2006-07

Supplement to
The Director-General’s Programme of Work and Budget

(Reform proposals)

Food and Agriculture Organization of the United Nations
Rome, 2005
# Table of Contents

**FOREWORD BY THE DIRECTOR-GENERAL** .................................................. V

I.  **THE RATIONALE FOR REFORM** ................................................................. 1
   The Major Challenges .................................................................................... 1
   Changing International Environment and Opportunities ............................... 3

II. **SHAPING THE REFORM PROPOSALS** .................................................... 7

III. **IMPORT OF THE REFORM PROPOSALS** ............................................... 9
    a. Programmes ................................................................................................. 9
    b. Organizational structure ............................................................................ 15
    c. Streamlined Processes to Achieve Efficiency and Performance Gains ......... 22

IV. **FINANCIAL AND BUDGETARY OVERVIEW** .......................................... 29
    Regular Programme .......................................................................................... 29
    An integrated presentation of FAO’s budget .................................................... 33
    FAO budget in the context of global investments for agricultural development
       and hunger reduction .................................................................................. 35

V.  **OPPORTUNITIES FOR STREAMLINING OF GOVERNANCE STRUCTURES, STATUTORY BODIES, COMMISSIONS AND COMMITTEES** .................................................. 37
    Committees of the Council ............................................................................ 37
    Commissions, committees, conferences, working parties, panels of experts
       and consultations ............................................................................................ 38
    Conventions and agreements (Article XIV bodies) .......................................... 39

VI. **MANAGING THE REFORM PROCESS** .................................................. 41

ANNEX I. **DRAFT RESOLUTION FOR ADOPTION BY THE CONFERENCE** .................................................. 45

ANNEX II. **ORGANIZATION CHART - HEADQUARTERS** ............................ 47

ANNEX III. **ORGANIZATION CHART – DECENTRALIZED OFFICES** ............. 49

ANNEX IV. **PROGRAMME NARRATIVES** ................................................... 51
    Chapter 1: Corporate Governance ................................................................. 51
    Chapter 2: Sustainable Food and Agricultural Systems ................................. 52
    Chapter 3: Knowledge Exchange, Policy and Advocacy ................................. 57
    Chapter 4: Decentralization, UN Cooperation and Programme Delivery ........ 61
    Chapter 5: Management and Supervision Services ........................................ 63
    Chapter 6: Contingencies ............................................................................... 64
    Chapter 8: Capital Expenditure ...................................................................... 65
    Chapter 9: Security Expenditure ................................................................... 65
Foreword by the Director-General

The origin of this Supplement to the PWB 2006-07 lies in the request, made to me by the Council at its 128th Session in June, 2005, for an additional Programme of Work and Budget scenario at a higher real growth level of 9.25% for the biennium. It contains, however, a proposal for a wide-ranging reform of the Organization which goes well beyond a scenario for the use of additional resources. It thus calls for an explanation of why I am advancing it, and in particular, why now, at this stage of the budget approval process.

The simple answer is that much has happened since my proposals for the Summary Programme of Work and Budget were prepared early this year, indeed so much, and of such import, that I feel compelled to address the membership in this way.

The year so far has seen a remarkable succession of significant developments of high relevance to FAO. Some of them confirm that we are on the right track: but must redouble our efforts, while others indicate that we are not doing nearly as well as we should be and must make corrections urgently.

Among the positive developments, I would note the substantive preparations for the UN's Millennium +5 Summit, which have brought into even sharper focus the actions needed to achieve the internationally agreed goals, in particular, the overarching Millennium Development Goal (MDG) 1, which explicitly recognizes the interrelationship between hunger and poverty and the imperative of reducing both. This message was at the core of the two Summits FAO has held in the past decade and remains a central underpinning of our work: that it is acknowledged in the broader context of these global development goals is indeed a vindication of the Organization's advocacy on behalf of the food insecure. But we cannot rest there—stating the goal was crucial, but it is far from being attained and the hardest part is still to come. The whole UN system, of which we are part, is called upon to respond.

Another encouraging trend is the recognition by the international community, most recently expressed in the Commission for Africa report and in the G8 Gleneagles Communiqué, of the importance of increasing aid and debt relief, strengthening support for Africa and addressing pressing global issues like climate change. The role of agriculture, forestry and fisheries in contributing to sustainable development has for too long been understated. Promoting increased investment in these sectors has been a major thrust of FAO's advocacy over the past decade, in Quebec in 1995 on the occasion of the Organization's 50th anniversary, in Monterrey in 2002, in Maputo in 2003 and at ECOSOC this year. As we approach FAO's 60th anniversary, the signs are that the downward trend in resources has finally been arrested. But we must now seize the opportunity to target our efforts even more specifically towards helping our developing Members formulate strategies and policies to address their most pressing problems of poverty and food insecurity, and to mobilize resources internally and externally to implement programmes on a suitable scale.

Then there are the areas where we are not doing well. As one of the oldest Specialized Agencies, FAO must reflect seriously on the situation in which the whole UN system finds itself now, facing pressing calls for fundamental reform with a view to eliminating overlap and duplication in mandates and ensuring stronger system-wide coherence and effectiveness. The system is perceived as slow to adapt itself to the changes taking place in the wider development cooperation environment. The Specialized Agencies are often perceived as the slowest, as recent donor studies have indicated.

The urgent need for decisive action on FAO's part became apparent to me in the context of discussions in the UN Chief Executives Board (CEB) on the Millennium Development Goals and the reform of the system. The initial conclusions of our review of FAO's own contribution to the MDGs, covered in a discussion paper issued in May, indicated that FAO needed to “critically re-examine its own role within the system and articulate clearly how it will adapt to face the challenges ahead.” The review also noted that the focus of efforts to achieve the goals will be at the country level, and that FAO needs to determine where and how its capacities should be most effectively deployed at this level in the context of the UN system’s overall contribution to the process.

The preparation of this paper coincided with consideration of the outcome of the Independent Evaluation of FAO’s Decentralization. The recommendations of the evaluation did not entirely surprise us, as we were already trying to address some of the problems, but they were sobering in their frankness and far-reaching in their implications. It was clear that the decentralization process—one of the principal aspects of the reorganization in 1994 and further pursued in subsequent biennia—had still not produced the full benefits expected. In practice, the recommendations made by the Independent Evaluation needed to be reinforced in their execution by
simultaneous changes in our Headquarters structure and by actions to bring about what the Council described as “a major shift in organizational culture.”

The evaluation had acknowledged that the context of shrinking resources in which decentralization had taken place had had major implications for its effectiveness. After five successive biennia of declining budgets, it was not easy to see how we could address the fundamental challenges through a cautious “business as usual” approach, and indeed the reaction of Members to our initial management response to the evaluation was a clear indication that such an approach was unsatisfactory.

At the time that these discussions were taking place, there was also a clear expression by some Members of concerns about our planning and programming process. In our efforts to meet past requests for greater transparency, we have greatly modernized and systematized our planning, implementation, monitoring and evaluation processes, and increased the amount of reliable data and detailed information which we can provide. Paradoxically, this may have also reinforced an impression of fragmentation in the programme and in resource allocations, and made it more difficult to discern the essence of what we are doing and why. In requesting streamlining and simplification, the Council was calling on us not only to reduce the volume of documentation but to arrive at a programme structure and form of presentation which would allow both Members and the Secretariat to focus their attention on major priorities.

The prospect of formulating a programme which could address these strongly expressed views of the Members, and significantly increase the Organization’s capacity to meet the expectations placed upon it, following the June Council’s request for a higher real growth scenario, was an invitation to “think outside the box”. My senior colleagues, whose input I requested on management challenges and programme priorities for FAO in the future, responded with commitment and sincerity. From my own reflections and theirs, the conclusion was inescapable. Change was essential and what was needed was not to add and subtract on the margins, but rather to re-engineer the Organization, both its programmes and its management structure.

One of the interesting aspects of this process of internal reflection was the conclusion that fundamental improvements in business processes and management systems were already greatly facilitated by the new technologies in which we had invested, but programme and organizational restructuring would both accelerate the streamlining process and allow us to address substantive challenges and opportunities coherently.

From there, it was a short step to the conclusion that the proposal for re-engineering should not be postponed.

The General Rules of the Organization require the Director-General to prepare and submit a draft programme of work and budgetary proposals to the Conference in the light of the observations by the Programme and Finance Committees, by other appropriate organs of the Organization and by the Council. The draft PWB for 2006-2007, based on the summary which the Council considered, has been prepared and submitted according to the normal procedures. I have listened to the Members and to the staff, but ultimately I must exercise leadership in arbitrating among often conflicting views to present a vision. I have therefore taken the initiative to place the supplementary proposals in this document, before the governing bodies of the Organization. In doing so, I have gone beyond the request of the Council for a higher real growth budget proposal of 9.25% for the biennium, by demonstrating that my reform proposals are entirely feasible with a moderate budgetary increase of 2.5% real growth.

I do so with the conviction that what I am proposing can only be to the benefit of our Members. I seek neither to anticipate nor to pre-judge the outcome of other processes underway, most notably the Independent External Evaluation of the Organization which the Council is undertaking. In fact, I believe that implementation of my proposals now will create a more favourable context for such an evaluation.

The Organization’s long term strategies and objectives and its Medium Term Plan have been exhaustively discussed and agreed by the Members, and it is not my intent to address this larger framework, changes to which indeed would require much further in-depth examination and discussion. My concern now is with the 2006-2007 biennium, for which the Programme of Work and Budget is the business plan. Members entrust to the Director-General the responsibility of implementing a programme and managing the Organization’s resources. The thrust of my proposals is to achieve greater focus, effectiveness and efficiency in doing so. Implementation of these proposals beginning in 2006 will result in a more unified FAO Secretariat operating through a more coherent and decentralized structure, with a stronger sense of purpose and an enhanced capacity to implement the strategies and achieve the objectives which the Members have set for FAO, or will set in the future.

The rationale for and content of the two programme budget scenarios are set out in this document. In essence, the chapter and programme proposals involve three major interdisciplinary thrusts:
Sustainable Food and Agricultural Systems brings together Agriculture, Biosecurity, Nutrition, and Consumer Protection, Forestry, Fisheries and Aquaculture, and Natural Resources, Technology and Sustainable Development.

Knowledge Exchange, Policy and Advocacy brings together Economic and Social Development, Alliances and Rural Livelihoods and Knowledge Exchange, Communication and Capacity-Building.

Decentralization, UN Cooperation and Programme Delivery brings together Coordination and Decentralization, Outreach Programmes and the Technical Cooperation Programme.

The provisions for Corporate Governance, Management and Supervision Services, Contingencies, Capital Expenditure and Security Expenditure are shown as separate chapters.

Because it is through the organizational structure that we ensure accountability for the implementation of programmes, I am proposing a structure which corresponds closely to the chapters and programmes. This involves rebalancing among the departments and divisions of Headquarters, and extensive re-engineering of the decentralized structure, to achieve greater unity and a clear and mutually reinforcing allocation of functions among headquarters, regional, subregional and country offices. Improvements in efficiency and effectiveness will also be achieved through better use of the human resources of the Organization and increased recourse to the technical capacity present in developing member countries.

My proposed programme and organizational reforms are submitted to the governing bodies of the Organization for their consideration and decision. While more analysis would continue to refine the detailed resource allocations, I am confident that the proposed reforms could be accommodated within the 2.5% real growth resource level. The Higher Real Growth scenario would permit meeting capital needs to a greater extent, as well as increasing the resources for the Technical Cooperation Programme to the level of 17% of the total appropriation sought by Conference Resolution 9/89. Clearly, the pace and effectiveness of organizational transformation cannot be divorced from the 2006-07 budget level eventually to be approved by the Conference. However, it is my firm belief that the proposed reforms are timely, and worthy of Members’ support independently of the budget level to be decided by the Conference.

In proposing the resource levels for the chapters and programmes in the reform scenario, the budgetary increases for the highest priority areas have been maintained, in particular for capacity-building in the application of international regulatory frameworks, for genetic resources, and for the specific priorities identified within the fisheries and forestry programmes. The proportion of the overall resources for the decentralized network remains by and large as presently allocated to the existing network, and I would recall the conclusion of the Decentralization Evaluation that the decentralized action of FAO in direct service to member countries “would be worthy of an absolute budget increase without any reduction in the resources for normative work.”

I believe it will be clear even from this short overview that I am aiming for much more deliberate targeting of effort in our technical programmes to the major areas of concern to Members, for a more specific focus on our functions of knowledge exchange, policy assistance, capacity-building and advocacy, and for an approach that ensures full synergy with our UN partners within the broader context of the multilateral system, especially at country level. I advance these proposals based on my belief in FAO as a membership organization, in which each and every country is a stakeholder. We are obliged to be selective in applying our resources, and I am suggesting recourse to internationally accepted criteria for doing so, but this must not prejudice our broader responsibility for ensuring that all Members can participate in the life of the Organization and draw benefit from this participation according to their possibilities. To target our action to major priorities, and to locate that action at the level at which it can be most effectively implemented, is also to respect the fundamental principle that the Organization must serve all its Members, to the extent possible, according to their needs.

I am well aware of the time constraints, for the Members and the Secretariat. Indeed, we will need time to further refine these proposals on the basis of more in-depth consultations within the Secretariat on the details. We stand ready, however, to provide further clarification for the discussions among Members and further information as necessary between now and when the Conference meets.

Jacques Diouf
Director General
I. THE RATIONALE FOR REFORM

1. The Director-General’s Foreword sets out the reasons for the submission of the proposals in this document, following a series of developments of high relevance for FAO during recent months. The following section covers some major challenges and opportunities that assume even greater significance in the light of those developments.

2. During FAO’s 60 years of life, the world’s agriculture has undergone a dramatic transformation. It has been a period of extraordinarily rapid technological change which has included extensive farm mechanisation, the breeding and widespread adoption of new crop varieties, a massive intensification of livestock production systems, the accelerated development of aquaculture and a rapid expansion in the use of fertilizers and pesticides, initially in developed countries. This revolution spread into developing countries, especially in Asia and Latin America, but with only limited uptake in Sub-Saharan Africa where an increase in cultivated areas has been the main driver of growth. The changes which have taken place have confounded those who claimed that human food needs would outstrip the world’s production capacity. They have instead enabled farmers to raise food output to meet the demands of the global population which has tripled from 2 billion to over 6 billion since 1945, and to increase average food consumption per caput by 23 per cent in the same period.

3. The imperative facing FAO and its member countries is to ensure that benefits of this remarkable achievement spread to all of the world’s population – especially to the more than 850 million people who currently suffer from chronic food insecurity. In the short term, the Organization must do everything possible within its mandate and power to ensure that, at the very least, the World Food Summit (WFS) goal of halving the number of undernourished persons by 2015 and the related Millennium Development Goals (MDGs), especially those related to human health and the environment, are achieved. The hunger goal remains attainable, given the necessary will to take action on a scale relevant to size of the problem. This attention to food security and the MDGs, however, must not detract from the other vital work that FAO must undertake, to address the equal imperative of ensuring long-term sustainable global food supplies, as well as to respond to important changes taking place within global governance and trading systems which place new demands on the supply of public goods.

The Major Challenges

The World Food Summit and the Millennium Development Goals

4. Although the primary responsibility for bringing down the number of hungry people in the world rests with all its Members, the fact that so little progress has been made towards attaining the Summit goal in almost ten years suggests that the Organization must ask itself how it can improve its response in those areas where it was mandated to take action. What more must it do and what should it do better to enable its Members to achieve the Summit goal within the 10 years between now and 2015? Can it not, for instance, be more powerful in its advocacy for a world free from hunger, engage partners to amplify its impact and extend more effective policy and technical support to countries which demonstrate the political will to end hunger but are seeking advice on the design and implementation of programmes on a scale which matches the size of the food insecurity problem?

5. The Millennium Development Goals that resulted from the UN Millennium Summit of September 2000 have reinforced the sense of urgency. The MDGs offer a set of time-bound, measurable and achievable targets to which both developing countries and the international community can subscribe. The fact that the first MDG calls for halving the proportion of people living in poverty and hunger by 2015 is of immense significance for FAO, given the growing realization that hunger is both a cause and an effect of poverty. In many countries, bringing down the incidence of hunger opens the way for faster progress in reducing poverty. The report of the Hunger
Supplement to the Programme of Work and Budget 2006-07

Task Force of the UN Millennium Project makes the point that “the challenge of halving hunger is ... closely linked with that of achieving the other MDGs. Reducing hunger will speed progress toward other Goals, and vice versa. ... It is particularly important that reducing hunger should be a major part of poverty reduction strategies, since little progress in reducing poverty is likely as long as large numbers of people suffer from malnutrition.” Yet many poverty reduction strategies have been formulated by member countries which fail to make this connection, raising the risk of underinvestment in hunger reduction.

Raising the environmental and social sustainability of food systems

6. Increases in total agricultural production may have kept up with the world’s rapidly rising demand for food and fibre, but this has been at vast, though uncounted environmental and human cost. Huge tracts of virgin forest have been put under the plough or converted to low-intensity grazing lands; millions of hectares of fertile lands have been irrigated but not adequately drained and hence have been affected by salinity; both surface and groundwater supplies have been polluted by nitrates and pesticides; marine fish stocks have been depleted through over-fishing; methane emissions from flooded rice cultivation and from intensive livestock enterprises as well as land clearances by burning have become major sources of greenhouse gases, and there has been a progressive and serious erosion in agro-biodiversity affecting both crops and animals. Simultaneously, while food production has increased, this has been accompanied by a drastic long-term decline in staple food prices which has left many farmers, especially in developing and transition countries, poorer – and more food insecure - than ever before, leading to economic and social collapse in many rural societies and to high rates of rural-urban migration.

7. FAO must greatly increase the attention which it addresses towards innovative agricultural, forestry and fishery production, processing and distribution systems which are truly sustainable in the sense that, while meeting future human needs, they no longer lead to the depletion of the world's natural resources, to accelerating climate change processes and to the impoverishment of rural societies, associated, in many cases, with the increased marginalization of women.

Coping better with globalization

8. The pace of globalization of agriculture and especially of food processing and distribution systems is accelerating and creating both positive and negative impacts on human welfare and livelihoods. As a global intergovernmental institution with broad convening powers, FAO is uniquely placed to take the lead in creating instruments designed to limit the potentially damaging effects of globalization processes on the sustainability of agriculture and on the health and livelihoods of vulnerable people. The Organization must direct increasing attention towards facilitating the implementation of international agreements, codes of conduct and standards aimed at conserving and protecting natural resources so that these are available to meet the needs of future generations.

9. Likewise, it needs to extend its activities in relation to biosecurity and consumer protection, through work on food quality and safety standards, and also through the promotion of healthy eating habits and follow-up to the approval of the Voluntary Guidelines to Support the Progressive Realization of the Right to Adequate Food, focusing its efforts on strengthening national capacities to apply international standards and agreements.

10. FAO also needs to strengthen its capacity to prevent, and respond in a timely manner to, the growing number of devastating animal and plant pest and disease outbreaks, the spread of which is being accelerated by rapid increases in long-distance travel and in the movement of goods across boundaries and oceans. While there is a general recognition by all familiar with transboundary diseases and pests that prevention is better – and much cheaper - than cure, this has not yet been reflected in the availability of the resources required to take effective preventive action before such problems, such as foot and mouth disease, locusts or avian influenza, build up to a scale requiring enormously expensive interventions and massive loss of earnings.
11. Beyond this, there is evidence of an increase in the number and severity of natural and human induced emergencies affecting developing countries and especially their rural populations. The globalization of communications is becoming increasingly effective in awakening the public to these disasters and the human suffering that they cause, compelling FAO to strengthen its early warning and intervention capacities.

**Changing International Environment and Opportunities**

12. Trends in the wider global environment both impact on FAO’s work and provide new opportunities to enhance its relevance and effectiveness. Many have been highlighted in the Strategic Framework, the Medium Term Plan and, most recently, in the discussion paper *FAO and the challenge of the Millennium Development Goals: The road ahead*. Those of particular relevance to the Director-General’s proposals for reform are highlighted below.

**Commitments to expand resource mobilization, aid flows and debt relief**

13. The commitment by the Heads of State of the members of the African Union, made in the *Maputo Declaration on Agriculture and Food Security* in July 2003, to allocate “at least 10 percent of national budgetary resources ..... within five years” for the implementation of the NEPAD Comprehensive Africa Agriculture Development Programme (CAADP) has been followed by a series of significant commitments by donor countries to raise aid flows and to cancel more debt, including debt owed to multilateral institutions as well as to Russia. These commitments are in line with the *Monterrey Consensus* that emerged from the International Conference on Financing for Development in March 2002. They involve a projected doubling of aid by several major donors, including the 25 countries of the EU, Japan and Canada, within the next 5 years, which has been written into the *Gleneagles Communiqué* in July 2005. Aid flows into Africa are expected to increase faster than those for other regions.

14. The Organization needs to be able to respond to these new opportunities and reform its structures and operational focus so as to increase its impact on expanding investment by developing countries in agriculture, rural development and food security. This will require a special emphasis on assisting countries in drawing up Poverty Reduction Strategies which build on a recognition of the link between hunger and poverty, in taking up policy reforms and in preparing National Food Security Programmes aimed at attaining the WFS goal by 2015. The best measure of success is not how much funding FAO is able to raise for its own programmes, but the extent to which member governments are able to mobilize additional domestic and international resources for in-country investment in sectors relevant to FAO’s mandate.

15. The long and constructive association between FAO and the World Bank and similar agreements with most other International Financing Institutions are a convincing demonstration of the value of such partnerships in mobilizing resources for investment in member countries. The emphasis of FAO’s relationship with multilateral and bilateral donors needs to be shifted away from raising extrabudgetary resources for its own programmes – however much these may be needed – towards a deeper partnership built around the common goal of raising additional resources for agricultural development and food security within member countries.

**UN reform and harmonization processes**

16. The concepts of partnership, coordination and harmonization lie at the heart of the ongoing reform of the UN as it attempts to lay down a truly global strategy for development, and are the primary focus of the *Paris Declaration on Aid Effectiveness: ownership, harmonisation, results and mutual accountability* adopted in March 2005. The Secretariat is committed to making sure that FAO’s future
programmes and interventions are fully harmonized with the efforts of the agencies, funds and programmes of the UN system and other development partners. For this reason, the proposed reforms will provide the Organization with the means to engage more fully in UN-wide reform processes including in the work of the UN Development Group (UNDG), other specialized agencies and national level coordinating arrangements and processes, especially the Common Country Assessments (CCA) and UN Development Assistance Frameworks (UNDAF).

17. But the extent to which FAO can become an effective partner at country level also depends on its ability to ensure greater coherence in its own technical cooperation programmes. The budgetary proposals set out in this document reflect proposals made in the Secretariat’s response to the Independent Evaluation of FAO’s Decentralization and to the Review of the Policy and Operational Framework of the TCP. These address the need for improved priority setting at country level, within the context of the steps being taken by most major donors to focus their assistance on more integrated and harmonized approaches to supporting nationally-led programmes, including contributing to Poverty Reduction Strategies and Sector-Wide Approaches (SWAPs) rather than implementing stand-alone projects. This will ensure that FAO’s human and technical resources are used in the most effective way possible in support of the needs and priorities of governments and are fully aligned with the programmes of other members of the UNDG, other specialized agencies and international development partners.

Emergence of new institutions, growing competencies in developing countries

18. In the 60 years since FAO’s foundation, many institutions have emerged to work in areas relevant to the Organization’s mandate and in many cases have developed experience and skills in specialised areas which greatly outstrip the Organization’s own capacities. As a result, there are many topics in which FAO’s comparative advantage lies in developing substantive links with these centres of excellence, as well as between them, in order to bring the results of their work to bear on global food and agricultural issues.

19. This same philosophy must shape the relations of a reformed FAO with regional and sub-regional economic integration organizations (REIOs). In all continents these organizations are assuming a higher political visibility and are becoming important players in agricultural development, food security and trade facilitation, with a comparative advantage in addressing transboundary dimensions. FAO can greatly increase its impact by working in partnership with these organizations; the strengthening of liaison with them, as part of the decentralization process, as well as the increased focus on policy assistance, will provide a basis for extended cooperation.

20. One of the most significant changes to have taken place during FAO’s lifetime has been the narrowing of the role of the state and the emergence of new players in the agriculture, forestry, fisheries and the food industry in general. These include the very rapid growth of the multinational private sector in global food supply systems from production, through transport and processing to retail distribution. Within many developing countries, farmers’ associations play a major role as service providers to their members, and non-governmental organizations which were formerly mainly active in relief situations are extending their operations into the rehabilitation and development arena, often focusing their attention on gender issues and on mitigating the impact of HIV/AIDS on vulnerable populations. These changes require FAO to broaden its partnerships beyond the public sector and to team up with institutions which share the Organization’s commitment to end hunger and can magnify its impact. This calls for a deepening of links, not only with NGOs but also with parliamentarians, chambers of agriculture and commerce, local government entities, professional associations and religious leaders. Moves in this direction have found their expression in the creation of the International Alliance Against Hunger and in its support to National Alliances Against Hunger in both developing and developed countries.

21. Finally, there has been an impressive growth in technical skills and institutional capacities relevant to agriculture in almost all developing countries, but particularly in middle-income countries.
This has opened up exciting opportunities for a rapid expansion of South-South Cooperation as well as for an increase in cross-country training opportunities and networking. The Organization is well placed to promote such cooperation.

**Rapid expansion of information and communications technologies**

22. The rapid growth in the power and speed of information and communication technologies (ICT) provides new opportunities for enhancing the efficiency and impact of the Organization, especially in its role as a knowledge institution. If it is not to be left behind in an ever more interconnected world, FAO needs to do much more to take advantage of these opportunities which it has so far only partially exploited.

23. Some of the biggest opportunities for raising the impact of the Organization’s substantive work relate to the development of its capacity as a knowledge sharing organization. On the one hand, strengthened knowledge sharing capacities can deliver further efficiency gains and improve internal coordination, while on the other they can increase FAO’s ability to be responsive to changing situations in member countries and heighten its contribution to key policy debates. Modern communications systems would greatly facilitate development and nurturing of thematic networks to enhance communications between institutions and individuals working on common themes as well as to make advances in thinking rapidly available for application in member countries through, for example, local lesson learning networks. Increased connectivity opens possibilities for interactive communications that will make it possible for FAO, working with partner institutions, to provide rapid responses to requests for information, especially to queries of a technical nature. They would also enable it to extend the outreach of its training programmes by expanding the use of distance learning systems, such as those that FAO has successfully pioneered in Latin America.

**Opportunities to transform business processes**

24. Underpinning the reform proposals for the substantive areas of FAO is a determination to challenge and look afresh at the existing administrative processes to seek improved effectiveness and responsiveness to the Programmes of the Organization. This is reinforced by recommendations from recent audit reports, thematic evaluations and reports of management consultants, as well as signals given by the Governing Bodies. In addition, the Secretariat has learnt from its recent experiences in providing emergency assistance to countries facing desert locust invasions, the Asian Tsunami, and other emergencies. These provide an imperative for improved administrative, financial, procurement and human resources management processes which respond more readily to the needs of programme implementation.

25. In the past few years significant economies have been achieved, and despite resource constraints the Organization has managed to implement new financial and budget systems and replace other obsolete technologies. The effort is continuing with the Human Resources Management System project currently underway. This is in support of the HR Reform in FAO which seeks to improve staff motivation and performance, a prerequisite for ensuring effectiveness. However, FAO now needs to move beyond the technology aspects of efficiency gains in transaction processing and focus more on broad based business process transformation to eliminate redundant processes rather than to streamline them. This would enable FAO to take major rather than incremental steps in achieving efficiency gains. The need for vigorous pursuit of these measures would support the major shift in organizational culture called for by the Council in June 2005 and reinforce the rationale for the reform proposed in the following sections of this document.
II. SHAPING THE REFORM PROPOSALS

26. The overall objective of the proposed reform is to boost the effectiveness of the Organization in “contributing towards an expanding world economy and ensuring humanity’s freedom from hunger”. Reform must enable FAO to respond better to the needs and expectations of its Members in a fast-moving international environment which confronts both them and the Organization with new challenges and opportunities. The draft strategy outlined in the paper FAO and the Challenge of the Millennium Development Goals: The road ahead has significant implications for the work of the Organization, both in producing global public goods and in furnishing advice and assistance to its Members in the context of an evolving UN reform process. It has been an important input in defining the guiding principles which underlie the reform proposals in this document.

Guiding principles underlying reform

27. Preserving Members’ Priorities Deliberate action has been taken to ensure that the highest priorities identified by Members for increased resources within the Organization’s technical and economic programmes have been preserved under the reform proposal. Thus the importance accorded inter alia to international regulatory frameworks and their application, to work on plant genetic resources and animal diseases, and to the specific priorities in the forestry and fisheries programmes, would remain and the activities in question would be further enhanced through adjustments in the organizational structure aimed at providing better coherence.

28. Enhancing FAO’s Role as a Knowledge Organization A pervasive consideration built into the reform proposal is that they should reinforce FAO’s role as a knowledge organization. The generation and dissemination of knowledge has always been part of the core business of the Organization, but rapidly evolving communication technology creates new opportunities for FAO to become more effective in this area, including capturing and rapidly disseminating, through the development of a new interactive service called “Ask FAO” within WAICENT, information on best practices emerging from exchange with experts and other institutions through thematic networks, and from the experience of FAO’s own programmes in member countries.

29. Focussing on Capacity-Building Apart from harnessing the power of modern communications systems and new forms of networking and interactive information exchange to enhance the availability of relevant information to decision-makers and technical specialists in member countries, the reform proposals deliberately seek to strengthen and impart a new sense of direction to FAO’s training and capacity development work.

30. Strengthening Interdisciplinarity and Policy Assistance A further guiding principle underpinning the reform process is that it should enhance opportunities for strengthening inter-disciplinarity in technical and policy assistance work, both at Headquarters and at decentralized levels.

31. Working Together with UN Partners The proposed reforms also recognize that FAO can greatly increase its impact by harmonizing its programmes, especially at national level, with those of other UN agencies and programmes which subscribe to similar goals. There is, therefore, a strong emphasis on developing partnerships, including through joint programmes, secretariats and divisions, in order to create a stronger and more durable basis for inter-agency collaboration as well as to eliminate possible duplications and hence contribute to improved cost-effectiveness within the UN system.

32. Reinforcing Alliances with Civil Society and Peoples’ Organizations The same principles underlie the importance given to supporting the International Alliance against Hunger (IAAH) and to expanding collaboration with civil society and non-state actors at national and international levels in order to strengthen the Organization’s effectiveness in assisting Members in attaining the MDGs, especially the goal of halving hunger and poverty by 2015. Work on
mainstreaming of gender issues, on child nutrition, on the problems of indigenous people and on the fight against HIV/AIDS, malaria and other diseases should contribute also to a common UN system approach to addressing other MDGs.

33. **Marshalling Resources to Support Members** The proposed reforms explicitly recognize the need for the Organization to adopt a broad view of its resources mobilization functions. The goal is not primarily to raise resources specifically for FAO-implemented programmes but for the Organization to play an advocacy and catalytic role in leveraging the resources required by Members to embark on large-scale programmes, especially those related to the attainment of the MDGs. The approach in mobilising resources for FAO-implemented programmes will focus increasingly on strategic partnerships with donors to enhance the impact and outreach of work rooted in the Organization’s core activities, implemented in the context of nationally-led programmes.

34. **Deepening Cooperation with Members’ Organizations** The proposed reforms recognise the growing importance of Regional Economic Integration Organizations (REIOs) in assuming leadership in agricultural and food security issues amongst their member countries and hence the need to deepen cooperation with them, building on work already underway and seeking new ways to maximize potential synergies.

35. **Reinforcing the Country Focus** The principle of subsidiarity implies that activities must be located at the level (HQs, regional, sub-regional and country) at which they can be most effectively implemented within the resources available. This implies focusing, *inter alia* through agreed medium term priority frameworks, on enhancing the coherence of FAO’s assistance at country level, supported by increased multi-disciplinary capacity at the sub-regional level in order to enhance the range and quality of FAO services to which developing member countries can have ready access.

36. **Universality in Serving Members, Selectivity in Allocating Resources** The principle of universality, one of the foundations on which the UN system is built, must be respected in terms of assuring access to FAO’s work by all Members. The proposals are also based, however, on the recognition that countries at different levels of development have different needs for services, and hence the need for a special focus on the groups of countries identified by the international community as having the greatest needs. In line with UN prioritisation and FAO’s particular responsibilities, special attention would be given to responding to the requirements of Least Developed Countries (LDCs), Land-locked Developing Countries (LLDCs), Small Island Developing States (SIDS) and Low Income Food-deficit Countries (LIFDCs).

37. **Linking Structural Reforms to Better Management Processes** Reforms in the programmes and structure of the Organization need to be linked with simultaneous improvements in management processes and procedures, with the aim of maximizing gains in performance as well as in efficiency and cost effectiveness, including, in particular, better use of the human resources of the Organization, including increased delegation of authority while ensuring appropriate control, and increased recourse to the technical capacity present in developing member countries.

38. **Providing for More Flexible Means of Action** The proposals are based on the conclusion that more successful service delivery to Members will require an increase in the proportion of non-staff relative to staff resources in the overall regular budget, and an increase in the provision for non-staff human resources compared to established posts.

39. In approaching reform with these principles in mind, it is necessary to look towards simultaneous adjustments in a) the programme structure and content, b) the organizational and management structure both at Headquarters and the decentralized network; and c) internal processes. The next section covers the reform proposals under these three headings.
III. IMPORT OF THE REFORM PROPOSALS

40. This section describes the import of the reform proposals from the standpoint of programme focus and organizational structure. Brief programme narratives are presented in Annex IV to the document.

a. Programmes

PWB programme structure with sharper focus and avoidance of fragmentation

41. While very supportive of the advances made in the application of strategic planning and results based budgeting methods, the governing bodies have stated their expectation for greater clarity to facilitate their understanding of the Organization’s programmes and satisfy themselves that they are well focused and avoid excessive fragmentation. One self-evident dimension of this problem is the format and contents of various planning documents, including size, presentation and level of detail which is meaningful for the governing bodies. The Programme and Finance Committees will be initiating an in-depth review of this aspect at the September 2005 session, also in the light of practices in comparable UN system organizations. The Secretariat is committed to supporting changes in the process in line with the wishes of Members.

42. Building on the principle of simplification and transparency, while preserving Members’ priorities and strengthening inter-disciplinarity, a more focussed presentation and implementation of activities can be achieved through a more condensed programme structure. A configuration involving eight Chapters is proposed:

Chapter 1: Corporate Governance
Chapter 2: Sustainable Food and Agricultural Systems
Chapter 3: Knowledge Exchange, Policy and Advocacy
Chapter 4: Decentralization, UN Cooperation and Programme Delivery
Chapter 5: Management and Supervision Services
Chapter 6: Contingencies
Chapter 8: Capital Expenditure
Chapter 9: Security Expenditure

43. The new Chapters 2, 3 and 4 would permit recognition of the main contributions of the new departments and the decentralized structures - the functions of which are described further below - to the substantive work of the Organization. Hence, these Chapters involve three major interdisciplinary thrusts:

Chapter 2: Sustainable Food and Agricultural Systems brings together Agriculture, Biosecurity, Nutrition, and Consumer Protection; Forestry; Fisheries and Aquaculture; and Natural Resources, Technology and Sustainable Development.

Chapter 3: Knowledge Exchange, Policy and Advocacy brings together Economic and Social Development; Alliances and Rural Livelihoods; and Knowledge Exchange, Communications and Capacity Building.

Chapter 4: Decentralization, UN Cooperation and Programme Delivery brings together Coordination and Decentralization; and Outreach Programmes including the Technical Cooperation Programme.
Chapter 5 would enhance transparency and understanding by regrouping a range of services now dispersed over three different Chapters. The special purpose Chapters hitherto dedicated to Capital Budgeting proposals and the proposal in the main PWB for Security Expenditure, as well as the provision for Contingencies, would continue without modification.

44. Below the Chapter level, the somewhat artificial dichotomy between the “Major Programme” and “Programme” levels – and attendant 2-digit and 3-digit coding system – which currently creates an unnecessary hierarchy without strengthening accountability for results, would be eliminated. The new Chapters would comprise a reduced number of constituent Programmes. Going down from the present 60, the 42 proposed programmes are tabulated below:

<table>
<thead>
<tr>
<th>Proposed Programme Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 1: Corporate Governance</td>
</tr>
<tr>
<td>Governing bodies</td>
</tr>
<tr>
<td>General direction</td>
</tr>
<tr>
<td>Chapter 2: Sustainable Food and Agricultural Systems</td>
</tr>
<tr>
<td>Crop production systems management</td>
</tr>
<tr>
<td>Livestock production systems management</td>
</tr>
<tr>
<td>Diseases and pests of animals and plants</td>
</tr>
<tr>
<td>Nutrition and consumer protection</td>
</tr>
<tr>
<td>Forestry information, statistics, economics, and policy</td>
</tr>
<tr>
<td>Forestry management, conservation and rehabilitation</td>
</tr>
<tr>
<td>Forest products and industry</td>
</tr>
<tr>
<td>Fisheries and aquaculture information, statistics, economics, and policy</td>
</tr>
<tr>
<td>Fisheries and aquaculture management and conservation</td>
</tr>
<tr>
<td>Fisheries and aquaculture products and industry</td>
</tr>
<tr>
<td>Sustainable natural resources management</td>
</tr>
<tr>
<td>Technology, research and extension</td>
</tr>
<tr>
<td>Rural infrastructure and agro-industries</td>
</tr>
<tr>
<td>Chapter 3: Knowledge Exchange, Policy and Advocacy</td>
</tr>
<tr>
<td>Leveraging resources and investment</td>
</tr>
<tr>
<td>Food and agriculture policy</td>
</tr>
<tr>
<td>Trade and marketing</td>
</tr>
<tr>
<td>Agriculture information and statistics</td>
</tr>
<tr>
<td>Alliances and advocacy initiatives against hunger and poverty</td>
</tr>
<tr>
<td>Gender and equity in rural societies</td>
</tr>
<tr>
<td>Rural livelihoods</td>
</tr>
<tr>
<td>Knowledge exchange and capacity building</td>
</tr>
<tr>
<td>Information technology systems</td>
</tr>
<tr>
<td>Communication and public information</td>
</tr>
<tr>
<td>Chapter 4: Decentralization, UN Cooperation and Programme Delivery</td>
</tr>
<tr>
<td>UN cooperation, integration and monitoring</td>
</tr>
<tr>
<td>Coordination of decentralized services</td>
</tr>
</tbody>
</table>
Programme thrusts and priorities

45. In addressing the content of the programme of work, in the context of the objectives set for FAO by the Membership, the Director-General has been mindful of the new challenges and opportunities arising from trends in the external environment, particularly those referred to in Section I. In accordance with the Council’s criteria for priority-setting, he has also taken into account the views of Members as expressed in various fora and FAO’s comparative advantage, in particular by focussing programmes on areas where FAO makes a unique contribution and proposing to reduce or eliminate work that is being done adequately by other institutions and can be shared through networks. Ultimately, the Director-General came to his conclusions on the content of the programme, drawing also on his own experience and having sought the views of senior managers, in the conviction that the proposals must serve to impart new direction to FAO’s work and infuse new dynamism in its action.

46. The overall direction of the reform proposal is implicit in the chapter structure laid out above, which reflects in the first instance the areas of major corporate emphasis. Thus the substantive work of the Organization is refocused clearly on the three major thrusts under Chapters 2, 3 and 4. Chapter 2 covers those areas of FAO’s work which lay the foundation for sustainable food and agricultural systems. Chapter 3 groups a range of economic and social programmes with investment information and statistical activities, so as to clarify their importance in fulfilling FAO’s functions for knowledge exchange, policy and advocacy aiming to facilitate the uptake of sustainable food and agricultural systems. Chapter 4 recognizes the imperative of promoting closer cooperation with the wider UN system through a decentralized structure, both at the global level and in countries, and of harmonization of this effort with the delivery of FAO’s own programmes of development cooperation to reduce food insecurity.

47. Within the chapters, the constituent programmes (as shown in the box above) provide a more articulated indication of priorities for FAO’s effort and consequent resource allocation. Some
programmes, while including certain activities which FAO is already undertaking, constitute in their conception a new area of emphasis for FAO, with the requirement for an appropriate level of resources to ensure that their full potential can be realized. Other programmes build on ongoing work but with significant shifts in focus and attendant resource requirements towards the highest priority aspects. A third category of programmes includes activities which remain highly appreciated by Members and are thus expected to continue, albeit with adjustments to enhance efficiency and effectiveness, but which are grouped with related activities to encourage greater synergy. Finally, Regular Budget funding is reduced or eliminated for several areas of work compared to the present programme, in particular where it is clear that they are covered by other institutions on which the Organization can draw through thematic knowledge networks.

48. New areas of emphasis include the programmes on knowledge exchange and capacity building, on alliances and advocacy initiatives against hunger and poverty, and on rural infrastructure and agro-industries. To encourage innovative means of implementation, significant allocations of non-staff resources are foreseen for capacity building and thematic networks. Another priority area would be capacity and institution building related to policy, comprising seminars for policy makers at sub-regional level and closer matching of supply and demand for training in specific priority issues. Attention would also be given to courses on agricultural policy analysis and implementation in various locations, including at Headquarters, and also to broadening possibilities for training through internship arrangements at various levels. Seminars and training courses would also be organized on such subjects as disaster prevention and mitigation.

49. Programmes that incorporate significant shifts in focus and resources in ongoing areas of work include:

- crop production, which would give increased prominence to plant genetic resources including the International Treaty on PGRFA;
- nutrition and consumer protection, with its focus on biosecurity, food safety and Codex including more emphasis on capacity building;
- plant protection and phytosanitary measures, through increased resources for IPPC, in line with its business plan;
- forestry, through increased support to regional forestry commissions and work on forest fires prevention and control;
- fisheries and aquaculture, through a better balance between aquaculture and fisheries activities and increased support to the work of regional fisheries bodies;
- gender mainstreaming, which would be extended to address, in a coherent manner, issues of equity in rural societies, and closely linked to the programme on rural livelihoods, with its stress on peoples’ participation and rural employment.

50. Activities adjusted to enhance their efficiency and effectiveness, including through consolidation, encompass work on: horticulture; diseases and pests of both animals and plants, including IPM; livestock-environment interactions; the clustering of land, including land tenure, and water management and conservation with related activities in the sustainable natural resources management programme; planted forests and trees outside forests, incorporated with sustainable forest management; information systems; policy analysis across a range of subjects; and the delivery of technical and policy assistance by multi-disciplinary teams at sub-regional level.

51. Several areas would be significantly reduced, compared to the present programme of work, either due to deliberate lower priority attached to them or the possibility to carry out the same or slightly adjusted work through alternative arrangements, lessening the burden on Regular Budget resources. These include:

- general analytical work on, and testing of integrated crop production systems, grassland systems and weed management, which would be more concretely focused on knowledge exchange and outreach with policy makers and practitioners;
- agricultural engineering and agricultural services information, which would only be covered through thematic networks with other institutions;
• general work on soil fertility and drainage, which will be expected to take place within outreach programmes and inter-country exchanges supported through knowledge exchange networks;
• the contribution to the International Programme for Technology and Research in Irrigation and Drainage (IPTRID);
• work on environmental and geo-information infrastructure, services, planning and management which would be restricted to focus more particularly on agriculture and climate change;
• work on many traditional aspects of nutrition improvement such as assessments of human nutrient requirements, food and nutrition assessments, and nutrition education for the general public, which would not be stopped but which offer possibilities of consolidation and enhanced partnerships.

52. The relative mix of new and ongoing activities constituted the first consideration in determining possible resource allocations. It was further necessary to take into account:
   i) FAO’s existing capacity, particularly in terms of expertise, and possible requirements for new expertise, both at Headquarters and in the decentralized offices;
   ii) the content of existing programmes to the extent that they provided either a solid basis or a point of departure for all or part of the new programmes;
   iii) the aim, identified across all programmes, to provide adequate non-staff human resources and other non-staff operational funds as a proportion of the total provision; and
   iv) the need to keep allocations within the overall proposed budget level.

53. These considerations have involved a process of arbitration which will require further refinement of the proposed programmes, involving managers as well as senior staff, on the basis of views expressed by Members on the reform proposals, and in the light of the eventual budget level approved by the Conference.

54. The overall substantive work of the Organization is influenced by the resources that are required for corporate governance and for discharging management and supervision services, as planned in Chapters 1 and 5 respectively. In addressing the reform proposals, the Director-General has sought strategies and actions to minimize the cost of support services through efficiency and performance gains, including streamlining actions and new management structures, as described in Section IIIc. The functioning of governance structures falls within the direct competence of the governing bodies. Substantial progress has already been achieved by the governing bodies since the implementation of Conference Resolution 13/97, and Member Nations may wish to consider some suggestions that are outlined in Section V.

Inter-disciplinarity

55. A major feature of the proposed reform process is to enhance inter-disciplinary work, with participation from all levels in the organizational structure. The various structural changes would assemble staff working on closely related themes and facilitate mutual interactions which is the essence of inter-disciplinarity. The organizational structure and the related resource allocation process recognize that several units would spearhead adherence to important cross-cutting themes such as capacity building and knowledge management, which are further described below.

56. As regards the existing Priority Areas for Inter-disciplinary Action (PAIAs), the Programme Committee, at the September 2005 session, is due to consider a document on experience with PAIAs so far. In the present proposals, it is envisaged that the programmatic framework for PAIAs should ensure \textit{ex ante} consideration of requirements instead of \textit{ex post}. They would be fewer in number and would be attached to the most closely related department in the organizational structure. The latter would thus take over the responsibility of coordination, monitoring and reviewing of approved joint activities, instead of the rather loose arrangements of working groups adopted hitherto.
57. This more proactive approach in managing PAIAs is not only consonant with the accent put on an enhanced culture of inter-disciplinary cooperation in the present reform proposals, but would be a natural consequence of the fact that the proposed organizational units in the new departments share the same scope as several PAIAs. Adequate resources would be factored in the budgets of the concerned departments to back up this coordination role and could include provision for dedicated human resources to serve as facilitators. This is clearly preferable to the critical reliance on the “goodwill” of interested units to provide needed financial contributions, as is often the case at present.

Transverse presentations

58. Transverse presentations of two key cross-cutting dimensions of the total programme of work, i.e. the use of thematic knowledge networks and support to capacity building, are made below.

Use of knowledge networks

59. Many units within the Organization are active in the generation and dissemination of knowledge but essentially on an ad hoc basis. Much of the formal communications work of the Organization in recent years has been on disseminating information which it has generated or synthesised through its corporate Web sites. While FAO’s Web sites are very frequently visited, this is essentially a one-way movement of knowledge. So far there has been no corporate policy for developing and supporting networks and for creating interactive query mechanisms as a means of enriching the knowledge base for the work of the Organization and of increasing its multiplier effects. The reform process seeks to remedy this by singling out knowledge exchange as a priority area for action across the whole Organization and by putting in place a Division which would have the objective of building up this very important dimension of the Organization’s work and linking it better with its external capacity building programmes as well as with its media-based communications activities.

60. Underpinning this proposal is the acknowledgement that FAO has so far only tapped a small part of its potential to serve as an increasingly effective knowledge organization. It recognizes that a very large part of the knowledge and thinking which is of greatest potential value to its Members is not written down or displayed on Web sites but is stored in the minds of its staff and others who share similar interests: this is particularly the case of knowledge and experience which relate to emergent critical problems – of which there are many in agriculture - which have to be addressed on a learning-by-doing basis. It also builds on the importance of being able to bring to bear inter-disciplinary thinking in addressing many of the more complex development-related issues that are relevant to FAO’s mandate.

61. Under the reforms, FAO will intensively promote the emergence of knowledge networks at two levels. One axis will be to improve knowledge sharing and exchange between headquarters and decentralised FAO structures while the other will be between FAO and experts in centres of excellence in member countries. These networks will play a key role in creating a capacity to respond interactively to queries submitted to the Organization through the proposed “Ask FAO” facility.

62. By deliberately extending its involvement in thematic based knowledge networks, FAO will become better linked into the global knowledge community and thereby have a greater influence in debates on global issues. It will also enable the Organization to identify good sources of specialised expertise which could be engaged in programme design and implementation.

63. Responsibility for guiding and facilitating the growing engagement of the Organization in knowledge networks will be one of the principal functions of the Knowledge Exchange, Communications and Capacity Building Department.
Support to capacity building

64. FAO devotes substantial resources to training and capacity building, especially in its support for country and regional level activities, for rural people, specialized individuals, policy makers and institutions. Work in this important area is spread throughout most of the programmes but is not visible as an activity in any of them. It is undertaken by many different units, projects and individuals, often working in isolation from each other and thus losing the benefit of potential synergies. There is no formal coordination, although several informal networks have developed for sharing of ideas and experience between staff and with interested people outside the Organization.

65. The reform process responds to the interest expressed by many Members to see FAO play a more prominent role in capacity building. This has led to the proposed creation of a specific programme for knowledge exchange and capacity building and creation of an organizational entity within the Knowledge Exchange, Communications and Capacity Building Department to strengthen the capacity building dimensions of the Organization’s programmes, coordinate capacity building activities across the various departments, to provide a clear sense of direction and to put in place a wide ranging programme of training activities. A collegiate approach, involving key players from across the Organization, would be taken to setting priorities and goals as well as to training programme design, respecting the fact that the bulk of the Organization’s training work could continue to be undertaken by staff of the technical divisions.

66. The thematic focus of training activities will vary over time, but one of the underlying objectives will be to offer training opportunities on themes of major emerging significance, targeted both at policy makers as well as technical staff whose work requires them to have a good understanding of the latest thinking on such themes.

67. The main areas of focus for expanded training activities will include:
   - setting up learning programmes on policy, consisting of sensitization seminars, workshops and symposia, some to be held in Rome and some using distance-learning systems, targeted to senior policy makers and analysts;
   - extending the use of Farmers’ Field Schools through support to technical divisions and projects, including support for learning networks; and
   - fellowships: adopting a proactive approach to identifying and filling fellowship opportunities for work-related training in both the North and South.

68. In relation to its institution-building objectives, the programme would draw on experience, spread across the Organization, in institution building, synthesising best practices, providing methodological support to various units and promoting sharing of experience.

b. Organizational structure

69. The Director-General’s proposed restructuring involves an extensive reorganization of the departments and divisions at Headquarters, to achieve a better balance and greater synergies both between and within departments and to align the functions of departments as closely as possible with the proposed changes in programme structure described above. It would also make FAO’s decentralized structure more effective in responding to Members’ needs and contribute to more efficient use of staff resources.
Headquarters structure

General approach

70. The proposed Headquarters structure involves establishment of ten departments, each headed by an Assistant Director-General. The Offices of the Inspector-General and of Programme, Budget and Evaluation, as well as the Legal Office, would continue to report directly to the Director-General. Annex II presents the structure in graphic form.

71. The aim in defining departmental responsibilities has been to assemble the relevant expertise within the Organization in entities which will address, and be accountable for the achievement of, core corporate objectives in the proposed revised programme structure. This has the effect of bringing together staff working on common or closely related problems, and will thus facilitate greater synergy in programme implementation.

72. The reduced number of programmes is also expected to facilitate the creation of a “flatter” and less hierarchical management structure. Services or their equivalent are expected to become the lowest recognized level of management in the headquarters structure, thereby reducing the number of staff engaged in managerial functions at other levels. A proposed decrease in the overall number of services would both lower management overheads and provide greater flexibility in deploying staff, as well as encouraging teamwork. Moreover, the elimination of management “layers” would considerably streamline decision-making processes.

73. In any organizational structure, there is a need for effective mechanisms for facilitating inter-departmental and inter-divisional work which can successfully harness multidisciplinary skills to address complex issues. The proposed structure allows for the functions of several Priority Areas for Inter-disciplinary Action (PAIAs) to be internalised within defined structural entities. The formal responsibility for coordinating those PAIAs which would remain, would be assigned to specific units within the structure, with greater responsibilities being given to coordinators, linked to a higher level of funding. In the same way, some divisions or services, such as those responsible for best practices, capacity building and food security, whose effectiveness depends heavily on their ability to engage staff from other departments in implementing their work programmes, would have resources to enable them to “contract” the supply of required expertise from other units in a predictable way.

74. The proposal also envisages that there would be “institutional homes” within the structure for thematic networks to strengthen communications between staff sharing common interests with external individual specialists in centres of excellence of member countries. Finally, the composition and functions of a number of internal committees, which serve as advisory panels, assist in oversight or coordinate work transcending the responsibilities of individual units, is under review with a view to streamlining or strengthening them.

75. The rationale for and major components of each department is presented below. Concentration is mainly on those departments and related organizational units which would be entirely new or subject to substantial change, and these brief descriptions may be read in conjunction with Section III a) on programmes and the narratives in Annex IV which provide more information on the thrust of the programmes for which the various departments are responsible.

Coordination and Decentralization Department

76. The creation of this department responds to five important and inter-related needs for ensuring maximum coherence within FAO and between FAO and other parts of the UN system. The department would thus group a series of functions so as to facilitate a common approach, and provide for overall supervision of them by an Assistant Director-General.

77. Two functions are highly specific: (i) to provide a node for corporate coordination to maintain unity of purpose between the different units of the Organization, wherever they are located;
and (ii) to group in one organizational entity the responsibility for ensuring the security and safety of staff and assets of the Organization and complying with UN security standards in all locations where the Organization operates.

78. The three broader thrusts of the department’s work would involve: a) promoting FAO’s cooperation within the UN system at all levels, facilitating its role as an active partner in system-wide activities, including addressing the Millennium Development Goals and fostering close relations with individual UN partner agencies; b) ensuring that the decentralized offices of the Organization continue to have a locus through which to report to Headquarters and receive guidance; and c) continuing to ensure the effective functioning of the Conference, Council and other Governing Bodies, and facilitating a better two-way information flow between FAO and the central UN intergovernmental organs such as the Economic and Social Council.

Agriculture, Biosecurity, Nutrition and Consumer Protection Department

79. This department would address in a holistic manner the range of issues encompassed by biosecurity and the food chain, or “farm to table” approach. It would thus include the production, management and conservation of crops and livestock, would bring together staff dealing with diseases and pests of plants and animals, and would also handle work on food quality and consumer protection. The Department would, therefore, be responsible for FAO’s contributions to Codex Alimentarius under the joint programme with WHO. The Joint FAO/IAEA Division in Vienna would continue to support the application of atomic energy (isotopes and radiation), related biotechnological methods and food quality analysis to improve the capacities of member countries.

Forestry Department

80. While its mandate would remain basically unchanged, the structure of the Forestry Department would be adjusted to ensure better interaction among various facets of its work. Two important cross cutting themes the department would address are forest fires and reforestation.

Fisheries and Aquaculture Department

81. The addition of aquaculture to the title of the department reflects the proposal to ensure achievement of a better balance within the programmes between fisheries and aquaculture, in the light of the growing importance of aquaculture in food supplies and rural livelihoods. The department would have a structure similar to that of Forestry, and would also handle, through the office of the ADG, all-encompassing issues such as the Code of Conduct for Responsible Fisheries.

Natural Resources, Technology and Sustainable Development Department

82. The department would be responsible for a coherent portfolio of disciplines related to the sustainable management of natural resources. Work on land and water resources would bring in land tenure issues; work on the technical and environmental aspects of sustainable development would now include mountain development, and work on research and technology, including relations with the CGIAR and the NARS, would encompass research outreach through extension. The impact of climate change on agriculture would be given priority in the department’s structure as well as in its work programme. A major cross-cutting theme for the department would be the economics of natural resources.

Economic and Social Development Department

83. This department would bring together the analytical and statistical work to underpin effective policies and strategies with work on perspective studies, agricultural development economics, policy assistance, and trade and marketing. It would consolidate the Organization’s work on food security monitoring and reporting. This work would be organically linked, through the
incorporation into the department of the Investment Centre, to FAO’s assessment of needs and support to the efforts of developing Members to mobilize resources at a level commensurate with the size and nature of their rural development, poverty reduction and food insecurity problems.

Outreach Programmes Department

84. The department would be responsible for the coherence, quality, content and scale of all of the Organization’s outreach activities, including both normal technical cooperation activities and emergency programmes. Resource mobilization and the Technical Cooperation Programme would be handled in this department as well. These activities serve a dual function of on the one hand, translating into operation and action the concepts and findings developed through FAO’s global and norm-setting activities and, on the other hand, enriching that global work through the feedback from field experience.

85. The department would focus on (i) moving from many small projects towards more integrated multi-component technical cooperation programmes, linked to the programmes of other members of UN country teams and fully aligned with government priorities; (ii) shifting progressively from generating projects and programmes for execution by FAO towards supporting nationally and regionally directed and implemented development programmes; (iii) improving the linkages between FAO’s support for emergencies, rehabilitation and longer term development; (iv) establishing unambiguous accountabilities and responsibilities and improving operational and technical support for sub-regional and country offices; and (v) improving transparency and performance through more effective supervision, monitoring and reporting, as well as a deepened understanding of country and regional development objectives and programmes. It would also offer leadership within the Organization in support of large-scale national and regional food security programmes, and would ensure that the “best practices” identified and disseminated through FAO’s knowledge-exchange activities and resulting from field experience are incorporated in FAO’s own cooperation programmes.

Department for Alliances and Rural Livelihoods

86. The creation of this department reflects the priority to be given to more vigorous advocacy, in follow-up to the World Food Summit: five years later, and in contributing to the achievement of the MDGs. It would bring under one umbrella, a number of awareness-raising and cooperative initiatives for which responsibility has heretofore been spread among various units: promotion of national alliances, FAO national committees and associations; NGO and civil society partnerships; cooperation with Parliaments and decentralized national bodies such as regions, municipalities and economic and social councils; and World Food Day, TeleFood and other special events.

87. A second major thrust would be on mainstreaming attention to gender issues and equity in rural societies, with introduction of a new focus on child nutrition and on addressing the special needs of indigenous peoples and those suffering from disease. The third area of concentration would be on supporting rural peoples’ organizations and other rural institutions, on addressing the question of rural employment as part of broader rural livelihoods strategies. Close partnerships in these areas would be sought with other UN organizations, at global and country levels.

88. The division would host the secretariats for the International Alliance Against Hunger (IAAH) and the UN System Network on Rural Development and Food Security, and would have special responsibility for follow-up to the adoption of the Voluntary Guidelines on the Right to Food.

Knowledge Exchange, Communications and Capacity Building Department

89. The main purpose of this department would be to ensure that FAO adopts a more proactive approach to developing and sharing information, knowledge and best practices with and between
member countries and other centres of excellence. It would group the key activities that comprise effective support of knowledge exchange, communication and capacity building.

90. This includes staff who support the information communications and technology infrastructure that connects FAO subject experts with counterparts in countries across the world, staff who develop information systems that capture FAO knowledge and best practices and make it available to others, as well as information analysts who categorize and synthesize FAO knowledge to make it more readily accessible.

91. It also includes experts in capacity building who aid national institutions in strengthening their capacity to respond to the demands of their populations, and both promote and support the preparation and conduct of capacity-building programmes by FAO units and assistance programmes. Finally, it brings in the expertise of those whose task is to ensure that FAO’s main messages are effectively communicated to the broader public.

92. Information systems development activities are currently dispersed throughout the Organization. To improve integration between systems and avoid duplication of effort all information systems concepts, development and management activities would be brought together in the department. It will also provide the basis for an effective management information system for decision making by senior management.

Department of Human, Financial and Physical Resources

93. One of the main developments of the Human Resources Management Model and a key aspect of the reform proposals is the introduction of a Shared Services Centre. This centre would be a stand-alone organizational entity which provides centralized support services in an efficient manner by consolidating administrative functions to deliver them as effectively and efficiently as possible, thus avoiding fragmentation and duplication so that economies of scale can be achieved and cost savings realized. Aside from a number of other cost-saving measures in support services, introducing such a service centre would achieve efficiency gains in administration by trimming operating costs and using technology to eliminate paper processing. In addition to housing this centre, the department would provide the essential management services dealing with FAO’s human, financial and physical resources.

The decentralized network

General approach

94. The structural changes are intended to heighten the Organization’s capacity to respond to the needs of member countries as well as those of their regional and sub regional organizations that play an increasingly important role in relation to agriculture, food security and trade in food products. This calls for a truly universal and networked organization that works at the country, sub-regional, regional and global levels. Capacity, resources and authority at each of these levels should be commensurate to the task at hand, respecting the principle of locating action at the level at which it can be most effectively implemented within available resources.

95. The main focus of the changes in the decentralized structure is on supporting action at the country and sub-regional level. In this context, FAO’s role is to make itself a useful and valuable partner, contributing, where it has comparative advantages, to the design and implementation of nationally-owned policies, strategies, programmes and projects in relation to the achievement of the MDGs and to the growth of the agriculture sector, the sustainable management of natural resources and participation in inter-regional and international trade.

96. The starting point for this approach at the country level will be the national medium term priority frameworks (NMTPFs), to be developed under the leadership of the FAORs in consultation with government officials, development partners and the donor community. These will describe how
FAO can best assist the country in meeting its priorities, including the MDGs targets, taking into account the interests and programmes of partners and donors as well as other frameworks which might already exist, such as the CCAs, UNDAFs and PRSPs. Beyond their country focus and application, the NMTPFs will serve as building blocks for FAO's regional and sub-regional programmes and as important input to decisions about the mix of technical skills needed at the sub-regional level. Thus, the Organization's programmes can be built first and foremost on a country-level foundation, which, together with the results of the Regional Conferences and other regional bodies and commissions, can subsequently be melded into the Organization's corporate strategies, plans and programmes of work.

97. In order to achieve these goals, however, it will be critical to adjust the performance of the Organization’s decentralized structure. Both the Independent Evaluation of FAO's Decentralization and the review of FAO's contribution to the achievement of the Millennium Development Goals stressed the need to improve and strengthen FAO's response capacity at the country level, including through measures to ensure selection and appropriate training of the best possible candidates for FAOR positions. At the same time, they recognized that the country offices need to be able to call upon sufficient additional technical and policy assistance capacity if they are to be able to assist countries in the formulation of major instruments such as poverty reduction strategies. Both also recognized that the most feasible approach to providing such support would be through reinforced multi-disciplinary teams, combining a capacity to provide both policy and technical assistance in an integrated manner, at optimum locations within sub-regions.

98. A number of measures have already been introduced to strengthen the FAOR scheme itself and these are to be pursued. The reform proposals add a further dimension in that they envisage a “two-way street” approach in which the technical capacities of the FAORs themselves would be considered part of the multi-disciplinary capacity of the sub-region in which they are located, and would thus be called upon as appropriate for assistance in meeting the needs of neighbouring countries. Evidently such an approach has implications for the staffing of the FAORs, which would need in some cases to be reinforced by National Programme Officers, but it would permit a far greater flexibility and efficiency in the use of the human resources available within the Organization. The re-engineering of the decentralized structure has been conceived in this light.

99. Another key issue addressed is country coverage. In keeping with the principle of universality in serving member countries, a comprehensive approach is essential to ensure that all Members have adequate access to FAO's services, and the network of Subregional Offices would permit a clear focus on meeting this need. This would be reinforced and complemented by country offices, in line with the approach outlined above, but applying a principle of selectivity in the allocation of a larger proportion of total resources for country offices to the groups of countries identified by the international community as having the greatest needs. In practice, this means that the size and method of funding of the FAO country presence would vary more than is the case at present.

**Decentralized offices**

100. It is thus proposed to reform the decentralized network as follows:

- In the 114 countries included in the categories of Least Developed Countries (LDCs), Low Income Food-deficit Countries (LIFDCs), Landlocked Developing Countries (LLDCs) or Small Island Developing States (SIDS), FAO would cover most of the cost of the country office in the framework of the standard agreements with host countries. This would be provided either through a fully-fledged FAO Representation, through a smaller office established under multiple accreditation arrangements (a national Assistant FAO Representative with two General Service staff, guided by the FAO Representative in a neighbouring country) or through a National Correspondent (NC). The cost of Representations in countries that are not in the LDC, LIFDC, LLDC and SIDS categories would be shared, with FAO contributing only up to the cost of one FAO Representative and one support staff. The host country would be requested to cover the other costs of the
country office. The implications of these proposals are that resources allocated to the 114 countries in most need would increase from 79% to approximately 89% of the overall resources allocated to the decentralized offices. The number of FAORs will depend on the PWB adopted each biennium by the Conference instead of being fixed at the level of 78, as it has been since the 1987 Conference.1

- The Outposted Technical Officer/FAO Representative (OTO/FAOR) scheme would be discontinued in its present form.

- There will be 16 Sub-regional Offices. Three of them would be co-located with existing Regional Offices. This would reorganize the technical and operational support to member countries into geographical groups based as far as possible on the membership of Regional and Sub-regional Economic Integration Organizations (REIOs) while avoiding overlaps. The Subregional Offices would be composed of multidisciplinary teams with subject specialists, including policy officers, located in the same office or in countries of the sub-region where they would also assume the functions of FAO Representative, supported by appropriate administrative and information technology backup capacity and headed by a Subregional Coordinator.

- This new approach should contribute to the enhancement of regional and subregional cooperation and ensure a degree of homogeneity among the countries that are part of the same group with, as a result, the possibility of providing more effective and efficient services to member countries. FAO technical staff would also be located closer to the countries and thus be able to provide an overall strategic perspective for their sub-sector and subject-matter and policy support to FAORs and their host country governments.

- The above proposals would permit optimum use of available technical expertise by ensuring the participation of FAO Representatives in the work of the Subregional Multidisciplinary Teams in their respective area of specialization for about 30 percent of their time. This arrangement would also allow an increase in the network of country offices and provide better response to technical support requirements permitting also substantially increased use of national capacities through National Professional Officers.

- It is envisaged that, subject to the agreement of the organizations concerned, FAO Focal Points would be appointed to spearhead cooperation with the Regional Economic Integration Organizations. In many cases these officers would be the FAORs, the Subregional Coordinator or even the Regional Representative; in others, FAO would cover the cost of one Professional and one General Service post and the REIO in question would be requested to provide office accommodation and some logistical support. Similar cost-sharing arrangements would be sought to provide for FAO Focal Points in a small number of developed Member countries, to strengthen advocacy and awareness-raising activities.

- The role of the Regional Offices would change, to focus more on major regional issues and region-wide institutions; contributing substantively to the formulation of regional strategies and policies; taking the lead in the organization of Regional Conferences; orchestrating the preparation of the regional dimensions of the programme of work and periodically reporting on FAO performance in the region.

- Reporting lines among these different levels of decentralization and with headquarters would be streamlined, with their oversight under the responsibility of a newly-created Department for Coordination and Decentralization headed by an Assistant Director-General. The reporting line in relation to outreach programmes would be from the country office through the Subregional Coordinator to the ADG of the Outreach Programmes Department.

- Finally, to ensure that the decentralized offices have the capacity to deliver the services required by member countries they would be provided with better communication, financing (including non staff resources, travel allocation, and adequate staff development allotment), greater access to corporate systems, and increased delegation of authority on financial and personnel matters. A new profile for the FAORs, and a new selection and

---

1 C87 REP, paragraph 188
recruitment process, have been designed and a comprehensive Performance Appraisal System for Heads of decentralized offices will become operational before the end of the year. *Ex-post* monitoring and review systems will be introduced to monitor compliance with the Organization’s rules and procedures.

101. The proposal outlined above provides both a more equitable and a more effective decentralized structure. Its implementation would have to be undertaken in a phased manner, in full respect of existing agreements with countries and with careful attention paid to the implications for the present staff of offices at the various levels. Its overall budgetary implications are outlined in Section IV.

Joint arrangements and programmes with UN partners

102. An important aspect of the reform proposal, and one which would need to be actively pursued in the coming biennium, is the development of joint arrangements of various types with other agencies and organizations in the UN system. FAO has long-established arrangements of this nature, such as the Joint Division with the International Atomic Energy Agency (IAEA); the Investment Centre, with the World Bank and other IFIs; and the joint programme with the World Health Organization (WHO) on the Codex Alimentarius.

103. Such arrangements, based on close partnerships and joint funding of agreed programmes, facilitate substantive cooperation in addressing major objectives, as well as providing opportunities for increased cost-effectiveness and for elimination of potential duplication of work in areas where mandates overlap. The Director-General proposes to enter into discussions with potential partners to expand FAO’s recourse to such arrangements, aiming for joint arrangements with clear time-bound objectives and sharing of resources, particularly in the following areas: Urban agriculture (with UN-HABITAT); Climate change (with WMO); Agro-Industries (with UNIDO); Rural education (with UNESCO); Rural employment (with ILO); the PIC Convention (with UNEP); Child hunger and malnutrition (with UNICEF); Information technology systems (with ITU); School gardens (with WFP); Women in agriculture (with UNFPA); and Trade and marketing (with UNCTAD).

104. Once formally established, with the approval of the Governing Bodies of FAO and of each of the partner organizations, such programmes would form part of the FAO programme and organizational structure and budget, in the same way as the presently existing arrangements appear.

c. Streamlined Processes to Achieve Efficiency and Performance Gains

Context

105. At its 128th session in June 2005, in reviewing the Summary Programme of Work and Budget 2006-07, the Council encouraged the Secretariat to be more ambitious in seeking improvements in efficiency and productivity gains. In considering the Follow-up to the Independent Evaluation of Decentralization, the Council concurred with the Programme Committee’s assessment of the need for a major shift in organizational culture, including greater empowerment of staff and adaptation of the Organization’s human resource management practices.

---

2 CL 128/REP paragraph 72
3 CL 128/REP paragraph 88
106. The reform proposal offers opportunities for considerable gains in performance and operational efficiency. In several areas, for instance in human resources management, major changes are already in progress. In other areas, new or improved working methods have been under consideration but not implemented, especially where they are dependent on completion of IT investments.

107. The proposed organizational structure will facilitate a more efficient conduct of the Organization’s operations. For example, efficiency savings are facilitated by a “flatter” and increasingly decentralized structure with clearer accountabilities, but they will be all the greater if associated with better working methods. In order to identify immediate opportunities for gains in staff performance and operational efficiency, a review of areas for improvement has been undertaken and provides the basis for further actions, which complement the planned initiatives already described in the main PWB. In addition, the Secretariat intends to continue a thorough risk assessment review of all existing administrative procedures to determine the extent to which these processes could be eliminated or further streamlined whilst retaining an effective mechanism of internal control. Against the results of this review, the Organization would continue to refine, from a resource requirement and organizational structure perspective, the overall administrative support needs of the reformed Organization. The Organization also recognizes that in the proposed system of delegation there is increased financial risk and that steps are necessary to strengthen the enterprise financial risk management programme.

108. Many of the current management practices are a reflection of a risk-averse institutional culture, which has led to multiple approvals being required for many actions and to an escalation in the ultimate level of approval. With increased delegation of authority and decentralisation, it is timely to consider opportunities for efficiency gains, substituting *ex ante* controls and multiple approvals now applied to most types of transaction, with *ex post* controls supported by effective management information system controls. The objective would be to reduce transaction costs, speed up decision-making, reinforce the accountability of managers by clarifying their understanding of their responsibilities for financial integrity and control over budgeted expenditures, and generally increase the Organization’s effectiveness. A shift from the use of paper-based to electronic forms for most upstream administrative actions, combined with a reduction in the number and seniority of approvals required, will augment the benefits already attained as a result of substantial investments in improved computer-based systems for the downstream dimensions of transaction processing and improve the Organization’s operational responsiveness.

109. A reduction in the number of units and locations at which administrative actions are processed will also reduce management costs, facilitate corporate standardization of transaction processing and generate economies of scale. This will be addressed by the creation of a Shared Services Centre which, building on the positive experience of the Management Support Service, created in 2000 (with a saving of 60 posts), will centralise a number of administrative actions. Where relevant, transfer of functions to locations where the costs are significantly lower than Rome will be considered. This approach is being tested in a pilot project in connection with the information systems development work related to the HRMS project.

110. These improvements are an essential element of the overall reform process and their implementation will ensure the attainment of many of the intended benefits of the programme and structural changes and, for this reason, they are being presented to Members.

Streamlining actions

111. The Organization is committed to moving quickly on a wide range of inter-related streamlining actions, many of which appear minor but which together have a far-reaching impact on the Organization’s efficiency. These cover human resources management, internal process and

---

4 C 2005/3 paragraphs 114 through 137
procedures and the creation of a Shared Services Centre. The starting point of this exercise would be
the independent management reviews recently undertaken of two divisions in the current
Administration and Finance Department (AF), extended to include the remaining divisions of the
department, and informed by the streamlining opportunities resulting from the reform process.

Improving human resources management

112. The Organization is currently engaged in preparations to launch the Human Resources
Management System (HRMS) of Oracle by the end of 2006. This will lead to significant
improvements in the processes for managing staff-related actions throughout the Organization with
the introduction of the Human Resources Management Model (HRMM), which goes hand-in-hand
with the introduction of the HRMS. The new HR Management Model would implement an
integrated human resource management system where the bulk of HR transactions are handled
electronically. It would recognise the ability to take decisions on HR matters at a different physical
location to the processing of those decisions. It would also reorganise the HR function to rationalise
and consolidate service delivery and free up resources for both savings and improvement in the
quality of HR planning; and increase delegations, monitoring and accountability through better
management information reporting.

113. The new HR management model will also deliver a management information system to
facilitate trend analysis and exception reports in real time on a range of HR matters. The system will
greatly enhance the capacity of top management to monitor delegated authority and thus improve
accountability.

114. In addition to the above improvements in the administration of human resources,
management intends to embark immediately on measures aimed at improving staff motivation and to
progressively increase flexibility within the establishment so as to enable the Organization to respond
better to shifts in the demand for its services. The introduction of these adjustments will be
undertaken after consultation with the staff representative bodies.

Improving staff motivation

115. Measures to link staff performance to career development will be developed and introduced.
These will involve strengthening the staff performance appraisal process, including increasing the
accountability of senior staff, and using it as an objective basis for the possible introduction of merit
promotion and merit awards, based on the positive experience of other UN specialised agencies.
Explicit recognition will be given to the importance of “horizontal growth” in career development,
both in terms of assuming different functions across the Organization as well as increased staff
rotation between Headquarters and decentralized offices, joint secretariats, joint divisions and other
UN agencies. The Organization would also establish and routinely apply a process for deciding,
when a post becomes vacant, whether it would be filled through promotion or internal or external
vacancy announcement. Finally, subject to cost analysis and availability of resources, the Organization
would introduce “sabbaticals” for top performing staff and actively encourage staff participation in
the activities of professional associations, providing supplementary leave for attendance at key
meetings and congresses.

116. At the field level, the establishment of project posts for National Professional Officers,
funded from and for the duration of individual projects, will greatly improve the motivation of
national staff who are increasingly assuming high levels of responsibility in the management of
specific projects.
Introducing greater flexibility in staffing

117. The Organization would develop a medium term strategy for adjusting staff skills to emerging demands. This would serve as a basis for determining the most appropriate balance between established posts and non-staff human resources required to respond to Members’ demands and provide a reference point for decisions on establishing a roster of candidates for future posts and announcements of vacancies, and on training and retraining priorities. Flexibility would also be increased through greater use of partnerships with specialised institutions and professional associations, staff exchanges, author’s contracts and “when actually employed” retainer contracts to access highly qualified specialists for specific tasks.

Streamlining internal systems and processes

118. The main PWB document provides an account of current initiatives, including those related to the HRMS, travel and decentralisation. However, in the light of this reform proposal, a number of further initiatives have been identified to be embarked upon by management, subject to availability of resources.

Management of travel operations

119. In order to take advantage of the fast-changing travel industry and deregulation, the Organization is pursuing a new travel agency contract. The new arrangements envisage compensating the travel agent on a transaction fee basis. The Organization will negotiate fares directly with the airlines and conduct a review, together with other Rome-based agencies, to achieve further economies.

120. Procedures will be introduced to extend the facility for internet bookings with low cost carriers, using the travel agent to administer the booking at Headquarters. This will result in further cost savings. Facilities will also be introduced to support paperless Travel Expense Claim processing thereby speeding up settlement, and the Organization’s current lump sum option provisions on entitlement travel are being reviewed to take account of the changes in the travel industry.

121. Travel decisions will be delegated to decentralized structures, to managers and experts, by providing them the necessary authority over their budgets, with the necessary ex post control systems.

Increased delegation to improve responsiveness of the decentralized structure

122. A review will be carried out of the Organization’s administrative processes, and proposals made to enhance delegations to headquarters and field operations within a proper framework of internal control.

123. To speed up processes and react rapidly to country needs, the Organization intends to raise the levels of delegation to managers in decentralized offices, allowing them a greater level of authority and autonomy in committing funds within approved budgets, in the engagement of locally recruited staff and consultants and raising levels of authority delegated to budget holders for local procurement. A proper monitoring and reporting system, using modern communications systems, will be introduced.

Financial systems support to the new decentralized structure

124. The same system platform as at headquarters (i.e. Oracle) will be provided to all Subregional Offices, giving them access to up-to-date financial information, subject to local telecommunications
infrastructure. The Field Accounting System is being redesigned to provide enhanced functionality, robustness, security, better reporting and greater flexibility for FAORs.

Procurement

125. Improvements which would be made to the Organization’s procurement systems, beyond the increased delegations noted above, will include making more frequent use of framework agreements with suppliers for cross-organizational procurement of non-specialised frequently required goods at predetermined prices. This would make it possible for budget holders to make purchases against approved budgets through these arrangements without further ex ante reference to headquarters. Measures would also be taken to issue as a normal practice international tender notices simultaneously at the global level and within destination countries/sub-regions. Finally, subject to funding availability, the software for real-time tracking of procurement-related actions would be upgraded.

Other efficiency gains

126. The introduction of electronic workflow features will result in processing of payments to consultants becoming less labour intensive. This will result in time-saving across the Organization, and free up staff time which can be devoted to higher value activities.

127. There are some other services which are carried out across the Organization which will be consolidated and provided from one location, thereby achieving efficiency savings. Information Technology Officers currently located in departments and Regional Offices will be centralized and services provided back to departments and field offices under service level agreements, thus achieving savings equivalent to 50% of the current staff costs. In addition, for conferences, procurement and recruitment of staff will be the responsibility of the relevant functional areas.

Shared Services Centre (SSC)

128. The Organization will also establish a Shared Services Centre in order to achieve efficiency gains in handling administrative tasks by reducing fragmentation and duplication. This will build on the successful experience of the Management Support Service (MSS), created in 2000, following the introduction of Oracle financials, through the merger of 8 departmental Management Support Units (MSU), resulting in a reduction of 60 posts. The SSC will consolidate the MSS, a similar unit in OCD and the MSU in each of the Regional Offices.

129. As a result of the simultaneous setting up of the SSC and the introduction of the Oracle Human Resources Management (HRMS) module already planned to take place towards the end of 2006, it will be possible to achieve savings of US$ 3.25 million in the 2006-07 biennium and US$ 6.5 million in ongoing future biennia. It is worth underscoring, however, that the reductions and attendant savings are contingent on the successful introduction of the Oracle HRMS, without which the pre-requisite functionality would not exist. Once implemented successfully, as mentioned earlier, the Organization will explore options for off-shoring the provision of those aspects of the SSC functions which do not require face-to-face contact.

Other reforms

130. As mentioned in the main document, with the technological advancements in printing and related technologies, the Organization will discontinue printing publications in Rome, other than those requested by member countries and advocacy materials required for distribution in Rome. Instead, it will make all publications available in electronic form and provide an annual book “allowance”. Members could order (through an Amazon-books type interface) any publication in hard copy, the associated cost being deducted from that Member’s allowance. FAO would
discontinue the printing of publications, other than those specifically requested by Members. This will provide substantial savings, improve the availability of FAO publications and provide FAO with feedback on Members’ interest in the various publications.

**Follow-up**

131. The Organization is committed to achieving these efficiencies and, should the Committees desire, reporting on progress will be made to the Finance Committee.
IV. FINANCIAL AND BUDGETARY OVERVIEW

132. Although the reform proposals are not linked to a given budget level, the guiding principles underlying the reform proposals, outlined in Section II, have been applied at the level requested by the Council with an option to offer a basis for comparison with the “business as usual” scenario in the main PWB. The proposed budget demonstrates in financial terms one of the main aims of the reform - to make better use of the human resources of the Organization, including increased recourse to the technical capacity present in developing countries. In summary, it evidences an absolute decrease in the overall number of staff positions, together with a 31% increase in the planned utilization of non-staff human resources. This will produce a significant shift in the provision of human expertise away from established posts in favour of non-staff resources. The proposed budget also indicates a substantial increase in the proportion of planned non-staff expenditure in the overall Regular Programme funded work, from 34% at present to 41%.

133. An “integrated” budget presentation is provided in this section. This indicates separately Regular Programme funding, Direct Support to Regular Programme activities through voluntary contributions, and other Extra-budgetary Resources expected for FAO’s own operations, thus showing total resource projections for the Organization in 2006-07. A broader perspective of overall resource needs of member countries in the context of investment requirements for agricultural development and hunger reduction is also presented, to raise awareness of how the Organization’s resources fit with this and to permit an appreciation of the resource mobilization efforts required to assist Members.

Regular Programme

Net appropriation

134. The net appropriation for Real Growth (RG) and Higher Real Growth (HRG) by Chapter, tabulated below, shows the relative balance of resources applied to the three main interdisciplinary thrusts of the new chapter and programme structure. The rationale for allocations under RG is further explained in Section III a.

Table 1. Overview of Reform Scenarios
(All amounts in US$ 000)

<table>
<thead>
<tr>
<th>Chapter</th>
<th>RG 2006-07 Appropriation</th>
<th>HRG 2006-07 Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Corporate Governance</td>
<td>21,624</td>
<td>21,624</td>
</tr>
<tr>
<td>2 Sustainable Food and Agricultural Systems</td>
<td>210,858</td>
<td>210,858</td>
</tr>
<tr>
<td>3 Knowledge Exchange, Policy and Advocacy</td>
<td>189,042</td>
<td>189,042</td>
</tr>
<tr>
<td>4 Decentralization, UN Cooperation and Programme Delivery</td>
<td>213,822</td>
<td>247,622</td>
</tr>
<tr>
<td>5 Management and Supervision Services</td>
<td>126,072</td>
<td>126,072</td>
</tr>
<tr>
<td>6 Contingencies</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>8 Capital Expenditure</td>
<td>8,600</td>
<td>13,799</td>
</tr>
<tr>
<td>9 Security Expenditure</td>
<td>19,982</td>
<td>19,982</td>
</tr>
<tr>
<td><strong>Total before Cost Increases</strong></td>
<td><strong>790,601</strong></td>
<td><strong>829,600</strong></td>
</tr>
<tr>
<td>Cost Increases</td>
<td>50,124</td>
<td>52,600</td>
</tr>
<tr>
<td><strong>Total with Cost Increases</strong></td>
<td><strong>840,725</strong></td>
<td><strong>882,200</strong></td>
</tr>
</tbody>
</table>

135. A draft Appropriations Resolution (at RG level with cost increases) is provided in Annex I.
Higher real growth scenario

136. The HRG scenario involves an overall biennial growth rate of 9.25%, as expressly requested by the Council. This amounts to a net increase in the budget beyond ZRG of US$ 70 million, before cost increases, and would permit allocation of additional resources amounting to US$ 39 million over the RG scenario.

137. The additional resources over the RG scenario would be targeted towards two specific areas of work:

- a major share, amounting to US$ 33.8 million, would permit bringing the percentage of the appropriation for the TCP (which is included in the new Chapter 4 of the adjusted programme structure) to 17 percent of the total Regular Budget, as sought in Conference Resolution 9/89;
- the remainder (US$ 5.2 million) would be added to the provision under Chapter 8 Capital Expenditure to address additional needs for information and communication technologies and investment in the facilities of the Organization.

138. In view of the straightforward nature of the differences between the proposed provisions under the RG and HRG assumptions, all budgetary tables in this Supplement are presented at the RG level.

Evolution of budget by expenditure components and location

139. In formulating the reform proposals, considerable emphasis has been given to optimizing the mix of budget components across various dimensions. The results of proposed de-layering of the management structure, more effective deployment of international decentralized staff, increased use of national professional officers for country and sub-regional level work, as well as allocation of more non-staff resources for the acquisition of short-term specialized expertise and for operational activities, are summarized in the following tables.
Table 2: Evolution of Regular Programme Posts - post counts by location

<table>
<thead>
<tr>
<th>Category</th>
<th>2004-05 PWB</th>
<th>Reform Proposal Change</th>
<th>2006-07 RG Reform Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Headquarters</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional</td>
<td>983</td>
<td>(39)</td>
<td>944</td>
</tr>
<tr>
<td>General Service</td>
<td>953</td>
<td>(37)</td>
<td>916</td>
</tr>
<tr>
<td><strong>Total HQ</strong></td>
<td>1,936</td>
<td>(76)</td>
<td>1,860</td>
</tr>
<tr>
<td><strong>Regional/Sub-Regional and Liaison Offices</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Professional</td>
<td>241</td>
<td>(41)</td>
<td>200</td>
</tr>
<tr>
<td>National Professional</td>
<td>0</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>General Service</td>
<td>299</td>
<td>(18)</td>
<td>281</td>
</tr>
<tr>
<td><strong>Total RO/SRO/LO</strong></td>
<td>540</td>
<td>(6)</td>
<td>534</td>
</tr>
<tr>
<td><strong>FAO Representations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Professional</td>
<td>92</td>
<td>(21)</td>
<td>71</td>
</tr>
<tr>
<td>National Professional</td>
<td>106</td>
<td>45</td>
<td>151</td>
</tr>
<tr>
<td>General Service</td>
<td>520</td>
<td>(79)</td>
<td>441</td>
</tr>
<tr>
<td><strong>Total FAORs</strong></td>
<td>718</td>
<td>(55)</td>
<td>663</td>
</tr>
<tr>
<td><strong>Total All Locations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Professional</td>
<td>1,316</td>
<td>(101)</td>
<td>1,215</td>
</tr>
<tr>
<td>National Professional</td>
<td>106</td>
<td>98</td>
<td>204</td>
</tr>
<tr>
<td>General Service</td>
<td>1,772</td>
<td>(133)</td>
<td>1,639</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>3,194</td>
<td>(137)</td>
<td>3,057</td>
</tr>
</tbody>
</table>

Note: counts exclude Trust Fund posts

140. As shown in the preceding table, despite an overall proposed budgetary increase of 2.5% per annum in real terms, the overall Regular Programme staff establishment is projected to decrease under the RG reform proposal. The application of the new modalities for FAO’s enhanced decentralized presence entails provision of technical expertise by FAORs, with up to 30% of their time projected to be spent as part of a multi-disciplinary technical team in their sub-region. This will significantly improve effectiveness in the utilization of the Organization’s professional capacity at country level and help to achieve a reduction in the number of international professional staff. At the same time, the use of national professionals, who have already proved to be a cost effective source of human resource input to the Organization, will nearly double, in response to the important role they play in country-level activities.

141. It is recalled that the above table provides an overview of posts budgeted under the Regular Programme, of which 61% are at headquarters and 39% in decentralized locations. When looking more broadly at the utilization of human resources under all sources of funds managed by FAO, that is including extra-budgetary funding, the proportion located at headquarters falls to 47%, while the human resources in the field rise to 53%.

142. The combined results of the application of principles of universality in serving Members and reinforced country focus with selectivity in allocating resources to Members in greatest need, will yield a marginal overall shift in the proportion of Regular Programme resources from headquarters to the decentralized offices, as shown below.
Table 3: Regular Budget by Location

<table>
<thead>
<tr>
<th>Category</th>
<th>2004-05 Programme of Work (US$ 000s)</th>
<th>% of Total Budget</th>
<th>Reform Proposal Change</th>
<th>2006-07 RG Programme of Work (US$ 000s)</th>
<th>% of Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters</td>
<td>564,877</td>
<td>67%</td>
<td>29,524</td>
<td>594,401</td>
<td>66%</td>
</tr>
<tr>
<td>Regions, Sub-regions and Liaison</td>
<td>123,533</td>
<td>15%</td>
<td>16,521</td>
<td>140,054</td>
<td>16%</td>
</tr>
<tr>
<td>Country</td>
<td>152,601</td>
<td>18%</td>
<td>8,046</td>
<td>160,647</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>841,011</strong></td>
<td><strong>100%</strong></td>
<td><strong>54,091</strong></td>
<td><strong>895,102</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

143. The combination of a shift of resources from headquarters, and the net decrease in Regular Programme staff will enable a significant increase in the amount of non-staff resources to the decentralized offices, in line with the aim of the reforms to provide more flexibility in the means of action for delivering services to Members. As tabulated below, the proportion of non-staffing funding accessible to Regional, Subregional and Liaison Offices would rise to 43% while the corresponding proportion in country offices would increase to 66%.

Table 4: Decentralized Regular Budget by Location (including TCP)

<table>
<thead>
<tr>
<th>Category</th>
<th>2004-05 Programme of Work (US$ 000s)</th>
<th>% of Total Budget</th>
<th>Reform Proposal Change</th>
<th>2006-07 RG Programme of Work (US$ 000s)</th>
<th>% of Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regions, Sub-regions and Liaison</td>
<td>123,533</td>
<td>100%</td>
<td>16,521</td>
<td>140,054</td>
<td>100%</td>
</tr>
<tr>
<td>Staff</td>
<td>83,707</td>
<td>68%</td>
<td>(3,716)</td>
<td>79,991</td>
<td>57%</td>
</tr>
<tr>
<td>Non-staff</td>
<td>39,826</td>
<td>32%</td>
<td>20,237</td>
<td>60,063</td>
<td>43%</td>
</tr>
<tr>
<td><strong>Total Regions, Sub-regions and Liaison</strong></td>
<td><strong>123,533</strong></td>
<td><strong>100%</strong></td>
<td><strong>16,521</strong></td>
<td><strong>140,054</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td>Country</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>57,236</td>
<td>38%</td>
<td>(2,053)</td>
<td>55,183</td>
<td>34%</td>
</tr>
<tr>
<td>Non-staff</td>
<td>95,365</td>
<td>62%</td>
<td>10,099</td>
<td>105,464</td>
<td>66%</td>
</tr>
<tr>
<td><strong>Total Country</strong></td>
<td><strong>152,601</strong></td>
<td><strong>100%</strong></td>
<td><strong>8,046</strong></td>
<td><strong>160,647</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td><strong>Total Decentralized Resources</strong></td>
<td><strong>276,134</strong></td>
<td><strong>100%</strong></td>
<td><strong>24,567</strong></td>
<td><strong>300,701</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

144. As evidenced in the following table, the de-layering of the management structure would contribute to a net reduction of 36 Director-level and above positions, with the result that such positions will account for a smaller portion of the overall post establishment.

Table 5: Evolution of Posts – post counts by grade

<table>
<thead>
<tr>
<th>Grade Category</th>
<th>2004-05 PWB</th>
<th>% of Total Posts</th>
<th>Reform Proposal Change</th>
<th>2006-07 RG Reform Proposal</th>
<th>% of Total Posts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director-level and above</td>
<td>197</td>
<td>6%</td>
<td>(36)</td>
<td>161</td>
<td>5%</td>
</tr>
<tr>
<td>International Professional</td>
<td>1,119</td>
<td>35%</td>
<td>(65)</td>
<td>1,054</td>
<td>34%</td>
</tr>
<tr>
<td>National Professional</td>
<td>106</td>
<td>3%</td>
<td>98</td>
<td>204</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total Professional and above</strong></td>
<td><strong>1,422</strong></td>
<td><strong>45%</strong></td>
<td>(3)</td>
<td><strong>1,419</strong></td>
<td><strong>46%</strong></td>
</tr>
<tr>
<td>General Service</td>
<td>1,772</td>
<td>55%</td>
<td>(133)</td>
<td>1,639</td>
<td>54%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,194</strong></td>
<td><strong>100%</strong></td>
<td>(137)</td>
<td><strong>3,057</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

145. The proposed overall allocation of Regular Programme resources across the expenditure categories is provided below. Since the mix of posts will entail a higher portion of National Professional Officers and fewer Director-level, international Professional and General Service
positions, overall staff costs under the reform proposals will be US$ 22.6 million lower than in the current budget despite the real growth increase in the Programme of Work of US$ 54.1 million, as tabulated below.

Table 6: Regular Budget by Expenditure Category (in US$ 000s)

<table>
<thead>
<tr>
<th>Category</th>
<th>2004-05 Programme of Work</th>
<th>Reform Proposal Change</th>
<th>2006-07 RG Reform Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Professional Staff</td>
<td>377,423</td>
<td>(22,279)</td>
<td>355,144</td>
</tr>
<tr>
<td>National Professional Staff</td>
<td>8,276</td>
<td>7,907</td>
<td>16,183</td>
</tr>
<tr>
<td>General Service Staff</td>
<td>168,181</td>
<td>(8,199)</td>
<td>159,982</td>
</tr>
<tr>
<td><strong>Total Staff</strong></td>
<td><strong>553,880</strong></td>
<td><strong>(22,571)</strong></td>
<td><strong>531,309</strong></td>
</tr>
<tr>
<td>Other Human Resources</td>
<td>142,965</td>
<td>43,936</td>
<td>186,901</td>
</tr>
<tr>
<td>Other Non-staff</td>
<td>144,166</td>
<td>32,726</td>
<td>176,892</td>
</tr>
<tr>
<td><strong>Total Non-Staff</strong></td>
<td><strong>287,131</strong></td>
<td><strong>76,662</strong></td>
<td><strong>363,793</strong></td>
</tr>
<tr>
<td><strong>Total Programme of Work</strong></td>
<td><strong>841,011</strong></td>
<td><strong>54,091</strong></td>
<td><strong>895,102</strong></td>
</tr>
<tr>
<td>Percentage non-staff</td>
<td>34%</td>
<td></td>
<td>41%</td>
</tr>
</tbody>
</table>

Consequently, a higher percentage of resources will become available for non-staff expenditures, which would increase from 34% of the overall Regular Programme-funded work to 41%. The provisions for Other Human Resources would increase by nearly US$ 44 million, or 31% to provide needed latitude in acquiring specialized expertise as, when and where needed. Further efforts would be made during the implementation cycle to shift resources to this more flexible category of human resource expenditure as well as to other important non-staff expenditures such as travel, to provide staff the necessary operational funds to carry out their work more effectively.

### An integrated presentation of FAO’s budget

**Total resource projections for the Organization**

The following table summarizes the projected resources at the disposal of the Organization through a combination of Regular Programme and extra-budgetary resources.
Table 7. Estimate of 2006-07 Programme of Work and Trust Fund Activities by Chapter

(All amounts in US$ 000)

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Regular Budget</th>
<th>Trust Fund</th>
<th>Other Voluntary Contributions</th>
<th>All Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RG 2006-07 Programme of Work</td>
<td>Direct Support to</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Programme of Work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Corporate Governance</td>
<td>21,838</td>
<td>0</td>
<td>0</td>
<td>21,838</td>
</tr>
<tr>
<td>2 Sustainable Food and Agricultural Systems</td>
<td>224,152</td>
<td>94,561</td>
<td>423,397</td>
<td>742,110</td>
</tr>
<tr>
<td>3 Knowledge Exchange, Policy and Advocacy</td>
<td>226,534</td>
<td>37,495</td>
<td>54,353</td>
<td>318,382</td>
</tr>
<tr>
<td>4 Decentralization, UN Cooperation and Programme Delivery</td>
<td>245,685</td>
<td>0</td>
<td>59,239</td>
<td>304,924</td>
</tr>
<tr>
<td>5 Management and Supervision Services</td>
<td>143,100</td>
<td>0</td>
<td>783</td>
<td>143,883</td>
</tr>
<tr>
<td>6 Contingencies</td>
<td>600</td>
<td>0</td>
<td>0</td>
<td>600</td>
</tr>
<tr>
<td>8 Capital Expenditure</td>
<td>13,195</td>
<td>0</td>
<td>0</td>
<td>13,195</td>
</tr>
<tr>
<td>9 Security Expenditure</td>
<td>19,998</td>
<td>0</td>
<td>0</td>
<td>19,998</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>895,102</strong></td>
<td><strong>132,056</strong></td>
<td><strong>537,772</strong></td>
<td><strong>1,564,930</strong></td>
</tr>
</tbody>
</table>

Percentage by Source of Financing

<table>
<thead>
<tr>
<th>Regular Budget</th>
<th>Trust Fund</th>
<th>Other Voluntary Contributions</th>
<th>All Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>57%</td>
<td>8%</td>
<td>34%</td>
<td>100%</td>
</tr>
</tbody>
</table>

148. The Regular Budget Programme of Work in the preceding table comprises those activities to be funded from assessed contributions from Member Nations, and from other income comprising voluntary contributions available to execute the Programme of Work because they are at the disposal of the Organization and/or are managed closely with the Regular Budget Appropriation (see the table following paragraph 263 in the main PWB document). Trust Funds are voluntary contributions other than those included in the Programme of Work that provide direct support to implementation of activities planned under the Programme of Work, and other voluntary contributions that support technical and emergency assistance to governments.

149. In recent biennia, the total of voluntary contributions to Trust Funds and Special Funds has been at around the same order of magnitude as that of the Organization's Regular Programme (RP) assessed contributions. Direct support to the Programme of Work has been a steadily rising proportion of voluntary contributions to Trust Funds, due in part to the mobilization of increasing resources through Strategic Partnership Programmes with donors. Examples of direct support to the Programme of Work include the Sustainable Livelihoods Programme, the funding of participation of Members from developing countries in negotiations such as for the International Treaty on Plant Genetic Resources for Food and Agriculture, and implementing the Voluntary Guidelines on the Right to Adequate Food.

150. In programming the use of RP resources for 2006-07 the proposals take due account of the contribution that is expected to be made to the achievement of the Organization's objectives by Trust Funds (TFs) and Special Funds, although they are difficult to forecast by nature. The preceding table therefore provides the Secretariat’s best forecast by Chapter of what is likely to evolve as the extra-budgetary funded programme for 2006-2007 in the framework described below, and inevitably reflects not only the demands from Members but the policies of donors, which often correspond to geographical and sectoral preferences.

151. In addition to making resources available to the Organization through their payments into the Regular Programme and voluntary contributions, many governments also offer substantial assistance in kind to facilitate the work of the Organization. For example:

- Members are increasingly providing expertise from their own national institutions to serve in other countries under the Organization's South-South Cooperation Programme. Under these arrangements, spearheaded by FAO, the host government meets the cost of housing, local travel and a share of monthly allowances. The government providing the expertise through its nationals undertakes, on its part, to pay the full salary and related allowances to the cooperants during their two to three year period of assignment. An average of 733 experts and technicians are engaged under the Organization’s South-South Cooperation Programme throughout the course of 2004-05 which, if valued at the rates for international
United Nations experts, amounts to a contribution in kind of nearly US$ 138 million for the biennium. It is foreseen that the programme will continue at the same or a higher level in 2006-07.

- Regarding the decentralized network many of the buildings which house the Regional and Subregional Offices of FAO are provided rent-free by the host governments. Members also make contributions in kind through the provision of premises for country offices in the field, where the commercial rental value and government-provided utilities are estimated at US$ 3.5 million for 2004-05. Several Member Nations also provide their national staff in support of FAO’s country offices. The same level of staffing, if sustained directly by the Organization, would otherwise entail nearly US$ 5 million in expenditure for the biennium;

- The headquarters building is also provided to the Organization rent-free by the Host Country in accordance with the Headquarters agreement. The commercial rental value of the property is estimated at US$ 19 million for 2004-05. The Italian Government also supports major maintenance and upgrading works in the headquarters premises.

**FAO budget in the context of global investments for agricultural development and hunger reduction**

152. Meaningful yardsticks against which the planned biennial resources at the disposal of the Organization, summarized above, could be related include various assessments of global investment requirements for agricultural development and hunger reduction. FAO is instrumental in catalysing such investments through its long-standing cooperation with financial institutions.

153. Through its extensive programme formulation work and strategic analyses undertaken largely from its regular budget, the Organization can also apprise Members of practical orders of magnitude of requirements for agricultural development, rural poverty and hunger reduction. An overall assessment of the investments needed to achieve the World Food Summit goal was provided in the “Anti-Hunger Programme” – the final version of which was released during the FAO Conference in November 2003. This indicated that the incremental public sector investments required to halve hunger by 2015 would be about US$ 23.8 billion per annum, broken down as follows:

<table>
<thead>
<tr>
<th>Purpose of expenditure</th>
<th>Amount (US$ billion p.a.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>improving agricultural productivity in poor rural communities</td>
<td>2.3</td>
</tr>
<tr>
<td>developing and conserving natural resources</td>
<td>7.4</td>
</tr>
<tr>
<td>expanding rural infrastructure and market access</td>
<td>7.8</td>
</tr>
<tr>
<td>developing capacity for knowledge generation and dissemination</td>
<td>1.1</td>
</tr>
<tr>
<td>ensuring access to food for the most needy</td>
<td>5.2</td>
</tr>
</tbody>
</table>

154. Around half of this amount was foreseen to be met by increases in Official Development Assistance (ODA), with the rest coming from national budgets and non-concessional loans.

155. Whether such resources will be mobilised depends on the commitment of developing country governments and of the international community. A most encouraging step was taken by African Heads of State in the Maputo Declaration of July 2003 in which they pledge to increase the share of budgetary funds allocated to agriculture and rural development to 10% of the national budgets within 5 years – a commitment which the Organization is monitoring on behalf of the African Union. Also of great relevance has been the G8 Gleneagles Summit of June 2005 at which leaders agreed to double aid to Africa and to eliminate some US$ 40 billion of debts owed by 18 of the poorest countries to the International Financing Institutions.

156. The Organization is encouraged by signals of a growing commitment by individual countries and by Sub-Regional Organizations to increase their investments in food security. By mid-2005, forty
countries had expressed their intention to move forward with national-scale food security programmes. These have already been formulated in 11 countries, involving total investments of about US$ 1.2 billion. In addition some 20 Regional Economic Organizations have formulated regional agricultural and food security strategies and three of these (UEMOA, CARIFORUM, PIF), involving projected investments of some US$270 million, have begun implementation.

157. Within the framework of NEPAD’s Comprehensive Africa Agriculture Development Programme (CAADP), formulated with FAO’s assistance, the Investment Centre has undertaken a major exercise to assist 51 countries in Africa to formulate National Medium-Term Investment Programmes (NMTIP) and associated Bankable Investment Project Profiles (BIPP). Similar complementary agricultural investment programming work is being initiated for the Caribbean countries by FAO in collaboration with CARICOM to complement the Caribbean Regional Programme for Food Security (CRPFS), and in the Pacific through collaboration with CROP (Council for Regional Organizations in the Pacific) Agencies.

158. The reform proposals will advocate and catalyze the application of further resources for agricultural investment at global, regional and country levels, from public and private funding sources and ensure technical support for this at a requisite level. Two key elements are the placing of investment in the new department of Economic and Social Development, and the prominence given to the International Alliance Against Hunger and associated activities through a consolidated department. Other features which will also underpin this effort are enhanced inter-disciplinarity and partnerships, including with governments themselves, other organizations (UN and non-UN), International Financial Institutions (IFIs) and civil society.

159. At the national level, FAO will act within the framework of coordinated UN system action and in close collaboration with governments, to assess potential for investment, including agricultural sector reviews, and develop national policy frameworks which are an integral part of poverty reduction strategies. The department on Outreach Programmes will spearhead the formulation of comprehensive national and regional food security programmes that provide a basis for translating initial estimates of investment requirements at global level into more precise country-level resource needs.
V. OPPORTUNITIES FOR STREAMLINING OF
GOVERNANCE STRUCTURES, STATUTORY
BODIES, COMMISSIONS AND COMMITTEES

160. An outcome of the process of reflection and analysis which has led to these reform
proposals, but which would require further discussion among Members, relates to the opportunities
for streamlining of governance structures, statutory bodies, commissions and committees. A great
deal has already been accomplished in this area through implementation of Conference Resolution
13/97 and subsequent work in the Joint Meetings of the Programme and Finance Committees on
Savings and Efficiencies in Governance.

161. Within the framework of a modernizing organization, Member Nations may wish to consider
further what changes could be envisaged in the governance structures, statutory bodies, commissions
and committees, with a view to making them more effective and efficient while being responsive to
the needs of the Members themselves, and enabling them to better oversee the work of the
Organization. Suggestions are made below, for the consideration of Members, concerning ways in
which these could be streamlined, and yet strengthened, and how Members could be more involved
in their work. The possibility of establishing, abolishing or modifying aspects of a particular body
depends on the legal framework under which the body has been established.

Committees of the Council

162. These committees report to the Council and they are listed in the Constitution. Any
amendments, including the number and names of these committees would require a change in the
Constitution. Under Article XX of the Constitution, the Director-General is obliged to notify
Member Nations at least 120 days before the opening of the Conference of any proposals for
amendments. These are not, therefore, formal proposals, but suggestions offered for Members’
consideration.

163. The work of the Programme and Finance Committees (PC/FC) has increased significantly
in the recent past due to increasing demand; and therefore so has the length of the agenda. The
practice of holding meetings of these committees back-to-back, and with a joint meeting, continues
to save costs for individual Members and for the Organization, and it ensures coherence. However
the length of the agenda might not always allow in-depth discussion of each item. The Committees
might therefore consider limiting the number of discussion items at each session to allow for full
treatment of the issues at hand.

164. The Committee on Constitutional and Legal Matters (CCLM) meets on as-needed basis;
and therefore has embedded flexibility consistent with modern governance.

165. The Committee on Fisheries (COFI) and the Committee on Forestry (COFO) meet
once each biennium. The recent practice of holding COFI and COFO meetings back-to-back,
coupled with a reduction in the number of meeting days to four for each Committee is saving costs
and should be maintained. Consideration should be given to:

- Reducing the number of agenda items for discussion to ensure a better focused debate on
  issues of current importance.
- Renaming the Committee on Fisheries as “Committee on Fisheries and Aquaculture”
  due to the increasing importance of aquaculture, which already contributes 30 percent to the
  world fish supply, and is expanding fast to soon reach 50 percent.
- Holding a World Congress on Fisheries and Aquaculture every six years, along the same lines
  as the World Congress on Forestry.
• Building on the success of the Ministerial meeting held in conjunction with COFI in 2005, to have a one-day Ministerial meeting on Fisheries and Aquaculture and Forestry Management and Conservation to be held back-to-back in conjunction with future COFI and COFO meetings.

166. The possibility is already under discussion by the Joint Meeting of the Programme and Finance Committees on a possible merger of the Committee on Agriculture (COAG) and the Committee on Commodity Problems (CCP), and it is therefore necessary to await the outcome of this consideration of alternative arrangements. However, more generally, for the committees of the Council, as well as the Conference and Council, consideration should be given, in the light of technology development, to reducing printing and manual distribution of documents for the meetings.

167. It is also recommended that the documents currently produced and dispatched by mail before the meetings should rather be posted on the FAO Web site page for the relevant meeting, and notification sent to the main addressees in each country as well as the Members’ Permanent Representatives to FAO, where appropriate, informing them of the posting of the relevant document for in-country downloading and eventual printing. Limited resources could be made available to certain countries to assist them in using this facility in-country. Should the governing bodies agree to this proposal, the option would remain for the countries who wish to do so, and inform the Secretariat accordingly, to continue receiving hard copies downloaded by the FAO Representation in the country. Limited printing facilities could continue during the meeting itself.

Commissions, committees, conferences, working parties, panels of experts and consultations

168. These are established under Article VI of the Constitution by the Conference or the Council, or by the Director-General (on the authority of the Conference or Council). The reporting mechanisms as well as the terms of reference are decided at the time of the establishment of the commission or committee. Rules of procedures and amendments are decided by the commissions/committees themselves, and come into effect upon the approval of the Director-General. The list can be found on the FAO Web site at:

HTTP://WWW.FAO.ORG/UNFAO/GOVBODIES

169. The Secretariat is reviewing the functions of the bodies and their working methods and reporting mechanisms with a view to proposing measures to:

• streamline them and make them more responsive to Members’ needs, including through stronger involvement of the member countries themselves in their work;

• ensure that, as far as possible, meetings of the various commissions on related matters, particularly those with the same or overlapping membership, are held back-to-back; and

• where appropriate, distribute documents for such meetings in electronic form.

170. The Secretariat would also strengthen its support to the various Commissions on an as-needed basis, so that FAO assistance is demand-driven.

171. In terms of reporting, some of these bodies report to the Council, others to the committees of the Council, and still others to the Director-General. Consideration should be given to strengthening the link between the Regional Commissions on sectoral issues in particular (such as those in forestry, fisheries and animal health) and the Committees of the Council that cover those sectors (COFO, COFI, COAG, etc), including through reporting to those Committees.

172. FAO’s Regional Commissions should be encouraged to deepen synergies with the Regional Economic Integration Organizations, most of which have sectoral coordination mechanisms,
including sectoral Ministerial level meetings. The Regional Commissions could have their meetings back-to-back with the relevant organization’s meetings.

173. Like the committees of the Council, these commissions and committees should be encouraged to utilise, to the extent possible, modern methods of communication, including electronic document distribution. In addition, consideration should be given to video-conferencing, particularly where panels of experts consist of only a few members.

174. According to Resolution 13/97 adopted at the 29th session of the FAO Conference in November 1997, “regional commissions … should seek extra-budgetary resources to supplement the resources made available under the FAO Regular Programme budget taking into account the economic capacity of the regions concerned and of their Members.” This appears to be equally relevant at the present time, and further efforts towards soliciting or making voluntary contributions to the work of these commissions should be encouraged.

175. Bodies constituted under Article VI of the Constitution with a potential for transformation into financially-autonomous bodies, should be encouraged to reconstitute themselves as Article XIV bodies.

176. In the case of the FAO Regional Conferences, the Secretariat is already implementing improved procedures for their organization and conduct with a view to making them more effective and more relevant to the Members in the region, including through:

- reducing the number of discussion items to allow in-depth discussion of the most relevant themes of the day;
- reducing the length of presentations of items by the Secretariat to no more than 10 minutes to allow more time for the debate;
- pursuing a policy of balanced mix of the official languages of the respective regions in the presentation of documents;
- deepening synergies between Regional Conferences and Regional Economic Integration Organizations, by holding the Regional Conferences back-to-back with the main meetings of these organizations where possible; and
- subject to the concurrence of the Governing Bodies, having a summary report on the outcome of the Regional Conferences to be considered within the proceedings of the FAO Conference.

### Conventions and agreements (Article XIV bodies)

177. These bodies are established by conventions or agreements approved by the Conference or the Council on the basis of a proposal by a technical meeting or conference and referred to Member Nations concerned for acceptance. Terms of reference, rules of procedure and amendments are approved by the Parties as provided for in the convention or agreement.

178. There are three types of such bodies, according to their financing:

- bodies entirely financed by the Organization;
- bodies that, in addition to being financed by the Organization, may undertake cooperative projects financed by members of the body; and
- bodies that, in addition to being financed by the Organization, have autonomous budgets.

179. The Secretariat would suggest the adoption of the following general guidelines regarding these bodies:

- when appropriate, efforts should continue to be made in order to transform these bodies into financially autonomous bodies. In cases in which such bodies have mixed composition (low income countries and relatively richer countries), the contributions could be determined on the basis of each member’s ability to pay, subject, however, to the objective and nature of the bodies in question;
• in all cases, efforts should be made to ensure maintenance of a strong link between FAO and the body, even if financially independent;
• the bodies should self-evaluate themselves regularly with respect to governance; and
• clear mechanisms of reporting to the Council or the Committees of the Council should be established.
VI. MANAGING THE REFORM PROCESS

180. The proposed reforms imply the need for a well planned and orchestrated adjustment process, aimed at ensuring that changes are introduced in a logical sequence and with minimum interruption to the substantive work of the Organization. It is also vital that the process respects the rights and expectations of staff and be conducted with the full participation of the staff representative bodies.

181. By far the most complex aspect of the change process relates to organizational reform. This will involve large numbers of staff moving between organizational units and establishing new working relationships. Some staff will also face the challenge of moving from where they are now working to other geographic locations. Others will need to acquire new skills through training so as to be able to work effectively on tasks which may differ from those which they are currently undertaking but for which they have the necessary aptitudes. Finally, there is a need to offer staff who are affected by the shift in demand for expertise equitable terms and conditions for separation if the reform process so requires.

182. Intimately associated with the new structure is the need to adjust management processes to the new needs of the Organization in updated versions of the Organization's manuals. There will also be requirements for investments in improving management and communications-related software and for the setting up of new offices.

183. To manage the process, the Director-General would establish a Change Management Team, under the immediate direction of the Deputy Director-General, assigned with responsibility for detailed planning of the process and with overseeing its implementation.

184. Over the past decade, the Organization has been successful in managing both organizational restructuring and budgetary reductions through a process of vacancy management, natural attrition, placement and redeployment of staff.

185. The organizational reform now being undertaken builds upon this experience and adheres to a phased change management strategy requiring specific interventions at the following stages:

- presentation of the rationale and objectives of reforms and submission of a new programme and organizational structure to the governing bodies;
- establishment of a comprehensive competencies/skills inventory to review available human resources;
- matching of qualified staff to organizational entities;
- competency development/learning/re-training of staff;
- re-deployment of staff;
- recruitment of additional staff;
- separation in accordance with the Staff Regulations.

Past experience in redeployment and placement of staff

186. Previous experiences have required a change management system with structured redeployment and placement processes. These processes were formalised through the establishment of Task Forces on Redeployment of Professional and General Service staff. The Task Forces comprised both administration, and staff association representation, and were chaired by the Human Resources Management Division. The Conference approved special transitional resources to fund the placement, redeployment and agreed separation costs in the amount of US$ 12 million in 1998-99 and US$ 9 million in 2000-01. In 2004-05 an amount of US$ 4.1 million was earmarked for the same purpose.
The specific goals of the redeployment and placement processes were to find alternative assignments for staff members on abolished posts; monitor redeployment; ensure full transparency in the application of the processes; advise management on cases where staff members’ conditions of employment were affected by the restructuring or budgetary cuts; make recommendations to management regarding these cases; and identify those staff who could not be redeployed and to whom severance packages should be offered.

As a result of budgetary reductions over recent biennia, over 540 Professional and General Service staff were either redeployed within the Organization or were separated on agreed terms with the participation of the staff representative bodies.

Financial implications

As in the past, the proposed organizational reform will entail a series of one-time transitional costs resulting from the impact of the restructuring and de-layering processes. The transitional costs affecting staff include the following:

- **Training needs**: matching existing staff to the required competencies of the reformed Organization would entail an intensive training programme so that staff can update or acquire new skills;
- **Relocation costs**: the abolition of positions, and the transfers from Headquarters and Regional Offices to Subregional and other decentralized offices and vice-versa, could entail re-deployment of staff to different locations from their present posting, with consequent relocation costs;
- **Establishment of temporary assignments**: funding would need to be established to cover the costs of special assignments, not covered by the Regular Programme, to which staff may be temporarily re-deployed;
- **Agreed termination packages**: staff members whose posts have been abolished but whose competency profiles do not allow for their re-deployment or promotion, may be entitled to voluntary severance packages;
- **Costs emanating from implementation**: following the abolition of posts, the redeployment of staff may take some time to be effected and the related salary costs would have to be covered by the Organization until such time as they are re-assigned to their new positions or separated.

A proposed approach

Subject to Members’ approval of the Director-General’s reform proposals, the Organization will undertake a review and make a competency-based inventory of staff requiring redeployment to ensure their appropriate placement.

A Redeployment and Placement Task Force led by the Human Resources Management Division and with participation of staff representatives would be entrusted with overseeing all staffing actions flowing from the restructuring exercise, i.e. redeployments, transfers or separations on agreed terms.

The Redeployment and Placement Task Force would take stock of all the posts that have been abolished, transferred or modified, review the staff requiring placement or otherwise affected by the restructuring, and match vacant positions with staff who are no longer on posts. When the mix of competencies, qualifications and experience of a staff member is found to match the requirements of a vacant position, the Task Force would recommend the redeployment of the staff member to the said position.

In cases where no positions match the specific profile of staff members requiring placement, agreed termination packages would be proposed in line with past practice, based on the provisions on Staff Regulation 301.9.11.
Funding of transition costs

194. As indicated in paragraph 189 above, previous organizational changes in FAO have required special funding for one-time and transition costs. Reform processes in other organizations have also been facilitated through provision of dedicated extra-budgetary resources for this purpose. On the basis of the decision by the governing bodies on his reform proposals, transition costs would be estimated and the Director-General would seek voluntary contributions to cover them from Members wishing to support and facilitate the process of change in the Organization to enable it to face the challenges of the future.
Annex I. DRAFT RESOLUTION FOR ADOPTION BY THE CONFERENCE

BUDGETARY APPROPRIATIONS 2006-07

THE CONFERENCE,

Having considered the Director-General's Programme of Work and Budget:

Approves a total net Appropriation of US$ 840,725,000 for the financial period 2006-07 and approves the Programme of Work proposed by the Director-General for 2006-07 as follows:

a. Appropriations are voted for the following purposes:

<table>
<thead>
<tr>
<th>Chapter</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 1: Corporate Governance</td>
<td>22,543,000</td>
</tr>
<tr>
<td>Chapter 2: Sustainable Food and Agricultural Systems</td>
<td>223,229,000</td>
</tr>
<tr>
<td>Chapter 3: Knowledge Exchange, Policy and Advocacy</td>
<td>200,016,000</td>
</tr>
<tr>
<td>Chapter 4: Decentralization, UN Cooperation and Programme Delivery</td>
<td>230,367,000</td>
</tr>
<tr>
<td>Chapter 5: Management and Supervision Services</td>
<td>134,691,000</td>
</tr>
<tr>
<td>Chapter 6: Contingencies</td>
<td>600,000</td>
</tr>
<tr>
<td>Chapter 8: Capital Expenditure</td>
<td>8,835,000</td>
</tr>
<tr>
<td>Chapter 9: Security Expenditure</td>
<td>20,444,000</td>
</tr>
<tr>
<td>Total Appropriation (Net)</td>
<td>840,725,000</td>
</tr>
<tr>
<td>Chapter 10: Transfer to Tax Equalization Fund</td>
<td>86,043,000</td>
</tr>
<tr>
<td>Total Appropriation (Gross)</td>
<td>926,768,000</td>
</tr>
</tbody>
</table>

b. The appropriations (gross) voted in paragraph (a) above, plus an amount of US$ 14,100,000 to fund the amortization of After Service Medical Coverage (ASMC), shall be financed by assessments on Member Nations, thus resulting in assessments against Member Nations of US$ 940,868,000.

c. In establishing the actual amounts of contributions to be paid by individual Member Nations, the assessment of each Member Nation shall be reduced by any amount standing to its credit in the Tax Equalization Fund provided that the credit of a Member Nation that levies taxes on the salaries, emoluments and indemnities received from FAO by staff members shall be reduced by the estimated amounts of such taxes to be reimbursed to the staff member by FAO. An estimate of US$ 5,900,000 has been withheld for this purpose.

d. The contributions due from Member Nations in 2006 and 2007 shall be paid in accordance with the scale adopted by the Conference at its Thirty-third Session, which contributions, after the deduction of amounts standing to the credit of Member Nations in the Tax Equalization Fund, result in net amounts payable totalling US$ 860,725,000.
e. The contributions shall be established in US dollars and euro and shall consist of US$ 398,274,000
and € 388,615,000, which represents a split of 46% US dollars and 54% euro for the budgetary
appropriation and a split of 40% US dollars and 60% euro for the ASMC.
f. The foregoing appropriations are calculated at the rate of €1 = US$ 1.19.
Annex IV. PROGRAMME NARRATIVES

195. The following brief narratives focus on the major activities under the new Chapter headings at the level of component programmes. The budgetary provisions in the tables reflect in a combined manner the resources at Headquarters and in the decentralized structure at the Real Growth (RG) level and take account of the substantive areas given higher and lower emphasis, as explained in Section III. As done hitherto, the allocations of the Regional and Sub-regional Offices are assigned to the various Programmes based on the profile of the staff located there. In like vein, resources for the Country Offices, as well as Liaison Offices, have been apportioned based on their expected contributions to substantive work.

Chapter 1: Corporate Governance

(All amounts in US$ 000)

<table>
<thead>
<tr>
<th>Programme</th>
<th>Regular Budget</th>
<th>Trust Fund</th>
<th>Other Voluntary Contributions</th>
<th>All Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RG 2006-07 Programme of Work</td>
<td>Direct Support to Programme of Work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1A Governing bodies</td>
<td>9,917</td>
<td>0</td>
<td>0</td>
<td>9,917</td>
</tr>
<tr>
<td>1B General direction</td>
<td>11,922</td>
<td>0</td>
<td>0</td>
<td>11,922</td>
</tr>
<tr>
<td>Total</td>
<td>21,838</td>
<td>0</td>
<td>0</td>
<td>21,838</td>
</tr>
<tr>
<td>Percentage by Source of Financing</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

196. Chapter 1 would henceforth include the cost of main Governing Bodies and Regional Conferences (Programme 1A) and of General Direction, i.e. the Office of the Director General and the share of the Legal Office’s activities covering advice to Management on legal matters (Programme 1B).
Chapter 2: Sustainable Food and Agricultural Systems

(All amounts in US$ 000)

<table>
<thead>
<tr>
<th>Programme</th>
<th>Regular Budget</th>
<th>Trust Fund</th>
<th>All Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2A Crop production systems management</td>
<td>29,981</td>
<td>21,163</td>
<td>51,722</td>
</tr>
<tr>
<td>2B Livestock production systems management</td>
<td>19,357</td>
<td>15,052</td>
<td>46,725</td>
</tr>
<tr>
<td>2C Diseases and pests of animals and plants</td>
<td>16,834</td>
<td>0</td>
<td>174,756</td>
</tr>
<tr>
<td>2D Nutrition and consumer protection</td>
<td>23,634</td>
<td>9,142</td>
<td>6,666</td>
</tr>
<tr>
<td>2E Forestry information, statistics, economics, and policy</td>
<td>13,616</td>
<td>3,664</td>
<td>13,743</td>
</tr>
<tr>
<td>2F Forestry management, conservation and rehabilitation</td>
<td>17,032</td>
<td>7,533</td>
<td>17,918</td>
</tr>
<tr>
<td>2G Forest products and industry</td>
<td>4,450</td>
<td>0</td>
<td>4,450</td>
</tr>
<tr>
<td>2H Fisheries and aquaculture information, statistics, economics, and policy</td>
<td>17,590</td>
<td>13,384</td>
<td>12,843</td>
</tr>
<tr>
<td>2I Fisheries and aquaculture management and conservation</td>
<td>20,784</td>
<td>2,041</td>
<td>15,372</td>
</tr>
<tr>
<td>2J Fisheries and aquaculture products and industry</td>
<td>10,023</td>
<td>1,017</td>
<td>3,114</td>
</tr>
<tr>
<td>2K Sustainable natural resources management</td>
<td>22,812</td>
<td>20,655</td>
<td>58,281</td>
</tr>
<tr>
<td>2L Technology, research and extension</td>
<td>9,978</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2M Rural infrastructure and agro-industries</td>
<td>17,858</td>
<td>910</td>
<td>22,257</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>224,152</strong></td>
<td><strong>94,561</strong></td>
<td><strong>423,397</strong></td>
</tr>
</tbody>
</table>

Percentage by Source of Financing

<table>
<thead>
<tr>
<th>Source of Financing</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Budget</td>
<td>30%</td>
</tr>
<tr>
<td>Trust Fund</td>
<td>13%</td>
</tr>
<tr>
<td>All Financing</td>
<td>57%</td>
</tr>
<tr>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

197. This Chapter would encompass the work of four departments dealing with key areas of FAO’s mandate: Agriculture, Biosecurity, Nutrition, and Consumer Protection; Forestry; Fisheries and Aquaculture; and Natural Resources, Technology and Sustainable Development. These departments will be responsible for the thirteen component programmes, labelled 2A to 2M which all contribute ultimately to sustainable food and agricultural systems.

Programme 2A - Crop production systems management

198. This programme would deal in a holistic manner with production systems for crops of major significance (cereals, oilseeds, fruits and vegetables, roots and tubers, etc.) It would therefore cover such priority areas as: plant genetic resources, seed systems, integrated plant nutrient systems, protection issues in production systems, and farm storage. It would examine socio-economic factors at the farm level, including the contribution of crop production to poverty alleviation and the requirements of smallholder crop producers, feeding into micro analysis policy work. It will include the related work of the joint FAO/IAEA division.

199. The Programme will also support the Secretariat of the International Treaty on Plant Genetic Resources for Food and Agriculture (IT-PGRFA) and its programme of work as adopted by its governing body. The provision for COAG would be placed in this Programme for administrative convenience, while the Committee has a broader mandate across several Programmes.

200. Testing of integrated and sustainable production systems would be pursued primarily within the context of specific outreach programmes in countries, also making use of knowledge exchange networks within regions and sub-regions. Support relating to farm power and mechanisation or agricultural engineering would be pursued essentially within the context of knowledge exchange and outreach programmes directly in countries.
Programme 2B - Livestock production systems management

201. This Programme would deal in a comprehensive manner with animal production systems. Thus, it would cover such priority areas as: animal genetic resources and improved species, animal feed and protection aspects, on-farm facilities and conservation of products. Feeding into micro-analysis policy work, it would address socio-economic factors at farm level, the requirements of smallholder livestock producers, and the contribution of livestock to poverty alleviation.

202. After finalisation of the first report on the *World's Animal Genetic Resources*, priority is to be given to the actions for improved management and conservation of domestic Animal Genetic Resources (AnGR) agreed at the First International Technical Conference on AnGR to be held in 2007. The programme would have an important component of specialized information collection.

Programme 2C - Diseases and pests of animals and plants

203. As its title indicates, this Programme would allow giving more prominence to a growing area of FAO's intervention and well recognized comparative advantage, i.e. catalyzing international cooperation, with the identification of effective solutions, in combating diseases and pests of animals and plants, especially those of transboundary nature.

204. In a context of recurring major threats to crop and livestock production systems due to such diseases and pests, as well as eventual associated risks to human health, it is imperative to maximize FAO's capabilities to react promptly and efficiently. The programme would thus regroup ongoing work on plant pests, particularly on the Desert Locusts and on transboundary animal diseases, including those of zoonotic nature such as avian influenza, as well as on the final eradication of rinderpest. It would operate *inter alia* in the context of the FAO/OIE\(^5\) Global Framework for the Progressive Control of Transboundary Animal Diseases (GF-TADs) and through ECTAD\(^6\).

205. This programme would also pursue the special emphasis on the International Plant Protection Convention (IPPC), addressing in particular the harmonisation of phytosanitary measures, information exchange and technical assistance. Other major components are: the promotion of IPM; the management of pesticides, including regulatory instruments such as the Rotterdam Convention in close cooperation with UNEP (United Nations Environment Programme); and the work of the joint FAO/IAEA division related to food quality, plant and animal pests and diseases.

Programme 2D - Nutrition and consumer protection

206. This Programme would be handled alongside the other three in the new department of Agriculture, Biosecurity, Nutrition, and Consumer Protection. Therefore, this department would be able to take a more direct view of the links between crop and livestock systems and nutrition. Within the food chain “farm to table” approach, it would address all issues of quality and safety of products. This would include high priority nutrition and consumer protection work such as Codex standards and Codex-related activities and food safety aspects of biosecurity.

207. It is recalled that Codex-related work includes: the provision of scientific advice on the safety assessment of food additives, contaminants and veterinary drug residues (through, in particular, JECFA\(^7\) meetings); JMPR\(^8\) meetings; the safety assessment of microbiological hazards in food and

---

\(^5\) World Organisation for Animal Health

\(^6\) Emergency Centre for Transboundary Animal Disease Operations

\(^7\) Joint FAO/WHO Expert Committee on Food Additives

\(^8\) Joint Meeting on Pesticide Residues
foods derived from modern biotechnology; advice on relevant issues referred to FAO and WHO\(^9\) by the Codex Alimentarius Commission; and capacity-building on food safety/control systems in countries. The Programme would also benefit from inputs from the joint FAO/IAEA division as relates to food quality and safety, i.e. through support for research, development of standards, training and capacity-building.

208. While it is intended to continue work on such aspects as: human nutrient requirements, food and nutrition assessments; nutrition-related policy and programme formulation; promoting healthy diets and nutrition education in schools and for the general public, it would be possible to release some resources from their consolidation to strengthen higher priority areas such as Codex.

Programme 2E - Forestry information, statistics, economics, and policy

209. As regards forest policy work, a major priority would be FAO leadership in the international forest agenda, primarily through the Collaborative Partnership on Forests and a strengthened Committee on Forestry (COFO). At country level, the programme would support national capacity-building and strategic planning, including effective forest programmes assisted by the National Forest Programme Facility. The regional forestry commissions would be further assisted so as to remain central to regional forestry processes. The economics of sustainable forest management would be addressed, specifically in the tropics, as well as the economic, financial and social implications of carbon sequestration.

210. The information part of this programme would include: analysis and dissemination of information about forests and trees outside forests, including statistics, global and regional forest sector outlook studies, and the effective use of the Internet as a dissemination tool. Other vehicles for high-quality forestry information would be the *State of the World's Forests* and *Unasylva*.

Programme 2F - Forestry management, conservation and rehabilitation

211. As sustainable forest management depends on reliable data, this programme would update the global forest resource assessment and enhance capacities for national forest assessment in countries. It would cover decision support tools for management of planted forest and tree resources and assistance to smallholders in relation to plantation forest and agroforestry systems, the involvement of local communities in forest issues and the contribution of forestry to poverty alleviation. Another major priority is to provide a forum for discussion and assist country and regional networks in preventing and combating fires and forest pests and diseases, to support national strategies and plans against forest fires, including prevention and control, and to facilitate inter-country cooperation. Developing countries would be provided with information on the potential benefits of new environmental markets, under the clean development mechanism (CDM).

Programme 2G – Forest products and industry

212. This programme would address key aspects in the production, consumption and trade of wood and non-wood products, as well as wood fuels and their economics. It would seek an enhanced contribution of forest products to poverty alleviation while ensuring environmental sustainability. This would include: regular assessments of their potential; improved production methods, and codes of harvesting. Other activities would be the Advisory Committee on Paper and Wood Products and the analysis of the global fibre supply and demand situation.

\(^9\) World Health Organization
Programme 2H – Fisheries and aquaculture information, statistics, economics, and policy

213. Work regarding fishery policy under this programme would be guided by the pertinent aspects of the Code of Conduct for Responsible Fisheries (CCRF). Main priorities would be the further expansion of aquaculture on a sustainable basis, ensuring a better balance between aquaculture and fisheries activities in the entire programme of the concerned department, the development of regional and national plans of action (NPOAs), and strengthened support to regional fishery bodies (RFBs) in discussing major policy issues. Among the latter would be: the socio-economic, institutional and policy aspects of overcapacity, access to resources and fishing grounds in coastal and inland waters, deep sea fisheries, the role of subsidies in small-scale and artisanal fisheries and their impact on fishing capacity and on fisheries management in general, and the contribution of fisheries and aquaculture to poverty alleviation.

214. On the information side, due prominence would be given to the newly adopted Strategy for Improving Information on Status and Trends of Capture Fisheries (Strategy-STF), while the State of World Fisheries and Aquaculture (SOFIA) would be continued.

Programme 2I – Fisheries and aquaculture management and conservation

215. This programme would give attention to the monitoring of key national, regional and global marine fisheries, together with the development of indicators. It would cover support to the implementation of the International Plans of Action (IPOAs) endorsed by the Committee on Fisheries (COFI). A major concern would be the elimination of illegal, unreported and unregulated (IUU) fishing through the implementation of better management practices, including monitoring, control and surveillance (MCS). A major global prospective analysis of future aquaculture development would be carried out, based on regional reviews and workshops. The programme would also give priority to mitigating the impact of fishing on the environment, as well as assessing its effects on small-scale and artisanal fishing communities. International cooperation on vessel monitoring systems (VMS) would be further promoted.

Programme 2J – Fisheries and aquaculture products and industry

216. This programme would cover fish utilisation and marketing in a manner consistent with national food security objectives. It would support increased contributions of small-scale fisheries to the supply of fish and fishery products to local markets and identify opportunities for access to markets from the same sector. Priority would also be given to capacity-building in relation to WTO\textsuperscript{10} agreements and their application to the fish industry, safety and quality management, with due emphasis on aquaculture.

Programme 2K – Sustainable natural resources management

217. This programme would be handled by the department of Natural Resources, Technology and Sustainable Development, allowing it to address a range of important areas hitherto dealt with in somewhat unconnected manner within the Organization: the management of land and water resources, including land tenure aspects; support to the implementation of international agreements with environmental dimensions, including in particular the implications and needed adaptation to climate change; and the use of environmental information and decision support tools.

\textsuperscript{10} World Trade Organization
218. The land and water cluster of this work would cover important aspects such as: greater efficiency in use of water and assistance with conservation efforts; integrated land and water policies, planning and management; land and water quality improvement and follow up to major international initiatives; and policy advice and practical methodologies for access to land and national land tenure security. Activities on water management would include transboundary water resources, where FAO could catalyze inter-country cooperation and agreements.

219. Other aspects of sustainable management of natural resources would be addressed such as: geo-spatial analysis, tools and information systems, and promoting bioenergy. The Secretariat of the Commission on Genetic Resources for Food and Agriculture would be included under this programme. Work on climate change would be pursued in partnership with the World Meteorological Organization.

220. The consolidation of several activities linked to knowledge management and databases for land and water programmes would release some resources for other areas. Also, a wide range of activities linked to environmental and geo-information infrastructure, services, planning and management would be better focused so as to relate more closely to agriculture and climate change. The Organization’s contribution to the International Programme for Technology and Research in Irrigation and Drainage (IPTRID) would be eliminated.

Programme 2L – Technology, research and extension

221. This programme would support technology transfer, and the improvement of national agricultural research systems (NARS). Assistance to national research systems, including capacity building in biotechnology, would address issues of existing knowledge and serve national development policies and priorities. Policies, institutional arrangements and methods would be developed to reform national extension systems. FAO’s well established cooperation with the CGIAR would be included here.

Programme 2M – Rural infrastructure and agro-industries

222. This programme would aim in the first instance at assisting countries with rural infrastructure improvements in areas falling under FAO’s mandate, i.e. upstream (e.g. adequate systems for provision of inputs) and downstream at farm production level (e.g. rural roads and market infrastructure, abattoirs and cold storage facilities, etc.). It would also seek to improve the efficiency and competitiveness of agro-processing enterprises, particularly in making the transition to commercial agriculture. Capacity-building and strengthening market linkages to support farmers and agro-processing enterprises would remain top priorities. Guidance would be provided on strategies and managerial practices for improving profitability in all parts of the agrifood system and also to ensure adequate provision of support services. In relation to work on agro-industry, due attention would be paid to close cooperation with UNIDO (United Nations Industrial Development Organization).
Chapter 3: Knowledge Exchange, Policy and Advocacy

(All amounts in US$ 000)

<table>
<thead>
<tr>
<th>Programme</th>
<th>RG 2006-07 Programme of Work</th>
<th>Direct Support to Programme of Work</th>
<th>Other Voluntary Contributions</th>
<th>All Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>3A Leveraging resources and investment</td>
<td>53,235</td>
<td>0</td>
<td>15,548</td>
<td>68,783</td>
</tr>
<tr>
<td>3B Food and agriculture policy</td>
<td>35,407</td>
<td>15,670</td>
<td>14,109</td>
<td>65,186</td>
</tr>
<tr>
<td>3C Trade and marketing</td>
<td>14,649</td>
<td>1,893</td>
<td>6,213</td>
<td>22,755</td>
</tr>
<tr>
<td>3D Agriculture information and statistics</td>
<td>11,066</td>
<td>173</td>
<td>6,021</td>
<td>17,260</td>
</tr>
<tr>
<td>3E Alliances and advocacy initiatives against hunger and poverty</td>
<td>22,460</td>
<td>6,037</td>
<td>8,016</td>
<td>36,513</td>
</tr>
<tr>
<td>3F Gender and equity in rural societies</td>
<td>8,992</td>
<td>4,824</td>
<td>2,572</td>
<td>16,388</td>
</tr>
<tr>
<td>3G Rural livelihoods</td>
<td>5,937</td>
<td>8,898</td>
<td>0</td>
<td>14,835</td>
</tr>
<tr>
<td>3H Knowledge exchange and capacity building</td>
<td>24,880</td>
<td>0</td>
<td>1,064</td>
<td>25,944</td>
</tr>
<tr>
<td>3I Information technology systems</td>
<td>31,223</td>
<td>0</td>
<td>0</td>
<td>31,223</td>
</tr>
<tr>
<td>3J Communication and public information</td>
<td>18,684</td>
<td>0</td>
<td>810</td>
<td>19,494</td>
</tr>
<tr>
<td>Total</td>
<td>226,534</td>
<td>37,495</td>
<td>54,353</td>
<td>318,382</td>
</tr>
</tbody>
</table>

Percentage by Source of Financing 71% 12% 17% 100%

223. This Chapter would encompass in large part the work of the Economic and Social Development department and the departments of Knowledge Exchange, Communications and Capacity Building and of Alliances and Rural Livelihoods. All of them provide significant interfaces with FAO constituents. While of varying size in terms of resource allocations, the ten constituent programmes relate to key functions or objectives of the Organization such as: the assembly and dissemination of information, policy advisory services, resource mobilization, capacity building and advocacy.

Programme 3A – Leveraging resources and investment

224. This programme would group on the one hand activities of resource mobilization and on the other investment generation, as carried out by FAO’s Investment Centre division in cooperation with International and other Financial Institutions. Both areas share the broad aim of mobilizing resources not only for execution by FAO itself but to meet requirements of Members in areas of FAO’s mandate. Both need to be attuned to fast changing contexts at country level regarding the evolution of external assistance.

225. In the first area, the programme would take account of new trends such as: the decentralization of decision-making authority by several important donors; the importance given by the international community to achieving the MDGs\(^ {11}\) and PRSPs\(^ {12}\); new funding modalities; and the opportunities stemming from such events as the Monterrey Conference and the commitments made at the G8 Summit in Gleneagles and by the European Union.

226. Besides international and regional financial institutions, closer cooperation would be sought with the OECD (Organization for Economic Cooperation and Development) and its Development Assistance Committee (DAC), the European Union and bilateral financing arrangements (Millenium Challenge Account, etc.).

227. In the second area, FAO’s Investment Centre would continue to build on the strong links established with some 20 major financing and related institutions, also bearing in mind the required

---

\(^{11}\) Millennium Development Goals

\(^{12}\) Poverty Reduction Strategy Papers
strengthening of governments’ capacity to formulate agriculture and rural development projects and programmes. In line with expected strong increase in demand from the World Bank, particularly for Africa, a sizeable part of the budgetary provision would be committed to the cost-sharing agreement between FAO and this key partner.

**Programme 3B – Food and agriculture policy**

228. This Programme would bring together, and thus contribute to ensuring more direct interactions between, the well established range of policy advisory services provided by FAO primarily through its decentralized groups, and general work of policy analysis and the dissemination of the results of such policy work as carried out at Headquarters through various activities. It is recalled that policy advisory services to Members would include a component of legal advice. The Programme would in particular seek to establish networks among centres of excellence in countries to foster exchanges of experience in top level policy work on agriculture (also from historical and geographical perspectives), on the interface between the agricultural sector, including agro-industries, with secondary and tertiary sectors and its role in stimulating economic growth.

229. Given the growing importance of regional integration agreements and treaties, policy assistance would be further extended to regional economic integration organizations to secure convergence and harmonisation of development policies, strategies and priorities in areas of FAO’s mandate. Capacity building in this area will be of special importance.

230. Therefore, alongside direct services to Members, the Programme would include work aimed at enhanced understanding of the impact of agricultural, rural development and environmental policies on poverty and food security and other policy research, including that flowing into Global Perspective Studies. As it serves policy targeting through more reliable information on food security and vulnerability in countries, FIVIMS would be an important tool placed in this programme.

231. In view of their close dependency on the above continuum of policy work, the preparation of the State of Food and Agriculture (SOFA), the servicing of the Committee on World Food Security and monitoring of the implementation of World Food Summit commitments would also be placed under this programme.

232. The grouping of various aspects of policy related work should lead to greater synergies and therefore it would be possible to release resources to contribute to wider geographic coverage in the decentralized structure.

**Programme 3C – Trade and marketing**

233. This programme would cover commodity policy and development strategies, including diversification and value addition in domestic and export markets, and linkages to national and household food security. With respect to international agricultural trade policy, it would include analyses, technical assistance to countries and capacity-building to support effective participation in international trade negotiations and implementation of multilateral trade agreements. Work on commodity outlooks and market assessment would complete the picture. Close cooperation with the WTO (World Trade Organization) and UNCTAD (UN Conference on Trade and Development) would be prominent features.

**Programme 3D – Agriculture information and statistics**

234. This programme would include FAO’s work on statistics, including assistance to national systems, with considerable benefits expected in the next biennium from the modernised FAOSTAT and CountryStat (the country version of FAOSTAT).
Programme 3E – Alliances and advocacy initiatives against hunger and poverty

235. As its title indicates, this programme would provide a more organic home for, and thus contribute to better synergies among essential advocacy activities of the Organization including: the International Alliance Against Hunger (IAAH) and support to national alliances in conformity with the decisions of the World Food Summit five years later, World Food Day (WFD) observances and the TeleFood campaign, and the use of FAO Ambassadors.

236. The programme would also promote corporate frameworks for effective interaction with a variety of different partners, especially civil society, parliaments, artists, sports celebrities and renowned intellectuals, etc. It would support the implementation of the partnership programmes to benefit Members in terms of greater leverage for the limited resources at FAO's disposal.

237. Thus, the IAAH would further interface with the implementation process for the MDGs and other international efforts in calling attention to policy reforms and programme initiatives to reduce hunger. Work on Implementing Voluntary Guidelines on the Right to Adequate Food in the context of National Food Security would be placed under this programme aiming at training and capacity-building, and the preparation and dissemination of information and communication materials.

Programme 3F – Gender and equity in rural societies

238. This programme would support the Organization-wide priority given to the gender dimension of development and address the consequences of the HIV/AIDS pandemic on food and agriculture. Work on child malnutrition, on school gardens, and on addressing the needs of indigenous rural peoples will call for effective partnerships with UNICEF and the World Food Programme, while attention to the broader gender dimension would require close cooperation with the UNFPA (United Nations Fund for Population Activities).

Programme 3G – Rural livelihoods

239. This Programme would provide in the first instance support to national activities aimed at enhancing the ability of people at grass roots level to take charge of their own lives and participate effectively in decision-making processes affecting their future. It would pay special attention to the potential of key groups such as farmers’ organizations, community associations, women’s groups, indigenous people’s movements, and rural workers’ unions. The programme would address in a complementary manner several important dimensions of sustainable livelihoods such as: communication for development and education for rural people, enhanced rural employment opportunities and people’s participation, more responsive service systems, and reduction in rural people’s vulnerability to natural, economic and political shocks. Bringing together different facets of livelihoods issues should result in improved coherence. The UN System Network on Rural Development and Food Security would support country level work in the design and dissemination of rural development and livelihoods policies and practices.

240. Work on rural education and employment would involve close interactions with UNESCO (United Nations Education, Science and Culture Organization) and ILO (International Labour Organization).

Programme 3H – Knowledge exchange and capacity building

241. Capacity building is intrinsic to FAO’s mandate of assistance to Members and information dissemination. This requires better planning, programming and monitoring arrangements as well as efficient coordinating and facilitating functions for the specialized capacity building activities in relevant departments. The programme would identify training opportunities, promote and catalyse
use of fellowships with attention to selection of trainees to match offers, and mobilize support to fill gaps. The programme would be central to supporting institution building.

242. As a major instrument in fostering knowledge exchange and capacity building in the handling of information, work on WAICENT and associated tools would be particularly prominent under this programme, including extension of the WAICENT corporate model components to national levels. The programme would also include FAO’s range of library services and the Global Information and Early Warning System (GIEWS).

243. Another major task for this programme, as well as the following programme 3I, would be to spearhead the progressive implementation of interactive systems to support “Ask FAO” services, providing more direct and timely access by all potentially interested persons or institutions to the wealth of information accumulated by the Organization and in Member Nations, in particular the dissemination of best practices. This would also feed into the outreach programmes of the Organization.

**Programme 3I – Information technology systems**

244. This programme would deal with the information technology (IT) side of knowledge generation and exchange, covering IT systems concepts, standards, planning, development and application throughout the Organization, as well as the underpinning computer and telecommunications infrastructure. It would, however, exclude IT implementation support as relates to financial and administrative activities placed in Chapter 5. While most of the costs of IT systems were hitherto distributed to various programmes making use of them and were not readily identifiable, they would henceforth be shown in a full manner under this programme. As required, cooperation would be ensured with the International Telecommunication Union (ITU).

**Programme 3J – Communication and public information**

245. This programme would primarily cover activities related to external communication and also the management of publishing activities in the Organization. It would seek to ensure a continuous flow of communication to FAO’s Members as well as proactive communications with a broad range of audiences, including close interaction with the media and use of field visits to ensure better appreciation of FAO’s work. It would also support the production of multilingual information products and services. The possibility of raising income from donations and publicity through the FAO Web site would also be examined.
Supplement to the Programme of Work and Budget 2006-07

Chapter 4: Decentralization, UN Cooperation and Programme Delivery

(All amounts in US$ 000)

<table>
<thead>
<tr>
<th>Programme</th>
<th>Regular Budget</th>
<th>Trust Fund</th>
<th>All Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>4A UN cooperation, integration and monitoring</td>
<td>18,510</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4B Coordination of decentralized services</td>
<td>19,085</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4C Food security, poverty reduction and other development cooperation programmes</td>
<td>82,644</td>
<td>0</td>
<td>59,239</td>
</tr>
<tr>
<td>4D Emergency and post crisis management</td>
<td>18,261</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4E Technical Cooperation Programme</td>
<td>107,184</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>245,685</strong></td>
<td><strong>0</strong></td>
<td><strong>59,239</strong></td>
</tr>
</tbody>
</table>

Percentage by Source of Financing

<table>
<thead>
<tr>
<th>Source of Financing</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>RG 2006-07 Programme of Work</td>
<td>81%</td>
</tr>
<tr>
<td>Direct Support to Programme of Work</td>
<td>0%</td>
</tr>
<tr>
<td>Other Voluntary Contributions</td>
<td>19%</td>
</tr>
<tr>
<td>All Financing</td>
<td>100%</td>
</tr>
</tbody>
</table>

246. This Chapter would include the work of the department of Coordination and Decentralization (except for its division dealing with Conference and Council affairs, the resources of which are more logically placed under Chapters 1 and 5) and that of Outreach Programmes. The five component programmes would address key facets of FAO’s “field work”, and essential coordination needs both within the Organization and in connection with the UN system at large.

247. The most important challenge would be to bring about greater coherence in the Organization’s activities within the same country, towards more integrated programmes, fully aligned to government priorities. This would be served by a strategic planning process involving the government, the UN system and donors which would identify where FAO, in line with its mandate and comparative advantage, could best contribute to the achievement of the government’s development goals, as expressed in its Poverty Reduction Strategies and for the achievement of the MDGs. This new approach would also apply to programme development work with Regional and Sub-Regional Organizations. It would need to be supported by improved country and sub-regional intelligence. In essence, FAO’s technical cooperation with Members should contribute to the emergence of strong nationally (and regionally) led development programmes rather than necessarily expand the scale of its own operations.

Programme 4A – UN Cooperation, integration and monitoring

248. As clearly conveyed by its title, this programme would guide FAO’s cooperation with UN system partners, including through the Liaison Offices with the United Nations in New York and Geneva. It would act as focal point for relations at policy level with the UN Secretariat, the UNGA and ECOSOC, the Joint Inspection Unit and the International Civil Service Commission, the Chief Executives Board (CEB) and all organizations within the system, with the exception of the World Bank and IMF. It would assist in the formulation and implementation of policies of the Organization for promoting cooperation, partnerships and joint divisions with these organizations, and for ensuring the overall monitoring of FAO’s contribution to the Millennium Development Goals and to UN reform processes. As this involves similar work, cooperation with other inter-governmental Organizations would also be included.

Programme 4B – Coordination of decentralized services

249. This programme would support FAO’s decentralization policy by ensuring that headquarters and the various layers of the decentralized structure work in truly complementary fashion in the provision of services to Members. With expanding geographical coverage of member countries and a
greater transfer of responsibilities to the regional, subregional and country levels, a robust headquarters oversight and back-up capacity is required to facilitate and support the decentralized offices and allow them to realize their full potential in providing support to countries. The Programme would cover: advice and reporting to Senior Management and governing bodies on decentralized offices matters; the oversight and management support to the decentralized offices network; and the coordination of security arrangements for FAO personnel in the field, including UN system wide cooperation. It would provide regularly updated guidance to decentralized offices, particularly on their involvement in, and contribution to, the UN reforms and development efforts.

Programme 4C – Food security, poverty reduction and other development cooperation programmes

250. This Programme would include in the first instance: country intelligence, analysis and the preparation of briefs; the design, documenting and updating of procedures (including medium term priority frameworks); improved monitoring and reporting tools, building on FPMIS (Field Programme Management Information System); and systematic inspection of outreach activities. It would also serve as a clearing house for project and programme proposals.

251. The programme would support the formulation and, when requested, implementation of National and Regional Food Security and Poverty Reduction Programmes which would serve as the “umbrella” for many of FAO’s country and sub-regional activities. It would work closely with field offices and with units responsible for mobilizing resources and would orchestrate the engagement of relevant expertise from across the Organization. It would also host the Regular Budget provision to support National Programmes for Food Security (NPFS) with progressive scaling up of the Special Programme for Food Security (SPFS). Specific dimensions of outreach programmes would need to be addressed together with the most concerned UN system partners, for instance with UN-Habitat on urban and peri-urban agriculture.

Programme 4D – Emergency and post crisis management

252. This programme would need to operate in a context where the fastest growing element of outreach programmes relates to emergency and rehabilitation projects (34% of total delivery in 2004). It would seek to improve further the linkages between FAO’s support for emergencies and for longer term development, whereby emergency interventions would be designed and implemented not only to provide immediate relief but also to lay the foundation for growth and resilience to future threats. Therefore, the overall strategy would be to save, restore and enhance agriculture and fisheries based livelihoods to reduce vulnerability, increase self-reliance, and enable an exit from food aid.

Programme 4E – Technical Cooperation Programme

253. The Technical Cooperation Programme (TCP) would constitute the fifth major element under this Chapter. It is recalled that the TCP has been under review through a process led by FAO’s Programme Committee and subject to the endorsement of related proposals by the Committee and the Council, this process should lead to a much strengthened TCP in the next and future biennia.
Chapter 5: Management and Supervision Services

(All amounts in US$ 000)

<table>
<thead>
<tr>
<th>Programme</th>
<th>Regular Budget</th>
<th>Trust Fund</th>
<th>Other Voluntary Contributions</th>
<th>All Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>5A Oversight</td>
<td>10,037</td>
<td>0</td>
<td>0</td>
<td>10,037</td>
</tr>
<tr>
<td>5B Programme and budget services</td>
<td>11,867</td>
<td>0</td>
<td>783</td>
<td>12,650</td>
</tr>
<tr>
<td>5C Financial services</td>
<td>20,708</td>
<td>0</td>
<td>0</td>
<td>20,708</td>
</tr>
<tr>
<td>5D Human resources management and staff welfare</td>
<td>17,519</td>
<td>0</td>
<td>0</td>
<td>17,519</td>
</tr>
<tr>
<td>5E Procurement</td>
<td>7,290</td>
<td>0</td>
<td>0</td>
<td>7,290</td>
</tr>
<tr>
<td>5F Management of premises</td>
<td>34,460</td>
<td>0</td>
<td>0</td>
<td>34,460</td>
</tr>
<tr>
<td>5G Meetings and language services and protocol</td>
<td>6,500</td>
<td>0</td>
<td>0</td>
<td>6,500</td>
</tr>
<tr>
<td>5H Shared services</td>
<td>34,718</td>
<td>0</td>
<td>0</td>
<td>34,718</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>143,100</strong></td>
<td><strong>0</strong></td>
<td><strong>783</strong></td>
<td><strong>143,883</strong></td>
</tr>
<tr>
<td>Percentage by Source of Financing</td>
<td>99%</td>
<td>0%</td>
<td>1%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Programme 5A - Oversight

254. This Programme would display in a more transparent manner expenditures related to the key function of oversight, i.e.: the work carried out both by the External Auditor and the Inspector General in all locations, the provision for local audits in decentralized offices, centrally funded Evaluation activities including support to auto-evaluations.

Programme 5B – Programme and budget services

255. This Programme would cover the work of the Office of Programme, Budget and Evaluation (PBE) except as relates to evaluation which is included in the preceding programme. The provision includes system support to general programming, budgeting and monitoring activities in the Organization and a centrally managed catalytic fund to assist with implementation of PAIAs (i.e. pending full mainstreaming of PAIA leadership responsibilities into the new structure, as indicated).

Programme 5C – Financial services

256. This Programme would cover the management of the Organization’s financial resources, maintaining financial systems, and reporting accurate and timely financial results to all levels within the Organization and to the Governing Bodies. It would also cover the preparation of the financial statements of the Organization for audit by the External Auditor and the Organization’s worldwide investment, cash and currency management needs.

Programme 5D – Human resources management and staff welfare

257. This Programme would include the Division of Human Resources Management and the Medical Service of the Department of Human, Financial and Physical Resources. It would ensure that the Organization possesses the right set of competencies and human resources to achieve its goals. It would also give new impetus to human resources planning and development, as well as promoting a culture of continuous learning. The implementation of the Human Resources Management System (HRMS), based on Oracle applications, underpins the effective delivery of this programme.
Programme 5E – Procurement

258. This Programme would cover central support to procurement activities throughout the Organization, which have expanded considerably due to emergency-related work. It will also assist with procurement related institutional building and training in concerned countries, in the context of important unilaterally-funded programmes and projects.

Programme 5F – Management of premises

259. This Programme would cover various aspects of the management of premises, including utilities and maintenance of buildings, but excluding security which is handled under Chapter 9. For infrastructure improvement at Headquarters, continued reliance would be placed on the support of the Italian Government, as well as governmental and corporate donors. This Programme would also include essential services related to documents, central records and internal communications.

Programme 5G – Meetings and language services and protocol

260. This Programme would ensure programming of language services and financial management and monitoring of interpretation, translation and printing services. It would also cover liaison and protocol work at headquarters, including liaison with Permanent Representatives and Missions accredited to FAO, and the issuance of travel documents, visas and identity cards.

Programme 5H – Shared services

261. This programme would host the proposed Shared Services Centre (SSC) which would ultimately contribute to efficiency gains in handling administrative tasks by reducing fragmentation and duplication. In the current programme structure, a precedent exists with the centralized Management Support Service (MSS), the cost of which is distributed across a number of programmes. The SSC would consolidate the present MSS, a similar unit in OCD and the MSU in each of the Regional Offices, adjusting the required Headquarters staff in line with shared cost principles and the use of advanced software solutions.

Chapter 6: Contingencies

(All amounts in US$ 000)

<table>
<thead>
<tr>
<th>Programme</th>
<th>Regular Budget</th>
<th>Trust Fund</th>
<th>Other Voluntary Contributions</th>
<th>All Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>6A Contingencies</td>
<td>600</td>
<td>0</td>
<td>0</td>
<td>600</td>
</tr>
<tr>
<td>Total</td>
<td>600</td>
<td>0</td>
<td>0</td>
<td>600</td>
</tr>
</tbody>
</table>

Percentage by Source of Financing

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage by Source of Financing</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

262. The provision for contingencies remains unchanged since the PWB 1980-81.


Chapter 8: Capital Expenditure

(All amounts in US$ 000)

<table>
<thead>
<tr>
<th>Programme</th>
<th>Regular Budget</th>
<th>Trust Fund</th>
<th>All Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RG 2006-07 Programme of Work</td>
<td>Direct Support to Programme of Work</td>
<td>Other Voluntary Contributions</td>
</tr>
<tr>
<td>8A Capital Expenditure</td>
<td>13,195</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,195</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

Percentage by Source of Financing

100% 0% 0% 100%

263. It is recalled that Conference Resolution 10/2003 established a Capital Expenditure Facility to integrate capital expenditure planning into FAO’s budgeting and financial framework. Chapter 8 of the PWB serves to define and authorise capital expenditures for the biennial period covered by the Programme of Work. The proposals for Capital Expenditure remain unchanged from those presented in the main document.13

Chapter 9: Security Expenditure

(All amounts in US$ 000)

<table>
<thead>
<tr>
<th>Programme</th>
<th>Regular Budget</th>
<th>Trust Fund</th>
<th>All Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RG 2006-07 Programme of Work</td>
<td>Direct Support to Programme of Work</td>
<td>Other Voluntary Contributions</td>
</tr>
<tr>
<td>9A Headquarters security</td>
<td>7,563</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>9B Field security</td>
<td>12,435</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19,998</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

Percentage by Source of Financing

100% 0% 0% 100%

264. This Chapter relates to the proposed Security Expenditure Facility (SEF) to provide comprehensive coverage of staff and non-staff costs directly related to security at FAO. The security budget in the next biennium is estimated at close to US$ 20 million. The Chapter comprises two programmes dealing respectively with Headquarters and the decentralized structure, as elaborated in the main document.14 The provision may have to be revised based on effective requirements, once the revamped decentralized structure is fully in place.

13 C 2005/3 paragraphs 499-512
14 C 2005/3 paragraphs 514-519