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PROGRAMME AND FINANCE COMMITTEES

Hundred and Third Session of the Programme Committee
and the
Hundred and Thirty-second Session of the Finance Committee

Rome, 12 - 16 April 2010

THE EVALUATION OF FAO'S OPERATIONAL CAPACITY IN EMERGENCIES

Unlike the great majority of FAO's evaluations which concentrate on the Organization's relevance, effectiveness and impact, at the request of the FAO Council and management, this evaluation deals with operational processes and their efficiency and is as much a management study as an evaluation. The report is thus concerned with how to ensure the efficiency of FAO's emergency operations. It does not provide extensive descriptions of FAO's present systems but explores issues and possible paths forward, concentrating on the more significant questions and recognizing that the specialist units are the most qualified to address the specifics of procedure.

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Appreciation

The evaluation and management consultancy teams express their appreciation to all those FAO personnel, (senior and junior, centralized and decentralized, staff and non-staff) who have so strongly supported them in carrying out their work, at a time of extreme pressure, resulting from the FAO ongoing reforms and the challenges of emergencies and food crises.

It is our hope that this report will serve as a further input to FAO's reform, particularly with respect to the vital work FAO undertakes in the service of member countries through emergency operations.

FAO, Rome, February 2010

Contents

Note to the Reader:

TCE is the Emergency Operations and Rehabilitation Division in the Technical Cooperation Department and is responsible for almost all emergency operations.

Executive Summary of Main Conclusions and Recommendations

1) Addressing emergencies constitutes the Organization's Strategic Objective I "Improved preparedness for and effective response to food and agricultural threats and emergencies". Emergency operations now account for well over a quarter of the Organization's total expenditure, and are funded almost entirely from extra-budgetary resources. There can thus be no doubt of the importance of both operational efficiency and effectiveness for emergency operations.

2) In June 2007, the FAO Council asked that a process evaluation be undertaken to analyse the Organization's managerial, administrative and operational constraints in carrying out its emergency operations. Unlike the great majority of FAO's evaluations that concentrate on the Organization's relevance, effectiveness and impact, this evaluation deals with operational processes and their efficiency and is as much a management study as an evaluation. To be useful, this study had to feed into the ongoing reform process, including the IEE, the Immediate Plan of Action and the Root and Branch Review. Some initial work was carried out by an inter-disciplinary team during 2008, which was complemented by further studies and discussions in 2009, resulting in this report to management and to the FAO Council through the Programme and Finance Committees. The study report does not provide extensive description of FAO's present systems but explores issues and possible paths forward, concentrating on the more significant questions and recognizing that the FAO units concerned are the most qualified to address the specifics of procedure. The conclusions and recommendations are presented at the end of each chapter.

3) The study was carried out against a general background in which the IEE and the Root and Branch Review found FAO to be excessively bureaucratic. A questionnaire to persons working on FAO emergency programmes, many of whom had worked previously for other international agencies, brought similar findings. While procedures and rules in other UN agencies were not found to be substantially different from those of FAO, a major difference was the intangible factor of organizational culture. Organizations such as UNICEF, UNDP and WFP were much more operationally orientated than FAO. This having been said, FAO business practices have recently been under intensive consideration and it was found that the concerned managers were in general committed to achieving improvement and even during the course of this study, some significant improvements had been made.

4) **Major findings and recommendations of the study included:**

Chapter II: Predictability in Emergencies and the Application of a Programmatic Approach with Consolidated Resource Management

a) **Emergency operations are more predictable than is often assumed.** Almost all of the larger emergency operations also continue for periods of more than three years and may extend for a decade or more. There is thus an opportunity for **major improvements in all aspects of planning for emergency operations** and there need to be further improvements in prioritization of assistance. Development of the emergency programme should be closely coordinated with the development priorities and programme of FAO in the National

Medium-Term Priority Framework and for this it is essential that TCE and the FAO Representative work in an integrated manner for both planning and resource mobilization. It also requires that the emergency operation be designed as a whole in such a way as to lead naturally into rehabilitation and development with subsequent transfer of operational responsibilities to the FAO Representative;

b) There is a need not only for initial planning but also for periodic review and reprogramming. This should be underpinned by an overall intervention strategy for each category of emergency;

c) **Funding for planning and preparatory work at country level** is a major constraint, especially for new emergencies. There is a need to markedly increase the availability and use of funds under the Special Fund for Emergency and Rehabilitation Activities (SFERA) component for preparatory work at country level;

d) **SFERA Advance funding should be extended beyond individual projects**, so that if a major emergency occurs which can be expected to attract substantial donor funding, an immediate advance could be made for the programme as a whole;

e) **SFERA should be split into separate funds for each of the three existing components**[1]**.** Sub-funds in SFERA (i.e. individual multi-donor trust funds) should be opened much more flexibly than at present for all major emergency operations to encourage Pool/Programme funding by donors and facilitate management;

f) **Pool funding for human resources, procurement, etc.** should be developed for improved programme management, including human resources management and procurement. This type of funding allows for consolidation, continuity, and more efficient and flexible use of resources. For example, in human resources the pool fund(s) would contract the personnel and the various projects would purchase personnel services from the fund. A small proportion of Administrative and Operational Support Costs (AOS) should be allocated for the core resourcing of pool funds, including the planning and advance funding functions of the Special Fund for Emergency Relief Activities (SFERA);

g) **AOS and TSS** - Administrative and Operational Support and Technical Support Services are extra-budgetary and should be managed as trust funds (as they were previously in the case of AOS) or a mechanism for carryover (positive or negative) between biennia should be put in place, beginning in the 2012-13 biennium. This will allow smoothing of operations, as has already been agreed in principle by the Finance Committee. The Organization needs a clear policy on TSS levels of funding in emergency projects and this needs to be insisted upon with donors;

h) **Security funding** has not received adequate coverage in project budgets and should be managed through a pool trust fund;

Chapter III: FAO's Culture, Business Model and the Role of Decentralized Offices and of Emergency Personnel in the Field in Emergency Operations

a) **Culture and institutional change** for emergency operations needs to be mainstreamed and specific proposals are made for this, including culture change in both

[1] Components: i) a revolving fund to provide advance funding for projects; ii) funding of assessment missions and emergency coordination units; iii) programme funding, to date principally for the Tsunami and HPAI.

staff and the Governing Bodies. Internally, this should include major changes in the **internal governance for operational, administrative and financial systems and the related IT support to ensure integrated and comprehensive system development and management.** This can be supported by the new Business Improvement Unit as well as the foreseen changes in IT governance; and

b) **Considerably greater decentralization by TCE** of its operations is needed, but this must be differentiated. A flexible model of decentralization should be adopted, which takes into account the total size of the FAO operations in the country, not just the emergency operations. Priority should be given to outposting operations officers to the major emergency operations which constitute 60 percent of the TCE portfolio. In countries where there is adequate capacity, small emergency operations should be managed by the FAO Representative. Delegations of authority should be differentiated on the basis of capacities and may be made to the emergency coordinator or operations officer, not only the FAOR.

Chapter IV: Technical Support to Emergency Operations

Technical support and clearances should shift more towards overall programme, planning and review and away from individual actions such as small project approvals, procurement and human resource clearances. A comprehensive set of technical decision support tools should be developed and more use needs to be made of technical expertise in TCE (field and headquarters) and they should report for their technical work to the technical units concerned.

Chapter V: Computerized Systems and Information Support (IT) in Emergency Operations

a) The current IPSAS[2] project, the ongoing decentralization in emergency operations and the need for an integrated and multi-functional results-based management system for the field programme, make it imperative to analyse needs and **consider the overall system architecture now,** including **priority to improving planning and programme management** for emergency operations and capacities in the field. On the basis of this, a medium-term integrated solution should be developed;

b) To achieve this integration there need to be major changes in IT governance and possibly funding in line with the proposals accepted from the Root and Branch Review but within the wider context of strengthened governance for processes and systems discussed in Chapter III; and

c) FAO cannot delay IPSAS compliance or the results-based Strategic Framework and Medium-Term Plan while comprehensive solutions to problems are designed. System improvements must continue on the present software platforms for the next few years. Recommendations are made for this and for maintaining the flexibility in system design to move forward in such a way that future improvements and integration will not be derailed by current major projects (in particular the IPSAS/FAS[3] project).

Chapter VI: Assuring the Necessary Human Resources for Emergency Operations

a) FAO should develop a **Core of Emergency Personnel** and beyond that core should be a flexible and competitive contractor of human resources, while avoiding a build up of financial, legal or moral obligations beyond the core. Core staff should be subject to **rotation to the field**;

b) **Pool funding for human resources:** Probably the greatest single constraint to management of human resources for emergency operations is that human resources are largely funded in the field from individual projects. This makes it difficult to plan and retain human resources for programmes, and reduce the costs resulting from multiple transactions. A pool trust fund should be created for emergency human resources;

c) **FAO Representatives** in countries subject to significant emergency risk should have demonstrated competency in emergency operations; and

d) **Human resource development is a priority** especially for core staff. An urgent current requirement is training in planning and in the possibilities for more consolidated and efficient programme management and operations available through FAO processes and IT systems. Non-core staff in countries with emergency operations of longer duration need essential training to carry out their operational duties, especially training in FAO procedures and systems and for professionals, training in the Organization’s policies.

[2] IPSAS – International Public Sector Accounting Standards

[3] FAS – Field Accounting System

Chapter VII: Procurement in Emergency Operations

Procurements accounted for 57 percent of FAO's emergency expenditures in the period 2004-07, there can thus be no doubt of the significance of procurement in any effort to strengthen the efficiency and effectiveness of emergency operations.

a) **Procurement preparedness and meeting delivery deadlines** is probably the greatest single area for improvement. For each major emergency operation there should be an initial procurement plan for the overall programme, as there sometimes is now, and this should be formally updated annually. It should include market research on potential local vendors. For major emergencies, procurement specialists need to be included in both initial and ongoing planning. Also, FAO should not attempt to engage in procurement operations to catch the next planting season when this is an unrealistic goal, as reported by numerous evaluations;

b) The Procurement Service (AFSP) needs to **place greater emphasis on the support function** both for planning and operations, with more delegation;

c) Delegations need to be more differentiated than is the case at present, where they may exceed the capacities of some country offices, while other offices could handle higher levels of delegation with the appropriate support and capacity development; and

d) The balance needs to be adjusted in value for money criteria in procurement, placing reduced emphasis on price which currently accounts for 80 percent of the weight in criteria for purchases, and:

i) taking better account of issues of flexibility to respond to changing exigencies on the ground;
ii) reflecting an acknowledgement that in emergencies specifications cannot always be fully comprehensively specified prior to the invitation to bid and technical and operational judgement must sometimes be exercised;
iii) taking account of the need to give greater weight to information on vendor reliability; and
iv) enabling more flexible preference to national over international suppliers.

Chapter VIII: Building for Sustainability in National Procurement - Institutional Strengthening in and for Developing Countries

How FAO can better strengthen national development while undertaking procurement requires urgent normative work. This function should not be confused with commercial procurement and requires separate treatment and funding. FAO does have a clear policy of supporting NGO development and at the same time acquiring a service through Letters of Agreement. An FAO instrument should be developed to cover flexible procurement of services and goods from the small-/medium-scale national private sector with a capacity building sub-objective contributing to sustainable services to farmers and fishers (including. storage and marketing, boat building and local level supply of inputs). FAO also needs to ensure that its procurement actions do not unnecessarily disrupt nascent local markets.

I. Context and methodology

1. Addressing emergencies constitutes the Organization's Strategic Objective I "Improved preparedness for and effective response to food and agricultural threats and emergencies". Emergency operations now account for well over a quarter of the Organization's total expenditure, almost entirely from extra-budgetary resources. In June 2007, following a series of evaluations of individual emergency operations which highlighted operational constraints, the FAO Council asked that a process evaluation be undertaken to analyse the Organization's managerial, administrative and operational constraints in carrying out its emergency operations[4].

2. The study was carried out against a general background in which the IEE and the Root and Branch Review found FAO to be excessively bureaucratic. A questionnaire to persons working on FAO emergency programmes, many of whom had worked previously for other international agencies, brought similar findings. It was found that many of FAO's managerial, administrative and operational processes and procedures for emergency and rehabilitation programming have evolved ad hoc – as needed. They have not all been systematically documented and institutionalized, and understandings and applications vary even for those processes that are documented.

3. Procedures and rules in other UN agencies were not found to be substantially different from those of FAO. There were usually higher levels of delegation, partly explained by greater capacity of their country presence. There did seem to be greater flexibility in some areas, such as more opportunity to establish framework agreements with suppliers, partly facilitated by the volumes handled. What was different was the intangible factor of culture. Organizations such as UNICEF, UNDP and WFP were much more operationally orientated than FAO. This having been said, FAO business practices have recently been under intensive study and it was found that the concerned managers were in general committed to achieving improvement and progress was made during the course of this study.

4. Unlike the great majority of FAO's evaluations which concentrate on the Organization's relevance, effectiveness and impact, this study deals with operational processes and their efficiency and it is as much a management review as an evaluation. To be useful, this study had to feed into the ongoing reform process. The study was carried out in two phases with initial work by an inter-disciplinary team[5] during 2008. A subsequent phase of the evaluation in 2009 built on the data and information collected during the first phase, addressed areas where further study was required and took into account the implications of the adoption by the Special Session of the Conference in November 2008 of the Immediate Plan of Action for FAO Renewal and the completion of the Root and Branch Review of FAO in April 2009.

5. Over the two phases, the methodology of the study utilized:

a) expert management consultancy input;
b) process and system analysis, including 30 case studies of which 12 were of procurement;
c) institutional analysis;
d) issue oriented interviews and questionnaires to FAO staff, including nine focus groups and interviewing over 170 people;
e) comparative information on other organizations. It was only possible to compare rules and procedures, not the processes in terms of time lines or costs. For human

[4] Report of the 132nd Session of the FAO Council, June 2007 (CL 132/REP paragraph 75).
[5] Pamela Branch, Irene Lacy and Anabella Kaminker. Additional specific tasks were carried out by: Laura Ziankowicz (Procurement); Michael Gotthainer (Finance); Lawrence Christy (Human Resources – Legal aspects); Franco Franchini (Operational Processes).

resources, procurement and information technology, comparisons were made with rules and procedures in WFP, UNDP and UN-OPS, with some reference to other agencies, including WHO, UNICEF and the Red Cross and with ILO for IT;

f) a limited number of field visits, for interviews and factual information gathering (six countries including one Regional Office and one Subregional Office – of which four visits concentrated on IT and the transactions supported by IT systems and two on procurement);

g) review of previous evaluation and audit reports on emergency operations; and

h) consultative sessions with middle-management representatives based on a series of discussion notes.

6. For the purposes of analysing delivery, a snapshot was taken of four years (2004-07) for which firm data was available. While some more recent data is presented, for example on procurement, the countries within this snapshot and the individual projects and emergencies have of course changed over time, a recent example being the European Union Food Facility which is not covered within this period as with the Iraq Oil-for-Food programme which dominated emergency procurement in the 1990s. The four-year sample is, however, considered adequate to draw generalized lessons.

7. This report has deliberately been forward looking and kept as brief as possible. It does not attempt to describe the entirety of the operational processes for FAO support in emergencies or to detail results of focus groups, etc. Nor does the report discuss the many positive aspects of operations. As requested by management, the Council and the Programme Committee, the emphasis of the report is on the identification of issues and the scope for improvements in order to propose potential solutions for the consideration of management and the Governing Bodies, driving towards greater operational responsiveness and efficiency.

8. Immediately following this initial introduction, the report is organized in a series of chapters which work downwards from: overall pattern of emergency operations, their planning and resource management issues; and the business model and the place of decentralization in emergency operations; address the technical and information technology support to the operations and finally examine human resources and procurement systems with a final section on strengthening national capacities, especially small and medium enterprises for procurement and supply. Each chapter starts with some description of the issues and finishes with conclusions and recommendations. They are as follows:

- Predictability in Emergencies and the Application of a Programmatic Approach with Consolidated Resource Management
- FAO's Culture, Business Model and the Role of Decentralized Offices and of Emergency Personnel in the Field in Emergency Operations
- Technical Support to Emergency Operations
- Computerized Systems and Information Support (IT) in Emergency Operations
- Assuring the Necessary Human Resources for Emergency Operations
- Procurement in Emergency Operations
- Building for Sustainability in National Procurement - Institutional Strengthening in and for Developing Countries

II. Predictability in emergencies and the application of a programmatic approach with consolidated resource management

2.1 Predictability and the pattern of expenditures for emergency operations

9. Emergencies are not as unforeseen as is often suggested. Locust outbreaks are subject to early warning, as are droughts. The pattern of spread of other pest outbreaks is also often broadly predictable. Many droughts and floods occur recurrently in the same countries and sub-regions,

such as southern Africa and Bangladesh. Even hurricanes and earthquakes have a certain predictability, not as to exactly where they will hit, but in terms of probabilities for a region.

10. Sixty-two percent of emergency expenditures for the period 2004-07 were accounted for by 13 countries with annual expenditures for emergencies averaging over USD 4 million per year. Thirty-nine percent were accounted for by three countries with expenditures over USD 8 million, i.e. Sudan, Iraq, and D.R Congo (the largest of the programmes, Iraq has been a special case where it was difficult to locate operational responsibilities in the country due to security considerations).

11. Of the 13 countries with average annual expenditures for emergencies of over USD 2 million per year in the 4-year period 2004-07, ten of them had experienced an emergency response ongoing for at least ten years. Sudden onset emergency responses (earthquakes, tsunami, and floods) were found to have a duration of 3-4 years and for droughts the picture was similar and they were also often recurrent.

Table 1: Countries and country groups covered by TCE emergency coordination units with average TCE expenditures[6] over USD 2 million per year in the period 2004-07

	Average emergency expenditure per year USD million	Percentage of total country level expenditures for emergencies	Southern Africa – covered by a TCE technical support hub*	Average expenditures per year USD million	Percentage of total country level expenditures for emergencies
Iraq	18.48	16.8%	Zimbabwe	1.90	
Sudan	16.10	14.6%	Lesotho	0.98	
Dem. Rep. Congo	8.43	7.6%	Mozambique	0.78	
Somalia (office located in Nairobi)	6.08	5.5%	Swaziland	0.70	
Indonesia	5.65	5.1%	Tanzania	0.68	
Sri Lanka	4.65	4.2%	Zambia	0.53	
Burundi	4.33	3.9%	Malawi	0.35	
Afghanistan	4.25	3.9%	Botswana	0.03	
Pakistan	2.83	2.6%	Sub-Total	5.90	5%
Uganda	2.63	2.4%	**Total programme in East Africa and Great Lakes covered by a TCE technical support hub***		
Angola	2.50	2.3%	Burundi*	4.33	
Ethiopia	2.35	2.1%	Uganda*	2.63	
Liberia	2.20	2.0%	Kenya, Republic of	0.83	
Sub-Total	80.48	73.0%	Rwanda	0.10	
* Also included in left hand column			Sub-Total	7.85	7%

[6] Expenditure figures are exclusive of Administrative and Operational Support (AOS).

Table 2: Average of total FAO delivery per annum (2004-2007) USD million for countries with average expenditure over USD 3 million per year and with significant emergency expenditures*

Sudan	20.1	Burundi	6.1
Iraq	18.0	Mozambique	5.9
Afghanistan	15.5	Niger	4.7
Congo, DRC	13.9	Nigeria	4.0
Somalia	8.4	Angola	4.0
Indonesia	8.4	Uganda	3.6
Sri Lanka	7.3	Bangladesh	3.3
Pakistan	6.5	Tanzania	3.1
Ethiopia	6.2	Cambodia	3.0

*Exclusive of Administrative and Operational Support (AOS)

Source: PBE data

* Although these hubs currently only provide technical support, their role could be extended operationally and administratively

12. For the 2004-07 period, there were 18 countries with total FAO delivery (net of Administrative and Operational Support - AOS) of over USD 3 million per year of emergency and development projects combined (all including some emergency projects). In eight of these countries, the Emergency and Rehabilitation Division (TCE) accounted for over 60 percent of the delivery (including Iraq and Somalia which were 100 percent). In five of the countries TCE accounted for under 20 percent of delivery. In a further seven countries out of 29 in which TCE was active and had a total programme over USD 1 million per year, TCE delivery accounted for less than 20 percent of the total FAO delivery.

13. The figures were examined for the 18 countries with significant TCE operations and total FAO delivery (including emergencies) of over USD 3 million per year in the period 2004-07 to see if there were major fluctuations in the period in either total FAO delivery or TCE delivery (see Table 2). Uneven emergency expenditure was generally associated with sudden onset emergencies (earthquakes, tsunami and floods). When total FAO delivery[7] for the countries is considered, only seven of the 18 countries showed a markedly uneven distribution of total expenditure (i.e. under 20 percent of the total over the four years in any one year and for all of these it was in the first year of the period for which figures were examined, i.e. 2004). Considering emergency expenditures in isolation from total project expenditures, the picture was less even. Six countries had uneven emergency expenditure and two had over 50 percent of the expenditure in a single year.

2.2 Planning and programming

14. FAO does prioritize which emergencies are more serious and thus require the greatest attention. However, this is not a formal process and small emergencies in middle-income countries with substantial resources of their own can receive a disproportionate amount of effort. Thirty-six percent of the countries receiving direct, national level emergency assistance (i.e. not through regional or global projects) between 2004 and 2007 received less than USD 500,000 over the 4-year period. Eighty-five percent of these countries were middle-income countries

[7] Emergency and development delivery.

(18 percent upper-middle income). Furthermore, the limited evidence from evaluations on small relatively isolated interventions[8] in both least developed and middle-income countries has shown that they tend to be ineffective (supplies arriving too late, etc.).

15. Both at the start of an emergency and during continuing emergency operations, a coordinated inter-agency emergency response at country or sub-regional level is assured primarily through the UN Consolidated Appeal Process. FAO is an active player in this, primarily through staff at country level. The Organization is required to plan not only for its own actions but as cluster leader for agriculture it must provide guidance for the sector as a whole. With the exception of pests and diseases, FAO's emergency intervention is immediate restoral of livelihoods, leading into recovery. This needs well substantiated inputs into the appeal process in order to make the link to development. It also requires that FAO develop a longer-term vision than the appeal process normally provides. As well as the appeals process, the UN Central Emergency Response Fund –CERF- (see below) requires a very rapid turn-around in proposals and individual donors also expect more elaborated proposals quickly. A programmatic approach is increasingly being developed by FAO for cross-boundary emergency responses in animal and plant health and the new TCE modality of a Plan of Action moves in this direction.

16. There is, however, a natural tendency to wish to get on with delivering assistance, where there is self-evident urgency and this can work against giving adequate attention to forward planning. At the time an emergency first hits, the initial planning tends to have an important influence on the evolution of the response. There are very few funds to enable FAO to prepare its response in advance for certain categories of emergency (e.g. typhoons in Asia) and immediately following an emergency, there are no resources for planning. Once an emergency programme is established, funding is directly connected to that emergency and often to individual projects.

17. There is a lack of programme overview resulting from inadequacies in supporting computerized systems. If projects are adequately coded, the Field Project Management Information System (FPMIS) will support a programme overview, but this is not commonly known or used. The easily accessible reports are project-based which does not allow a manager, whether in the field or headquarters, to look across a whole programme in a country or sub-region or a whole subject matter area such as resources available for seeds purchase or hire of agronomists in a sub-region or country. There are limitations on budget and expenditure information which would facilitate both forward planning and the rational use of resources (see discussion of Information Technology (IT) below).

18. Potential gains from further improving planning and the application of a programmatic approach include maximization of the relevance of FAO's response to needs, an improved basis for prioritizing and justifying the rationale for interventions and an improved basis for justification of a longer-term perspective to the assistance, leading from immediate response to recovery and development. FAO would be better able to integrate its input into the Organization's National Medium-Term Priority Framework and to act as cluster leader for agriculture. Other benefits may include:

a) improved forward identification and management of the necessary human resources;
b) processes for inputs which facilitate rapid action, such as forward tendering; and
c) better involvement of technical inputs up-front in the planning stage, reducing the need for repeated and individual checking of technical specifications, terms of reference, etc. during implementation.

[8] e.g. Southern Africa evaluation for an isolated flood intervention in Malawi, background papers for Decentralization evaluation India.

2.3 Resource mobilization and a programmatic response

a) Context

19. The Emergency and Rehabilitation Division (TCE) currently has the de facto responsibility for interaction with donors on emergency operations, while the overall donor strategy and relation management is managed by the new Office of Strategy, Planning and Resources Management and the Policy Assistance Division.

20. Funding for emergencies, both from donor emergency funds and development funds, are increasingly managed by the donors' country offices, although some donors retain centralized management for emergency funds and all retain some central coordination. Where emergencies are ongoing, the emergency coordinators often develop a relationship with the local donor offices but for new emergencies and in some cases for ongoing emergencies, the role of the FAO Representatives (FAORs) is also essential (see below) and this needs to be fully recognized in the approach to resource mobilization taken by TCE at headquarters.

21. Emergency funding is largely mobilized in response to appeals. Many of the donors have separate funding arrangements for emergencies than those for development with more rapid response times and streamlined procedures, but also with restrictions on the use of funds which are limited to saving lives. Such funding tends to be driven, at least in part, by the media headlines. This inevitably constrains FAO in both adopting a more planned programmatic approach and in achieving a continuum from emergency response to development. Most donors do not support whole programmes but projects within those programmes and many require separate financial and results reporting on the use of their contribution within an emergency response programme. This is changing in line with donors' commitments to the Paris and Accra Declarations, but slowly.

22. Early availability of funds for planning an emergency operation is a particular problem for FAO. In the absence of project proposals, donors will very rarely advance funds for planning. FAO has only two main sources of resources for this, the Technical Cooperation Programme (TCP) and the Special Fund for Emergency and Rehabilitation Activities (SFERA), which, as discussed below, is currently inadequate.

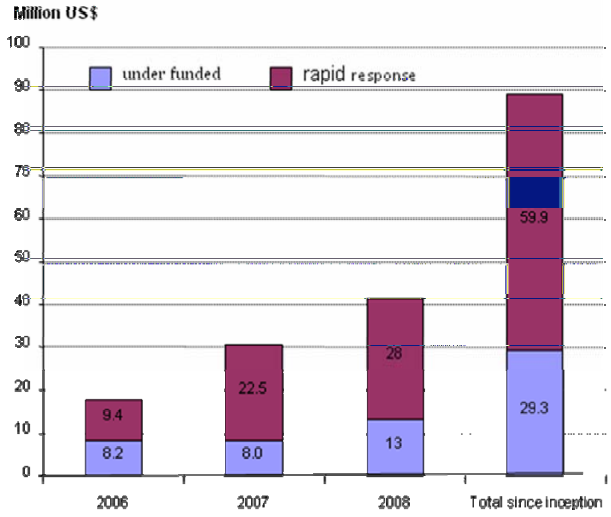
b) Use of the UN Central Emergency Response Fund (CERF)

23. In part to address the problem of availability and consistency in donor funding, the UN Central Emergency Response Fund (CERF) was launched in March 2006, following a UN General Assembly decision[9] and in the year 2008 received some USD 453 million in contributions. The CERF has a revolving fund and a grant facility. Two-thirds of the grant facility's provisions are for rapid-response and one-third for under-funded crises. Early action and response encompasses sudden onset emergencies, rapid deteriorations in existing complex emergencies, response to slow onset natural disasters (e.g. droughts) and time-critical funds to prevent a disaster from escalating, thus reducing its impact and costs. Countries eligible for funding due to an under-funded crisis, are on an agreed list and the priority for grants goes to under-funded elements within the crisis, normally as defined in the Consolidated Appeal. Management is by the CERF Secretariat, within the Office for Coordination of Humanitarian Affairs (OCHA).

[9] UN GA Resolution 60/124 added a grant facility to the USD 50 million loan facility of the preexisting Central Emergency Revolving Fund.

24. CERF contributions to FAO funding have grown considerably from USD 17 million in 2006 to USD 41 million in 2008, when FAO became the fourth largest recipient of the fund and CERF funds represented the third largest source of funding for FAO emergency projects. The emphasis is on supplies rather than human resources for emergency coordination and planning, which can make it difficult to use the CERF in the absence of other sources of funds. Seed aid and the distribution of other farming inputs represent the majority of CERF-funded FAO interventions but other types of projects are developing, such as support to animal health (e.g. in Kenya) and to locust control campaigns as FAO increasingly recognizes the value of the CERF for plant pest emergencies (Yemen, Timor-Leste, Tajikistan and southern Africa). With the development of the FAO Special Fund for Emergency and Rehabilitation Activities (SFERA), FAO has made decreasing use of the CERF loan facility which is slower and more difficult to access.

Figure 1: CERF Grants to FAO for under-funded and rapid response (2006-2008)



25. The use of rapid response grants and of the facility for under-funded emergencies and components of emergencies have both been found to be increasingly valuable tools in delivering a rapid and balanced programme. Thus, in so far as the evaluation could determine, FAO was making good use of the CERF to assure its emergency response. The requirements for rapid development of Flash Appeals within the Consolidated Appeals Process (CAP) and to optimise on the use of the CERF further underline the need for effective and timely planning at country level[10].

c) Predictability in the receipt of funds and the FAO Special Fund for Emergency and Rehabilitation Activities (SFERA)

26. There is no systematic source of data with which to analyse delays in receipt of funds from donors. Projects actually entered in Oracle were examined for the first six months of 2008 to determine the delay between first entry of the project budget and receipt of funds. Of the 72 cases examined with funding from bilateral donors, in 12 of them (17%) there were delays of three months or more, of which the great majority were from just two donors[11]. In a further 11 cases, delays were over nine months and it appeared that the projects would probably never be funded. There were also significant delays in 16 percent of cases for receipt of funds from the CERF and delays occurred in receipt of funds from the Common Fund for Humanitarian Action in Sudan. However, this data understates the problem, as projects are not necessarily entered into Oracle until there is an expectation that funds will be received shortly.

27. FAO only permits a commitment to be entered into against a project, once funds have actually been received. With the establishment of the Special Fund for Emergency and

[10] An evaluation of CERF funded projects is currently ongoing and the report is expected in mid 2010

[11] Italy and USA

Rehabilitation Activities (SFERA) in 2003, FAO took a significant step forward in making it easier to plan, initiate and manage projects and programmes. SFERA has three components:

a) a revolving fund provides advance funding for projects, pending receipt of funds from the donor;
b) funding of assessment missions and emergency coordination units to facilitate rapid planning by FAO following an emergency. Funding under this component may or may not be recouped from later approved projects; and
c) programme funding, to date principally for the Tsunami and HPAI and other transboundary animal diseases but now including an Agricultural Inputs Response Capacity window which is funded by donors from resources pledged under the Food Aid Convention.

28. The first two components for assessment and advance funding were capitalized from TCE's Administrative and Operational Support (AOS) cost receipts, with USD 2 million in 2003; USD 12 million in 2005; and USD 14.2 million in 2008, - USD 28.2 million in total. The other source of funding has been unspent funds from projects which some donors agreed should be credited to SFERA for a total of USD 1.4 million up to the end of 2008, bringing the total received by the fund to USD 29.6 million[12].

29. Up to 31 December 2008, USD 79.4 million was paid out in advances (USD 38.3 million during 2008) and USD 65.6 million paid back. The balance of USD 13.8 million all relates to advances made during 2008, so no advances can be considered unpaid as of the end of 2008. At the beginning of 2009, some USD 13.1 million was available for advances (USD 1.3 million having been used for the establishment of emergency coordination units and for fielding assessment missions of which USD 0.8 million was recouped). Some USD 7.6 million was advanced during the first part of 2009 (up to the end of May) for 15 projects.

30. It seems that many donors do not consider the criteria for application of the funds and the evidence required to be adequately clear and transparent. Project officers complain that they do not have a clear idea of how much money is available in SFERA, what criteria will be applied in assessing eligibility for funds, or the documentation required. The level of understanding outside headquarters is naturally even less. Informal consultation takes place on the possibilities for an advance, so there is no record of requests for advances being turned down. However, the fact that there have been no losses on this revolving fund does indicate that the rules of experience being applied by the TCE Director do provide adequate safeguards.

31. Better data is required to model the revolving fund's total requirement, in order to avoid any delays due to non-availability of funds. Assuming current total expenditure for emergencies is of the order of USD 300 million per year and some 20 percent of this would be facilitated by advances, and the average time for an advance to be outstanding is three months, then the fund would need to stand at USD 15 million (or 20 percent of one quarter of yearly expenditures), which would indicate that the fund is adequate at present. If 30 percent would require advance funding, the fund still remains adequate, but barely so. **Funding is also required for needs assessment and planning of emergency operations and frequently this cannot be recouped from donors so there is an additional element of the SFERA for which there is no replenishment of existing funds.**

32. Although donors recognize that early action is important and a revolving fund helpful, there have not been significant direct donor contributions to the SFERA components for advance funding and for planning/programming missions. There are many reasons for this, including that it is very difficult for donors to justify contributions to revolving funds as distinct from an actual

[12] Funding agreed by donors from unspent balances fell in 2007 to less than half of the 2005 and 2006 levels; and only a few donors have made any contribution at all: 91 percent of the donor funds in SFERA were provided by only six donors – see Issues.

emergency. However, another factor has been the lack of transparency referred to above and the inadequately defined purposes of the fund.

33. Another contributing factor to the lack of transparency is the way in which SFERA is currently structured and thus recorded in the FAO accounting systems (Oracle) which means that it is difficult to extract information. It is not possible to easily identify projects in Oracle which have received SFERA advance or preparatory funding. Tracking outstanding advances is thus carried out manually. The credit for funds to be received from donors is not automatically reduced when the money comes in and is still recorded manually in temporary accounts.

2.4 Managing and administering funds for emergency operations

a) Pool funding and consolidated programme management

34. Although pool funding is gradually increasing, much of FAO's emergency assistance is managed through a collection of projects, each requiring separate budget management and separate reporting to the donor. Consolidation of resources also allows for:

a) personnel to be contracted for longer periods, reducing both their uncertainty and transaction costs; and
b) purchasing and contracting through single as opposed to multiple orders which should allow for savings on price and shipment and reduce transaction costs. In some cases it can facilitate such processes as forward tendering.

35. A **SFERA** component has been designed to facilitate pool fund raising. It has been used primarily for the Tsunami and Avian Influenza (HPAI). Donors contributing funds in this way have accepted that rather than individual project reports, there will be an annual consolidated report to the Finance Committee of the FAO Council. Up to the end of 2008, some USD 40 million had been expended in this way for the Avian Influenza campaign and USD 10 million for the Tsunami, against receipts of USD 53.2 million (of which about USD 43 million was for Avian Influenza)[13]. A programmatic approach is thus being developed for cross-boundary emergency responses, in particular Avian Influenza. However, the funds raised are in all cases subsequently transferred from SFERA to separate projects, in most cases with a single donor, and financial reporting is carried out to donors in line with normal procedures. No actual programme expenditures are incurred in SFERA, which only functions as a temporary pass through channel.

36. There is thus not currently a mechanism for consolidated management of programme funds by country or by emergency.

b) Support costs included in emergency projects

Administrative and Operational Support (AOS)

37. Administrative and Operational Support (AOS) costs are a standard charge on projects to cover the overhead of administering and operating the project. They are included in projects for emergency operations at the rate of 10 percent of the total cost of the project and are released as the budget is expended. Table 3 shows the distribution of AOS between units for 2009. The basis for calculation of the distribution and work load is partly based on time recording through an annual survey and partly on a comparison of the number of transactions performed by different units and for different sources of funds. FAO was a forerunner in introducing a methodology and data to report and review the level of support costs incurred for emergencies, as noted favourably by the Oil-for-Food Investigation in 2004-5[14].

[13] Primary contributors to the SFERA programme component up to the end of 2008 in USD million have been: Sweden 17.6; UK 8.1; Norway 7.8; France 5.9; Finland 3.9; Switzerland 3.7; Italy 1.4; Germany 1.3; Saudi Arabia 1.0

[14] Report of the UN Oil-for-Food Investigation, Volume 5, 2005

Table 3: Distribution of AOS income 2009

		Allocation including non-variable costs
Emergency Operations and Rehabilitation Division (TCE)	60.00%	60.00%
Procurement Service (AFSP)	7.00%	7.00%
FAO Representatives	7.00%	15.30
Shared Services Centre - Budapest (AFDS)	1.70%	6.80%
Central Accounting and Financial Reporting (AFF)	1.40%	5.10%
Programme and Budget (PBEP)	0.75%	0.75%
Field Programme Management Information System, (FPMIS) and overall FP monitoring (TCOM)	0.75%	0.75%
Legal Office (LEG)	0.75%	0.75%
Office of the Inspector General (AUD)	0.75%	0.75%
Evaluation Office	0.65%	0.65%
AFH - Human Resources Management (AFH)	0.50%	0.50%
Allocation for non variable costs	18.75%	---
Total	100.00%	100.00%

38. For the administrative units, the main basis for calculating AOS has been transaction recording, except for procurement (AFSP). It has now been suggested by a management consultant that with work moving upstream and more transaction processing being automated through IT systems, time recording should be given more weight in some of the administrative units where the analysis was until now based largely on transaction related metrics.

39. No system can be totally objective but the proposed changes could reinforce some inconsistencies and perverse incentives in the current system:

a) As allocations under the Regular Budget are not as closely linked to workload as those for extra-budgetary resources, there would be a perverse incentive for administrative and financial units to overstate the proportion of their time which they spend on extra-budgetary work in general and emergency operations in particular;
b) There is no reason to disregard the proportionate number of transactions as a criterion in allocating AOS in procurement (AFSP). If this were taken into account it would raise questions about the percentage of the allocation to AFSP for what it currently does[15]. If, however, AFSP were to devote more resources to upstream

[15] Under the current AOS allocation formula AFSP can expect to receive USD 2.4 – 2.5 million per year in TCE -AOS. This figure compares with USD 1.95 million in the allotment to AFSP from Regular Budget and other income sources. AFSP has estimated that half its complex procurement actions (average about 300 per year) and only about 25 percent of its simple procurement operations are undertaken for TCE (total average 1,700 year). The ratio in staff time between simple procurement operations and complex is 1:3.3. This implies that AFSP should be devoting one third of its total resources to emergency operations, whereas it receives some 56 percent of its total income from emergency AOS. In addition, the professional officers handling procurement in the three countries referred to above are paid directly by TCE and TCE is supporting transaction processing in the Shared Services Centre. AFSP staff time on procurement missions is not charged separately to TCE but travel is.

work, in particular planning and support to the field, the allocation would be fully justified (see discussion of procurement below);

c) The system based on actual time spent provides no incentive to efficiency gains that reduce the time spent on emergency operations. For example, new procedures have been developed for procurement and to some extent for human resources that reduce the handling of actions as exceptions or waivers. Thus, the work involved is decreasing but this seems to be less the case for the financial rules;

d) It is difficult to see why there should be any allocations regarded as non-variable and allocated to units as part of the regular allotments. There are some posts in administrative units designated to deal exclusively with extra-budgetary resources but this is the case of TCE itself;

e) The system makes no provision to cover some general overhead costs such as those for office space;

f) It is now agreed that a more satisfactory way needs to be found of calculating the decentralized workload. Also, the allocation to FAO Representations (FAORs) has been managed by the central unit which until the end of 2009 had been responsible for the FAORs (OCD) and unlike for development projects, the methodology for transfer of emergency AOS was not transparent. It is not clear that it has necessarily gone to FAO Representations in direct relationship to the extent of their support for emergency operations;

g) **The AOS allocation to TCE** (60 percent in 2009) is difficult to assess precisely. TCE has received more resources than would be indicated by work measurement and it has had a positive balance at the end of each biennium which has been used for funding of the Special Fund for Emergency Relief Operations (SFERA) and:

   i) improvement in administrative and operational support (e.g. IT projects);
   ii) inputs into planning and field support by other units;
   iii) direct support of some administrative operations; and
   iv) inputs to operational support in technical divisions.

   This report proposes that through a system of competency assessment TCE human resources in the field should take on increased administrative tasks, currently performed by AF units (e.g. in procurement). This would result in a workload shift to TCE.

Funding technical support (TSS)

40. Donors, and indeed, desk officers within donors vary in the extent to which they agree to technical support services (TSS) being written into project budgets and it seems that TCE officers vary considerably in their insistence upon this. Some donors, in particular the European Union Commission and the USAID/USDA are particularly resistant. As a policy FAO TSS has been agreed at a standard six percent for locust and animal health emergencies but not for other categories of emergency projects, where technical inputs have to be negotiated. Similarly, although FAO has a clear policy and Council decision on the inclusion of a budget provision for evaluation, this is also not accepted by all donors. FAO's comparative strength is as a technical agency and although there is a valid concern from donors that technical inputs above a technical overhead charge should be clearly specified, it is clearly unacceptable that reasonable technical support should either end up as a charge on the regular budget or have to be negotiated.

Security costs

41. Security expenditures for personnel and goods can be an important cost in emergency operations and are budgeted separately but, as with TSS, this is not always adequately covered and there is no mechanism for providing an overall security reserve. Security and emergency evacuation costs may arise unpredictably. This is especially the case for countries with a high level of insecurity (UN Phase III).

Continuity of funding between biennia

42. Budgets and expenditures of trust funds are over the life of the trust fund and as extra-budgetary resources, Administrative and Operational Support (AOS) and Technical Support (TSS) were previously handled in this way. Following an audit observation, this was discontinued and they are now handled in pool funds subject to the same restriction on carryover between biennia as the Regular Budget of the Organization. The Independent External Evaluation of FAO proposed that it should be possible to roll over a proportion of the entire organizational budget between biennia (positive or negative) to smooth expenditure. Nowhere is this more important than with AOS and TSS income for emergency operations, due to the fluctuating income from short-term projects and the necessity for coherent programming of administrative and technical support. At its meeting in September 2008[16] a carry-forward mechanism was agreed in principle by the Finance Committee, which requested management to make detailed proposals. No such proposal has yet been put to the Finance Committee.

c) Responsibility for administrative and technical actions

43. This report makes a number of proposals to strengthen the pools of persons who may receive specific delegated administrative and technical responsibilities and for more differentiation in the extent of delegations. These proposals include provisions for ensuring certification of competencies, adequacy of system support and segregation of duties.

44. **Persons on non-staff contracts:** An important limiting factor in emergency operations is that persons serving under non-staff contracts, who form a large proportion of the human resources, are not permitted to take any responsibilities on behalf of FAO. It has always been the position of the Organization that such persons cannot take financial, administrative or technical responsibilities. This, however, is in many ways an oxymoron because, non-staff personnel would not be contracted at all if they were not required to undertake responsibilities on behalf of FAO. Companies and institutions under contract undertake responsibilities as specified in their contracts or letters of agreement (LoAs), including handling payments. Thus, what persons can or cannot do is a matter for specification in their contracts (as a person is also a legal entity). In some ways it is also easier to apply sanctions for any breach by such personnel as they are not under secure contracts, as is the case with staff.

2.5 Conclusions and recommendations on application of a programme approach and consolidated resource management

45. **Recommendation 2.1: In considering business arrangements for emergencies at country level the totality of the FAO programme (development and emergency) should be a determining factor, not just the size of the emergency operation.**

46. **Recommendation 2.2: Planning for emergencies and application of a programmatic approach:** Almost all of the larger emergency operations continue for periods of more than three years, and emergencies and emergency operations are much more predictable than is generally assumed. Particularly where a medium-term (3 years) or longer duration for the emergency operation can be foreseen and when emergencies are recurrent due to droughts, floods, etc. The planning for emergencies and application of a programmatic approach is steadily improving and significant barriers to the application of a programme approach remain outside FAO's control. However, the pattern of response and procedures in place in FAO are often largely geared to an unpredictable emergency situation where operations kick-in from planning on up when the emergency strikes:

[16] FC 123/11 – CL 135/8.

a) Development of the emergency programme should be closely coordinated with the development priorities and programme of FAO in the National Medium-Term Priority Framework and this requires:
   i) TCE and the FAO Representative to work in an integrated manner for both planning and resource mobilization; and
   ii) the emergency operation to be designed as a whole in such a way as to lead naturally into recovery and development with subsequent transfer of operational responsibilities to the FAO Representative;

b) Response during the emergency, although better planned, still often continues to be seen as a series of projects. This can lead to both inefficiency and a sub-optimal response in terms of timeliness and appropriateness. Improved planning and programming should address:
   i) overall preparedness planning for predictable and recurrent emergencies (e.g. hurricanes, floods, droughts and locusts);
   ii) immediate post-disaster assessment and planning; and
   iii) systematic review and adjustment of ongoing responses to emergencies where the response has several years' duration.

47. **Recommendation 2.3:** There is still **inadequate prioritization** of FAO support in emergencies and an internal working framework is required for this:

a) There is a strong case for FAO not supporting small isolated interventions but if it does so this can often best be directly handled by the country offices;

b) Selected categories of emergency should be prioritized on the basis of their severity in terms of human livelihoods and frequency, e.g.:
   i) drought in the most susceptible areas of Africa (southern Africa, the Horn, Sahel);
   ii) typhoons and tsunamis in Asia and hurricanes in Latin America and the Caribbean;
   iii) floods in countries such as Bangladesh and in southern Africa; and
   iv) permanent and temporary resettlement of displaced persons;

c) **An overall intervention strategy for each category of emergency** should be developed, underpinned by comprehensive and subject matter specific check-lists and examples of previous responses to form the reference for planning the immediate response when an emergency occurs. These strategies will be useful not only to FAO but to other agencies in FAO's role of cluster leader for agriculture and fisheries. In this context, it may be noted that if the FAO subject matter technical structure were allowed to drive this, the result could well be a strategy by technical subject matter (e.g. seeds), rather than type of emergency. This would not be desirable, as those responding to an emergency on the whole of FAO's mandate need a consolidated guide for that category of emergency, not a set of guides that deal with all categories of emergency for individual technical areas;

d) Advance planning in ongoing emergencies may include, **pre-development of programme documents** as has apparently been done in some countries facing complex emergencies, including Sudan. Programme documents may also be developed in advance in predictable emergencies such as droughts before the emergency is declared;

e) Establishment of internal FAO **networks included in the results based programme of work and budget framework to support the development of each strategy or category of emergency with a formalized review process annually or biennially,** would both strengthen the strategies and help to close the technical and administrative learning loops;

f) Major emergency responses generally last several years and may extend for even a decade. Review and re-planning during the process is thus important but tends to be *ad hoc* and fragmented. For major emergency programmes, in addition to any individual support from various units, a **formal programme review should take place every one or two years** involving technical, operational and administrative units; and

g) TCE should also require officers at both headquarters and in the field to regularly compile their anticipated input requirements and source of funds. This could enable further pooling of resources and joint funding of some recruitments and purchases, etc.

48. **Recommendation 2.4: The current arrangement for resource mobilization for emergency operations** with TCE taking the lead works well and there is no requirement to change it. However, the responsibilities do need to be formalized between FAO units, including the decentralized offices, both for clarity and to reduce transaction costs in the resource mobilization processes.

49. **Recommendation 2.5: Funding for planning and preparatory work at country level** is a major constraint, especially for a new emergency. FAO is called upon to plan not only for its own actions but as cluster leader, also for the actions of others. There is a need to **markedly increase the availability and use of funds under the Special Fund for Emergency and Rehabilitation Activities (SFERA) component for preparatory work at country level** and the maximum for each planning and programming intervention considerably increased. More substance-based criteria need to be developed for how much can be funded and what emergencies will qualify. The maximum level is currently set at USD 40,000 per intervention. This would support an emergency coordination unit for about two months or about 40 days of consultancy in the field for assessment. Depending upon the scale of the emergency, this could be adequate or totally inadequate.

50. **Recommendation 2.6:** In the interests of transparency and funds management, it is recommended that:

a) SFERA be split into separate funds for the two existing components on i) advance funding for projects and programmes and ii) funding of assessment and planning immediately following an emergency and initial establishment of emergency coordination units;

b) **To encourage Pool/Programme funding by donors and facilitate management, multi-donor projects should be set up (sub- funds in SFERA) much more flexibly than at present for all major emergency interventions,** so there would be separate funds such as Horn of Africa, Afghanistan, D.R. Congo and Haiti. Each of these funds should be backed by a programme document, including clarity of objectives and indicators and such documents should be flexibly revised in line with changing realities, including funds available.

51. **Recommendation 2.7: For SFERA advance funding:**

a) **Programme advances:** Consideration should be given to extending SFERA advance funding beyond an attachment to individual projects so that if a major emergency occurs which can be expected to attract substantial donor funding, an immediate advance could be made for the programme as a whole. Agreement would be necessary with a minimum of major donors that they would accept that projects be subsequently charged back for the expenses incurred and criteria developed for the triggers of such funding. Systems would also have to support such back charging;

b) **Criteria** should be developed and published for SFERA advance funding, together with the necessary documentation requirements, while keeping them simple. It is suggested that these criteria should not only specify the types of emergency but also the size and the income level of the country (donors would have more confidence in a fund limited to LDCs and lower middle-income countries). If this were not acceptable for SFERA as a whole, a window of the SFERA could be restricted in this way, without being overly restrictive in the development of criteria and allowing an element of discretion:
   i) maintain an updated list of emergencies eligible for SFERA advance funding;
   ii) maintain a list of donors whose projects could be eligible for SFERA advance funding on the basis of their reliability in providing the funding promised;
   iii) decision criteria on the eligibility of individual projects for funding and its level may include such further factors as:
      - length of anticipated delay in receipt of funds;
      - uniqueness of the contribution of the project (if the project only increases the available funding for an ongoing component within the emergency response, there is likely to be less reason for advance funding); and
      - level for advance funding in terms of the total budgeted expenditure for year 1; and

c) **Delegations for advance funding:** Once clear procedures are in place, it should prove possible to delegate approval to service chief level or below.

52. **Recommendation 2.8: Pool funding for human resources, procurement, etc:** Pool funding should be further developed for improved programme management, including human resource management and procurement. This type of funding allows for consolidation, continuity and more efficient and flexible use of resources. The pool would procure the human resource or the input and the individual projects, AOS or TSS would purchase from the pool. Slightly higher charges for the procurements from the pool than those paid by the pool would facilitate meeting management overheads, building up risk reserves and flexible management for advance purchasing, etc. This is a very similar concept to that for temporary assistance personnel (TAPs at General Service level). The pools should be operated as trust funds, not pool accounts, as the origin of the resources is extra-budgetary and there needs to be full carryover between biennia.

53. **Recommendation 2.9: Costs for Administrative and Operational Support (AOS), Technical Support Services (TSS), evaluation, reporting and security:** The Organization has a clear policy backed by Governing Body decisions for the inclusion of AOS funding and evaluation funding in project budgets but there is no such policy for the levels and modalities of TSS and security funding. A clear policy now needs to be developed for TSS and approved by the Governing Bodies. Although a policy is in place for evaluation funding, this is not accepted by all donors. Once these policies are all in place, any departure from them in agreements with donors should only be on an exceptional basis and with the clear endorsement of senior management.

54. **Recommendation 2.10: The methodology for the distribution of AOS** income should be improved to limit perverse incentives and take into account qualitative criteria which should be clearly stated and avoid increased costs regardless of workload meaning increased reimbursement:

a) Targets should be established for efficiency improvement by units receiving AOS income and incentives provided for their achievement;
b) This report makes a number of further recommendations which, if implemented, will require initial funding, for example expansion of the Special Fund for Emergency Relief Operations (SFERA) planning/programming facility and pool funding, especially for human resources. It is proposed that future funding of

SFERA and seed money for pool funds such as that proposed for human resources, should not be treated as a residual to be funded from any balance in the AOS income at the end of a biennium, but that a specific planned allocation be made from AOS for these purposes;

c) The present allocation system for costs regarded as non variable during the biennium should be discontinued and all AOS allocated on the workload formula; and

d) Overhead costs such as office space should be covered from AOS, using the indicators used for projects based in FAO offices (it would be most desirable if all budgets were charged for these overhead costs in the same way regardless of whether regular or extra-budgetary).

55. **Recommendation 2.11: Security expenditures** must be adequately covered and are an important area for reserve pool funding against project budgets.

56. **Recommendation 2.12: AOS, TSS and security funding income are extra-budgetary and should be retained in trust funds** for use as discussed above. If for any reason this is not possible, a mechanism for **carryover of AOS and TSS income (positive or negative) between biennia** should be put in place for the 2012-13 biennium as agreed in principle by the Finance Committee.

57. **Recommendation 2.13: In allocating TSS,** there has been discussion for some time on the extent to which the transaction-heavy charge-back system should be used for technical support and the extent to which a payment should be made to the responsible technical unit which then organizes the work. This has no simple answer but for standard technical support, separate charge-back for each action is transaction-heavy. There does, however, need to be a system for audit of the extent to which services are actually provided and specific inputs against project budgets, such as technical missions, may often be charged separately.

58. **Recommendation 2.14: Persons on non-staff contracts and delegations of authority:** FAO rules should be changed to permit persons contracted under non-staff contracts to exercise delegated responsibilities for financial, administrative and technical actions on behalf of the Organization, with clear specification of responsibilities in the contracts and with a requirement to demonstrate the necessary competencies.

III. FAO's culture, business model and the role of decentralized offices and of emergency personnel in the field in emergency operations

3.1 The FAO culture and organizational arrangements and their implications for operational effectiveness

59. In the course of preparing this evaluation, various comparisons were made with other agencies such as WFP, UNDP, UN-OPS, WHO and UNICEF. This was against a general background in which the Independent External Evaluation of FAO (IEE) made a study of FAO's culture and found it was not fit for purpose. The Root and Branch Review found FAO to be excessively bureaucratic and a questionnaire to persons working on FAO emergency programmes, many of whom had worked previously for other international agencies, voiced similar concerns. The comparison with other agencies did show differences in levels of delegation, partly explained by greater capacity of their country presence but processes for commercial purchasing, human resource management, etc. were not substantially different. The other agencies did in some cases have modalities which do not exist in FAO, for example for vouchers for inputs or food. The major difference was a less tangible factor of their business culture, the other agencies were more operationally oriented and more flexible.

60. FAO is changing. In addition to the organization-wide culture change initiative, TCE has initiated an internal participatory change management process. Substantial increases in delegation and reductions in requirements for reference to committees are underway, for example in procurement (see below). During the course of this study, evaluators witnessed changes for the better in both practices and attitudes. However, it was also observed that the excessively bureaucratic culture is deep-rooted with many contributing factors. Some units and staff continue to react to goals for change with reasons why it is not possible to move forward, rather than suggestions for how to make change happen. The defence of institutional units' practices, authorities and staffing remain important impediments to strengthening operational effectiveness.

61. The IEE in paragraph 917 of its report noted that "among the defining characteristics of deeply hierarchical organizations such as FAO is the amount of time taken up in formal meetings. Throughout the interviews and focus groups, adverse commentary was made by employees and managers alike on the amount of time that senior staff meet in committees. While the purpose of internal committees may have been to promote corporate ownership and participative decision-making, they seem to have become viewed in FAO at least in part as a means of avoiding individual responsibility for decision making, thus reducing the accountability of staff". To this might be added the amount of time spent in less formal discussions at each stage of the operational process. This is not to suggest that there are not stages of the programme cycle when discussion of substantive matters is extremely important. This is especially the case at the planning stage and the stages of review and adjustment discussed above, but in operational management, there should be much less requirement.

62. The IEE also identified the excessive involvement of numerous levels of the hierarchy in relatively minor decisions. Delegations have been increased but this evaluation found that there is often an expectation that there will be consultation upwards, even when this is not required by the rules. Another factor is also the number of staff in both FAO country offices and in managerial positions in FAO who have not come from a background of being senior managers, and/or came from a highly bureaucratic organization outside FAO and are unsure of themselves in taking responsibility.

63. The Organization is now shifting towards a greater emphasis on ex-post controls and risk-based audit and inspection. However, there continues to be an emphasis on observance of rules as distinct from risk of fraud, collusion or failure to achieve value for money. AFS and TCE

also observed that, depending upon the author and the terms of reference, there was inconsistency in both audit and evaluation recommendations, with some emphasizing efficiency and value for money and others strict rule observance. Incentive structures in terms of career advancement may to some extent favour those who get the job done well but failure to explicitly follow rules can certainly quickly deliver negative reactions.

64. **Individual donors** such as the European Union Commission and the Global Environment Facility have required changes in some FAO rules and processes. Sometimes, but not always, this is for the better in emergency operations but the Organization has normally complied in order to be eligible for funds.

65. **The culture of the Governing Bodies** is also an important constraint. Many, including members of the Governing Bodies themselves, have observed that, even when the same individuals are involved in national delegations to WFP, IFAD and FAO, they will behave differently in WFP and IFAD from the positions they take in FAO. Delegations seem to regard WFP and IFAD as operational in a way which they do not seem to think of FAO. Especially in WFP there appears to be a greater acceptance of risk. This acts as an important brake on the reform of financial, administrative and human resource processes and procedures in FAO for greater efficiency and responsiveness to needs.

66. The implications of this culture in decentralization, delegations of authority, etc. are addressed below but some of the cross-cutting institutional issues are dealt with here:

a) There is no overall managerial governance of financial, administrative, and operational systems and processes and the related computer system support. As discussed particularly with respect to information technology below, this leads to partial and overlapping systems which are not designed to fit the overall purpose but rather bits of the picture, depending on the responsibilities and goals of their parent units. An encouraging development is the establishment of a small cross-cutting business process improvement unit;
b) The approach to assessment of field capacities for decentralization of operational activities and authorities is fragmented, and thus both partial and costly as various units carry out their own assessments or fire-fighting. Not only are development and emergency operations treated separately but procurement, human resource handling, financial systems and computer connectivity, system access, etc. are all dealt with individually; and
c) Business processes are not documented as a whole but also largely in terms of individual systems. Training also tends to be in individual systems and processes. Help desks are for individual processes and/or IT systems.

3.2 Decentralization to the country level

67. TCE's retreat (March 2009) considered decentralization and delegation to be one of the urgent priorities to improve FAO's operational effectiveness in emergencies.

68. Currently TCE is the budget holder and thus final decision maker for almost all emergency operations, whereas for development projects this responsibility is normally assigned to the FAO Representative (FAOR), although authority for development projects may be limited in practice. For some emergencies, responsibility is delegated to FAORs and de facto through them, in some cases, to emergency coordinators. TCE project officers at headquarters vary in the extent to which they transfer budgets for local purchasing, contracts and human resources directly to the FAOR. There are no central guidelines for this and some may allocate all the budget in a project for procurements, etc. immediately, while others send it in tranches, in order to maintain tighter control. By value the percentage of financial transactions entered into the computer (initiated) outside headquarters for emergency operations rose from 26 percent in 2004 to 49 percent in 2007 and these trends have continued. Overall, the proportion of all types of

transactions being handled by country offices, ultimately under the authority of FAORs (usually acting on the advice of the emergency coordinator), have been steadily rising.

69. From January 2010, purchasing and contracting can be carried out by FAORs within the budget available up to a limit of USD 100,000. The authority level for recruiting local human resources on the UNDP salary scale also rests with FAORs but it remains unclear to many FAORs if they can in reality recruit at the top of the scale. There is no delegation for international recruitment, including of short-term consultants and both purchasing and local human resource hiring are subject to technical clearance (see below). Following the placing of an international administrative officer in the FAOR's office, higher delegation levels may be allocated to the FAORs for procurement (currently the case in Afghanistan, Sudan, and D.R. Congo). It should be noted, however, that the delegation is to the FAOR and, if the FAOR is transferred, the delegation level may be cancelled, regardless of the capacity of the office. Allocation of the budget in tranches may be used by TCE operations officers as a tool to limit field authorities.

70. Examination of the allocation of budget holder responsibilities and operational responsibility (operations officer) found only one case of a small project where budget holder responsibility was allocated to an officer in the field. No case was found of outposted emergency operations officer responsibilities.

71. FAORs responding to the question put by this evaluation: "Would emergency operations be conducted in a more efficient, effective and integrated manner if your Office were assigned budget holder responsibility for them?" – replied yes always in 62 percent of cases and in a further 16 percent replied yes often. In response to a further question on priority actions to improve purchasing, by far the highest priority was accorded to raising the level of delegation to FAO Representations and the second highest priority to increasing the number of procurement actions carried out at country level. Only 4 percent of respondents accorded high priority to increasing purchasing at headquarters. However, when FAORs were asked the question, "Does your Office have the tools and capacity to adequately oversee the implementation of emergency operations?" only 43 percent of respondents, replied often or always. In other words, although the great majority of FAORs responding to the questionnaire considered that they should be delegated budget holder responsibility, less than half of them considered that they had the capacity and tools to currently properly handle that responsibility. There are frequent complaints of FAOR offices which enter transactions against incorrect Oracle budget codes and fail to adequately know the rules pertaining to contract issue and use of letters of agreement, etc.

72. The limited information available on emergency operations from evaluations on countries where emergencies were relatively small and formed a minority of FAO's expenditures showed that these tended to be the situations in which TCE delivery was slowest (i.e. the argument that handling the intervention from headquarters permitted a rapid response did not hold true). The situation is well illustrated by Latin America and the Caribbean. In the period 2004-07, 13 countries in the region received emergency assistance. Of these, five countries averaged net delivery (excluding AOS) of over USD 1 million per year for the total FAO programme and only one had average expenditures of over USD 3 million (Colombia). Of the countries with expenditures of over USD 1 million per year, in only one case did emergency expenditure make up over 11 percent of the total, i.e. Haiti where it was 61 percent. In seven of the 13 cases, TCE delivery over the four years was under USD 500,000 (in four of these cases under USD 150,000).

73. If an FAO office is in a position to handle adequately the volumes of development expenditure, and some are experiencing difficulties in this regard, it is difficult to imagine that they could not better handle most small emergency operations than headquarters, with the possible exception of cross-boundary emergencies in plant and animal health.

74. TCE already strengthens FAO's country level capacity for emergency operations and where emergencies are larger, based on the criteria of duration of the emergency and total volume

of transactions, there will be cases where the country offices need to be strengthened to take full responsibility for the emergency operations.

75. It tends to be assumed that in-country budget holder responsibility could only be assigned to the FAOR. There could, however, be more flexibility in this regard. If the primary decision making is being undertaken by a senior emergency coordinator or in-country based operations officer, the FAOR is being asked to take final responsibility for matters on which he/she may not have the time, or in some cases the competencies. However, the Finance Division (AFF) prefers to have only one imprest account per country, a case of one small part of the modality ordering the whole system. It is clear, however, that if budget holder responsibility is to be assigned to an FAOR (or other person not directly reporting to TCE), this must be on a case-by-case basis. TC Department should judge the FAOR's competencies to fulfil the task and the FAOR must report to TC Department for that aspect of their responsibilities, which is not really the case at present.

76. FAO generally operates independently of other UN agencies, with respect to its field operations. Issues such as the separation of responsibilities for requesting, authorizing and paying for transactions might sometimes be handled with the involvement of another UN agency (normally UNDP or WFP). Both UNDP and WFP have indicated that they could not currently consider a central agreement on this and it would need to be negotiated office by office, which may not be realistic. However, on an ad hoc basis for such matters as bid review panels and selection panels, other agencies could be used as well (it seems that this is an approach employed by several of the other specialized agencies and on occasions at their own initiative by FAORs). When UNDP cooperates in this way, it does so at no charge but such inputs do become very much dependent upon goodwill.

77. An argument advanced against any further decentralization is that it would make it more difficult to develop programmes and manage them across many projects with different field managers. This argument is valid for major cross-boundary emergencies in plant and animal health and may have some validity in the case of emergencies affecting a sub-region such as droughts in Africa, where some of the personnel may be dealing with a group of countries. It seems to have less validity for small isolated emergencies and for major national ones. Frequently, donors, including the European Union Commission, the World Bank and many bilateral agencies are increasingly delegating all or part of their decision making on funding to the country level. Flash appeals and funds from the UN Central Emergency Response Fund (CERF) are also primarily handled at country level. An important area for delegation in decision making has thus been project/programme formulation and agreement with donors. However, headquarters can also act as a filter and delaying mechanism, without significant value added when the best knowledge of the situation is already in the country or sub-region with the emergency coordination team. Such considerations become key when a rapid turn-around time is viewed as an indicator of organizational capacity by the donor. At the same time, many donors hold some or all emergency funds centrally and decide on their use from their capitals. The close involvement of headquarters thus remains essential in overall donor liaison, programming and agreement on projects funded centrally.

78. It is sometimes argued that further decentralization would introduce a filter between TCE managers and decision making, but in many cases the additional layer in the system is not the staff in the field but an operations officer in headquarters. Although, de facto, many of the operational and budget decisions are already made in the field, full accountability is not allocated there and the transaction processing chain is of necessity longer, because of the need to ratify actions in headquarters. At the same time, TCE desk officers and more senior managers cannot hold the FAORs directly responsible.

79. The issues were very well illustrated by the recent evaluation of FAO's work in Tajikistan[17]. This evaluation found that almost all the administrative actions for Tajikistan were taking place in the country and were only checked and entered in headquarters. This notwithstanding, the cost of the country coordination office, which averaged some USD 321,000 per year for the two years 2007-2008, was all charged directly to project budgets. The income to TCE from administrative and operational support (AOS) and direct charges to project budgets comfortably exceeded this.

80. The ratio of TCE operations officers to delivery is about USD 3.3 million per officer per year. There is no benchmark for comparison with other organizations because both the organizational arrangements and the nature of the work is different but this ratio in FAO has not declined in line with the expansion of TCE capacity, delegations to FAORs outside headquarters and the increased establishment of country level emergency coordination units. From the list provided by TCE in 2008 there appear to be around 67 professional and D1 staff with operational responsibilities at any one time. As there were only 12 countries excluding Iraq which averaged expenditures of over USD 2 million per year in emergency expenditures, it is difficult to see why some of this capacity could not be rotated through the field offices allowing a shortening of the transaction chain[18].

81. An additional consideration in whether decentralization to the country level is desirable, concerns the country context. In some countries the nature of the emergency is in part, or in its entirety, because of a conflict between one or more parts of the country and the central government. In such cases, it is generally less effective to manage emergency or development interventions from a central country office, but this does not necessarily rule out delegation to an emergency coordinator.

3.3 Regional Offices and headquarters

82. It is clear that decentralization should always increase efficiency and not markedly raise the level of risk of fraud or poor technical decision making. There has been a tendency to equate delegated authority with processing transactions in the FAOR or emergency office. For reasons of computer connectivity, separation of authorities and having staff with the adequate computer skills, there can sometimes be a case for carrying out transaction processing at a different location from the responsibilities of budget holder or transaction initiator. In other words, an operations clerk in FAO headquarters or a Regional Office could well be the most appropriate person to make system entries in some cases, reinforcing segregation of responsibilities and above all overcoming the problem of access to systems by experienced personnel. Indeed, as discussed below, while in some cases further decentralization is fully justified, in other cases a degree of recentralization to headquarters or the regions may be appropriate. Preconditions for Regional Offices include IT connectivity with the concerned countries, at least as good as those with headquarters. Reasons for delegation and or transaction processing at regional level, rather than at headquarters or in the country could include:

a) lower cost of staff with the necessary competencies, including for transaction processing;
b) time zones with the concerned countries in which there are emergency operations;
c) hub for and/or familiarity with local markets; and
d) familiarity with the countries concerned.

83. TCE operates technical support hubs in Johannesburg for Southern Africa and Nairobi for East Africa and the Great Lakes area, but does not assign budget holder or operational responsibility to these hubs. Southern Africa (excluding Angola) had an average total emergency

[17] Evaluation of FAO Activities in Tajikistan (2004-2009) Final Report July 2009

[18] TCE has already undertaken some work on developing criteria for the delivery by operations officers

expenditure of USD 6 million per year and East Africa, excluding Ethiopia and Eritrea almost USD 8 million per year in the period 2004-07 (see Table 1), thus rendering the technical hubs potential sites for bringing together operational and technical support. In this respect connectivity would be less of an issue in Johannesburg than Nairobi, and considerations of investment in Nairobi could also be justified to serve Somalia.

3.4 Conclusions and recommendations for the FAO business model and decentralization

84. **Recommendation 3.1: Culture change and business practices:** FAO is addressing culture change and none of the factors discussed above are unique to FAO. However, taken in total, they produce hesitancy in decision making and a tendency to consult widely before acting on operational matters. They also impede administrative reform and reinforce a control oriented culture, rather than one driven by service and results. This may stop some mistakes being made but it increases transaction costs in a way which is difficult to quantify and slows up emergency operations. Culture and institutional change for emergency operations needs to be mainstreamed. Ways of achieving this may include:

a) ensuring that the individual responsible for an emergency operation has the necessary competencies and is empowered to take full responsibility for delegated authorities which may include vesting budget holder authority in the emergency coordinator or an outposted TCE operations officer[19]. In TCE itself, it often requires removing the operations officer layer in headquarters with responsibility for major operations shifted to the field, usually with an outposted operations officer. Delegations should also be codified between the director and service chiefs, and especially the delegations within services which should be differentiated depending on the competencies of individuals, but nevertheless clear;
b) clarifying responsibilities, including for technical clearances (see below);
c) clarifying those points of the operational cycle where a high level of consultation is desirable and with whom and those points of the cycle where extensive consultation is unlikely to be cost-effective;
d) Staff performance assessments covering:
   i) willingness to take and exercise responsibility; and
   ii) willingness to delegate responsibility within clear guidelines;
e) more critically examining the insistence of donors on changes in FAO rules and procedures, and where the volume of resources justify it but the change would not bring about an overall improvement in FAO business practice for emergencies, introducing a process change for that donor only;
f) the management taking a more proactive role in explaining to the Governing Bodies when micro-management from the Governing Bodies is occurring and the implications for costs and results of processes, as well as the risk elements;
g) coinciding with the appointment of a Deputy Director-General Operations, the establishment of an overall governance structure for administrative and operational business processes, including the IT systems. This and the integration and improvement of process and management and management arrangements across the Organization as a whole will be further assisted by the strengthening of the new Business Improvement Unit;
h) making a holistic assessment of the operational capacity and needs of FAO in each country in terms of connectivity, IT equipment and administrative/operational human resource capabilities and numbers. This should be regularly updated and cover the capacity in both FAO Representations and field programme offices, including those for emergency operations; and

[19] If the TCE operations officer does not have purchasing and human resource procurement authority, in which case there would not be a separation of responsibilities.

i) providing support to field and headquarters through:
   i) development of user friendly business process documentation, including the various IT systems for field and headquarters staff, the technical guidelines discussed below and data bases for procurement, country specific standard cost tables for all types of human resources, etc.;
   ii) higher priority to providing job relevant training for administrative and operational human resources in the field, regardless of their staff or non-staff status; and
   iii) establishing a single help desk, as a one stop shop for administrative and financial processes and the related IT systems, with nodes in selected decentralized locations to ease accessibility over time zones, languages, etc.

85. **Recommendation 3.2: Considerably greater decentralization by TCE** of its operations is needed but this must be differentiated. Large continuing emergency programmes[20] constitute over 60 percent of the TCE portfolio and are a clear priority. As is evident from the above discussion of total annual volumes of expenditures, there is an exaggerated perception of the quantity of emergency transactions at country level for many of the other country offices and, together with it, the extent of decentralization which can be well supported and justified. At the same time, the tendency to view the emergency programme in isolation from the development programme, from an operational standpoint, takes no account of the total volume of project activity in particular countries and the capability of the FAO Representation and/or emergency coordination office to execute relatively large programmes. **TCE must maintain capacity to respond flexibly when a new major emergency hits.** This does not, however, mean that all the capacity needs to be permanently at headquarters. A flexible model is called for, not across the board decentralization, but it needs to be acknowledged that FAO has found great difficulty in managing differentiated models. The Organization tends to regard field structures as permanent. Any decentralized arrangements for fluctuating emergency operations certainly cannot be regarded in that category. Decentralization would be a major step backwards if it could not be handled flexibly and on the basis of purely technical and operational considerations of efficiency and effectiveness. Decentralization need not always be to the FAOR and may be to an emergency coordinator or emergency operations officer in the field. For reasons of adequacy and cost-efficiency in computerized support systems, some transaction handling can be done outside the country or region, even if the budget holder responsibility has been allocated there. These arrangements would result in efficiency savings and reduced transaction times but not all such saving would accrue to Operational and Administrative Support (AOS). There would also be a reduction in time spent on operational matters by project personnel and an increase in decentralized IT and training costs. <u>As a general rule, taking account of all the considerations discussed above:</u>

a) large continuing emergency programmes[21] constitute over 60 percent of the TCE portfolio and are a clear priority. They should generally be operated by an office in the country with budget holding responsibility and an outposted operations officer. Consideration should be given to substantial investment to improve computer system connectivity in such cases, while also remembering that actual entry of transactions into systems does not necessarily need to take place in the country;
b) continuing and recurrent emergency operations in non-conflict situations may be fully integrated and managed with the development operations under the authority

[20] Expenditures of over USD 4 million per year.

[21] Expenditures of over USD 4 million per year.

[22] e.g. under USD 1.5 million.

[23] e.g. up to USD 2.5 million.

[24] e.g. over USD 3 million per year of expenditure.

of the FAO Representative;

c) transboundary pests and diseases should normally be subject to central management as should a few other exceptions such as investment needs for rehabilitation handled by TCI;

d) small isolated interventions[22] in Asia (excluding central Asia) and Latin America and the Caribbean could generally be handled either by the country office or the Regional Office;

e) Small and medium-sized emergency interventions[23] in countries handling large development programmes[24] could normally be handled entirely by the country office; and

f) other emergency operations could continue to be handled centrally or in the Regional Offices, with consideration being given to establishing an outposted TCE operations capacity with a budget holder in:
   i) the Regional Offices for Asia and the Pacific and for Latin America and the Caribbean; and
   ii) the subregional technical hub for southern Africa and possibly also that for Eastern Africa and the Great Lakes to serve also Somalia.

IV. Technical support to emergency operations

4.1 The operating issues

Chart 1: Concentration of FAO's Technical Input in Emergencies

(◆ major concentration; ◆ significant input)

	Droughts	Floods, hurricanes etc.	Earthquake	Post conflict & resettlement	Epidemic plant pests	Epidemic animal diseases
Needs assessment	◆	◆	◆	◆	◆	◆
Response strategy	◆	◆	◆	◆	◆	◆
Replacement of seeds	◆	◆	◆	◆	◆	
Replacement of livestock/fodder	◆	◆	◆	◆		◆
Replacement of tools and equipment	◆	◆	◆	◆		
Fertilizer supply	◆	◆	◆	◆	◆	
Minor irrigation	◆	◆	◆	◆		
Irrigation rehabilitation		◆	◆	◆		
Land & watershed rehabilitation	◆	◆				
Replacement of boats, fishing gear		◆		◆		
Rehabilitation of agriculture and fisheries infrastructure		◆	◆	◆		
Rehabilitation of coastal forest		◆				
Livestock Health measures	◆	◆		◆		◆
Plant pest management/control measures					◆	

Context

86. FAO is a technical agency and the comparative strength it brings to emergencies is the relevance of its technical response. This technical response extends to the three pillars of disaster risk management: preparedness, prevention and mitigation; response; and transition to rehabilitation and development. The technical response must thus be integrated along a seamless continuum. It is evident that technical support and inputs will require more, rather than less, focus as FAO's role in emergencies becomes increasingly one of planning, coordination, piloting, gap-filling and technical support to national authorities and NGOs and other donors.

87. There is an inherent tension at each stage of an emergency between ensuring the technical optimum of a response and ensuring its timeliness and cost-efficiency. This tension is to some extent reflected in the view of the technical and operations staff, who may emphasize the two sides of the spectrum, but it has been encouraging to note that, even during the course of this study, the understanding of each others' legitimate concerns and the working relationships have improved considerably.

88. Technical support for FAO's emergency response is spread across FAO but the nature of emergencies reinforced by the short-term nature of much of the funding has tended to concentrate work in a number of technical areas. Chart 1 summarizes the major areas of concentration.

Technical input into programming, planning and review for FAO emergency responses

89. As discussed above, emergencies are not as unforeseen as is often suggested and many operations are of significant duration. Planning and programming is an area of emphasis in the organizational results under Strategic Objective I – Improved preparedness for, and effective response to, food and agricultural threats and emergencies, and there is wide agreement amongst technical and emergency staff that the planning and programming phases of the emergency cycle are those in which a normative technical input can play a most useful role.

90. In a sudden onset emergency requiring an inter-disciplinary response, TCE, occasionally supported by TCI, will take the lead in designing the immediate programme. When an emergency strikes, this has to be done very quickly to form part of the consolidated UN appeal. TCE will try to include what appear to be the relevant technical disciplines in this, to the extent that they are available in the timeframe, and funding is available, but there is no formal clearance procedure by technical units.

91. Some normative outputs of the technical divisions have been designed to support planning and implementation processes. In addition to the early warning and surveillance systems in place for food security, desert locusts and livestock diseases, various guidelines exist which include improved planning of fertilizer and pesticide procurement, tools and nutrition. The Rapid Agricultural Disaster Assessment Routine (RADAR) on agriculture methodology combines information derived from historical disasters with remote sensing data, to improve anticipation of information on natural hazard impact, and support action planning during and immediately following an event and LEGS is an example of a decision support tool covering livestock interventions (short-, medium- and long-term) for all categories of emergencies. However, the guidelines are not comprehensive in their coverage and the internet site within the TCE site could be easier to locate. Some of the existing guidelines are also not on the site.

92. However, with the significant exceptions of the work on epidemic plant pests (including locusts) and epidemic animal diseases, technical input into planning has tended to be neglected. When an emergency hits, funds for involvement of technical personnel remain scarce (see the discussion above on planning and the importance of SFERA). Although matters have substantially improved, technical units have not been well organized to respond to emergencies in support of TCE, as they have large numbers of conflicting calls upon their time and the demands of a results-based management (RBM) system could paradoxically make it more difficult for them to respond to unplanned requests for inputs. This could imply that the RBM system requires priorities to be indicated and what will be delayed if a higher priority such as emergencies requires additional inputs.

Technical risks

93. The greatest risk FAO faces in any intervention is that it will not be fully relevant to needs, which reinforces the discussion above of programming, planning and review.

94. In addition to the overriding importance of technical inputs to the optimization of the project results, technical input can sometimes be essential in ensuring no harm is actually done to sustainable livelihood recovery by the emergency intervention. Inputs from nets to boats and engines, which allow fishing intensity to increase, may contribute to exhaustion of the fish stock. Restocking with livestock or short-term provision of feed may contribute to further degradation of the grazing and greater susceptibility to natural disasters. Pesticides can be immediately life threatening to humans as well as being a longer-term health risk. Technical risks could, at least theoretically, extend to FAO liability and certainly bad press. For example, poorly designed boats can lead to drowning.

95. These are all technical risks well appreciated by FAO, but an area which seems to be sometimes overlooked is the impact of emergency interventions on national institutional capacity for input supplies, marketing and finance. There have been pockets of attention, for example seed input trade fairs in Africa and approaches to supporting local boat builders in Asia, but no comprehensive attention to this issue. Similarly, issues of land use and resettlement have possibly not received the attention they deserve[25].

Optimizing the use of existing technical capacity

96. Although the situation was difficult to document, it appears that some technical units make limited use of decentralized staff for emergencies. These staff's main reporting line is now decentralized but they should be the first point of call for technical support in emergencies, as with development work. The FAO internal Field Programme Committee has also developed a policy and targets for outsourcing to national institutions (as certified partners) for technical support categories not requiring FAO staff expertise.

97. Of the 588 personnel working on emergencies responding to the evaluation questionnaire, 34 percent had expertise in agronomy and 22 percent in livestock (principally animal health reflecting the importance of the HPAI response at the time of the questionnaire). Others had expertise in fisheries, forestry, agro-industry and land management as well as food security. While the level of expertise is naturally very variable, it is clear that significant numbers of TCE personnel have expertise in agronomy and animal health, far exceeding in number the staff of the centralized and decentralized technical units in those disciplines. TCE is currently completing a roster database which documents the existing expertise.

98. Whereas the animal health personnel working specifically on HPAI are fully integrated into the HPAI campaign, for which the central management is provided by the Animal Health Service, this is not the case for other technical specialists whose links with the technical units are generally weak, although they may have developed some personal contacts.

Clarifying and documenting lines of communication, responsibility and clearances

99. In an ongoing emergency response, technical personnel are hired to meet the needs. General issues with respect to the hiring of such human resources are addressed in the discussion of human resource practices below. Most of the immediate technical decision making during an emergency response is de facto undertaken by these personnel.

100. **Communication:** At the moment, lines of communication for technical input in emergencies are not standardized and range from the highly informal based on personal contacts, to the strictly hierarchical through division directors, etc., to systems of focal points, which may not always be well known. All these lines of communication and support have their strengths. Someone a person knows may be more responsive to them, but may not be the best qualified or even empowered to respond on the issue. Communication through the hierarchy will probably ensure that there is a response but it may be slow and could be bureaucratic, or could quickly ensure that the most appropriate person responds. Focal points may be too junior, or be away bringing about a breakdown in communication. On the other hand, they may also fully understand and take responsibility for emergencies in their technical units.

101. **Technical clearances** form a major plank of the FAO business model and are sometimes criticised as contributing to slowness of response, without equivalent value added. Unless the technical units themselves specifically delegate this, the central point is the HQ technical unit. Technical clearance is present in all areas, except, very significantly, the overall programme approach and applies to the:

[25] e.g. use of coastal land subject to inundation, return to conventional use of land subject to desertification

a) individual project documents feeding into a programme which are cleared for technical content;
b) procurements of agricultural, livestock, fisheries and forestry inputs;
c) technical human resource recruitment (staff, consultants, etc.); and
d) any technical reports.

102. One of the questions with technical clearances has been - where does the buck stop? If a seriously sub-optimal or even harmful technical decision is made, who is really responsible? It seems that this has been interpreted by some technical units (e.g. AGS (major items of machinery and equipment), NRL (irrigation) and FI (boats) to mean that the division director is ultimately responsible for all decisions, especially as regards clearances on purchases and contracts.

103. A further issue is the possibility for personnel on non-staff contracts to take any formal technical responsibilities on behalf of FAO.

4.2 Conclusions and recommendations for technical support

104. **Recommendation 4.1:** In emergencies FAO is not called on only to have high technical standards for its own work but to provide a lead and example for other actors in their interventions. There is the opportunity for improved planning and programming and the technical content of this is critical for both FAO's own response and for the agriculture, forestry and fisheries sectors as a whole (for which FAO is UN emergency cluster leader). It is difficult for there to be a formal technical clearance process for the initial FAO input into a UN consolidated appeal, in the limited time available of 10 days or so, but **there should be opportunity for very strictly time-bound technical comment to the initial appeal and full technical input and clearance for the elaborated programme document and in subsequent appeals.** This will serve to both strengthen the strategy and obviate the need for individual clearances of project documents falling within the programme (see below).

105. **Recommendation 4.2:** There is a need to recognize and make responsible use of the technical capacity within TCE. Technical units should assess the capacities of TCE personnel and they should be:

a) included in the respective technical networks/communities, as with decentralized staff; and
b) provided with terms of reference which include specified technical support and clearance functions, with a clear line of responsibility for the technical content to the technical unit. This will reduce the time demands on the very limited numbers of headquarters and decentralized office technical staff in any one discipline and also increase the leverage of TCE management for prompt handling of urgent technical support or clearance requests.

106. **Recommendation 4.3:** In addition to designated focal points for emergencies, other **designated technical staff need to be provided training and provision made in their workplans for them to respond and work in** emergencies in case of need.

107. **Recommendation 4.4: A systematic inter-disciplinary review needs to be made of the need for technical guidelines and databases** and priority given by TCE to funding their development (see the recommendation in Chapter II for an overall intervention strategy to be developed for each category of emergency, underpinned by subject matter check lists).

108. **Recommendation 4.5: Improve communication and operational efficiency in technical support.** Requirements for this need to be specified and include that:

a) lines of communication and responsibility be clear;

b) fall-back lines of communication be defined;
c) if no technical response is received within a specified, realistic time period, staff with operational responsibility proceed, in order to avoid unacceptable delays, including with purchasing and contracting;
d) for all categories of purchasing and contracts, criteria and check lists be developed for when a decision needs to be referred up and when it can be made by personnel who have been cleared for technical responsibility. The FAO Manual also needs to define technical responsibility; and
e) contracts for personnel hired under service agreements clearly specify their technical responsibilities and authorities on behalf of the Organization, if any.

109. **Recommendation 4.6: The emphasis needs to shift from clearance of individual transactions to programme support,** which will have the result of both increasing effectiveness and reducing technical risks. Technical personnel on the ground are familiar with the local situation. Those responsible for clearance are often not, and:

a) improved support to overall planning and adjustment followed by clearance of programme documents should make it possible to drop the need for clearance of individual project documents when these fall entirely within the programme;
b) specifications for agricultural, fisheries and forestry inputs, including quantities could be pre-cleared and in some cases, such as simple tools, seeds and fishing gear, final decisions left entirely to those on the ground, provided they follow guidelines which need to be developed and issued. AGP is also prepared to extend such a principle to certain categories of pesticides;
c) contracting of local personnel is already *de facto* largely decided at local level and this makes full sense but needs to be regularized; and
d) preconditions for such a shift in emphasis require that:
    i) **responsibilities are clarified.** A feature of the present situation is that a person with some technical background in the field makes a recommendation. A technical officer in headquarters or a decentralized office who may or may not be familiar with the local situation generally approves the recommendation and it may pass to a division director for signature. Responsibility has been seriously diluted by this process. For many types of transaction the person on the ground could have been made fully technically responsible with the support and within the parameters referred to above;
    ii) **technical support needs to become more systematic during an emergency intervention.** For major ongoing emergencies, which account for the majority of funding, an annual technical review mission of the comprehensive response should be initiated (this would not exclude individual technical missions but would ensure systematic, comprehensive and integrated annual review);
    iii) **the Results-Based Management System (PIRES-Medium-Term Plan)** could usefully indicate not only the outputs to be produced by the technical programmes, but their priority in relation to unforeseen emergency needs which could take precedence for technical time.

V. Computerized systems and information support (IT) in emergency operations

(this chapter is supported by a separate annex available in full on the FAO evaluation website)

5.1 Existing system overview

110. FAO has a series of computerized systems to support its business, including emergencies, and there are no specific systems for emergency operations. Unlike several other operational UN organizations, these systems are not well integrated[26]. In summary:

a) **Oracle Financials** is the platform for the financial accounting system. It is available for direct input online in headquarters and the Regional Offices and is used to input most, but not all, financial transactions and to maintain the Organization's accounts. Much of the information in Oracle can be read by users throughout the world through the Data Warehouse and the Field Programme Management Information System (FPMIS). As part of the project to bring FAO fully in compliance with the International Public Sector Accounting Standards (IPSAS) by 2012, there is a project to upgrade system functionalities and update policies and procedures and working practices (referred to as the IPSAS project);

b) the **Field Accounting System (FAS)** is used in the FAO Representations and Subregional Offices to input financial expenditure information in Oracle Financials. Its biggest single current deficiency is that liabilities (commitments) cannot be entered, only actual expenditures. It is being upgraded as part of the IPSAS project, with full deployment expected for completion in 2012;

c) the **Atlas** system is used for travel. It is available for direct input online in headquarters and the Regional Offices and interfaces with Oracle Financials with some problems, including timely commitment and final expenditure recording in Oracle. Its upgrade (the Travel System Replacement Project) will be delivered in two phases: beginning in June 2011 with a phase I product, followed by a second phase covering FAS replacement integration and thus IPSAS compliance to be designed and built starting in July 2011 to go live by June 2012;

d) the **Field Programme Management Information System (FPMIS)** is a bespoke system and is designed to allow centralized input of soft information, such as project documents and reports and to allow project attributes and characteristics otherwise not contained in the financial system, to be entered and used to select and report on projects or groups of projects using the Data Warehouse which contains the information from Oracle Financials, etc. There is nevertheless a certain amount of parallel data entry between FPMIS and Oracle Financials. New functionalities are constantly being added to this system in response to users' requests for enhancements and new functionality. FPMIS can be consulted from anywhere in the world but certain reports can be generated only by the FPMIS office and some functionalities, including those for which development has not been finalized, have reserved access;

e) the **Country Office Information System (COIN)** is principally designed to provide summary information on each of the country offices and to access key data needed by the offices such as current UN exchange rates. It has gradually had some business functionalities added to it, including country office inventory viewing (not that of the field programme), entering Field Purchase Orders (FPOs - which are currently uploaded to Oracle through a manual transaction), entering local procurement orders (although there is no link to FAS for payments) and managing

[26] e.g. UNICEF, UNDP, ILO

the security budget of FAO Representations. Use of the FPO and local procurement functions are not mandatory and not all offices use them;

f) the **Programme Information Reporting and Evaluation System (PIRES)** was originally designed to support the work under the Organization's Regular Budget, including results-based planning and reporting. With the adoption of the new results-based Strategic Framework and Medium-Term Plan (which envisages consolidated management of all sources of funding), PIRES is being upgraded and this may eventually include results-based planning and reporting features, not only against the Organization's Strategic Objectives but for specific country and project level objectives. PIRES does interface with the financial systems through the Data Warehouse but is a separate system. It is not currently accessible for data input by FAO Representations or other field offices;

g) **Human Resources Management System (HRMS):** This system is on an Oracle platform and has at its core the payroll. It incorporates both hard and soft human resources data. The HRMS pay slip and leave management view functions were deployed to all wide area network connected field offices between 2007 and 2009. Not all offices are using it, and the system owners expressed the need to try to get some additional information on the reasons why some offices do not use it. It was said that part of the problem seems to be due to connectivity, and part to lack of user training;

h) **Data Warehouse:** The Data Warehouse allows data (financial and non-financial, but not documents) to be copied from the above systems and brought together so that reports can be produced containing data from the various sources. What data is included in the Data Warehouse and the exact content of the reports is determined by their specific design and programming. The presence of data in the Warehouse does not mean that it is fully integrated with other data in the Warehouse or that it is readable from any system which accesses the Warehouse. The Organization is now upgrading to Oracle Business Intelligence Discoverer which should make it easier to interrogate the Warehouse and build simple applications which bring data together in an integrated way;

i) **Inventory systems**: An inventory application is currently under development by the Procurement Service (AFSP);

j) **Procurement Business Intelligence:** A business intelligence application has been built for procurement and will be migrated to the FAO standard (Oracle Discoverer);

k) **Shadow Systems:** There are two big gaps in existing systems: no facility to enter commitments as distinct from expenditures for budgets held at country level (only commitments against budgets held in headquarters and Regional Offices appear in the systems) and limited user-friendly programme or project level planning and monitoring systems. This leads to a large number of parallel spread sheets being maintained both at country level and in TCE even to ensure basic budget management. These systems are not standardized in anyway, but without them the Organization would have no means of maintaining budget and expenditure control. The evaluation found that some 20 percent of TCE operations officers' time in headquarters was being spent on maintaining data in these systems and an unknown but considerable amount of time in the field.

5.2 Some major issues

111. Deficiencies in the current IT systems impact emergency operations in terms of:

a) planning functionalities are inadequate to link inputs, activities, outputs and objectives and to earmark and allocate resources;

b) programme and overview perspective: Through heavy processes, data can be aggregated upwards to the programme level but there is limited facility to work

downwards from the programme level to the project. Overviews of procurement plans, goods and services received, human resources and local commitments are similarly limited creating difficulties for both planning and management;

c) implementation and management: There is little integrated functionality supporting procurement, travel, human resources and budget monitoring in the decentralized offices[27] and budget monitoring requires shadow systems to bring together the most up-to-date field and headquarters' expenditures (some of it not yet in Oracle) and all commitments and plans. There is no activity based (as opposed to a budget line financial) view of projects;

d) reporting: There are some gaps in reporting by donor expenditure categories and in non-dollar currencies which require shadow systems and manual work at both headquarters and in the decentralized offices;

e) network connectivity to systems and thus ability to make use of systems' features varies by location as do the capacities of office staff; and

f) probably, most importantly, given the fragmented responsibilities for the design and implementation of future systems, no single responsible unit can ensure the coherence and integration of the field systems.

112. Many of these issues are well recognized, and there are system changes in development or being implemented to address some of them which are explored below. However, it is not clear that these various initiatives serve the overall corporate need or that they are planned and executed to lead to a better integrated and less fragmented systems solution for all users. Furthermore, it is clear that the necessary IT systems planning and management institutional framework, which would lead to a longer-term solution to these problems, has not been established. Thus, the FAS replacement project document states: "At present there is an identified issue regarding the lack of a corporate strategy and vision on the FAO administrative systems. One area where this is evident is in decentralized offices which today are utilizing three corporate developed applications for daily management (COIN, FPMIS and FAS), all of which have a data entry component. The lack of strategy may result in development overlaps and duplication of effort."

IT and project and programme planning and management

113. As discussed elsewhere in this evaluation, emergencies are planned and managed as programmes and this should be even more the case in the future than it is now. The building blocks of these programmes are projects funded by different donors for different periods of time and for different purposes.

114. Currently, projects can be analysed relatively easily in the following ways:

a) expenditure by budget line;

b) expenditure by organizational unit, which shows the unit (an office in the country or in headquarters or a Regional Office) making the expenditure, but it does not provide any help in analysing for which country an expenditure was intended if that expenditure took place outside a country; and

c) through the creation of baby projects, expenditure can be analysed for any category for which the baby project is set up. Since establishing baby projects is a relatively heavy process, this is only normally done to identify expenditures by donor in multi-donor projects or to identify expenditures by country in regional projects. Although it is possible to create baby projects by any number of sub-divisions this would excessively fragment the budget and make management unnecessarily complex. As the creation of baby projects requires access to update General Ledger account segments, the Finance Division (AFF) does not permit the operating units

[27] For the purpose of this document, "Decentralized Offices" refers to Subregional Offices, FAO Representation Offices, Liaison Offices and project offices. Headquarters, Regional Offices and the SSC are excluded as transactions performed at these locations are recorded directly in Oracle.

to establish the baby projects. This would simplify the process as a management tool but would not remove the fragmentation.

115. Groups of projects can be created using FPMIS which has a feature which enables any sub-set of projects to be identified using 'clustering of projects' in the system from identifiers or tags. This is not well known in the field, although it could be used as a reporting tool[28].

116. For all types of procurement, including non-staff human resources, undertaken directly through Oracle (not FAS in the decentralized offices) there is a text field in the purchase and payment orders which allows descriptors to be added and these can be read in the transaction listing which can be printed out from the Data Warehouse, also in the field (if they know how to do it and have adequate internet access). To make use of this text information in any way, it has to be compiled manually.

117. Soft data such as project documents and log frames are entered into FPMIS purely as a document repository. To date, there has been no active database or business intelligence system which provides system support to develop, adapt and monitor results-based planning, monitoring, programme adjustments or reporting. The system architectures in FPMIS, Oracle Financials, etc. are project based and do not lend themselves easily to downwards planning from the programme level (as distinct from aggregation upwards). Budget availability can be determined for a programme by aggregating components (projects) but specific requirements such as total agronomist inputs or total fertilizer requirements for the programme and the funds available for them cannot be determined in this way.

118. There is no easy way to associate inputs with specific activities or outputs within a project as distinct from budget lines. In many cases, there will be plans up to the output level with associated budgets, commitments and expenditures maintained in shadow systems in country and in TCE but these do not go up to the objective level and are impossible to aggregate, other than by manual processes.

119. The PIRES results-based framework for the Strategic Framework and Medium-Term Plan (SF/MTP) is intended to be rolled out to country offices by the end of 2010. Projects are already mapped to the SF/MTP but this currently serves the purposes of organization-wide planning and reporting against the Strategic Framework. It does not fulfil the needs of field programmes and projects in feeding up to higher national level objectives, the humanitarian emergency objectives for the country or the UN Development Assistance Framework (UNDAF). The FPMIS team leader reported that activity based planning and monitoring functionalities would be available by January 2010 and this should facilitate both planning and monitoring across projects in programmes and support to logical framework planning and monitoring and that there will be a link to PIRES. This lies outside the IPSAS project and as with other applications built in FPMIS, it is not clear how much need there will be for double data entry and how easily the reporting can be used.

IT and Field Budget Allotments (FBAs)

120. TCE project officers make budget allotments (FBAs) to field offices for expenditures. Several of these are normally against the same project and they are cumulative. Views differ on whether any purpose is served by tracking the expenditures against individual FBAs and this does appear unnecessary. The total cumulative FBAs for a project can be seen in the Data Warehouse and the expenditures by budget line against the cumulative total of FBAs can be tracked, but not the commitments or expenditures against individual FBAs. FPMIS facilities, which are used by some TCE operations officers, allow:

[28] To use this functionality an attribute has to be attached to each project with the agreement of the FPMIS Administrator.

a) FBAs raised in headquarters to be sent to the field via a Word document or an Excel spreadsheet, but most officers prefer sending an ordinary email and the field and headquarters maintain shadow tracking systems;
b) the tracking of commitments, but this requires a parallel entry and once again it seems most officers in both headquarters and the field tend to prefer the shadow systems; and
c) the tracking of expenditures against individual FBAs (this application is awaiting release).

IT and donor reporting

121. **Reporting for the European Union Commission (EU):** The EU requires budget and expenditure reporting to be in Euros (not the FAO functional currency which is the US dollar), against EU expenditure codes, which are not those used in FAO accounting systems. For projects currently under operation, this required manual intervention to map FAO expenditure categories to EU reporting categories and to apply non-standard exchange rates to report expenditures in Euros. Unfortunately due to different requirements by different EU programmes, mapping has not been standard and the reporting is a manual exercise. Currently for EU projects, budget holders must review on a regular basis all individual project transactions and assign them to one, or split them between several, EU expenditure categories. An Excel tool is used for this and is said to be extremely laborious.

122. The FPMIS team leader reported that a solution had been developed for the EU Food Facility projects in two stages, the first of which is being tested and will need the approval of the Finance Division (AFF) if it is to be used for official budget reporting[29]. A second phase (linked to the proposed work planning functionality) should be completed in 2010. The new Phase I functionality allows pre-assignment of a sub-set of expenditure codes to each transaction (for example, FAO's Professional salaries will be pre-assigned to EU local salaries or EU international salaries, giving the budget holder the job of selecting between these two for the relevant transactions rather than a full set of EU codes). The control totals are calculated automatically demonstrating the reconciliation of the two budget breakdowns (EU and FAO). It was estimated by one interviewee that this tool will reduce the work by 80 percent but it still requires that every transaction be examined by budget holders, and assigned to the donor expenditure category. It is important to note that this tool can be applied to any donor requiring reporting on non-FAO expenditure categorization, and that this functionality is standard in the systems used in some other UN organizations[30].

123. **Multi-donor projects:** The report for the Finance Committee on the Special Fund for Rehabilitation and Emergencies (SFERA) requires manual computation as does the management of SFERA in TCE. Individual reports for donors on multi-donor projects is normally done through baby projects but if for ease of programme management during implementation this is not done (see discussion of fragmentation and baby projects above), reporting individually to donors requires mapping the contributions against the budget and expenditure lines. The functionality for this was reported to now be present in FPMIS for tracking purposes and can be accessed in the field, although field offices and TCE seem to be largely unaware of it.

IT and field procurements

124. At the present time, there is no provision for procurement orders to be entered into Oracle from the field, as FAS does not currently have this functionality. Field Purchase orders for international purchases are entered into Oracle manually or from data entered into COIN (where a decentralized office chooses to use it). Local human resource commitments, local purchase orders and Letters of Agreement – LoAs (which can be substantial) - are generally recorded in spread

[29] AFF considers such approval is unlikely to be agreed

[30] e.g. UNICEF and ILO

sheets by emergency coordination units, FAORs and also often in TCE by operations officers, which is duplicative and time consuming. It is, however, the only way at the moment that a picture can be maintained of liabilities (and also illustrates the duplication of action between headquarters and the field). The Field Accounting System (FAS) new release will overcome this problem, but not until the end of 2012. In the meantime, COIN has a modality for entering Field Purchase Orders electronically, rather than as a manual form, but these still have to be input by hand in Budapest by the Shared Services Centre, as COIN does not write to Oracle. There are also said to be problems with the screens in some country offices. This COIN application is now being upgraded and COIN management states that it is intended to have a direct interface with Oracle but the Finance Division (AFF) states that this will not be possible. It is also reported that the Field Project Management Information System (FPMIS) allows commitments to be recorded but this does not seem to be widely known and as it is a parallel system, not fully interfaced with Oracle, individuals prefer to maintain their own spreadsheets. Use of FPMIS would mean that the information was available to all those who needed it.

IT and travel in the field

125. All international travel is processed through Atlas and handled at headquarters. There are issues about the time that it takes for the resulting commitments and expenditures to be recorded in Oracle and thus the timeliness of these data reaching the Data Warehouse and the decentralized office and headquarters budget managers, who want to enter the data into their shadow systems. There is also no facility to use Atlas for in-country travel, which may be substantial, or to handle international travel for local matters directly from the field[31].

IT and human resources management

126. Between 2007 and 2009, the Human Resources Management System (HRMS) leave management and pay slip view functions were deployed to all field offices connected to the wide area network (WAN). Also, position management, HR development functionalities and leave management were rolled out to Regional and some Subregional Offices. Most data entry takes place in the Shared Services Centre (Budapest). HRMS does not include non-staff human resources recruited in the field (except for renewals after the initial 11 months of service). Payment of locally recruited non-staff human resources takes place through local purchase orders and is not supported by any system, apart from actual payments in FAS. Obligations for such human resources thus do not appear in the system. National Project Personnel (NPP) are also not in the central payroll but some information concerning them is recorded in the HRMS. The lack of a full overview of the human resources to which the Organization has contractual commitments is a major issue. It is planned to correct this in the near future by adding human resources purchase orders into the HRMS system, but it is not clear how much information this will provide, except on numbers, dates and pay rates. In the meantime, as with local procurement contracts and letters of agreements, the Organization has no central record of commitments.

127. Field projects, including emergency coordination units do not have any access to HRMS. COIN provides some read-only access, showing such things as staff by organizational unit (not non-staff). This COIN feature is not presently available for use outside FAO Representations and does not provide information on project staff. There is no data base which provides a full picture of what human resources are where with what contracts at any one time. These limitations make it difficult for TCE to use any organizational system to plan the use of its human resources. It is thus developing a data base documenting the skill profiles of both staff and non-staff human resources but this is not a human resources management system.

[31] Atlas currently handles 56 percent (by expenditure) of FAO travel, the balance being handled in the decentralized offices using shadow systems and recorded in FAS.

Access to IT systems

128. Connectivity is becoming less and less of a problem for field offices based in capitals, although the problem is by no means removed and for many offices connectivity is inadequate to easily use the Data Warehouse. Not all applications under all systems are available to all users. Headquarters and Regional Offices have full access to Oracle Financials. Only the Field Accounting System (FAS) writes to Oracle and this only in FAORs, not the emergency coordination offices. COIN is not designed for extra-budgetary resources, including emergencies. Emergency coordinators and their staff based outside FAO Representatives' offices have access to the Data Warehouse and all systems except FAS. Emergency units outside headquarters do not normally have the access to write to any of the systems (the issue of whether emergency imprest accounts should always be held by the FAO Representative and whether there should be any delegation of business responsibility to emergency units is discussed elsewhere in this study and it is concluded that there should be much more flexibility).

129. In accessing information, data ownership and clearance can be a non-computer system issue. The Finance Division has, for example, restricted access to certain data useful for analysis of procurements[32]. Although there can be issues of data confidentiality, it is difficult to see why read access to financial data would be restricted in this way.

Capacities to utilize IT systems

130. There is a lack of business process documentation for field and headquarters staff. This is in part because processes, as distinct from administrative rules, have been poorly defined. Documentation addresses the individual IT systems, not their integrated utilization. Exceptions to this include a procurement training package which has been recently updated and at the more general level, the Field Programme manual, but this latter has not been updated since 2006.

131. Field office staff are generally not fully conversant with the potential functionality available in IT systems, particularly the Field Programme Management Information System (FPMIS) and many TCE operations staff are also not fully aware of the available functionalities:

a) Help Desks are not easy to use from the field but these, like the documentation, either address single processes or particular IT systems, rather than providing a one-stop shop for administrative and financial processes; and
b) Training, especially for human resources not employed on a continuing basis in the field, has been seriously neglected.

Issues of IT system architecture, IT governance and user requirements

132. FAO's software IT platform is less integrated than that of many of the other UN organizations (e.g. UNDP, UNICEF and ILO) for its operational activities. It also has significant gaps in the coverage of systems, particularly as regards project and programme planning, monitoring and management information. The evaluation found that this situation had arisen from both a lack of corporate IT governance and a lack of corporate governance of the operational systems and modalities employed which are supported by the IT systems.

133. At present, even IT technical standards are not fully managed centrally, although with the denomination of the new Chief Information Officer this should change. The owners of the systems and the funders are their primary users. Thus, Oracle Financials and the Field Accounting System (FAS) are managed by the Finance Division (AFF), the Field Programme Information System (FPMIS) by the Technical Cooperation Department, etc[33]. This means that system

[32] Information provided by AFSP.

[33] Oracle Financials, Procurement and HRMS form part of the Enterprise Resource Planning System which technically speaking is owned by CIO but in practise the decisions, except those on which system may be used, have been made by three divisions responsible for the work areas.

managers do try to respond to their immediate clientele but solutions may not effectively serve the corporate whole and may be inefficient and in the long run more costly. The evaluation team found there was competition and territorial ambitions between the system managers, leading to overlaps and lacunae. In line with the recommendations of the Independent External Evaluation of FAO and the Root and Branch Review, major changes in IT governance have been accepted but not yet fully implemented. A single senior management committee will address IT strategy, replacing four separate committees and there will be a single IT manager (the Chief Information Officer (CIO)). **These changes should eventually lead to much greater coherence and this study urges their immediate and full implementation.**

134. The General Ledger, as in all organizations, is the base of FAO's financial management[34]. The Finance Division argues with reason that the General Ledger entries should not become encumbered by numerous descriptor fields and issues of improving overall project and programme management remain outside the IPSAS project. The problem is that all the other systems are in one way or another add-ons to the basic Oracle-based financial system and what is needed from the point of the view of the user are systems which interface seamlessly with Oracle so that they do not realize they are working in a different environment, do not have to enter the same data twice, etc.

135. In defining and prioritizing user requirements there are basic problems. What has tended to happen in practice is that TCE, or occasionally field users, find that there is a problem and want to solve it. They ask one or more of the system managers to do this and sometimes provide the money to do it. Following this a work-around is designed which may or may not adequately fulfil the requested functionality but which is not fully integrated and it seems there may be even competing work-arounds from FAS and COIN, and:

a) there has been no comprehensive effort to determine user requirements in an integrated way; and
b) users are not always aware of the possibilities and so have difficulty in formulating their requirements from systems in line with the potentials.

5.3 Conclusions and recommendations for IT

136. This study has recommended very high priority to improving:

a) planning and programme management for emergency operations; and
b) capacities in the field to manage operations (decentralization).

These priorities need to be reflected in the development of IT support.

137. **Recommendation 5.1:** There are imperatives which go beyond IT and mean that system improvements must continue on the present software platforms for the next few years. FAO cannot delay IPSAS compliance or the results-based Strategic Framework and Medium-Term Plan, while comprehensive solutions to problems are designed. On the other hand, it can try and **move forward in such a way that future improvements and integration will not be derailed by current major projects.** This is particularly the case for the IPSAS/FAS project.

138. **Recommendation 5.2: There is a need for major changes in IT governance as well as culture change and perhaps a change in the way IT systems are funded.** The current IPSAS project, the ongoing decentralization in emergency operations and the need for an integrated and multi-functional results-based management system for the field programme, make it **imperative to consider the overall system architecture now, particularly as it relates to field based transactions.** There should be an overall assessment of user requirements and this should be

[34] Some organizations have more than one General Ledger for example, when operating in several currencies.

facilitated as users often find these requirements hard to articulate and may not be well aware of the potentials or the limitations. Issues of data entry for transactions, data retrieval and data use are fundamental for analysis. The study must also examine issues of data ownership and access which can currently limit the usefulness of data for management purposes. All future IT development should take account of the findings of this assessment which should be repeated in depth at regular intervals (e.g. every 4-6 years).

139. As recommended above (Chapter III), it would be timely, coinciding with the appointment of a Deputy Director-General Operations, to establish an overall governance structure for administrative and operational business processes, including the IT systems.

140. **Recommendation 5.3: For the immediate future,** a task force should be established with strong field representation reporting to the Chief Information Officer within the IT governance structure to see how to make existing systems work better, removing redundant functionality and exploiting functionality not widely known and feed the existing system managers with prioritized requirements, and:

a) the first new FAS release in 2011 will not include its functionality as an interface for the entry of non-financial data to operations systems other than Oracle Financials (General Ledger), except as text fields. In line with the modular architecture employed, it is essential that this be added later and this will require a broader team and funding for the FAS project and for operational systems in general than for the overall IPSAS project;
b) it should be decided if the FPMIS functionality for European Union Commission financial reporting is a satisfactory interim corporate solution and if so it should become mandatory, with the necessary system documentation for code mapping, etc.;
c) as donor reporting in currencies other than the US dollar is a financial issue, it should be immediately included in the IPSAS project;
d) an immediate interim improvement in the information available for analysis on local procurement should be obtained by mandatory rollout of the AFSP Excel recording system;
e) the use of COIN should be extended to emergency extra-budgetary projects, and it would be desirable if for the immediate future the upgrade of the COIN functionality could be extended to commitments under local purchase orders and Letters of Agreement (LoAs);
f) existing shadow budget and expenditure management systems should be reviewed to see if there is a possibility to standardize on the best of these and roll it out to all users with some system support and with a requirement that it be used, rather than everyone having their own system. This would make exchange of information easier and make it easier for officers to pick up each others' work; and also
g) the existing FPMIS functionalities for budget management should be reviewed to see if they can mandatorily replace any part of the shadow systems.

141. **Recommendation 5.4: During the next few years (2-3):**

a) the Field Programme Management Information System (FPMIS) together with Oracle Financials and the Data Warehouse should continue to be used to store information outside the General Ledger (as FPMIS can be used to hold attributes and possibly information on work breakdown structures and result chains). The aim should be to phase out business applications in COIN and for PIRES development to be integrated with the long-term development solution;
b) PIRES development should give urgency to inclusion of functionality to plan and monitor, not only against FAO corporate objectives, but also national programme objectives, the UN Development Assistance Framework (UNDAF), etc. and to

provide access to this wider functionality from the field for writing as well as reading;

c) development of a project reference file, fully integrated in the Data Warehouse should be initiated to provide the basis for integration of all data with Oracle Financials; and

d) as recommended elsewhere in this report:
   i) there should be a holistic assessment of the operational capacity and needs of FAO in each country in terms of connectivity, IT equipment and administrative/operational human resource capabilities and numbers;
   ii) user-friendly business process documentation should be developed, including the various IT systems for field and headquarters staff;
   iii) higher priority needs to be accorded to providing job relevant training for administrative and operational human resources in the field; and
   iv) a single help desk should be established as a one-stop shop for all administrative and financial processes and the related computer systems with nodes in decentralized locations to ease accessibility over time zones, languages, etc.

142. **Recommendation 5.5: For the medium-term future (2-5 years):**

a) there are questions as to what should be the life of a bespoke system such as FPMIS which is not fully Oracle compatible. It is already not always easy to interrogate for user designed reports applying its specific functionalities; and sometimes difficult for users to directly load information. It may also become increasingly labour intensive to maintain (Oracle solutions such as Oracle Projects or Grants Accounting handle some of the issues in sub-ledgers, and may be relevant to FAO along with Business Intelligence applications built in Discoverer). FAO should consider the migration of all FPMIS and PIRES functionalities to Oracle (Discoverer, Projects, etc) so that there can be much greater integration and use of functionalities through the Data Warehouse;

b) for the longer term, there needs to be both coordination and resources for an integrated solution for human resources covering not only the financial/payroll questions but also data management for rational human resource use. Recording of non-staff human resources would probably have to be done through the procurement sub-system; and

c) some FAO Representations have very few regular transactions and only host occasional emergency operations. It is questionable if their transaction processing and provision of management information to the offices from IT systems might not be better handled by a local administrative hub, serving several offices and with good telephone and email links to all of them.

VI. Assuring the necessary human resources for emergency operations

6.1 Challenges and issues

143. The challenges for FAO's human resources management for emergencies are in essence the same as those facing every employer, i.e. to ensure that human resources fully meeting the requirements of the work to be done are available in a timely way, at least cost, with manageable risks and that there is full respect for ethical hiring practices and normal rights of employees.

Table 4: TCE headquarters staffing (September 2009)

	Administrative and Operational Support (AOS)[1/]	Project[1/]	Reporting costs	Other	Total
Total human resources of all contractual types in TCE headquarters by grade/category	135	43	8	4	190
D	3	0	0	1	4
P4-P5	18	6	0	1	25
P2-P3	17	16	0		33
G5-G6	10	1	0		11
G3-G4	39	3	0		42
Consultants and Service Contracts (PSAs)	35	17	8		60
General Service temporary (TAPs)	13				13
APO				1	1
Volunteer				1	1
Of which percentages (by number) of human resources by contractual type					
Continuing staff –total	19.5%	2.6%	0.0%	0.5%	22.6%
D	1.1%	0.0%	0.0%	0.5%	1.6%
P4-P5	5.3%	1.6%	0.0%	0.0%	6.8%
P2-P3	0.5%	0.5%	0.0%	0.0%	1.1%
G5-G6	5.3%	0.5%	0.0%	0.0%	5.8%
G3-G4	7.4%	0.0%	0.0%	0.0%	7.4%
Fixed-term staff – generally with contracts of at least 12 months[2/] -total	26.3%	11.1%	0.0%	0.0%	37.4%
D	0.5%	0.0%	0.0%	0.0%	0.5%
P4-P5	4.2%	1.6%	0.0%	0.0%	5.8%
P2-P3	8.4%	7.9%	0.0%	0.0%	16.3%
G5-G6	0.0%	0.0%	0.0%	0.0%	0.0%
G3-G4	13.2%	1.6%	0.0%	0.0%	14.7%
Consultants and Service Contracts (PSAs) - total	18.4%	8.9%	4.2%	0.0%	31.6%
General Service temporary (TAPs) - total	6.8%	0.0%	0.0%	0.0%	6.8%

[1/] Some human resources are funded partly from AOS and partly directly from projects, where this is the case the costs have been allocated half to each source of funds.

[2/] Includes staff on project post contracts of which there are 34 professionals and no General Service

Source: TCE

144. However, satisfying these basic requirements poses problems in the UN environment when striving to meet the needs of emergencies with recruitments under distinct short-term project budgets, and:

a) as continued funding is not assured, the Organization should not build up unfunded liabilities to the human resources, either in terms of rights to continued employment or compensation (the Governing Bodies have been insistent that the extra-budgetary portfolio should create no liability for the Budget from Assessed Contributions);
b) human resources need to be flexibly available, satisfying the different technical specializations in addition to operational management competences and geographical experience;
c) in the case of sudden unforeseen emergencies, surge requirements need to be responded to very quickly;
d) while preserving excellence as the first requirement, human resources should also be geographically and gender balanced;
e) in the interests of efficiency, effectiveness and accountability, experience of FAO systems and requirements needs to be strongly maintained in the human resources pool, as does institutional memory, and a positive interaction in an institutional learning environment (FAO as a networked and learning organization); and
f) the morale and motivation of personnel needs to be maintained and if possible enhanced.

Table 5: Distribution of TCE human resources by type of contract and location

	Headquarters	Field and Decentralized	Total
Approximate total persons			**1600**
Percentage Distribution			
Continuing staff	4.2%	0.2%	4.4%
Fixed-term staff (minimum of 12 months)	1.3%	7.4%	8.7%
Short-term staff (maximum of 11 months)	0.6%	0.5%	1.2%
HQ-recruited Consultants and Personal Service Agreements	3.8%	31.5%	35.3%
Locally-recruited, PSAs, consultants and National Project Personnel (approx.)	0.0%	49.2%	49.2%
Persons employed outside TCE with costs covered by TCE			1.2%
Total	9.9%	88.9%	100.0%
Source TCE February 2009 data			

145. **Experience and qualifications of personnel:** The extent of experience and qualifications of personnel does not appear, prima facia, to be a major cause for concern in either headquarters or the field. As can be seen from questionnaire responses summarized in Table 6, some half of the personnel in emergency coordination units had six years of experience or more in emergency and relief and rehabilitation work and a further 30 percent had at least three years experience. The picture was similar for staff working on emergencies in headquarters, with slightly over half having over five years' experience. Over 70 percent of personnel had more than five years' experience in their area of expertise and of those performing professional level duties 54 percent possessed Masters degrees and 20 percent Ph.Ds.

Table 6: Years of experience of emergency personnel in emergencies and rehabilitation

Duty Station	2 years or less	3-5 years	6-10 years	11-20 years	Over 20 years
Emergency Coordination Unit	21.8%	29.6%	33.8%	12.7%	2.1%
Headquarters	17.5%	28.6%	34.9%	14.3%	4.8%

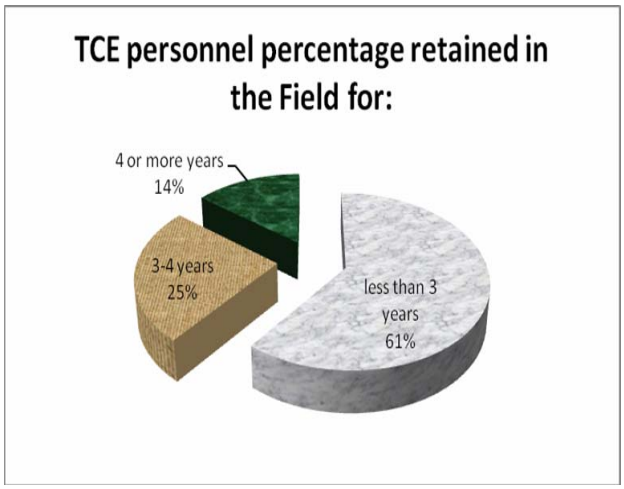
Table 7: Years of experience of emergency personnel in their particular field of expertise (e.g. agronomy)

2 years or less	3-5 years	6-10 years	11-20 years	Over 20 years
9.9%	16.6%	25.1%	25.8%	22.7%

146. FAO Representatives (FAORs) play a key role in emergency operations and under current procedures are normally required to take final responsibility for decentralized emergency transactions. Many FAORs and their assistants (Assistant FAOR (Programme)) in countries affected by emergencies do not have emergency experience.

147. Building on experience and continuity in staffing: A fundamental problem is retention of personnel and their experience of FAO and this is a particular issue in the field. FAO experience is vital for efficient and accountable application of the Organization's procedures and the conduct of operations. High personnel turnover causes lack of continuity in individual emergency operations and higher transaction costs for the Organization in recruiting replacements. Not all emergencies are of long duration and a turnover of national level personnel is to be expected but, as discussed above, emergencies are often recurrent and/or continuing over extended periods and this tends to be particularly the case with the large operations. Of the 218 personnel in emergency coordination units who replied to the survey carried out for the evaluation, 44 percent had two years' experience or less with FAO and in total 72 percent had five years of experience or less. In headquarters the picture was different with only 27 percent having two years or less experience with FAO, although here also 57 percent had five years of experience or less. The dangers of high turnover in key positions were well illustrated by the recent evaluation of FAO's work in Tajikistan which found that between April 2008 and March 2009 there were five occupants of the coordinator post with negative results for the FAO programme and the Organization's image[35].

[35] Evaluation of FAO Activities in Tajikistan (2004-2009), Final Report, July 2009.



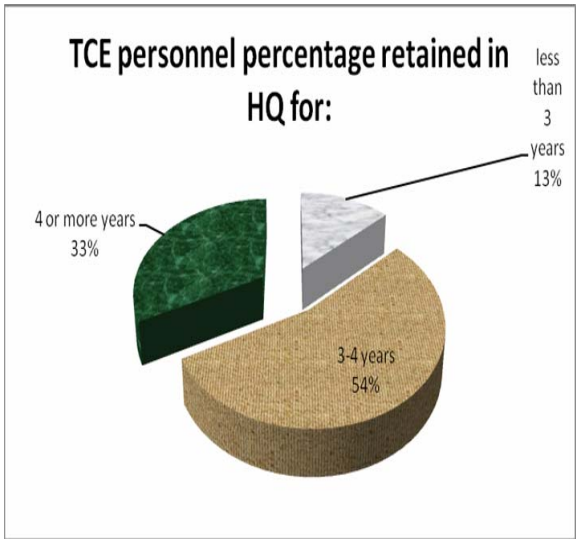
148. The possibility of being able to offer more long-term contracts and job security is desirable because it:

a) reduces transaction costs in the search for personnel and the repeat processing of recruitments;
b) is more likely that personnel will be available in a timely way and that their presence at the required duty station at important periods can be assured (it is frequently alleged that breaks in contract mean that personnel are not available for peak periods such as planting seasons. Part of this is correct due to the nature of the contracts and part of it is purely bad planning. Just as staff holidays should be scheduled not to coincide with peak requirements, likewise breaks in service can often be similarly planned);
c) increases the pool of personnel available for rapid redeployment if necessary;
d) makes it easier for the Organization to retain personnel of proven capability;
e) is positive for morale;
f) increases knowledge of FAO practices, procedures and policies, improving the efficiency of operations and possibilities for delegation; and
g) improves the overall institutional memory of FAO as a learning and networked organization and allows personnel to take a longer-term view, to plan and to work toward institutional improvement rather than just reacting to the immediate crisis.

149. Responses to questionnaires and data supplied by AFH (which is incomplete for the field) clearly show that most personnel are retained in the field, regardless of the type of contract, for less than three years with a few for four or more years, whereas in headquarters, the great majority serve for more than three years and a substantial proportion for more than four years. The reasons for this are in part due to the changing emergencies and expertise requirements but frequently due to the type of contracts, and in part because of funding source:

a) Most of the personnel in the field are nationals of the country in which they work and would in any case only be employed for the duration of an emergency, although the great majority are employed on emergencies for which assistance is provided for considerably more than four years. In headquarters, personnel are almost entirely operational or administrative and can be easily re-deployed between emergencies. They also have easier access to the decision makers;
b) Personnel in headquarters are largely employed on project administrative and operational support costs (AOS- which are operated as a common pool of funds and are more predictable than individual project funds), whereas those in the field are largely on project budgets. Those longer serving personnel in the field, such as those in the decentralized technical support units are more likely to serve for longer periods and are on the Support Costs budget; and

c) Where the assignment is clearly of a short-term nature, or there is not very good assurance of future funding, FAO ensures a break between contracts of at least one month after 11 months of service and a break of six months after period of service of 47 months (with breaks of one month per year). This avoids building up a longer-term obligation to the personnel. No distinction is made between service contracts, consultancies and short-term posts in this regard and although FAO practice is similar to other agencies in this, it seems to treat service contracts more cautiously.



150. **Predictability of human resource requirements:** Human resource requirements for emergencies are not fully predictable and must sometimes be mobilized very quickly. Responses in emergencies can be planned to a greater extent than is the case at present but there is a prevailing tendency to operate as though all emergency actions were last minute. However, some of the largest operations did start with no predictability (Tsunami); or with limited predictability (Desert Locusts and Avian Influenza). Such emergencies required a rapid build-up in qualified personnel and the subject matter and geographical locations were very different. So an issue of how to improve surge capacity and gains in this area would also probably benefit the delivery of personnel inputs in general.

151. **Transaction Costs:** Human Resources Division (AFH) data on duration of individual contracts, which are incomplete for decentralized contracting, indicate that for consultants and those under service contracts (PSAs), the average duration of a contract for the period 2004-07 was 3.6 months and for retirees 1.6 months. This did not mean that the individual was not rehired and frequently an individual could receive three or four contracts in a 12-month period, with the contingent costs of selection, recruitment, etc.

152. **Unpredictable funding** is an issue with ramifications for most elements of human resources contracting. Most projects have a duration, and thus certainty of funding, of 12 months or less. The lack of predictability of total funding for a particular emergency makes it more difficult to plan overall personnel requirements. It also reduces the certainty that funds can be found from “somewhere” in offering individual contracts. Personnel cannot be hired in the absence of a budget. Also if SFERA is used to initiate work before the funding arrives, there is a small element of uncertainty attached to the final funding.

153. **Liability for staff funded from Administrative and Operational Support Costs (AOS):** FAO already appears to have an excessive level of liability for staff funded on Administrative and Operational Support (AOS) in TCE. Figures supplied by TCE indicate that, as

of September 2009, annual costs of staff on continuing contracts charged to AOS accounted for 51.5 percent of 2007 TCE AOS income. It is further estimated that staff on fixed-term contracts in headquarters and the field incurred liabilities for one year of a further 66 percent of 2007 AOS income. Leaving aside that AOS income has to cover not only staff costs but also ad hoc consultancies, travel, etc., if income from AOS were to fall back to its 2007 level, TCE would be left with no working funds and unfunded obligations in excess of 15 percent of staff costs (USD 1.6 million).

154. This is unlikely since the volume of emergency work has increased and the proportion of projects carrying the full 10 percent AOS charge has risen substantially. The figures are, however, sufficient to illustrate that the balance between human resources on continuing and fixed-term contracts in excess of 12 months needs to be shifted towards human resources recruited on short-term contracts (including project posts of 11 months).

6.2 The human resource contracting practices of other agencies

155. An examination was made of the provisions of FAO human resources short-term and non-staff contractual instruments compared with those of UNOPS, UNDP and WFP. As used by UNOPS and UNDP, local contractors with contracts of more than three months are entitled to sick leave and annual leave. Those with contracts of more than six months are entitled to maternity and paternity leave. In UNOPS, international contractors with contracts of more than three months are entitled to annual leave and to maternity leave. There is limited health insurance, varying with local or international status and contract duration. In UNDP's case, short-term international consultancy and service contracts have no entitlement to leave, sick leave or social security coverage of any sort, except for service-incurred illness or injury. None of the non-staff contracts afford pension entitlements.

156. Although FAO applies UNDP scales for local recruitment, it is stated by all interlocutors that FAO uses the lower ends of those scales compared with competitor agencies. Average rates paid to international consultants are also stated to be lower than competitors, including UNDP, UNOPS and WFP. Although hard data were not available to substantiate this, both interview information from other evaluations, including the IEE and the decentralization evaluation, and questionnaire results indicate that for the same type of work and contract, FAO generally offers less favourable conditions for similar staff than several of the UN competitors. This was further confirmed by technical divisions competing with agencies such as WHO and the World Bank for technical staff in emergencies.

157. The evaluation questionnaire found that all emergency fixed-term, short-term and consultant personnel were dissatisfied with their career opportunities compared with those they believed to prevail in comparators, with the exception of fixed-term staff in headquarters. In the case of short-term personnel and consultants in both headquarters and emergency coordination units, this dissatisfaction rose to 72 percent and 73 percent respectively. Fixed-term and short-term personnel of all types in emergency coordination units considered that their job security was lower than with competitors. More than half the fixed-term, short-term and consultant personnel in emergency coordination units were dissatisfied with the length of their contracts. In the case of short-term personnel and consultants in headquarters, 70 percent were dissatisfied and in emergency coordination units 76 percent. Sixty-nine percent of short-term personnel and contractors in emergency coordination units believed the fee rates they were being paid were less than those of competitor agencies (dissatisfaction in headquarters was less strong). They also believed that their benefits were less (70 percent of both headquarters and field short-term personnel[36] shared this view).

158. The questionnaire also found frustrations with delegations and levels of authority to the field for human resource contracting. Delegations are considerable in UNOPS. Contracts for up to

[36] In this context short-term staff, consultants and PSA holders are all included in the term "personnel"

USD 100,000 can be made by a chief technical advisor and fees can be approved up to USD 1,350 per day after which they must be referred to the Chief Procurement Officer. For UNDP, locally approved fees for international contractors may range from USD 200 to USD 750 a day (more requires approval of the procurement service).

159. The Immediate Plan of Action in follow-up to the Independent External Evaluation of FAO states that FAO will establish an incentive based rotation policy in headquarters and between headquarters and the decentralized offices. This is extremely relevant to emergency work. When WFP adopted a unified service, it was made a condition of new contracts that professional staff were subject to rotation. It was also made a normal condition of being eligible for promotion for existing staff that they accepted a new contract as part of the unified service. UNDP and UNICEF operate similar policies.

160. The evidence from discussion with the approach taken by other agencies, including UNDP and WFP is that FAO is less prepared to run risks of appeal or be firm in disputes with personnel than other agencies and it appears that the Organization is over-estimating reputational and financial risk in this regard. Indeed, there are reputational risks in appearing to lack a clearly disciplined system which emphasises excellence and continued financial costs are incurred (e.g. acceding to demands by consultants for extra payments) and transaction costs from engaging in prolonged disputes.

6.3 Conclusions and recommendations for improved human resources management in emergency operations

161. The evaluation posed the questions - Can FAO provisions and practices for human resource contracting be made:

a) more effective in terms of ensuring personnel are available to fulfil requirements, including surge requirements?
b) more efficient, in terms of transaction costs (search, repeat hiring, etc.)?
c) more just and adequate to the assurance of commitment and morale? and
d) offer adequate safeguards to both the Organization and personnel in bringing service to an end and not incurring an undue risk of unfunded liabilities?

Consolidated funding of human resources for emergency operations

162. **Recommendation 6.1:** Probably the greatest single constraint to management of human resources for emergency operations in a consolidated manner across programmes is that human resources are largely funded in the field from individual projects. This makes it difficult to plan and retain human resources, offering longer contracts and reducing transaction costs due to multiple transactions:

a) The benefits of pool funding discussed above are especially important for human resources. It is proposed that **a pool trust fund be created for emergency HR**. This could have country and/or programme funds (such as HPAI) within it. Personnel could be contracted by the fund permitting greater flexibility, forward planning and continuity in hiring. The individual projects could then hire personnel from the fund, as could also Administrative and Operational Support (AOS). The fund could operate in a similar way to the fund for Temporary Assistance Personnel (General Service TAPs) but should be maintained as a trust fund(s), rather than a pool account where funds cannot normally be rolled over between biennia. If as with TAPs the charge to the projects included a charge additional to the remuneration package, this would enable the fund to smooth contracting between projects as it would receive some income additional to the cost of each individual hired out. The fund could also **establish a reserve component to cover**

emergency evacuations, etc. which are at present a potential unfunded liability;

b) As stressed throughout this evaluation, emergencies are more predictable than is often assumed and most of the larger emergency operations are of several years duration. This gives the opportunity to much improved planning and application of a programme approach and needs to be extended to human resources. A **human resource plan should form part of the plan for each emergency** and the plan should be kept under systematic review at least annually; and

c) At the working level some immediate improvements can also take place: Some TCE operations staff have not adequately planned the human resource needs in the programmes they operate and shared them with their colleagues in such a way as to facilitate hiring across several projects and flexibly bridging with Administrative and Operational Support funds[37].

Development of a core of career emergency staff

163. **Recommendation 6.2:** A central recommendation of this evaluation is that **FAO should develop a core of emergency personnel and beyond that core should be a flexible and competitive contractor of human resources, while avoiding a build up of financial, legal or moral obligations beyond the core:**

a) **Human resources beyond the core** should not be contracted and managed under instruments which entail liabilities to the Organization in excess of a few months, beyond the duration of fully predictable funding. Such instruments for non-core staff should provide, for competitive and equitable practices (as they largely, but not completely, do at present), including:
   i) competitive remuneration levels;
   ii) repatriation and evacuation provisions, in the case of expatriates out of the country, and for nationals to safe zones;
   iii) health and accident insurance cover;
   iv) provisions for assessment of the performance of the contractor;
   v) provisions for rapid termination of the contract in case of a shortfall in funding or inadequate performance; and
   vi) provisions for arbitration in case of dispute.

b) **Size of the core:** TCE should determine its core staffing requirements based on a level of safely predictable business for the foreseeable future (e.g. 25 percent below the current business level) and develop a comprehensive plan for the funding, human resource development and contracting of that core. It is estimated that with current practices international consultancy and service agreements for personnel of comparable skills at the P3-4 level cost some 40 percent less to the Organization than staff contracts. A similar differential applies to national staff but FAO is not a very competitive employer of non-staff human resources, so adoption of more equitable and competitive packages would result in higher costs. A substantial differential would, however, remain between staff and non-staff human resource costs and clear policies for the size of the core on staff contracts need to be developed which take full account of financial considerations, liabilities and good human resource practice.

Policies and procedures for core and non-core human resources

164. **Recommendation 6.3: Policies for core and non-core human resources for emergency operations need to be developed** and should encompass:

[37] Also the modality for funding requires that with each transfer of the individual to the next budget line the budget holder for the first line has to be referred back to and where the actual intention of the process is to pool funding, this is an unnecessary bureaucratic step and is not always possible as short-duration project budgets need to be closed once they have ceased operations.

a) **Decentralization of core staff and rotation:** As discussed above with respect to decentralization, not all, or even most, of the core staff on full staff contracts should be stationed at headquarters. TCE operations staff should be subject to normal rotation to postings in the field and need also to accept deployments to emergencies of 2-3 months. This would increase FAO's flexible response and enhance in-depth understanding of field situations. In addition, it would increase the possibilities for delegation to experienced personnel in the field and reduce the resistance to this (see also recommendations on delegation of responsibilities to outposted TCE project officers);

b) **Human resources for emergencies which will continue for several years may be granted longer-term contracts** (1-2 years) which increases their incentive and thus permits somewhat lower rates to be paid, but should not be regarded as part of the core unless they have been recruited as such and are subject to rotation and redeployment;

c) **Use of retirees:** The potential to utilize retirees can strengthen surge capacity for both operational and technical skills but restrictions have led to their relatively limited recent use by TCE. The underlying reasons for limitations on use of retirees for which the principles were set by the UN General Assembly and the Governing Bodies were to prevent continuing and medium-term posts being filled by retirees, rather than undertaking new recruitments, with responsible succession planning and transfer of institutional memory. They were not intended to reduce the capacity of the UN system to respond to emergency situations. It is suggested that for the category emergencies, it should be permitted to utilize retirees without restriction for assignments which would not normally be filled through any type of staff position (continuing, fixed term or project staff appointments)[38];

d) Human resource development, training and competency requirements:

i) Core staff, whether stationed in the field or headquarters, should have a staff development programme designed to fit their competency development profile. An urgent current requirement is training in planning and the possibilities for more consolidated and efficient programme management and operations available through FAO processes and IT systems. Non-core staff in countries with emergency operations of longer duration need essential training to carry out their operational duties, especially training in FAO procedures and systems and for professionals, training in the Organization's policies and briefing on the totality of the development context in which they are working;

ii) Core competency requirements for FAO Representatives in countries subject to significant emergency risk should include competency in emergency operations[39];

iii) As discussed below with respect to procurement, TCE operations staff, especially in the field, could be delegated both procurement and human resource contracting authorities, provided they gained a certain level of competence. The same could be applied to administrative staff in FAO Representations with large programmes (emergency and development). Competency profiles and testing could be developed by the responsible units, allowing them to certify national and international officers who could report to them for conduct of certain processes. Similar competency profiles and testing could be developed for General Service level human resources responsible for

[38] In 2006, 13 waivers were issued for retirees but it is understood that this is becoming more difficult.

[39] This has been consistently recommended by evaluations dating as far back as that on Decentralization in 2004.

[40] Consultancies which do constitute an employment relationship are often tax exempt while PSAs are not. Also, the present FAO practice of making PSAs lump sum contracts is not generally suitable in emergency operations and the days of service and any travel need to be arranged separately.

making data entries in Oracle and FAS. Meeting tested competencies could form part of essential job requirements, just as they currently do with typing and language skills, although testing would necessarily take place after an initial period in the job, rather than prior to recruitment;

iv) Similarly, as discussed above emergency personnel may be approved and backstopped by technical divisions to make specified technical inputs and carry out certain clearances (it is emphasized that this should not lead to operations officers who have been certified for procurement or human resource actions also exercising technical clearance for those actions – a separation of responsibilities and authorities must be maintained);

v) There are few opportunities for field-based administrative staff, especially those outside the FAO Representations, to attend formal courses in headquarters and it is difficult to see how this can greatly change. There should be more sub-regional training and E-learning needs to be developed as the only feasible route forward for most field staff, together with the on-the-job training carried out during procurement missions, etc. On the job training backed by E-learning resources can often be the most effective and both incentive and discipline to learn can be provided by competency testing; and

vi) The development of a roster by TCE in which the qualifications and experience of all human resources are recorded is welcomed. This roster is intended to be available for use in the field through COIN (see the discussion of IT). The roster can support the efficient deployment of human resources and the development and use of the competencies referred to above, staff rotation, etc. However, there may need to be some selectivity, as rosters with too many entries become of limited usefulness. It should only include human resources who are currently available and there needs to be provision for insertion of competency and performance assessments in the roster, which is not the case at present;

e) As discussed above with respect to resource management, where operationally necessary contractors (not just FAO staff) should have it specified in their contracts that they are responsible for the authorization of FAO expenditures, contracts, etc., with access to the necessary systems;

f) **Delegations of authority:** There has been less systematic consideration of delegations of authority to the field for human resource actions than for procurement. There is just as great a need for delegation here and criteria for this need to be developed;

g) **Contractual instruments:** The review of the contractual instruments used in other agencies and the experience in the UN Administrative Tribunal and the ILO Tribunal found that from a legal point of view, in practice no greater flexibility is gained for the Organization in terms of terminating human resources from the use of the consultancy or any form of staff appointment practised by the other agencies than is the case at present in FAO, except that service agreements do sometimes specify more clearly than is the case with FAO PSAs, that no employment relationship or access to the UN system administrative tribunals is created by the contract:

i) **Greater use of service contracts (PSAs)** should be considered for non-core human resources. Competitive service contracts, making FAO a more attractive contractor, would not offer cost-savings compared with consultancies[40] but could offer advantages in terms of flexibility and liability. In this, service contracts (PSAs) differ from consultancies which do constitute an employment relationship and thus may be appealed in the ILO Tribunal. When appealed, the terms of non-staff contracts such as PSAs, which do not create an employment relationship and do not offer access to the administrative tribunals, are almost invariably upheld in arbitration:

- if terms are clearly spelled out, service contracts may run beyond

11 months without the requirement for a break and without creating a liability;

- service contracts could specify that the contractor will serve in their country or internationally, specifying in the same contract different terms for when they are serving at home from when they are serving abroad. This would be a useful addition to the new arrangements for national project personnel which allow them to be deployed more flexibly through a break in their NPP contracts and re-employment under international terms with return rights to the NPP post (which is also quite transaction heavy); and
- service contracts should specify more clearly than they do now that the human resource service supplied does not constitute an employment relationship and that there is thus no access to the UN system administrative tribunals. In line with good human resource practice, service contracts should continue to provide for independent arbitration in the case of dispute;

ii) **Field project professional staff contracts:** As is now happening, to retain capable international staff greater use could be made of field project contracts also against AOS (staff on project budgets with an established post – which may be shared across projects and AOS). These can be utilized in headquarters as well as in the field and precedent in the Administrative Tribunals indicates that they create no entitlement to continuing employment; and

iii) **National and regional project personnel:** As of 2009, it has been possible on a trial basis for National Project Personnel employed by TCE to be employed as consultants in countries other than their own for periods up to a maximum of six months and with return rights to their NPP positions if continued funding is assured for these. These arrangements are welcomed and should be continued. Also either through the use of service contracts or a new category, there is a need also for regional project personnel with conditions similar to national project personnel to serve in transboundary and cross-boundary emergency operations.

VII. Procurement in emergency operations

7.1 Context

FAO Manual Sections: Throughout the text the FAO Manual Sections referred to are 502-Procurement and 507-Letters of Agreement (LoAs).

165. Procurements accounted for 57 percent of FAO's emergency expenditures in the period 2004-07, there can thus be no doubt of the significance of procurement in any effort to strengthen the efficiency and effectiveness of emergency operations.

166. Two of the essential differences between the world-wide public sector approach to procurement and that of the private sector originate in the extent of communication with suppliers. The private sector negotiates with and is more inclined to have long-term contractual relationships with its suppliers, rather than resorting to frequent bidding processes. To prevent collusion and corruption and ensure public confidence, the public sector places much greater emphasis on closed tendering processes with wide announcement of the call for bids. Both OECD guidelines and EU rules require this but it is notable that the EU, which set standards for public sector purchasing in all member states,[41] has a specific clause waiving tendering and bidding requirements for emergency assistance.

167. Public sector processes have their price compared with much of private sector practice. Public sector processes are more transaction intensive and long-term relationships with suppliers are less likely to be established. Reducing the down-sides while maintaining the essential prerequisites of public sector purchasing is one of the underlying considerations in this report, as well as the recognition of the difference between emergency and less time-bound procurements.

Table 8: Percentage distribution of purchases by size

USD value of purchase	2007	2008
25,000	53.1%	54.1%
50,000	11.1%	8.4%
75,000	7.1%	5.7%
100,000	6.0%	5.4%
250,000	13.9%	13.6%
500,000	4.3%	7.7%
1,000,000	3.0%	2.7%
>1,000,000	1.5%	2.5%
	100.0%	100.0%
Source: A. Graham (AFSP Data)		

168. It was found that purchasing and service contracting in FAO had received intensive study and effort for improvement and the concerned managers were in general committed to achieving improvement. A revision of FAO Manual Section 502 - Procurement, which came into force on 1 January 2010, reflects several improvements, including in levels of delegation which have been doubled from USD 50,000 to USD 100,000 for procurements by FAO Representatives (FAORs). For Letters of Agreement (LoAs) which are used to procure services from non-commercial

[41] EU Procurement Directives (2001)

entities, such as government departments and NGOs, a draft of a revised Manual Section (507) is currently being completed. It is also understood that a separate modality will be developed apart from LoAs for small grants to institutions for project type activities as distinct from services.

169. The purchasing and contracting practices of most of the major bilaterals and the IFIs are conditioned by the Paris, Rome, Johannesburg and Accra Declarations to which the UN system is also a signatory[42]. The Rome Declaration committed donors to pursue the harmonization of their procedures and practices and, wherever possible, to fully integrate development assistance into the financial management and accountability framework of the implementing partner. Emphasis is on using national government systems of the recipient countries to the maximum extent possible and providing direct assistance to strengthen those systems. It is also stated that purchasing should help to strengthen the development of national private sectors. Beneficiary government procurement systems could rarely be used by FAO in an emergency context and are not generally used by other agencies. What is important, however, is the spirit of the Declarations, i.e. that procurement with donor assistance is being used as a development tool. How FAO could better serve this goal is not the main thrust of this study, but it is also discussed in the final chapter of the report.

7.2 The pattern of procurement and issues for improvement

Pattern of procurement

170. FAO procures expendable and non-expendable goods and also services through contracts with commercial entities and through Letters of Agreement from non- commercial entities (i.e. government agencies, NGOs and universities). Commercial services may include a maximum of some 15 percent of goods. FAO procurements for emergencies fall into the following broad categories:

a) Products, including:
   i) agricultural, fisheries and forestry inputs, including seeds, tools, fertilizers, boats and fishing gear;
   ii) animal health products;
   iii) pesticides;
   iv) IT and communications equipment; and
   v) vehicles.

b) Services, including:
   i) NGOs and similar actors to distribute inputs, etc.;
   ii) laboratory services, e.g. for HPAI; and
   iii) contractors of planes, etc. such as for locust control spraying operations.

171. For none of these categories is FAO a particularly large purchaser over time in any one market. It thus does not have a price advantage from being a main client (except in a few cases for items such as locally produced seeds). In this, FAO differs from some of the other agencies procuring in emergencies, such as WFP, which deals with fewer items in large quantities.

172. Total purchasing by TCE through headquarters (i.e. field purchase orders and headquarters initiated) for 2008 was USD 52.9 million up from around USD 40 million in the three previous years. In 2007 and 2008, there were a total of 397 and 442 separate purchases respectively through headquarters. Over half the individual purchases in both 2007 and 2008 were for a total of less than USD 25,000 and under a quarter exceeded USD 250,000. In the two years, 1.5 percent and 2.5 percent of procurements respectively were in excess of USD 1 million. The combined value of fertilizers, agricultural hand tools and seeds procured through headquarters and decentralized offices reached USD 65.6 million in 2008.

[42] Several of the UN agencies have individually signed this declaration and it has been signed on behalf of the United Nations Development Group (UNDG) of which FAO is a member.

173. On average, TCE headquarters purchasing over the period 2006-2008 has been USD 43.8 million, with a low of USD 23.5 million and a high of USD 52.9 million. **The proportion of transactions by value initiated in the field has risen.** Table 9 indicates that in 2008 (by value) orders originating in the field were: 38 percent for fertilizers; 71 percent for tools and machinery; and 66 percent for seeds and planting material. Major items purchased under field authorizations as extracted from the Field Accounting System (FAS) for 2007-08 are summarised in Table 10. It can be seen that in 2008, 45 percent of the total was for seeds and planting material and a further 16 percent for agricultural tools.

174. For both field and headquarters purchasing, tools and seeds are generally locally sourced and fertilizers and pesticides, especially for larger quantities, tend to be purchased internationally (as they are not in any case produced in most of the beneficiary countries). For seeds, local purchasing is a necessity if the varieties are to be adapted to the agro-ecosystem and to local tastes. Although tools are not necessarily produced locally they do need to fit local traditions and the same applies to boats and fishing gear.

175. The quantities of fertilizer dealt with have been relatively small (even including the EC programme), reaching a high in total annual sales of USD 13.5 million in 2008, which will be higher in 2009 but still relatively modest[43]. The big fertilizer-producing companies and important traders usually show little interest in these volumes and the Procurement Service (AFSP) works largely through smaller traders/brokers and over the last four years (2005 to early 2008), has usually dealt with 12-15, located in Europe and Asia. Local traders have been used in a few countries with a well developed supply chain such as Pakistan and Afghanistan. Every 2-3 months, purchase order(s) are issued by AFSP for quantities varying from 150 tonnes, to a maximum recorded of 44,000 tonnes for Pakistan, following the flooding and earthquake disasters. The average order is 300-500 tonnes per purchase order and country.

[43] Especially now that the average price of one tonne of DAP reached USD 1,130; TSP USD1,030; Urea USD 450; and MOP USD 490 - in April 2008.

Table 9: Value and proportion of orders originating in the field for fertilizers, tools and seeds

	Orders by Value (USD million)			Percentage by Value		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
Fertilizers						
HQ	4.3	2.8	8.3	76%	46%	62%
Field	1.3	3.2	5.2	24%	54%	38%
sub-total	5.6	6.0	13.5	100%	100%	100%
Tools and Machinery						
HQ	0.8	2.2	3.4	12%	24%	29%
Field	6.1	7.1	8.2	88%	76%	71%
sub-total	6.9	9.3	11.6	100%	100%	100%
Plants and Seeds						
HQ	7.1	11.7	13.9	38%	38%	34%
Field	11.4	19.1	26.7	62%	62%	66%
sub-total	18.5	30.8	40.6	100%	100%	100%
Source: A. Graham (AFSP Data)						

176. Commercial service contracts figure much less significantly in FAO emergency operations than does purchasing. Purposes for which major service contracts have been let in recent years have included aircraft involved in locust control operations and rehabilitation of pumping stations in Iraq.

Table 10: Proportions of major field purchases (2007-08)

Seeds and planting material	44.7%
Tools	15.7%
Fertilizers	7.9%
Livestock	7.5%
Veterinary supplies	7.3%
Vehicles	7.1%
Information and communication equipment	5.2%
Animal feed	3.8%
Pesticides	0.9%
Source: Extracted by A. Graham from FAS	100.0%

177. Letters of Agreement (LoAs) are a very important modality in emergency support, especially with NGOs for direct delivery of inputs to beneficiaries. They are generally awarded directly with no open competition process. There is no separate record of LoAs handled in the field. In 2006-07, TCE handled some 80 per year through headquarters for a total average value of USD 8.85 million, which accounted for only some 8 percent of the total number of LoAs handled through headquarters by number, but 26 percent of those handled by value.

178. FAO does not have well adapted and developed instruments for:

a) direct provision of vouchers to allow beneficiaries to purchase their inputs from traders (e.g. in seed fairs which are currently organized through intermediaries);
b) providing a similar contract to small-scale national private entrepreneurs as can be provided to NGOs or government entities through a Letter of Agreement (LoA). Many LoAs combine an element of capacity development for the institution with the provision of a service; and
c) contracting an individual, as distinct from a company, or registered NGO to deliver a product, e.g. boats from builders, rehabilitation of marketing facilities or seeds directly from farmers.

These actions currently require either the use of intermediaries or the application of exceptional actions under procedures not designed for these purposes such as local daily labour hire or exceptional procurement provisions under FAO Manual Section 502.

Table 11: Letters of Agreement (LoAs) processed through headquarters 2006-07

Annual average	Number	Value USD million
LoAs for emergencies issued at HQ	80	8.85
LoAs for Emergencies as % of total HQ LOAs:	7.8%	25.9%
LoAs percentage which		
under USD 25,000	16%	2%
USD 25,000 - 50,000	20%	7%
USD 50,000 - 100,000	43%	30%
over USD 100,000	21%	61%
Source AFSP		

The timelines

179. The Procurement Service (AFSP) reports that indicatively, the average lead-time between purchase requisition submission and award is two months and the average delivery lead-time is one month. Of this period, the tender preparation time is four days, the tender duration is nine days, the duration of financial evaluation is five days, and the time for technical evaluation is 22 days. These are averages and obscure the best as well as the worst. The period also takes no account of the initial work to prepare the purchase requisition which will generally add two weeks to the period and the time for actual delivery to beneficiaries, which is likely to be another four weeks (conditions such as requiring bags to display the donor and/or FAO logo can further increase delivery times). Case studies for this evaluation found the overall average pattern for purchasing shown in Table 12.

180. The picture which emerges is one of average periods for the total process, including delivery to end beneficiaries of at least four, and probably five months, when the purchase is subject to tendering procedures. It would be a mistake to think that a change from tendering to direct procurement without formal call for bids would totally eliminate all evaluation, etc. but as can be seen from Table 12, it does have the scope to reduce the time by at least one month and transaction costs would also be reduced. Direct procurement without competitive bidding is sometimes used in case of real urgency, following clearance by the Procurement Committee.

Table 12: Case study findings on average duration of purchasing action

		Average (days)	Elapsed time (days)
Planning	Specifications, liaison with the field, technical clearances, identify initial suppliers	14	14
	Time for TCE to issue PR to AFSP after technical specification clearance	4	18
Tendering	Time needed to conclude list of suppliers; prepare and launch bid. (This average includes the delays caused by requests that are returned to TCE and/or technical units for further work. AFSP estimates that if the request is immediately actionable the time should be about one week.)	19	37
	Time from invitation issued to bid closing date	11	48
	Receipt of bids, bid evaluation (of which time required for technical evaluation 22 days and for commercial evaluation 13 days)	22	70
Purchase and delivery to country	Issue of purchase order	14	84
	Delivery to destination port/airport, inspection, monitoring and clearances	35	119
Delivery to beneficiaries	Time from delivery in country to distribution to beneficiaries	25	144

181. Even if direct procurement is used, the average delivery period is at least three and a half to four months. In bi-modal rainfall situations or irrigated production (two crops per year) of sudden onset emergency, this can very seldom catch the next crop. In mono-modal (one crop per year) situations, it may catch the next planting season, depending on the timing of the disaster. As discussed above, most emergency operations are of long duration and/or are not sudden onset and there is a need for strengthened programme planning in emergencies which extends to procurement (where for major emergency programmes there is a need to involve procurement specialists in the planning process).

182. Table 13 provides information on the average number of days for technical evaluation and bid processing on different categories of procurement submitted for tenders (derived from transactions for 2007-08). The differences in the technical evaluation time may reflect as much the human resource capacity and priority given to this by the responsible technical units as the complexity of the issue (for issues of technical support – see the discussion above). It can be seen that all the periods exceeded ten days (except for spray equipment and animal feeds) and some seem inexplicable such as the 28 days for vehicles. In all cases, they are likely to reflect consultation backwards and forwards between the technical unit, TCE and the field. It is also difficult to follow the reasons for some of the major differences in time for tender preparation and may be due in part to the complexity of the specifications and difficulties in identifying potential bidders. Of the key products in terms of value for emergencies (seeds, fertilizers and tools), particular attention is required to reducing the time requirement for tool procurement[44] and the times taken for both transmitters and vehicles give cause for concern as these are essential for conduct of emergency operations.

[44] TCE has agreed in principle to support one officer in the Agricultural Services Division (AGS) for emergencies from 2010 onwards.

Table 13: Time for technical evaluation and tendering preparation by type of product purchased

	Technical evaluation	Tender preparation
	(days)	
Seeds	17	9
Fertilizers	15	6
Agricultural tools	21	16
Machinery	24	52
Pumps	19	85
Fishing gear	21	28
Animal feed	8	6
Pesticides	22	19
Spraying equipment	3	15
Veterinary drugs and vaccines	23	9
Transmitters	33	5
Vehicles	28	35
Source: Root and Branch Review Annex G		

The processes

183. Efforts have been ongoing to reduce the procurement period and cut transaction costs. Most of the steps in all purchasing processes occur outside of AFSP, in field offices, technical divisions and TCE, and for the bulk of purchases by number the purchase is handled largely in the field by the emergency coordination unit/FAOR. Improvements in the process can thus be supported and facilitated by AFSP but actual implementation is carried out largely by others.

184. Fund availability is a major cause of procurement delay (see separate discussion of SFERA above where potential modalities are discussed for its expansion to provide advance funding). Avoidable delays in procurement are also largely a function of:

a) inadequate planning and a tendency to manage project by project, rather than as a total programme;
b) poorly defined specifications, support for which is addressed in the discussion of technical support; and
c) levels of knowledge of staff of processes which is partly a function of continuity in staffing and partly a function of training, which are addressed in the discussion of human resources.

185. **Preparedness:** Planning has improved but, as proposed above, there needs to be greater recognition of the potential benefits of further improvements. Procurement plans, if present, seldom examine the feasibility of meeting deadlines, securing the necessary supplies, etc. Also, in this context, the emphasis of the Root and Branch Review on improved procurement planning is pertinent. The discussion of IT above has addressed the need for and possibilities in improved IT support for integrated programme planning and management and the discussion of technical support has addressed the need for more guidance material, databases and development of corporate business intelligence, including for procurement. As an interim measure pending the

IPSAS/FAS project roll out AFSP is designing a simple tool to record and aggregate information on field procurement but this will of necessity be a parallel system.

186. The Procurement Service (AFSP) does mount procurement missions relatively early on in major emergencies. These are usually by a single individual and for the duration of the mission there is a higher level of procurement authority granted and the individual works with local staff to make a first round of major purchases and undertake some training in the process. In recent years there have been 5-8 missions per year for emergency operations for a total of some 90 person days per year. However, staff resources for this are very limited. Very few procurement missions were carried out for purposes other than emergencies.

187. FAO has used advance tendering for procurements (tender without commitment of funds), when requirements can be predicted in advance and quantities are of sufficient size to interest potential bidders. Difficulties have sometime been found in this because of the lack of forward planning for overall programme quantities and specifications and because some of the field and TCE officers involved are not fully informed of the possibilities and are reluctant to begin a pre-tender process before money is actually deposited. When advance tenders are launched, it has also been found that later, when an order is ready to be actually placed, the qualifying bidder may no longer be in a position to provide the quantities or the specifications required. Another possibility is to add a purchase to a still ongoing tender but opportunities are often limited and IT systems do not currently support an easy check on this.

188. **Value for money and efficiency:** In seeking to obtain the best value for money, FAO emphasises price in meeting the specifications over other considerations[45]. Eighty percent of the weight in assessment criteria for goods (not services) must be given to price. It may be argued that correctly drawn specifications, including on time-lines, mean that price is the main consideration[46]. The importance of forward planning has been emphasised and this should normally include what is available on the local market which can satisfy the needs, the capacities of the potential suppliers, etc. However, it is not often done and is not in any way a required part of the planning process.

189. It is not infrequent to have to invite a new round of tenders following clarifications of specifications, etc. and specifications cannot always be tightly drawn. A certain amount of flexibility is often desirable especially where more detailed information of requirements on the ground steadily accumulates as it may do in an emergency operation. In this context, pre-procurement studies which allow the market to be well documented and specifications clarified are important. Public invitation to bid increases the time and is unlikely to increase the number of valid offers, if the market has been adequately researched.

190. Further issues in the procurement processes include:

a) Deficiencies in the Field Accounting System (FAS) have meant that local procurements in the field are not entered as liabilities. This function will eventually be solved with the FAS upgrade and is discussed above under Information Technology. Letters of Agreement are also not necessarily currently entered into Oracle as commitments which is a serious problem in determining total commitments outstanding[47];

[45] There is no universally agreed definition of value for money but all audit and evaluation definitions are focused on the concept of least-cost achievement of the project results in terms of price, time and quality. This is not fully reflected in the definition used in Manual Section 502.

[46] Currently, specifications may be within margins with the assignment of weights to divergence within the range, which appears difficult to apply to many categories of emergency procurement.

[47] The proposed revised Manual Section on LoAs proposes that all LoAs over USD 100,000 should be entered into Oracle but this would still leave major commitments unaccounted.

b) The FAO supplier information base is inadequate. A performance report must be completed on unsatisfactory procurements but not for all procurements and these are not entered against any systematic score card on suppliers and information is not easily accessible. It is reported that this can already result in repeat orders to poorly performing suppliers and with less purchasing done centrally and thus less institutional memory in the heads of staff in a single unit, the problem could become worse. Considerable importance was attached to this aspect of adequate information by the Root and Branch Review;
c) FAO processes call for a technical evaluation of offers and for a commercial evaluation. TCE says that as budget holder, it normally also carries out an evaluation in terms of operational requirements but this is not an FAO business requirement although it probably should be; and
d) When Letters of Agreement are used for non-commercial suppliers of services, there is frequently an assumption that there is only one supplier which can provide the service (competitive processes have sometimes been undertaken but this is the exception). This assumption is not always justified for NGOs providing services in emergencies. There are often sole suppliers but the absence of clear criteria for when a tendering process should be required is not justified for LoAs in emergencies anymore than it would be for commercial procurements.

191. **Authority limits in procurement:** Table 14 provides the 2009 authority limits for procurements and Letters of Agreement (LoAs) compared with those that came into effect for procurement (commercial contracts and purchases) on 1 January 2010. Important points to note from the table include the:

a) differences in the levels of delegation for commercial contracts and Letters of Agreement;
b) minimal level of commercial procurement authority accorded to the Director TCE - USD 5,000 for commercial purchases or service contracts as distinct from that for Letters of Agreement (LoAs) which is as high as USD 1 million with the approval of the ADG-TC. Although LoAs are not intended for the same purpose as commercial procurements, this may provide a perverse incentive for TCE to rapidly use LoAs rather than procurement contracts, which could work against use of the national private sector, especially for services;
c) difficulty in providing any delegation for procurements to emergency coordinators, unlike project managers on projects for which the FAOR is the sole holder of an imprest account[48]; and
d) difference in authority levels between headquarters and decentralized offices with comparable grades of staff and responsibilities having much lower authority levels in headquarters for commercial procurements but higher levels for LoAs.

[48] The Note on decentralization discussed that there should be greater flexibility in allocation of imprest accounts to emergency coordinators and that there are FAORs that do not wish to take responsibility for procurements and financial management of emergency operations. The FAOR may also not have been selected for his/her capacity in managing large budgets.

Table 14: Levels of procurement authority (maxima)

	Commercial Contracts (MS 502)		Letters of Agreement
	2009	**Revised (2010)**	**Current**
Director AFS with clearance of procurement committee	Unlimited	Unlimited	not applicable
Chief AFSP	USD 100,000	USD 200,000	not applicable
Possible maximum General delegation by AFS[a/]		Unlimited	not applicable
Possible maximum *ad hoc* delegation by AFS (1 contract)		Unlimited	not applicable
Director TCE	USD 4,000	USD 5,000	USD 200,000[b/]
Possible maximum Director TCE delegations to Service Chiefs, Emergency Coordinators, etc.	USD 4,000	USD 5,000	USD 50,000
Regional Representatives	USD 150,000	USD 200,000	USD 100,000
Possible maximum General delegation by Regional Representatives	None[c/]	None[c/]	None[c/]
Possible maximum *ad hoc* delegation by Regional Representatives (1 contract) for emergency operations in countries	None[c/]	None[c/]	None[c/]
Subregional representatives in country of posting	USD 75,000	USD 150,000	USD 25,000
FAORs	USD 50,000	USD 100,000	USD 25,000
FAOR Possible maximum delegation to emergency coordinator (not clear if this could apply if TCE operated)	None	USD 50,000	None

a/ The Director AFS may delegate unlimited procurement authority to any official of the Organization

b/ With the approval of the ADG-TC USD 1 million

c/ None for TCE operated emergency projects

192. **The aggregation of procurements to achieve volume** could be important if FAO is to reduce the number of transactions and increase its importance as a client. The potential for this should not be exaggerated. As is evident from the discussion of total purchases above, FAO is a relatively small player in every market it enters, except sometimes purely local markets. Planning and programming to purchase across projects to a greater extent than occurs at present can facilitate aggregation. Ways to overcome the tendency to issue separate purchase orders by source of funds (project) to the same supplier for the same programme in a transaction heavy process need also to be addressed.

193. Many organizations dealing in larger volumes make greater use of framework agreements and contracts than does FAO. FAO does have framework contracts for computers, furniture, catering, etc. where prices are initially fixed and methods of adjustment set out in the contract, but the opportunity for list buying is limited to such items as vehicles, transmitters and computers which are important for emergency logistics but are not the items FAO supplies to beneficiaries and thus do not constitute the bulk of its purchasing.

194. An associated issue is that of holding supplies or inputs of any kind in a reserve for emergencies as WFP does with food, emergency vehicles and communication equipment. UNICEF and the Red Cross hold other emergency supplies, including medical. However, FAO's requirements for items to be delivered in emergencies are smaller, more differentiated and in some cases FAO deals with perishable commodities (e.g. seeds).

195. **Joint procurement with other agencies:** The Root and Branch Review identified joint procurement (mostly service contracting) by the Rome-based agencies as a major area for potential gains. However, **in the area of emergencies, potentials are limited**. Opportunities for joint purchasing with other UN organizations and use of facilities such as the UN Humanitarian Response Depots in Brindisi, Dubai, etc. are not as attractive as they appear on the surface. There are only two categories of equipment which FAO purchases in relatively large quantities in common with other UN agencies. These are vehicles and IT equipment. Vehicles can be purchased off a common UN-OPS list, and the Procurement Service (AFSP) argues that prices and delivery are often not competitive. FAO decentralized offices may nevertheless buy off the UN list also in excess of their procurement authority, if they are satisfied that the list buy is competitive. For IT, FAO has a contract with Dell.

196. The Humanitarian Response depots hold supplies for shipment and they are the property of the agencies, not generally jointly purchased. There could be a case for holding a few vehicles and IT supplies there, for immediate despatch in an emergency. The problem is how to pay for them, as these need to be pre-purchased. FAO already holds computers in headquarters by the simple expedient of delaying delivery to those who have purchased them in headquarters. The number of computers held in this way could be expanded by increasing the delay on delivery and some could be held in Brindisi (it is understood that the present pool stock in Humanitarian Response Depots is IBM which is not supported by FAO which has a contract with Dell, but on the downside, this means that in an emergency situation where FAO often shares facilities with WFP, the Organization must maintain a different hardware platform). It is possible that a few vehicles could be held by the same strategy of delayed delivery but this would be to field locations (vehicles are not purchased for HQ) and would probably not be practical. It is understood that WFP has sometimes allowed FAO to buy or rent vehicles from it, but naturally they have to give priority to their own work.

197. FAO already draws on WFP for logistics and there is a framework agreement for this but it is not clear that it has been incorporated in the Administrative Manuals of the two organizations.

198. **Transparency and compliance reporting** are important for vendor, donor and beneficiary country confidence in purchasing. In addition to strengthening institutional capacity, the Root and Branch Review envisaged strengthened compliance monitoring and inspection, which needed to go hand in hand with greater decentralization of authority. Publication of the suppliers for all procurements over a certain size and the winners of tenders is not the practice at present although it was done for Iraq without problems and is currently the practice for European Union Commission awards over USD 100,000. No public information is available on supplier lists and there is no systematic performance rating.

199. Compliance has previously been subject to transaction control in the Procurement Service (AFSP) and to internal and external audit and inspection. The Organization is now shifting towards a greater emphasis on ex-post controls and risk-based audit and inspection. However, there continues to be an emphasis on observance of rules as distinct from risk of fraud, collusion or failure to achieve value for money and AFSP and TCE observe that depending upon the author and the terms of reference, there is inconsistency in both audit and evaluation recommendations with some emphasizing efficiency and value for money and others strict rule observance.

Streamlining and strengthening FAO's internal institutional capacity

200. The Root and Branch Review identified a need for a strengthened advisory function on procurement and for a related improvement in supporting analysis and information systems for procurement. It also endorsed the transfer of most transaction processing functions to the Shared Services Centre and increased decentralization, with strengthened competencies and empowerment for those responsible for procurement. Questionnaire responses have emphasized a need for training of field personnel in procurement and reports from audits, evaluations and

management reports frequently identify the importance of this. The Root and Branch Review went further and suggested testing and certification of personnel in procurement competencies.

201. With enhanced decentralization and transfer of Oracle entry for Field Purchase Orders to the Shared Services Centre, the Procurement Service (AFSP) has been moving from a primarily transaction processing and checking role, to one of support to the procurement function, including developing policy. AFSP carries out all headquarters procurement and field procurement in excess of the authorities as well as requests from the field within the limits. It states that any dilution of this role would reduce its capacity to make policy but this is questionable if it was heavily involved in supporting others, as well as in larger transactions. There are currently (November 2009) 24 general service[49] and five professional and D1 level staff in post[50] in AFSP. Four consultants are carrying out professional tasks and there is a small consultant team working on a vendor management project. It would appear that if AFSP is to carry out more of a support role to others working under delegated authority, the balance in staffing needs to be shifted in favour of professionals, while recognizing that senior general service staff can carry out important roles in training and in commercial assessment quite on a par with junior professionals.

202. In addition to the capacities in Regional and Subregional Offices, administrative units with higher levels of authority were established for the important emergency operations in Iraq, Sudan and the Democratic Republic of Congo with international professional officers. Other offices have been selectively granted higher levels of procurement authority. Transactions under these authority levels still remain subject to AFSP supervision and it continues to review tender documents, which is an additional step in the transaction chain. The Root and Branch Review identified a further 44 countries[51] in which the procurement activities exceeded USD 0.5 million per annum for the period 2006-2008. The Root and Branch Review found that there were adequate procurement competencies in FAO personnel in 52 percent of these countries and varying degrees of inadequacy in the remaining 48 percent (however, the Root and Branch Review recognized that it was working from job descriptions of staff which took no account of actual competencies or of non-staff human resources).

7.3 Conclusions and recommendations for procurement in emergency operations

203. In improving procurement in emergency operations, the concentration needs be on improvements in purchasing and the issues currently covered by Letters of Agreement (large commercial service contracts are currently of relative unimportance for emergencies but service contracts could become more important for provision of technical support services in emergencies).

204. **Recommendation 7.1: Procurement preparedness and meeting delivery deadlines is probably the greatest single area for improvement:** Factors which may enable lead times to be reduced are suggested below and could, when taken together with the measures proposed in other sections of this report, have a significant impact, but it is not realistic to expect a drastic reductions of the total procurement time in the near future:

a) **Procurement preparedness planning should shift from the project to programme level** and for each major emergency operation there should be an initial procurement plan for the overall programme, as there sometimes is now, and this should be formally updated annually. It should include market research on potential local vendors and decisions on the method of procurement, for example use of seed fairs or purchase of seeds;

[49] Of the 24, two are temporary.

[50] A P1 is vacant.

[51] In addition to Iraq, Sudan and the Democratic Republic of Congo.

b) For major emergency programmes procurement **specialists need to be included in both initial and ongoing planning.** Procurement missions have been an important response in speeding up initial procurement;

c) **FAO should not engage in exercises to catch the next crop which will almost certainly miss it**, as reported by numerous evaluations. Rather, the Organization should properly prepare a response for the cropping season it is able to address and that will normally be the one for which planting is at least five months away. This does not invalidate the response; indeed it makes it stronger in providing a sustainable boost to the households which are struggling to rebuild their livelihoods. The emphasis of the Root and Branch Review on realism in planning for procurement is pertinent here. Also, as emphasized above, the bulk of FAO's assistance is either addressing "continuing" emergencies or predictable droughts and forward planning for procurement is possible; and

d) **When deliveries are time-bound** (e.g. to meet the next cropping season or in pest and disease operations) **greater use should be made of contracts split between vendors** (although this may reduce aggregation it also reduces risk of nothing being available on time).

205. **Recommendation 7.2: Aggregation of procurements:** As is increasingly the case already, procurement should be managed for programmes as a whole, not single projects and possibilities should be examined for:

a) developing pool trust fund accounts for purchasing inputs for programmes and or types of input such as fertilizer and equipment. The principle of such accounts would be that purchases were made by the pool account and then the individual projects purchased from the pool. If the prices paid by the projects included a small margin, risks and management could be covered, while possibly accumulating some capital reserve (see discussion of pool accounts above); and

b) based on the procurement plan, further expansion of advance tendering and development of framework agreements which allow one or more bidders to pre-qualify but then allow space to finalize actual orders within the agreement subsequently (this would require a change in the FAO Manual to recognise this as a normal and not exceptional process). Framework agreements could be particularly important in local markets for products such as seeds and internationally for items such as proven quality veterinary vaccines.

206. **Recommendation 7.3: In obtaining improved value for money:**

a) **forward planning and market studies** should play a more prominent role in finalizing invitations to bid;

b) the balance needs to be adjusted in value for money criteria, **placing reduced emphasis on price** which currently accounts for 80 percent of the weight in criteria for purchases, and:
   i) taking better account of issues of flexibility to respond to changing exigencies on the ground;
   ii) reflecting an acknowledgement that specifications cannot always be extremely tightly drawn prior to the invitation to bid and technical and operational judgement must sometimes be exercised;
   iii) taking account of the need to give greater weight to information on vendor reliability; and

[52] The Root and Branch Review found that the complexity of a purchase and its requirement for specialist competencies was most dependent on what was being purchased rather than the type of operation and that taken overall emergencies were of average requirement for specialist skills (Figure 2.18 and proceeding paragraphs of final report).

iv) enabling more flexible preference to national over international suppliers;

c) information on a **supplier's track record** needs to be formally maintained and considered as a stated criterion in invitation to bid and the assessment of offers (the criteria which will be used for assessment of reliability should be available to suppliers);

d) formal assessment of operational criteria should be required as part of the comprehensive value for money assessment in addition to the technical and commercial assessment; and

e) **increasing transparency** within the above framework: FAO could publish all procurements above a certain minimum value.

207. **Recommendation 7.4: FAO's institutional capacity for procurement** should be strengthened broadly in line with the Root and Branch Review proposals.

a) From the perspective of emergencies, particular attention needs to be given to:
   i) developing and supporting planning and preparedness to purchase;
   ii) providing information support;
   iii) providing direct support and competence assurance in decentralized offices. This may include formal competency assessment and could for ease of logistics be facilitated by outposted AFSP officers in some sub-regions. Country offices should be systematically prioritized for capacity upgrading for procurement, human resources, etc. and, in doing this, the total national portfolio of the Organization, not only the emergency programme, should be considered (as discussed above);
   iv) upgrade of IT for decentralized offices (see discussion above); and
   v) **effective risk monitoring** and inspection with emphasis on risk of fraud, collusion and failure to achieve value for money, rather than strict rule compliance. The extent to which risk monitoring can be supported by any IT system checks needs to be examined;

b) In designing institutional arrangements, the **mixing of control and support or control and conduct of procurement should be avoided** as it may contribute to a lack of confidence by operational units, a potential conflict of interest and possibly inadequate attention to the control function. Separation of such functions is important in achieving the psychological transition to a service culture and requires a separation of the functions in the Procurement Service (AFSP);

c) **Delegation:** This report does not attempt to determine the levels of delegation which can take place. It is recognized that levels of delegation as of 1 January 2010 may exceed the capacities and competencies in some decentralized offices, but some offices could well manage a higher level of delegation:
   i) **Delegation to TCE can be raised**, rather than treating TCE for the purpose of expenditure limits on a par with other units in headquarters which have low limits for commercial procurement and recognizing the special nature of emergencies and TCE's distinct operational functions and capacity. The perverse incentive to utilize Letters of Agreement for which TCE has high authorities and can act quickly, rather than procurement contracts for which its limit of authority is USD 5,000 without a specific delegation from AFS, could be removed. Rather than increasing risk, as seems to be assumed, this would clearly make TCE responsible for its actions. Such delegation could be supported by providing a procurement officer(s) working under AFS supervision to directly support TCE;
   ii) If, as is envisaged, TCE decentralizes some **project officers to the field, they could be provided additional training and certification in procurement skills**. Such officers could then be delegated procurement authority, as has currently been done in the few very large operations which have a procurement officer stationed. Separation of authorities could be maintained as

the TCE project officer or director would not be the initiator. Additional safeguards could also be put in place, such as requiring witnessed documentation of the processes followed;

iii) The capacities, including IT system support of field offices, require greater distinction to be drawn between locations:

- as discussed above in the context of decentralization, TCE and AFS could further delegate to selected individual field offices which do not have procurement or project officers and this level of delegation should be based on the capacity of the FAOR office and emergency coordination office, not the person of the FAOR;
- there may also be some field offices where the USD 100,000 limit for procurement is too high and a limitation is required;
- purchases may be divided into two categories on the basis of their complexity. For example, fertilizer is a relatively non-complex commodity, whereas IT equipment is not. The delegated level for procurement can be higher for non-complex commodities[52]; and
- separation of responsibilities is difficult for some locations, particularly those which have small staffs. Offices where this is the case and those where recent audits have found problems could be required to have all transactions entered into Oracle in either the Regional Office or FAO HQ/Budapest, with oversight functions being exercised by those offices;

d) The present overall limit for Letters of Agreement (LoAs) at USD 25,000 in the field remains too low and there should generally be **similar levels of delegation for LoAs and procurements**, unless a new procurement modality is developed for national private sectors (see below).

VIII. Building for sustainable national procurement capacity-institutional strengthening in and for developing countries

8.1 The issue

208. As discussed in the previous chapter, bilateral agencies, IFIs and the UN system UN Development Group (UNDG) agencies are committed under the terms of the Paris and Accra Declarations to strengthening procurement capacity in developing countries. Also FAO Strategic Objective I – Organizational Result I-3 states: "countries and partners have improved transition and linkages between emergency, rehabilitation and development".

209. Supporting the development of national private sectors as a supplier to FAO is difficult, precisely because the enterprises are often small and weak. Local entrepreneurs are often short of working capital and may not be able to get letters of credit, often essential for imports. Timely delivery, quality assurance, etc. can be a problem. Especially in emergencies, timeliness is an important factor. In Africa, in the rural areas prone to droughts, civil strife, etc., there is not enough business turnover in normal years to support the development of a commercial agricultural supply network, along conventional lines. These difficulties can be exaggerated however, and the situation is very different in much of Asia, the Near East and Latin America and the Caribbean to that in parts of Africa.

210. FAO procurement and distribution has also the capacity to disrupt and undermine the development of nascent local markets. This issue has seldom been addressed in procurement needs assessment and planning but has been emphasized by the technical unit responsible for livestock production as distinct from animal health, which notes that both from the point of view of production and markets, the best thing is sometimes to do nothing following an emergency. The real time evaluation of the Tsunami operations also noted the importance of strengthening the total value chain not just production[53].

211. FAO Letters of Agreement are used to procure NGO and national government services and sometimes at the same time develop sustainable capacity for the future services. When seed fairs are organized or seeds are bought from national suppliers (private or governmental), national capacity is reinforced, similarly with contracts to local boat builders, etc. Projects have also been designed to develop seed production, blacksmiths, etc. However, unlike WFP, there is no mechanism in FAO to directly execute voucher schemes and to work with vouchers FAO has used an intermediary, normally under a Letter of Agreement. Boat building, work on agricultural improvements, etc. have sometimes been paid for by misusing casual labour payments, so as to provide cash payment to the artisans for both their work and materials. FAO cannot enter into a contract with a business that is not a registered company and many small-scale entrepreneurs are not registered companies.

212. Strictly commercial procurement (Manual Section 502) cannot be overly mixed with capacity building objectives, especially where immediate delivery and cost considerations, rather than sustainability are overriding factors, as is often the case in emergencies. The revised Manual Section 502 does give development of the local private sector as an objective but there are no significant instruments included to achieve this and it is suggested below that rather than trying to adapt commercial procurement procedures to a purpose for which they were not intended, a new modality should be developed which allows FAO in the right circumstances to support and not undermine enduring national capacity while satisfying emergency requirements. This is likely to be the case in longer running and recurrent emergency situations. This having been said, as

[53] Real-Time Evaluation of the FAO Emergency and Rehabilitation Operations in Response to the Indian Ocean Earthquake and Tsunami, PC 97/4b, May 2007.

recommended in the previous chapter, a criteria in assessing bids should be preference to the national and regional private sectors.

8.2 Possible actions in building for sustainability in national procurement

Early actions

213. **Recommendation 8.1: Policies: How FAO can better strengthen national development while undertaking procurement requires urgent normative work.** FAO does have a clear policy of supporting NGO development and at the same time acquiring a service through Letters of Agreement. A similar **clear priority and policy needs to be put in place for national small and medium enterprises**, but no instruments have been developed for this enabling the national private sector to enhance its capacity to provide a sustainable service to farmers and fishers. There has also been no analysis of when FAO is likely to disrupt and undermine the sustainable development of national markets. This extends from transport, to storage, to boat building and the local level supply of inputs:

a) **A policy and a new instrument (Manual Section) should be developed to cover flexible procurement of services and goods from the small-/medium-scale national private sector with a capacity building sub-objective** contributing to sustainable services to farmers and fishers. Alternatively, Letters of Agreement (LoAs) could be extended to cover this, which may be preferable, as some contracts could be satisfied by either the NGO or local commercial sector in a more flexible way than is currently provided. As now with LoAs, competition would not be always required but should form a feature of the selection process for contractors where possible. This manual section should include:
   i) adequate provision for advances[54];
   ii) contracting with businesses where the legal entity is an individual and not a company; and
   iii) procedures for FAO to inform the contractors' bankers of the contract, thus facilitating access to credit, etc.;

b) **A new instrument (Manual Section) should be developed to allow FAO to directly operate voucher schemes** for input purchasing by beneficiaries, rather than needing, of necessity, to work through an intermediary which is presently the case.

Longer-term actions

214. **Recommendation 8.2:** In the longer term, **FAO may consider developing other services which improve procurement for developing countries**. FAO would need to recognize these as development services, not an administrative overhead, and allocate funds accordingly:

a) Possibilities could be explored of appointing local companies as agents for areas of continuing emergency to undertake purchasing for the subregion or country on behalf of the Organization. This could deliver institutional continuity and flexibility on the ground and with a tightly drawn contract and policy could increase, rather than decrease accountability, while serving to build up a subregional company and national skills;

b) WHO provides a service to developing countries and other donors for some procurements. In addition to having facilitated negotiations on drug prices for

[54] A small advance is possible under revised Manual Section 502 but this requires an exception. Advances are standard practice for LoAs.

developing countries, diagnostic kits and some other products are available through its WebBuy catalogue at pre-negotiated prices[55] . This not only provides a service to developing countries but creates volume, giving WHO negotiating leverage on price and availability (WHO was not previously the main buyer in most of these markets). The immediate potential candidate for FAO to provide such a service could be some veterinary supplies;

c) In line with FAO's role as a coordinator and emergency cluster leader, the Organization could explore creating a **service for key agricultural inputs**[56] which have to be purchased in large quantities internationally by developing countries and other donors. This would also have the advantage of creating volume and thus price advantages for FAO itself. The potential candidates for an FAO initiative of this type could be:

   i) local procurement of seeds in selected subregional and national markets, where agreements on the process would be important with other donors, NGOs, etc;

   ii) international purchase of fertilizer. This is a service which could have particular relevance to the smaller and poorer developing countries which do not have well developed fertilizer imports. The largest donor financers internationally of fertilizer purchase are the World Bank, followed by some of the other IFIs and they would need to be included in any discussions, possibly together with the European Union Commission and a few large bilaterals. This would be a major project and would need to be regarded as a priority with adequate resources to develop it. The creation of sufficient bulk of fertilizer would be essential and, as previously noted, FAO itself is a relatively small purchaser. Depending on the routes, fertilizer bulk transport usually takes place in ships of an absolute minimum of 30,000 tonnes (which would amount to at least USD 30 million of fertilizer at current prices). This fertilizer also has to be bagged (in plastic to keep out the wet) in appropriate quantities for handling (50 kg or less). Some ships have bagging facilities but if there is not going to be excessive down time in port, fertilizer must be bagged in port after landing, which is not always possible. A report prepared for TCE-AFSP explores the possibility of developing a service agreement with a few major companies which have port handling and bagging facilities in developing countries. This could be a possibility only if large quantities were assured.

[55] WHO's original goal was to provide Member States with quality HIV test kits inexpensively. It now provides tests for malaria, hepatitis B and hepatitis C, as well as basic laboratory consumables and equipment. In 2007, 13 million test kits were procured for 45 Member States, the majority in low-income countries. These and other items can be accessed through the WHO WebBuy catalogue.

[56] Modalities would need to be explored. One such is the WHO WebBuy catalogues for purchase off a list but a commodity such as fertilizer would probably require a framework agreement.