were due to the fact that it was “severely understaffed and underfunded from the outset”, and that “the struggle for adequate resources played a major role in FAO’s inability to address and resolve problems quickly”.<sup>37</sup> The Director-General had proposed, in addition to the US\$ four million originally planned under the PWB 1996-1997, a supplementary appropriation of US\$ 20 million, which was not approved. An appeal to donors for voluntary contributions to support the project was not successful either. In each biennium, therefore, the Secretariat could only avail itself of the allocated budget for that biennium, which did not allow it to incur expenses at the level required for a project of this magnitude.

54. Other United Nations agencies have either faced or are currently facing similar challenges in their efforts to finance the replacement of their legacy systems. Several have chosen to establish trust funds to attract extra-budgetary resources. WHO, for instance, has established an Information Technology Fund, to be financed by way of appropriation from the regular budget and other sources (e.g. the Special Account for Servicing Costs), but which is also intended to attract voluntary contributions.<sup>38</sup> As of mid-2002, however, no such contribution had been received. At UNESCO, the General Conference invited Member States to make voluntary contributions to a special Fund set up for the replacement of legacy systems, but only three contributions were actually received by the end of 2001; one for US\$ two million, one for EUR 500 000, and one for UK pounds 750 000, for a total of approximately US\$ 3.6 million.<sup>39</sup> This has led the Director-General of UNESCO to state that the “option of voluntary contributions from Member States is clearly not a viable one”.<sup>40</sup>

55. Even a mixed arrangement of financing from the regular budget and voluntary sources, therefore, may not be sufficient to secure adequate funding, which can probably be provided only through a decision by the governing bodies to make a large, “one-off” investment in information management systems. At the ILO, for instance, the Conference approved the establishment of an Information Technology Systems Fund with an initial capital of US\$ 25 million, to be financed from the 1998-1999 regular budget surplus. A similar situation may still arise in FAO, where a provision of US\$ 24.7 million is included under Conference Resolution 6/2001, Use of Arrears, for the development of corporate administrative systems if and when additional funds become available to the Organization in the form of payment of arrears of contributions. This, however, remains hypothetical, and the Inspectors believe that a more solid financial basis should be provided for this and for similar large, “one-off” expenditures, as has been proposed by the Director-General in the latest MTP.<sup>41</sup>

#### ➡ **RECOMMENDATION 6**

56. In the meantime, and based on the experiences of Phase I, for Phase II of the Oracle project, the FAO Secretariat has decided to present Member States with a clear and comprehensive cost estimate of the whole Phase, and to approach it in a graduated, step-by-step manner: the first stage covering the examination and streamlining of current procedures; the second the actual design of the system; and the third its implementation. The scope and extent of the system’s development work to be undertaken in 2002-2003 will be tailored realistically to the resources provided in the biennium.

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<sup>37</sup> JM 2000/3.

<sup>38</sup> Revolving and other long-term funds, EB109/22.

<sup>39</sup> Report by the Director-General on the reform process, Part II (New Management Tools), 164EX/5.

<sup>40</sup> Address by the Director-General of UNESCO at the information and dialogue meeting of the Executive Board, DG/2001/24, 23 February 2001.

<sup>41</sup> Medium Term Plan 2004-2009, CL 123/7, paras. 31 to 34.

### III. DECENTRALIZATION

57. Article X of the FAO Constitution states that “there shall be such regional offices and sub-regional offices as the Director-General, with the approval of the Conference, may decide”, and that “the Director-General may appoint officials for liaison with particular countries or areas, subject to agreement of the government concerned”. The current regional presence of FAO is summarized below in table 1. In 1994, the Council approved an enhanced decentralization policy through the strengthening of the ROs and the establishment of five Sub-ROs, among other measures.

**Table 1. FAO Regional Presence in 2002**

	<b>AFRICA</b>	<b>ASIA AND THE PACIFIC</b>	<b>EUROPE</b>	<b>LATIN AMERICA AND THE CARIBBEAN</b>	<b>NEAR EAST AND NORTH AFRICA</b>
<b>5 Regional Offices (RO)</b>	Accra (Ghana)	Bangkok (Thailand)	Rome (Italy)	Santiago (Chile)	Cairo (Egypt)
<b>5 Sub-Regional Offices (SRO)</b>	SRO for Southern and East Africa, Harare (Zimbabwe)	SRO for the Pacific Islands, Apia (Samoa)	SRO for Central and Eastern Europe, Budapest (Hungary)	SRO for the Caribbean, Bridgetown (Barbados)	SRO for North Africa, Tunis (Tunisia)
<b>74 full FAO Representations (FAOR), excluding those hosted in ROs or SROs</b>	35 FAORs (in Angola, Benin, Burkina-Faso, Burundi, Cameroon, Cape- Verde, CAR, Chad, Congo, DRC, Côte d'Ivoire, Ethiopia, Eritrea, Gambia, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Mali, Madagascar, Malawi, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra-Leone, Somalia, South Africa, Sudan, Tanzania, Togo, Uganda, Zambia)	13 FAORs (in Afghanistan, Bangladesh, India, Indonesia, Cambodia, China, Laos, Sri-Lanka, Myanmar, Nepal, Pakistan, Philippines, Vietnam)	1 FAOR (in Turkey)	18 FAORs (in Bolivia, Brazil, Colombia, Costa-Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Peru, Trinidad and Tobago, Uruguay, Venezuela)	7 FAORs (in Lebanon, Iran, Iraq, Mauritania, Morocco, Syria, Yemen)
<b>5 “Stand-alone NPOs”</b>	In 2 countries: Equatorial Guinea, Botswana	2 countries: Bhutan, Korea DPR		In one country: Guatemala	
<b>5 Outposted Technical Officers</b>				Panama, Paraguay	Algeria, Libya, Jordan
<b>25 National Correspondents</b>	In 5 countries (Comoros, Mauritius, Sao Tome and Principe, Seychelles, Swaziland)	In 9 countries (Cook Islands, Fiji, Maldives, Mongolia, Niue, PNG, Solomon Islands, Tonga, Vanuatu)	In 4 countries (Cyprus, Georgia, Kyrgyzstan, Tajikistan)	In 6 countries (Antigua and Barbuda, Bahamas, Belize, Dominica, Grenada, St. Kitts and Nevis)	In one country: (Djibouti)

Sources: “Geographical coverage of FAO’s decentralized structure as of November 2001” in FAO Intranet and JM 2000/1, as updated by OCD as at mid October 2002

58. Within the framework of this far-reaching policy of decentralization, a number of very important changes have occurred over the last eight years with regard to the distribution of responsibilities and resources among the three levels of the Organization (headquarters, regional and country). However, this policy has also been characterized by abrupt changes and the lack of preparedness of the staff and administrative mechanisms, which have led to disarray and confusion. It should also be stressed that these changes have occurred at a time of great budgetary constraints, as the Organization’s regular budget has declined by 15 percent in real terms since the endorsement by the Council in 1994 of this new

decentralization policy. Often, therefore, the decentralization process was conditioned by an urgent need to generate savings without careful consideration of what each level of the Organization could actually contribute to the whole. The lack of adequate budgetary provisions to cover re-organization costs rendered the process particularly difficult. The Director-General has now requested a full evaluation of decentralization, to be conducted during the second half of 2002.

#### **A. The successive stages of the process**

59. The strengthening of Regional Offices during the first phase of decentralization involved the transfer to them of a number of functions of direct regional relevance, including: policy assistance, field programme development, technical support services for ongoing projects, and the organization of regional conferences. In particular, between 1996 and 1998, ROs assumed responsibility for national and regional field projects, formerly carried out at headquarters. Inter-regional and global projects, as well as extra-budgetary normative activities, continued to be under the responsibility of headquarters.

60. At the same time, five new sub-regional offices were established, largely funded out of the abolition of hitherto Joint Divisions with the United Nations Regional Economic Commissions, the combination of sub-regional offices with pre-existing FAO representations and reductions at headquarters. The rationale for their creation was to provide better assistance and expertise to countries in the sub-regions concerned, based on more stable financial resources than in the past.

61. This transfer of responsibilities was accompanied by the transfer from headquarters to the regions of a number of technical, policy and programme officer posts. In fact, Professional staff at the regional/sub-regional levels nearly doubled as a result of these changes—from a total of 138 to 264 posts. In addition, ROs were also provided with newly recruited support staff—a total of 113 new General Service posts for regional and sub/regional offices—and in some cases, with additional or new premises.<sup>42</sup> The strengthening of ROs through the creation of Operations Branches, Policy Assistance Branches and MSUs, allowed them to develop a significant operational capacity at the regional level. The Secretariat points out that the assignment of technical officers to the regions facilitated the provision of assistance, not only to individual Member States, but also to their regional organizations.

62. In the PWB for 2000-2001, however, the Director-General indicated his intention to gradually transfer operational responsibilities for national projects to the FAORS. This second decentralization is aimed not only at “bringing operations of national projects closer to where the action takes place” but also, and more importantly at “reducing further the cost of supporting the field programme in view of the decline in delivery volume of non-emergency, extra-budgetary field activities” (approvals for non-emergency projects declined from US\$ 161 million in 1996 to US\$ 111 million in 1999) and of the concomitant decline in support cost reimbursements.<sup>43</sup> Savings needed to be made and they were achieved through the adaptation of sizes and structures of the decentralized offices and, in particular, through the drastic reduction of Operations staff in ROs—from a total of 38 Professionals and 41 General Service staff in all regional Operations Branches on 1 January 2000, to 15 Professionals and 19 General Service staff on 1 July 2001. This took its toll on staff, especially in the Regional Operations Branches, particularly given the efforts invested in the establishment of these new Units, and it left ROs with uncertain terms of reference.

#### **B. Redefining the mission of Regional Offices**

63. According to the Circular on “Responsibilities and Relationships” mentioned in paragraph 42 above, RRs and Sub-RRs (SRRs) are the “senior representatives of the Director-General in the regions and sub-regions and are responsible for identifying priority areas of action for the Organization in their respective regions”. The Circular also notes that “they have the overall responsibility for monitoring and assessing

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<sup>42</sup> JM 99/1.

<sup>43</sup> JM 2000/INF/3.



the relevance of the Organization's work in the region or sub-region that is undertaken by FAO staff at all locations", including, presumably, by staff in FAORs.

64. However, other elements of the Circular, as well as limitations on the authority delegated to the RRs, restrict their ability to carry out effectively this "double mandate" of identifying regional priorities and monitoring the Organization's work in the region. First, the Circular contains vague language, which can lead to confusion and therefore needs to be reviewed. In addition, the Circular has not been updated to reflect changes linked to the decentralization of operational responsibilities to FAORs. At the same time, the practice that has evolved since the issuance of the Circular does not always conform with it either in spirit or in letter. For instance, the role of the Deputy RRs in the work-planning process appears less central than the one foreseen in the Circular. The Secretariat has indicated that the Circular is being revised to reflect, *inter alia*, the more recent decentralization of operational responsibilities to FAORs and Technical Units, as well as the related restructuring of the TC at headquarters. The Inspectors stress that this revision should be thorough; that it should be completed promptly to reflect new policies and practices; that the language used should be very clear and specific; and that ROs as well as FAORs should be fully consulted in this process.

65. The Secretariat also points out that RRs—who report to the Director-General—now have essentially the same delegation of administrative authority as that accorded to heads of departments at headquarters. While delegation of authority to ROs is indeed probably adequate in the field of procurement, it is, in fact, more limited with regard to human resources management. ROs have been delegated authority to recruit at the General Service level, and the entire process (with the exception of post classification) is undertaken in the regional offices. In addition, they have received delegated authority regarding the recruitment of consultants, and of Professionals for the field programme. However, for Professional posts included in the regular budget, and even for those in the MSUs whose staff are supposed to report to the RR, divisions at headquarters are responsible for preparing submissions on establishment matters and proposals for the selection of candidates.

66. The OCD Circular is particularly vague with regard to the input that the RR can have in this selection, stating only that they "should be consulted" prior to the submission of a short list of candidates to the Professional Staff Selection Committee (PSSC). Another Circular on the selection and recruitment procedures for Professional Staff<sup>44</sup> specifies that the "Head of the decentralized office, should be consulted at the time of the issuance of the vacancy announcement and preparation of the submission to the PSSC". The nature and extent of this "consultation", however, are not specified in either document.

67. As a result, the practice varies among ROs, some taking a more proactive role and insisting that they should evaluate candidates screened by technical departments at headquarters, and interview via video-conferencing all those who are short-listed. Others, however, may only be informed of the names of proposed candidates at the very end of the process. The fact that, in most cases, the major part of this process occurs at headquarters may account for the long delays observed in filling Professional posts in regional offices. The Inspectors found, for instance, that nearly 20 percent of professional posts in the Regional Office for Asia and the Pacific are vacant at all times, while 18 percent of Professional posts at the Regional Office for Africa are presently unencumbered. They understand that technical departments must have an important input in the selection of candidates, bearing in mind their overall responsibility for ensuring the coherence of FAO programmes across various organizational layers.

68. The Inspectors are of the opinion, however, that reversing the process and allowing ROs to take the lead in proposing candidates, at least up to the P-4 levels, while providing for the necessary consultations with technical departments at headquarters, would speed up the process and give additional weight and concrete significance to a policy of decentralization which has, thus far, often been limited to de-localization.

69. At the moment, technical officers located in ROs report to division directors at headquarters, from whom they receive policy and technical guidance. Similarly, Operations officers report to the TC, although the Circular adds that they should report to it "through the Regional Representative". Therefore,

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<sup>44</sup> Administrative Circular 98/35 of 30 November 1998.

all decisions referring to policy matters are still very much centralized at headquarters. This continued centralization is confirmed by the fact that, while ROs have been given the responsibility for the organization of regional conferences, clearance of all pre-session documents and reports rests at headquarters. In fact, technical clearance of all publications of ROs rests with the concerned technical departments at headquarters. While the Secretariat stresses the need for cross-organizational coherence, quality assurance and peer review, the substantive input that RRs, and ROs in general, can make to the work of the Organization appears exceedingly limited.

70. Likewise, while the Circular indicates that the SRRs report to the RR and assist them in their responsibilities for identifying regional priorities, it also states somewhat contradictorily that the SRRs report to headquarters the major developments in their sub-region. Overall, since FAO Representatives are only accountable to headquarters and do not always keep RRs apprised of developments in their countries of assignment, it is becoming increasingly difficult for ROs to keep abreast of these developments, *and* comply with their terms of reference as outlined in the Circular, *and*, in particular, with the requirement that they monitor the relevance of the Organization's work in the region or sub-region that is undertaken by FAO staff at all locations.

71. The ability of the RRs to not only influence policy decision in the Organization, but also monitor developments in their own regions, is further restricted by the fact that authorization for them to travel outside of their duty stations is frequently denied. The RRs can receive inputs and information from technical staff in the ROs who occasionally visit countries in their respective regions, and there are obvious constraints on overall resources which restrict the funds that can be allocated to travel. However, and while the Inspectors consider it appropriate that RR travel (like that of other ADGs at headquarters) be submitted for approval, they find it surprising that RRs never attend the FAO Council meetings, and that they do not, as a general rule, ever travel to headquarters, SROs or FAORs.<sup>45</sup> Their only opportunities to meet with the Director-General are linked to Regional Conferences. As noted in paragraph 33 above, there is no provision either for them to participate (by way of video-conferences for instance) in Senior Management Meetings and there is no mechanism for RRs to meet, discuss lessons learnt and exchange best practices.

72. At the same time, owing to the insufficient resources allocated to FAORs, and most importantly, due to their lack of access to the Oracle system, the decentralization of operational responsibilities to the country level has not led so far to a significant reduction in the administrative and operational support required from ROs, and has not altered significantly their level of activity. Because they do not have access to Oracle, FAORs enter their accounting and financial information into the FAS. Once a month, AFF at headquarters retrieves this information from FAS and translates it into Oracle, where all obligations must be recorded. Thus, the two systems co-exist in parallel, creating duplications and difficulties. These difficulties are compounded by the strong headquarters-orientation of both systems, which has led to the re-centralization of certain functions. For instance, payments linked to travel requests or budgetary revisions now need to be authorized at headquarters, whereas they were previously carried out by ROs.

73. The Secretariat acknowledges that the backstopping requirements by ROs for FAORs on administrative and operational issues are greater than originally foreseen. In addition, the ROs retain an important role in monitoring delivery for the field programme and in the qualitative evaluation of the projects. They have maintained strong links with the FAORs in this regard, and provide them with extensive guidance and assistance. In particular, they provide constant training to FAORs personnel, prepare delivery estimates by country, and enter project data in the Field Programme Management Information System (FPMIS).

#### ➡ **RECOMMENDATION 7**

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<sup>45</sup> Exact statistics requested by the Inspectors on the destinations and frequency of RR travel were not provided by the Secretariat.

### C. Giving FAORs the means to carry out their mandate

74. Nevertheless, decentralization of operational responsibilities to FAORs is assessed by headquarters as, on the whole, positive. The Secretariat notes, in particular, that as a result of this decentralization, about 60 percent (or US\$ 82 million) of the field programme delivery was handled by FAORs in 2001, and that considerable savings, primarily in staff costs in Regional Operations Branches, have been achieved from the implementation of the new arrangements. It is also stated that FAORs have welcomed the greater responsibility and control over the programmes in their countries of assignment.<sup>46</sup>

75. At the same time, there is a general consensus among the Secretariat officials met by the Inspectors at headquarters and in the field that, initially, FAORs were not given all the means necessary to carry out these new responsibilities effectively and efficiently, and that in order to allow the expansion of the field programme, it would be necessary to increase the resources allocated to them. In particular, it was felt that the proportion of support cost earnings associated with projects that is allocated to FAORs should increase in proportion with their workload. This has led to the introduction of a new scheme in 2002 for the distribution of support cost earnings. Also in 2002, approximately US\$ 800 000 has been allotted to the FAORs whose respective delivery estimates for projects of technical cooperation exceed US\$ 500 000. The Inspectors wish to point out that effective decentralization should not be driven by cost-cutting considerations only, but should, on the contrary, be accompanied by increased investments, and therefore, they welcome these new measures in the hope that they may remedy some of the shortcomings observed in FAORs.

76. Particularly problematic were, on the one hand, the lack of access to corporate information systems (especially financial reporting systems as described above) and on the other, difficulties in providing accurate project financial statements to donors, lack of training opportunities, a reduction in the numbers of international staff, lack of opportunities to share experiences with other FAORs, and finally, the inadequacy of guidance received from headquarters in the discharge of these new functions.

77. Thus, the concern expressed by the Programme Committee that this transfer of responsibilities from the ROs to the FAORs may have a negative impact on FAO technical activities was at least partially validated.<sup>47</sup> FAO Representatives now combine their previous functions, which covered representational and normative duties, as well as support to other offices and projects through such activities as the identification of consultants and the provision of assistance to beneficiaries of fellowships, with direct operational ones. In addition, within the new framework of coordinated United Nations system team efforts at country levels, the FAO Representative is expected to provide sectoral leadership in the Organization's mandated areas.

78. The Secretariat acknowledges the need to upgrade, not only the technical expertise, but also the managerial and project management skills of staff in FAORs, and the PWB 2002-2003 indicates that "there will be a substantial staff training programme [for FAORs] which will cover, *inter alia*, general management skills and project cycle management, particularly project formulation and implementation". Indeed, additional training resources (for a total amount of US \$ 180 000 in 2002-2003) have now been allocated to FAORs over and above the "normal" corporate training activities. As noted above, regional offices can and should also play an important role in imparting skills to country offices.

79. Such training, however, may not be enough to compensate for the lack of experience of a number of FAO Representatives, many of whom have never held a position with the Organization prior to their current assignment. In fact, one third of all FAO Representatives presently employed are first-time appointees. While many of them possess solid, relevant expertise in one or several technical fields, the three-week briefing session organized for them upon appointment at headquarters and in the RO may not suffice to acquaint them adequately with the structure, the methods of work, and/or all of the administrative procedures inherent in such a complex Organization. On the other hand, too few Country Project Officers, Policy Officers or Operations Officers at headquarters or in ROs are given the

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<sup>46</sup> JM 01.2/INF/3.

<sup>47</sup> CL 119/10, para. 21.

opportunity to progress to the rank of FAO Representative; movements which could serve to enhance mobility among the staff (see chapter IV, section C).

80. In addition, while certain opportunities do exist for meetings among FAO Representatives (such as training sessions), there are no formal mechanisms or natural channels for the sharing of experiences or exchanging of best practices among FAO Representatives, even within a given region. WHO, by contrast, now convenes global meetings of its Representatives at its Headquarters every other year. There are obvious financial implications to organizing such large meetings, and the cost of bringing all FAORs for a one-week session to Rome has been estimated at US\$ 200 000. For this reason, it may be more realistic for FAO to follow the example of the ILO, which holds regional meetings for its representatives on an annual basis with senior officers from its Headquarters in attendance. These meetings could be scheduled in combination with training sessions, so as to minimize costs. This would also enhance the role of ROs as natural conduits for the exchange of lessons learnt and best practices among FAORs.

81. FAORs are mainly assisted by National Professional Officers (NPOs), and General Service staff members who are locally recruited. The Council adopted a policy framework for the introduction of the NPO category of staff at its 107<sup>th</sup> session.<sup>48</sup> Since 1994, 65 international programme officers in FAORs have been replaced by NPOs, which has generated savings of approximately US\$ six million per annum. In addition, the PWB 2002-2003 indicates that 27 posts of Programme Assistants or Programme Clerks will also be replaced by NPOs over the current biennium, on a cost neutral basis. Responding to concerns voiced by the Inspectors that NPOs are, by definition, called on to perform functions at the Professional level as clearly stated in the policy framework mentioned above), the Secretariat has indicated that the conversion of General Service posts to NPO posts in the PWB 2002-2003 does not imply that NPO staff are used for General Service-level tasks. It stressed that General Service staff reduction is compensated by greater access to information technology, and that newly-appointed NPOs can effectively perform at the Professional level, while acknowledging that some General Service staff had, in practice, been performing at the Professional level.

82. The Inspectors recognize the comparative financial advantages of employing NPOs, and even more importantly their knowledge of national circumstances as well as their valuable contacts in their respective countries; advantages that have led many other United Nations organizations (including UNDP and UNICEF and more recently WHO and the ILO) to rely increasingly on NPOs at the country level. Concern, however, has been expressed that the extensive use of NPOs might affect the work and independence of FAORs as well as their capacity to interact with international actors and donors, and that the lack of career opportunities for NPOs might eventually lead to frustration and disenchantment. In fact, the Secretariat informed the Inspectors that NPOs were dissatisfied with the differences in grading existing between NPOs employed by FAO and those employed in other agencies; the majority of NPOs at FAO being graded National Officer (NO)-A (“P-1”). A new grading structure for NPOs has now been adopted, consisting of 11 NO-C (“P-3”) posts and 14 NO-B (“P-2”) posts, with the remainder at the NO-A level. The three levels are differentiated on the basis of degree of responsibility, complexity of tasks and level of supervision. This issue, and the use of NPOs in general, should be kept under review.

83. Increased delegation of responsibilities should always be accompanied by additional guidance as to the correct implementation and interpretation of the Organization’s regulations, rules and procedures. The Inspectors note the significant efforts undertaken by the Secretariat to provide such guidance to FAORs through the preparation and compilation of a number of key documents. The “Handbook for FAO Representatives”, for instance, is a useful manual which provides essential information on a very large range of administrative and programme issues, using clear and concise language. Likewise, the preparation of a web-based FAO project formulation “Tool Kit” and the drafting of “Guidelines for the Operation of Projects at the Country Level” are positive steps. They could be usefully completed by the provision on-line of specific administrative handbooks with a search function.

84. All these documents, however, cannot replace assistance and direction from headquarters on specific issues that may arise in a given FAOR. The existence of OCD, which administers all FAOR and local staff and assumes responsibility for overall field coordination, is in itself a good practice in that it

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<sup>48</sup> CL 107/REP, para. 195.

identifies clearly a main point of contact, or “portal” for relations between headquarters and country offices, although FAORs maintain direct relations with substantive departments, as well as with the TC at headquarters and technical groups in the ROs. Management Letters prepared biannually by OCD are sent to FAORs, enabling Units at headquarters to provide them with individual feedback on a variety of subjects. The timeliness of the Letters, however, is questioned by some FAORs, who note that they should be systematically transmitted by electronic mail so as to provide them with prompt guidance on time-sensitive problems.

85. Finally, and as described in section A above, one of the main obstacles to the full exercise by FAORs of their new functions is their lack of access to corporate information systems, and to Oracle in particular. The Secretariat stresses that any further roll-out of the Oracle financial systems to liaison offices or to FAORs will be dependent upon: the availability of appropriate staff in these locations to process transactions in Oracle; the existence of appropriate procedures to support a more decentralized operation of Oracle; and the existence of a robust and capable telecommunications infrastructure. In some countries, a weak local communications infrastructure does not even permit FAORs to access general information available at headquarters. The Inspectors stress that, in general, a genuinely successful decentralization cannot occur in the absence of a solid communications infrastructure, and welcome the approval in 2001 of the proposal for the funding of a Wide Area Network (WAN) project.

86. The project, costing initially US\$ 1.4 million—with estimated incremental ongoing costs of up to US\$ 1.8 million per year as a constant from 2004 onward—consists of the development of an outsourced Virtual Private Network which will link most of the decentralized offices desk-to-desk.<sup>49</sup> This will facilitate the release of web-enabled versions of current administrative support systems (Budget Maintenance and Monitoring system, FAS and ATLAS) to operate over the Organization’s new Intranet. A full administrative system test pack is being developed for use by staff visiting decentralized offices as their telecommunications are upgraded within the framework of the WAN project. This will determine whether the telecommunications facilities between headquarters and each field office are technically capable of fully supporting Oracle and other administrative systems, such as the FPMIS and the Country Office Information Network. A full analysis of additional authority and transactions which can be decentralized once the new Network is available in all FOARs should therefore be undertaken as part of the comprehensive plan of action recommended in paragraph 41 above.

## ➡ **RECOMMENDATION 8**

### **D. Reviewing the network of country offices**

87. Significant resources will be necessary to implement all the improvements suggested above to strengthen the FAORs. In fact, the Secretariat itself warns that: “without additional staff to fill critical gaps and the extensive training required by ever-increasing responsibilities, it will be very difficult for these offices to operate efficiently”.<sup>50</sup> Consideration should be given, therefore, to reviewing the network of FAORs, with a view to ensuring that existing resources are pooled and used in the most efficient manner, and that the needs of Low Income Food Deficit Countries (LIFDCs) are met as a priority.

88. The establishment of FAORs was approved by the Council in 1976, with a maximum number set at 74 in 1981, and raised to 78 in 1987.<sup>51</sup> In 1994, the Council stressed that “the positive spin-offs of an active decentralization policy are to enhance the use of national, sub-regional and regional capacities, achieve substantial economies in implementation modalities and shorten the time-lag between the expression of needs of member nations and their satisfaction by the Organization”.<sup>52</sup> The Secretariat underlines that the establishment of FAORs allows it to meet some of these key objectives of decentralization; namely, a faster and more effective response to needs of Member States, and capacity-building. It also notes that the number of Member States of the Organization has increased from 159 at

<sup>49</sup> FC 99/13.

<sup>50</sup> PWB 2002-2003, page 194.

<sup>51</sup> C 81/REP, paragraph 209 and C 87/REP, para. 188.

<sup>52</sup> CL 106/2.

the start of 1992 to 183 at the end of 2001, which has compelled it to find modalities to deliver services to, and liaise with, the new Members to avoid discrimination within the membership.

89. Therefore, and as shown in table 1, the Director-General has endeavoured to increase the extent of FAO-country liaison within the ceiling of 78 offices through a number of mechanisms such as: FAO representation combined with a regional or sub-regional office; accreditation of a FAOR to several countries; stand-alone NPOs under the guidance of a neighbouring FAOR; national correspondents (national civil servants who liaise with FAO and receive a limited budget and salary supplement from the Organization); and the use of the UNDP Resident Coordinator.

90. In addition, the Director-General has proposed that senior technical officers currently assigned to regional or sub-regional offices, or at headquarters, be relocated to some countries to perform not only their normal technical tasks, but also the functions attached to the office of FAOR. The Council approved this scheme at its 119<sup>th</sup> session. At the time of the drafting of this report, senior technical officers had been out-posted to five countries, but it had already become clear that further deployment may be delayed by the fact that some candidate countries—all of which are expected to provide premises, equipment, and local staff—have difficulty securing the required facilities.<sup>53</sup>

91. The Secretariat considers that the solutions above do not, in any case, fully satisfy the requirements of countries which do not have a resident FAO Representative, and reports that 18 requests have been received for the establishment of full FAORs.<sup>54</sup> The Director-General notes that out of 80 LIFDCs, 24 do not have a resident FAO Representative. On the other hand, it has also been noted that FAO has fully-fledged representation in almost all countries where the 1999 Field Programme expenditure exceeded US\$ 500 000 (although the size of the Field Programme is not a criterion for the establishment of an FAOR).<sup>55</sup> Any extension of the FAOR network, therefore, would take place in countries with a relatively small Field Programme.

**Table 2. Budgeted activities in regions, 2002-2003 (in million of United States dollars)**

		AFRICA	ASIA AND THE PACIFIC	EUROPE	LATIN AMERICA AND THE CARIBBEAN	NEAR EAST
<b>Trust Fund activities by region</b>		117.6	35.6	22.7	40.8	264.8
<b>Regular programme activities by region</b>	<b>Total</b>	63,5	43,6	19.4	37.0	29.9
	<b>Through country offices</b>	1.9	0.7	0	1.1	0.6
<b>Estimated budget for FAORs in the region</b>		31.6	12.2	0.7	17.9	9.3

Source: PWB 2002-2003 (main document and annex IV/3)

92. The Director-General has listed in documents submitted to the Joint Meeting of the Programme and Finance Committees the considerations that he takes into account when establishing FAORs. They include: receipt of a formal request from a Member State; that government's willingness to meet part of the establishment and running costs; potential or current demand for technical assistance programmes; presence in the country of other United Nations and non-United Nations development partners.<sup>56</sup> The Committees, however, did not formally endorse these criteria, nor did the Council. In fact, Committee members felt that criteria for the establishment of FAORs needed "further refinement".<sup>57</sup> Therefore, FAO governing bodies have not, thus far, approved or established for themselves a formal set of principles,

<sup>53</sup> JM 02.1/2.

<sup>54</sup> JM 2000/1.

<sup>55</sup> JM 2000/2.

<sup>56</sup> JM 99/1 and JM 2000/2.

<sup>57</sup> Report of the Joint Meeting of the 84<sup>th</sup> session of the Programme Committee and the 95<sup>th</sup> session of the Finance Committee, CL 199/, para. 23.

guidelines or criteria to which a Member Nation should conform in order to qualify for the establishment of an FAOR.

93. By contrast, the General Conference of UNESCO has adopted guidelines in which it lists a number of basic criteria for “the rational implementation of decentralization”.<sup>58</sup> On the basis of these guidelines, and with a view to reducing existing cost inefficiencies associated with single-country offices, the Director-General has been able to design a new field network. Thus, 18 offices were closed during the course of 2000-2001, and a further nine offices are to be closed, five of which will cease operation during the course of this biennium.<sup>59</sup> Criteria for the retention of a small number of country-oriented offices include: the country’s size and complexity; the existence of special post-conflict situations; the level of support from the host Member State; and performance in programme implementation. A number of UNESCO “cluster offices” which serve a group of countries together have also been established, primarily on the basis of operational criteria (such as transport access to all “cluster” Member States and telecommunications infrastructure).<sup>60</sup>

94. A review of the FAO field network might also extend to the liaison offices, and in particular, to the two most recently established, in Yokohama, Japan and Brussels, Belgium. These liaison offices were created in 1996 to reinforce FAO cooperation with two of its major contributors. The review should also take into account the results of the study of the National Correspondents scheme which has recently been commissioned by the Director-General, and which, it is assumed, will analyse the criteria and procedures in place for the selection of National Correspondents and for the calculation of the salary supplement which they receive.

➡ **RECOMMENDATION 9**

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<sup>58</sup> UNESCO General Conference 30C/Resolution 83.

<sup>59</sup> Report by the Director-General on the reform process, Part III (Decentralization), 164 EX/5.

<sup>60</sup> Report of the Director-General on the reform process and timetable for its implementation, Part III (Decentralization), 160 EX/6.

#### IV. HUMAN RESOURCES MANAGEMENT

##### A. Establishing trust and leadership

95. In its most recent progress report on human resources management issues, the FAO Secretariat noted that: “in order to be able to attract and retain staff at the highest standard of efficiency and technical competence that it needs, FAO must be perceived as an employer of choice”.<sup>61</sup> Much progress needs to be accomplished if this goal is to be achieved, and after several years of human resources management not having attracted as much urgent attention from senior management as the other administrative and managerial fields discussed in previous chapters, the Secretariat now appears to be taking important steps towards a comprehensive reform of its personnel policies and practices.

96. In particular, the Secretariat prepared a “Report on Human Resources Management Issues” which it submitted to the Finance Committee at its ninety-seventh session.<sup>62</sup> The report highlighted the new environment in which FAO is operating, the growing gap between the skills required by international organizations, and the availability of skilled workers. It clearly stated the main objectives of FAO human resources policy and listed a number of key areas where action was needed to meet these objectives. The Finance Committee strongly welcomed the report, and stated that it was so significant it ought to be placed before the membership of the Organization at the Council, which also welcomed the report.<sup>63</sup> In addition, in November 2000 the Director-General established the HRC to advise him on human resource strategies and policy matters. This standing Committee, chaired by the DDG, includes all Assistant Directors-General at headquarters, the heads of independent units and the Director of the AFH.

97. The Administration notes that some 40 percent of HRC work actually focuses on the structures and functions of programmes in addition to the human resources implications of the biennial Programme of Work and Budget, including the appropriate allocation of posts and deployment of staff among departments and discussions which may involve resolution of management positions. It considers that it would not be appropriate or useful, to allow staff participation in such discussions. It also stresses that the HRC is not a staff/management consultative mechanism. There are, on the other hand, a number of joint working groups focusing on specific issues (such as the Working Group on Professional Remuneration and Allowances, the Working Group on General Service Conditions of Employment, and the Joint Advisory Committee on Medical Coverage), and the staff is represented on the selection committees for both Professional and General Service posts.

98. Staff associations, therefore, are not represented in the Human Resources Committee, although whenever the HRC is considering issues affecting the terms and conditions of service of staff, the staff associations are consulted both informally through discussions as well as formally by seeking their views and comments in writing on relevant documents before the Committee. In addition, prior to the implementation of the Director-General’s decisions on the recommendations of the HRC, discussions are again held with the staff representative bodies on the approach to be followed.

99. Nevertheless, the Inspectors note that staff representatives do not have direct access to the only existing Committee which deals in a comprehensive manner with the reform of human resources management *per se*, and they suggest that the Director-General consider allowing them to present their views directly to members of the Committee when issues of personnel policies rather–than post establishment–are being discussed. If the reform of human resources management at FAO is to be effective, it is essential that the staff at large feel that its inputs have been taken into account in the formulation of new policies and procedures, and if there is a shared sense of ownership of these new policies and procedures, their implementation will be greatly facilitated. This is all the more so since four consecutive biennia of real budget cuts have resulted in downsizing and lack of promotion and mobility opportunities, all undoubtedly affecting staff morale and confidence. In this regard, it should be noted that the goodwill demonstrated by the staff in general, and the close involvement of staff representatives

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<sup>61</sup> FC 99/10.

<sup>62</sup> FC 97/15.

<sup>63</sup> CL 121/4, para. 63 and CL 121/REP, para. 50.



in the redeployment exercise linked to the first phase of decentralization in the second half of the 1990s, probably contributed to the fact that this redeployment proceeded rather smoothly and successfully.

100. In addition, while the Administration has repeatedly stated its commitment to improve its record in many fields— recruitment procedures, performance appraisal, career development, gender balance, etc.— actual progress in these fields is slow and uneven. The long period of financial stringency which the Organization has faced and the limited resources allocated to AFH have compelled that Division to focus mostly on certain areas whereas all are closely inter-related and should be addressed as a whole, as clearly indicated in the above-mentioned “Report on Human Resources Management Issues”. While a progress report, submitted to the Finance Committee in May 2002 at its request, includes specific performance indicators and timelines for progress on human resources management, it does not always highlight the inter-linkages existing between them, nor does it explain why some important policy issues cannot be addressed until 2004. In some cases, such as the important issue of mobility, the Secretariat has simply informed the Inspectors that given the “many higher-priority human resources issues facing the Organization, rotation policy is to be taken up at a later date” (see section C below).

101. The Inspectors believe, therefore, that any reform of human resources management would be addressed more effectively and decisively by a Task Force or Working-Group specifically appointed by the Director-General (as has been done in other United Nations organizations) for this purpose.<sup>64</sup> This entity should receive a clear and time-bound mandate (preferably of no longer than a few months) to prepare a concrete plan of action which the Director-General could then submit to the FAO Council. It is very important that this group—whose composition should not replicate that of the HRC but include human resources management specialists (including if possible from outside the Organization) and managers in “client departments”—receive explicit support from the top management of the Secretariat as well as adequate resources. The Inspectors would also strongly encourage the Director-General to allow full participation by staff representatives in this Task Force/Working Group.

102. As an immediate confidence-building measure, the Director-General himself should resume meeting with representatives of recognized staff associations at reasonable intervals. While the Assistant Director-General for Administration and Finance is the designated interlocutor on his behalf with the staff associations and meets with their representatives very regularly, the Director-General’s own availability would be a strong indicator of his commitment to strengthening the management of human resources and to maintaining dialogue with the Organization’s personnel. It should be noted, that according to figures provided by the Secretariat, after holding nine meetings with staff representatives during the first three years of his mandate, the Director-General has not met once with them since 1997. Whereas the DDG has met with them since that time (though with decreasing frequency), Chapter VIII of the FAO Staff Regulations clearly refers to the Director-General as being the principal party in the consultation process.

#### ➡ **RECOMMENDATION 10**

### **B. Stabilizing, diversifying and rejuvenating the workforce**

103. Although the size and location of FAO’s staff have changed significantly over the last decade, reflecting efforts to streamline and decentralize the Secretariat, some of its characteristics, especially in terms of age and gender distribution, have not evolved to the same extent.

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<sup>64</sup> In WHO, for instance, staff associations participated as full members, in the Task Force on Human Resources Management Reform that operated from September 1999 to October 2000. The Task Force’s recommendations were submitted in the form of a “Human Resources Management Strategic Plan” to the Cabinet in the fall of 2000 and to the WHO Executive Board in January 2001. At the United Nations, the Secretary-General set up a Task Force in January 1998 to examine human resources management and make proposals for reform in this field. The Task Force, composed of human resources experts from the public and private sectors worldwide and chaired by the Assistant Secretary-General for Human Resources Management, met several times with both the top management and staff representatives, and presented an overall “plan for reform” to the Secretary-General in July of the same year which was then submitted to the General Assembly in October 1998. Similarly, at UNESCO, a comprehensive Human Resources Policy Framework, with a detailed action plan, was presented to the General Conference at its 31<sup>st</sup> session.

104. The Inspectors have noted with particular concern, that despite the reduction in the overall number of posts shown in table 3, the vacancy rate for posts in the FAO Secretariat has remained persistently high, reaching 13 percent in 2001. The problem is especially acute for Professional posts, as the number of Professional separations (including early or mandatory retirement) over the last decade has surpassed, by far, the number of Professional appointments. As a result, the average vacancy rate for Professional posts from 1994 to 2000 was 17.2 percent, reaching 18 percent in 2001 (see table 4), which means that the Organization has been deprived of nearly a fifth of its budgeted Professional workforce. Long-term vacancies for key administrative and technical posts are particularly challenging for smaller offices, such as ROs.

**Table 3. FAO Staff at a Glance (in 1994 and 2001)**

		1994			2001		
<i>Number of staff members plus percentages</i>	<i>General Service</i>	3 287 (61.8 %)			2 325 (60.4 %)		
	<i>Professional and above</i>	2 027 (38.2 %)			1 521 (39.6 %)		
	<i>TOTAL</i>	5 314			3 846		
<i>Distribution of staff by location plus percentages</i>		<i>Headquarters</i>	<i>Regional and Sub-regional*</i>	<i>Others**</i>	<i>Headquarters</i>	<i>Regional and Sub-regional*</i>	<i>Others**</i>
	<i>General Service</i>	56.4 %	6.9 %	36.7 %	50.8 %	13.2 %	36.0 %
	<i>Professional and above</i>	55.0 %	6.5 %	38.5 %	61.6 %	16.4 %	22.0 %
	<i>TOTAL</i>	55.8 %	6.8 %	37.4 %	55.0 %	14.5 %	30.5 %
<i>Average age of Professionals staff</i>		48.5			48.9		
<i>Percentage of female staff among Professionals and above</i>		17			24		
<i>Number of non-represented countries among Professionals</i>		54			22		
<i>Number of under-represented countries</i>		14			13		

\*Includes regional, sub-regional and liaison offices.

\*\* Other locations include field projects and FAO representations.

Sources: FC 97/15, FC 95/15(a).

105. Secretariat documents thus show that total staff appropriation for the last biennium (2000-2001) was under-spent by approximately 9.3 percent (US\$ 42.4 million). While half of the surplus (US\$ 21.3 million) results from the positive variance between the standard rates set at the beginning of the biennium and the actual staff costs, the Secretariat recognizes that the remaining under-spending largely reflects Professional staff vacancies.<sup>65</sup> Some of these staff savings were used to apply resources to under-budgeted programmes and activities that required non-staff expenditure. However, the Inspectors do not advocate keeping the vacancy rate deliberately high to achieve budgetary savings, as this makes the budget process less transparent and the management of human resources more difficult and less efficient.

**Table 4. Vacancies as at 31 December 2001 (posts budgeted in Programme of Work and Budget)**

CATEGORY	NUMBER OF POSTS FILLED	NUMBER OF VACANT POSTS	TOTAL NUMBER OF POSTS	VACANCY RATE
<i>Directors</i>	174	21	195	11%
<i>Professionals</i>	935	208	1,143	18%
<i>National Professional Officers (NPO)</i>	63	3	66	5%
<i>General Service</i>	1,870	212	2,082	10%
<i>TOTAL</i>	3,042	444	3,486	13%

Source: Figures provided by FAO Secretariat

<sup>65</sup> Programme and Budgetary Transfers in the 2000-01 Biennium and Annual Report on Budgetary Performance to Member Nations, FC 99/2.

106. This persistently high number of vacancies is accompanied by a marked increase in the use of short-term staff and non-staff human resources. The External Auditor has, in fact, noted that many managers intentionally keep Professional posts vacant in order to deploy consultants on a series of short-term assignments.<sup>66</sup> The Secretariat itself states that “in many cases posts have been kept vacant as part of a considered management strategy”, as they are “the source of funds for other staff or non-staff resources, as required by changing programme contexts”. Thus, a total number of 6 477 short-term staff and non-staff human resources contracts were issued between 1 July 2000 and 30 June 2001, an average of 539 per month, representing an increase of 40 percent over the previous period.<sup>67</sup> In comparison: only 933 such contracts were issued over the first six months of 1994; 844 over the first six months of 1996; 953 over the first six months of 1997; 574 over the first six months of 1998; and 1 210 over the first five months of 1999.<sup>68</sup>

107. It appears, therefore, that the FAO Secretariat has increasingly resorted over the last few years to consultants, short-term staff, personnel employed on special service agreements or other types of contractual arrangements in order to counter the reduction and freezing of posts, maintain its labour force at the level necessary to deliver mandated programmes and activities, and avail itself of specialized skills not always present among its workforce. At the United Nations, the General Assembly has requested that the Secretary-General bar consultants from applying for posts in the Secretariat for a period of six months upon the end of their service<sup>69</sup> in response to concerns by staff that consultants may be given an unfair advantage when applying for vacant posts whose functions they have been carrying out for several months. The FAO Secretariat, however, stresses that such a measure would hinder the recruitment process by reducing the pool of candidates at a time when it is getting increasingly difficult to identify qualified candidates.

108. The employment of retirees hired through the Programme for the Use of Retired Experts is particularly widespread. The number of retired experts employed by FAO in the 2000-2001 biennium was 1 044, using all sources of funding. The Secretariat notes that the Programme, which taps the wealth of experience, knowledge and skills of retired national experts and retired experts from FAO and the United Nations, is very cost-effective since retirees at the Professional level only receive fees of US\$ 100 per day (plus travel costs and Daily Subsistence Allowance if they need to travel away from their residence to undertake the activities for which a contract is issued). While the Inspectors agree that the technical experience of retirees can be usefully acquired for a few months in specialized fields and that their employment is considerably more cost-effective than that of regular consultants, this arrangement should only be applied if the operational requirements of the Organization cannot be met by existing staff. It should not be seen as a long-term alternative to regular staffing, including for managerial positions entailing supervisory functions.

109. Delays in filling vacancies and the use of retirees can only hamper the much-needed rejuvenation of the staff at a time when the Secretariat recognizes that the “ageing of FAO’s staff is one of the major issues that it is currently facing”.<sup>70</sup> Almost 45 percent of staff members in all categories (Directors, Professionals and General Service) are above the age of 50, and three quarters of all Directors and nearly half of all Professionals presently in service are expected to retire by 2010. The Secretariat has undertaken welcome efforts to increase the intake of younger staff members, both through the development of a Junior Professionals Programme (scheduled to commence in late 2002) and through the lowering of the average grade by downgrading vacant posts. It has also improved its recruitment process in general, and cut down significantly the time needed for Professional recruitment, from 318 workdays in 1998 to 217 in 2000.<sup>71</sup>

## ➡ **RECOMMENDATION 11**

<sup>66</sup> C 2001/5, para. 115.

<sup>67</sup> 5 015 such contracts were issued between 1 June 1999 and 30 June 2000, an average of 385 per month.

<sup>68</sup> FC 82/19, FC 95/15(a) and FC 93/15. “Non-staff human resources” contracts include contracts for consultants, Special Service agreements and RLA.

<sup>69</sup> “Human Resources Management”, A/RES/51/226 of 25 April 1997.

<sup>70</sup> FC 97/15.

<sup>71</sup> Ibid.

110. More progress will be needed, however, if the administration is to develop the capacity to rapidly identify and hire qualified staff. This report does not examine in details the recruitment process as such, as this has already been reviewed extensively by the Secretariat and the External Auditor.<sup>72</sup> It does note, however, that while authority for the recruitment, selection and appointment of General Service staff has been delegated to the Director of Personnel at headquarters, and to RRs at ROs, the ultimate decision for the appointment of Professional staff remains the Director-General's. Although this decision is based on the recommendations of the PSSC, documents indicate that for every 100 Professional staff appointments made by the Director-General, approximately 20 of them do not follow the order of preference recommended by the Committee.<sup>73</sup> Since posts graded D-1 and above are exempt from FAO selection procedures and are not considered by the PSSC, the Director-General can use even wider discretion with regard to senior-level appointments.

111. It is the Inspectors' understanding that the Director-General has used his discretionary powers to improve geographical distribution among the Organization's Professional staff, and important progress has indeed been achieved in this field (see table 3 above). However, progress towards improving gender balance among FAO Professionals has been much less satisfactory. Whereas the Director-General had set a goal in 1994 of bringing the proportion of women in Professional categories to 35 percent by 2001, the actual rate achieved as at 2001 was only 24 percent (12 percent at grades D1 and above).<sup>74</sup> These statistics make FAO one of the laggards in the United Nations system in terms of gender balance. At the end of 2000, it ranked among the lower third of all organizations with regard to the number of female staff as percentage of total Professional staff, and last among the large organizations (whether specialized agencies, funds or programmes) with a staff of more than two thousand.<sup>75</sup> The situation is particularly inadequate in the decentralized offices, with women representing only 17 percent of Professional staff in ROs and SROs.

112. While Secretariat officials indicate that a dearth of qualified female candidates in the specialized fields of food and agriculture accounts in large measure for these numbers, they recognize that the policy of the Organization with regard to spouse employment may also be a factor impacting negatively on the recruitment and retention of women. Staff rule 302.409 on family relationships still forbids the recruitment of a staff member's spouse except in cases where another person equally well qualified cannot be recruited, and no change in this policy is envisaged until 2004. The new section of the FAO Manual on Personal Services Agreement (section 319) currently being drafted also foresees that such agreements cannot be concluded with the spouses of staff members.<sup>76</sup> Fears of nepotism have long justified these restrictions. However, most Organizations of the United Nations system now recognize that a fair selection process should in itself protect them against such abuses, and that the potential benefits of allowing spouse employment outweigh the risks of preferential treatment.

113. In fact, as early as 1980, the Secretariat of the United Nations issued an Administrative Circular which abolished with limitations on the appointment of spouses of staff members.<sup>77</sup> In 1993, the General Assembly of the United Nations stressed in turn that "employment possibilities for spouses accompanying staff members contribute to attracting and retaining the most qualified staff", and noted that "the absence of these possibilities may be an obstacle to the mobility of staff". In 1995, members of the former Administrative Committee on Coordination also undertook to facilitate the employment of spouses through the amendment of relevant staff rules.<sup>78</sup>

114. The JIU also remarked in a previous report that, while there cannot, of course, be any automatic entitlement to any post, and while spouses cannot and should not be given preference by mere virtue of

<sup>72</sup> See FC 92/10 and C 2001/5 (paras. 122 to 130).

<sup>73</sup> "Improved resource management", in "Reforming FAO into the new Millennium", 2000.

<sup>74</sup> FC 95/15 (a).

<sup>75</sup> Personnel Statistics, CEB/2002/HLCM/3, table 11c.

<sup>76</sup> See FC 99/10, para. 19.

<sup>77</sup> ST/AI/273 of March 1980, "Employment of spouses".

<sup>78</sup> A/RES/47/226: United Nations General Assembly resolution on Personnel questions, and ACC/1999/4: ACC statement on the status of women in the secretariats of the United Nations system.

their relationship, they should at least be allowed to compete fairly for posts for which they are qualified.<sup>79</sup> The wording of WHO staff rule 410.3.2, which allows for spouse employment while providing appropriate controls against possible abuses, appears particularly useful. WFP has also issued useful internal guidelines on the issue of spouse employment which state that “to the maximum extent possible, WFP will facilitate and encourage the employment of professionally qualified spouses of Professional staff members at all locations” and which set a number of rules intended to prevent abuses.<sup>80</sup>

➔ **RECOMMENDATION 12**

**C. Re-engineering career development**

115. Years of budget cuts and the freezing of posts have impeded staff movements (with the exception of those linked to decentralization and described in chapter III) and have resulted in very static careers for many staff. If FAO is genuinely determined to become an “employer of choice”, it must instil a new dynamism into the careers of its staff through enhanced lateral and upward mobility.

116. An audit of human resource management conducted in 1999 by the External Auditor indicated that FAO staff had become less geographically mobile over the 1990s, and thus recommended that a staff rotation system be considered.<sup>81</sup> The Secretariat countered, however, that the development of a more systematic and regular rotation would be difficult to implement not only because of the different nature of functions at headquarters and in the field, but also because of the significant costs to the Organization it would represent. It also noted that these costs have been a major hindrance to the introduction of systematic rotation by other United Nations organizations.<sup>82</sup> Significantly, the Secretariat does not include any data or information on staff mobility and rotation in any of its regular reports to the Council on human resources management and/or personnel statistics, confirming that it does not consider the issue a priority.

117. The Inspectors, however, do not concur with the Secretariat’s views on the limited benefits and excessive cost of mobility. They instead wish to highlight the fact that several Organizations of the United Nations system have, in fact, recently embarked on important reforms aimed at fostering mobility among their staff. UNESCO, for example, has designed a new rotation policy which is scheduled to be implemented in the second half of 2002. The main objective of the policy is to stimulate mobility to and from field offices in a managed fashion through a process that fully integrates rotation into career development of staff while taking into consideration operational needs.<sup>83</sup> Mobility is also at the core of the changes promoted by the Secretary-General in recent years as part of his reform of human resources management at the United Nations, although it is understood to cover movements across departments as well as across duty stations. These reforms stress the need: to promote greater integration between field and headquarters-based staff; and, to provide staff with varied career opportunities through a movement away from the purely voluntary to a more managed approach of mobility.<sup>84</sup> Discussions have also started at WHO regarding the development of a rotation and mobility programme, and a number of parameters for this programme—expected to be introduced in 2003—have already been elaborated.<sup>85</sup>

118. The need to provide staff with wider and better career opportunities, to develop a personnel policy which is more attuned to the new focus of the Organization on decentralization, and to make it more flexible and more responsive, is no less important at FAO than in other specialized agencies of the United Nations system. Therefore, while they agree that the nature of FAO activity probably rules out a straightforward rotation approach that is appropriate for field-based organizations such as UNDP, UNICEF or WFP, the Inspectors reiterate the suggestion by the External Auditor that a full cost-benefit analysis of establishing a managed mobility system be undertaken. This analysis should take into account

<sup>79</sup> JIU/REP/2000/7, para. 72.

<sup>80</sup> World Food Programme Executive Director’s Circular, OED98/004, 11 June 1998.

<sup>81</sup> C 2001/5, paras. 120-121.

<sup>82</sup> FC 97/12.

<sup>83</sup> Report by the Director-General on the reform process, Staff Policy, 164 EX/5.

<sup>84</sup> Human resources management reform, A/55/253.

<sup>85</sup> Reform of human resources management, EB 109/25.

the experiences of other organizations of the United Nations system in conjunction with the findings of the comprehensive review of the question of mobility which the International Civil Service Commission is to present at the fifty-seventh session of the United Nations General Assembly.

119. In the short-term, efforts to advertise vacancies promptly should facilitate mobility, and should provide more opportunities for promotions and career development. In the absence of such movements, pressure will grow for staff to be promoted through the re-classification of posts, and this would in turn negate the Secretariat's efforts to lower the average grade. Figures provided by the Secretariat already show that in 2001, 23 percent of all promotions for General Service staff members and 18 percent for Professional staff occurred through the re-classification of posts. It is important to ensure that promotions happen through an open, competitive process, and that re-classification remains an exception.

120. In addition, the Inspectors wish to draw attention to Staff Regulation 301.044, which states that "without prejudice to the recruitment of fresh talent at all levels, the fullest regard shall be had, in filling vacancies, to the requisite qualifications and experience of persons already in the service of the Organization". Under current procedures, proposals for the issuance of internal vacancy announcements can be considered in exceptional cases only; i.e. if a sufficient number of qualified internal candidates are expected to apply.<sup>86</sup> As a result, in 2001, only eight out of 175 vacancy announcements for Professional posts (4.6 percent) were issued internally. In the last few years, external candidates have generally been selected in more than half of all appointments made at the Professional level.

121. With the approval of the Council, and with a view to improving career development for FAO staff and facilitating prompt recruitment for all vacant posts, consideration could be given to testing a new procedure similar to that recently adopted by the Secretariat of the United Nations and approved by the General Assembly<sup>87</sup>. Under this new procedure, all vacancies would be advertised externally, but would be made available in the first instance for internal eligible staff. In addition, a delegating of authority (at least on a temporary basis and subject to review after a pilot phase) to ROs to propose to the Selection Committee candidates for posts up to the P-4 level after appropriate consultations with technical departments at headquarters (as suggested in chapter III), might speed up the process of filling key posts in these offices, as evidenced in other similar cases.<sup>88</sup>

#### ➡ **RECOMMENDATION 11**

122. A renewed performance management system should also be a determining factor in deciding on promotions, as it would serve as a key tool for career development. The preceding chapters, in particular the paragraphs relating to delegation of authority in chapter II, have already highlighted the importance of developing an appropriate performance management system as part of a comprehensive accountability framework for the Secretariat. The External Auditor has found that the existing performance appraisal system (known as the Performance Appraisal and Achievements Record) is inadequate and handled simply as an administrative exercise rather than a genuine management tool, and this has been confirmed to the Inspectors by most of their interlocutors. Awareness of the importance of this issue has led the Secretariat to start work on an in-depth review of the present system. Proposals to strengthen it by linking individual performance plans more closely to the Organization's programme plan will be presented to the HRC in 2003, with full implementation planned for 2004.<sup>89</sup>

<sup>86</sup> Selection and recruitment procedures for professional staff, Administrative Circular 98/35.

<sup>87</sup> See A/RES/55/258 and Administrative Instruction ST/AI/2002/4 of 23 April 2002.

<sup>88</sup> The Secretary-General reported to the United Nations General Assembly in 1999 that under a pilot project giving extended delegation to a regional commission in the area of human resources management, the process for filling posts approved locally took approximately six weeks less than for posts approved at Headquarters (A/53/947, para. 5).

<sup>89</sup> FC 99/10.

## V. INTERNAL AND EXTERNAL OVERSIGHT

### A. Internal oversight

123. The Charter for the Office of the Inspector-General—introduced in 2000 through a Director-General Bulletin—states that the Office, together with the Evaluation Service, provides comprehensive internal oversight coverage of the organization<sup>90</sup>. The Charter ensures most of the guarantees for operational independence and adequate reporting channels which Member States seek from internal oversight services in United Nations organizations.

124. The Charter also states that the Office of the Inspector-General must report on the results of its work and must make recommendations “for action” to management, with copies to the Director-General and the External Auditor. Importantly, the Charter also allows for any such report to be submitted to the Finance Committee (together with the Director-General’s comments) at the discretion of the Inspector-General. As of the date of the writing of this report, the Inspector-General had not found it necessary to use this particular clause, but its existence puts FAO on a par with a number of other specialized agencies, e.g. ILO and WHO, which also allow direct access by the head of internal oversight to governing bodies, when necessary. The Inspectors consider this to be a good practice if it is not limited to a mere statement of principle, as it provides reasonable assurance that the head of internal oversight can bring to the attention of Member States cases when senior management fails to deal appropriately with issues that the Inspector-General may raise.

125. Similarly, the Charter indicates that the Director-General appoints the Inspector-General after consultations with the Finance Committee. Likewise, he must consult with the Finance Committee before the termination of the contract of the incumbent of that Office. This procedure also protects the Inspector-General from undue pressure in the discharge of his functions. In fact, during his discussions with the Inspectors, the Inspector-General expressed total satisfaction with regard to the freedom of action granted to the oversight function by the leadership of the Organization.

126. The Inspectors noted with some concern that the Inspector-General, who was first appointed in 1992, has been granted five successive yearly extensions by the Director-General beyond the normal retirement age. While Staff Regulation 301.95 allows the Director-General to extend this age limit in the interests of the Organization in exceptional cases, the Inspectors stress that retention in service beyond mandatory retirement age should truly remain “an exception”, and should only occur when it has not been possible to identify a qualified candidate to replace the staff member. In this case, since the post was not advertised over the course of those five years, it appears difficult to assert that a suitable candidate could not be found. The Inspectors note, however, that a formal selection process for a successor to the incumbent has now been initiated, and that the Director-General has announced his intention to consult the Finance Committee, as required, on the appointment of the new Inspector-General at its next session, in May 2003.

127. The Inspector-General, who is appointed at the D-2 level, is assisted by a team of ten professionals at headquarters and four resident auditors assigned to regional offices, as well as seven support staff. With this total of 22 staff members employed by the Office of the Inspector-General, the ratio of auditors/staff at FAO (1:175) is higher than in the United Nations system at large<sup>91</sup>. It should also be noted, that while the number of posts and the size of the staff in the Secretariat overall have decreased significantly over the last four biennia, the same cannot be said for oversight, confirming the importance attached to this function by the Director-General and Member States alike. There is general agreement that the out-posting of auditors to regional offices is a particularly useful practice, and an adequate response to the increased risk and vulnerability that may ensue from decentralization. It was also noted that the frequent rotation of these resident auditors would ensure their independence vis-à-vis the ROs.

128. According to its Charter, the Office also has responsibility for internal audit and inspection, as well as for monitoring and evaluating the adequacy and effectiveness of the Organization’s system of internal

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<sup>90</sup> Director-General Bulletin 2000/11.

<sup>91</sup> The ratio calculated for the whole United Nations system in 1995 was 1:264, see JIU/REP/95/2: Accountability, management improvement, and oversight in the United Nations system.

control, financial management and the use of assets. In addition, it investigates misconduct and other irregular activities. The Inspector-General states that the audit activities of his Office are planned and reported upon according to programme elements, and that their planning takes into account the Strategic Framework, the MTP and the Programme of Work and Budget. However, the audit plan is flexible, and audits can be undertaken at the specific request of senior management, in particular, by the Director-General or his Cabinet. It is also assumed that participation of the Office of the Inspector-General in numerous internal standing committees of the Secretariat also allows it to be attuned to the important issues that may require examination.

129. In addition, the Office of the Inspector-General uses audits performed by local accounting and auditing firms to plan its own audits in the field. These local companies are contracted to execute quality controls twice a year on financial statements and transactions for FOARs and project offices. Although these local audits are managed by the AFF as part of the internal control mechanism, they are used by the Inspector-General to assess risks linked to decentralized FAO activities. The Inspector-General remarks that they are also used in connection with the briefing and orientation programme for newly appointed FAO Representatives, and for the subsequent evaluations of their performance.<sup>92</sup>

130. Nevertheless, the Inspectors heard diverging views with regard to the cost-effectiveness of these local audits. Several of their interlocutors at headquarters and in the field pointed out that these are not value-for-money audits, as they are generally limited to a review of agreed procedures and quality controls of financial transactions, and that their restricted use does not justify the cost (over US\$ two million per biennium) associated with contracting them out. In addition, managing these contracts and the flow of financial documents they necessitate creates a heavy administrative burden for the AFF. It may be preferable to reduce their frequency and use the savings achieved to carry out wider audits in those offices identified as performing poorly. The Inspectors note that the Director-General has agreed that a review of this local audit scheme should be undertaken, and that the Office of the Inspector-General and the AFF have, in fact, already begun work on this matter.

131. Finally, the Charter for the Office of the Inspector-General states that the Director-General shall ensure that all recommendations from the Inspector-General are responded to by the responsible functional unit and implemented as deemed appropriate. The Office of the Director-General is indeed involved in the follow-up to audit recommendations. As stated in the two most recent annual activity reports by the Office of the Inspector-General<sup>93</sup>, the Assistant Director-General/Directeur de Cabinet has been assigned responsibility for the implementation of audit recommendations, an “audit resolution” tool which the Inspector-General judges to be highly effective. However, the Directeur de Cabinet himself cautions that his requests for follow-up action concentrate mostly on those cases where audits have revealed particularly serious deficiencies. In other cases, enquiries with regard to steps envisaged by Divisions to implement audit recommendations are made on an *ad hoc* basis and cannot be considered as constituting a systematic follow-up. Therefore, while the Inspectors consider a regular follow-up of audit recommendations by the Directeur de Cabinet as an interesting practice which could be usefully replicated in other organizations, they stress that it cannot substitute for methodical tracking and follow-up by the Office of the Inspector-General itself.

## **B. External oversight**

132. External Oversight at FAO is undertaken on the one hand by the External Auditor, and on the other by JIU. Financial Regulation 12.1 of the Organization states that “An External Auditor, who shall be the Auditor-General (or person exercising an equivalent function) of a Member Nation, shall be appointed in the manner and for the period decided by the Council.” In May 2001, the Finance Committee proposed, and the Council approved, the appointment of a new External Auditor for a period of four years, commencing with the year 2002. Although, upon the instructions of the Finance Committee, clear guidelines were issued by the Secretariat to Member States regarding how bids should be presented, and although the selection process on that occasion was more structured than in the past, questions were

<sup>92</sup> 2001 Annual Activity Report of the Office of the Inspector-General, FC 99/14.

<sup>93</sup> 2001 and 2000 Annual Activity Reports of the Office of the Inspector-General, FC 99/14 and FC 96/15.



raised by some Member States as to the working practices regarding the appointment of the External Auditor.<sup>94</sup>

133. These concerns may be linked, in part, to the absence of formal limits on the number of consecutive terms that may be served by the External Auditor. The previous External Auditor received two consecutive mandates, covering a period of four biennia, or eight years. Prior to this, however, a single External Auditor had served *for over four decades*. The lack of rotation in the appointment of External Auditors is not unique in the United Nations system, as the Financial Regulations of most organizations do not specify terms of office or limits on the tenure of appointment. For the time being, only two organizations impose such limits. The World Food Programme appoints its External Auditor for a four-year period, renewable once.<sup>95</sup> The General Assembly of the United Nations recently decided to limit the term of office of members of the Board of Auditors to a non-consecutive term of six years as at 1 July 2002. The Inspectors believe that this measure provides a reasonable degree of rotation, thus ensuring the necessary independence of the Auditor, while recognizing the need for a minimum level of continuity and the existence of a learning curve for a newcomer to any organization.

► **RECOMMENDATION 13**

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<sup>94</sup> See Review of Working Practices regarding Appointment of the External Auditor, FC97/13, and Appointment of the External Auditor, FC96/14.

<sup>95</sup> WFP Financial Regulation 14.2.