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para la
Agricultura
y la
Alimentación

CONFERENCE

Thirty-fourth Session
Rome, 17 - 24 November 2007
Report of the Independent External Evaluation of the Food and Agriculture Organization of the United Nations
MANAGEMENT RESPONSE "IN-PRINCIPLE"

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I. Preface

Internal arrangements for reviewing the draft and final report of the IEE and preparing a response were initiated by the Secretariat in June 2007, with the objective of facilitating house-wide discussion of the recommendations and completing a corporate in principle management response. They included, at a practical level, a team of senior staff members from every headquarters' department and office, and arrangements for consultations with the decentralized offices.

Internal consultations were launched with the review of the working draft of the IEE report in August 2007. In August and September a number of SMMs (Senior Management Meetings) and PPAB (Programme and Policy Advisory Board) meetings chaired by the Director-General, and other meetings with headquarters' staff at all levels and video conferences with decentralized offices, were held to consider the various aspects addressed in the draft report. Direct consultations between some members of the IEE Core Team and departments also took place in early September through a series of meetings open to all staff, followed by a discussion between some members of the IEE Core Team and the SMM. The FAO staff bodies of General Service, Professional and Field staff also reviewed the draft report and attended a PPAB meeting in August, but wished to receive the final report before finalising their comments to management.

The Secretariat welcomed the opportunity to provide factual corrections and clarifications to the IEE during its review of the draft report in August and September 2007. It concurs with the opinion conveyed by the IEE team leader that the final report has benefited greatly from the new information and suggestions made by FAO Member delegations and the Secretariat.

The 132nd session of the Council in June 2007 noted that the Director-General would be working under difficult time constraints in developing his "response in principle" to the IEE. An advance version of the final report of the IEE, containing new information on indicative cost and savings estimates and a proposed implementation schedule for its recommendations, was received by management on 4 October, rather than a planned mid-September date. While this has further compressed the time available for a house-wide preparation of this response, management recognises that this is only the start of a process of analysis and deliberation that will continue into the next biennium. The Secretariat will make every effort to facilitate governing body decisions relating to the IEE.

II. Introduction

1. As envisaged by the governing bodies when they commissioned it, the first-ever Independent External Evaluation (IEE) of FAO was charged with diagnosing institutional performance and charting a way forward for FAO. It has been undertaken at a time when the United Nations itself is engaged in a major systematic examination of its work and while reforms are ongoing in FAO following successive decisions by the governing bodies in 2005-07.
2. The IEE report notes that few efforts of this magnitude and ambition have previously been attempted in any multilateral organization. Management appreciates the extensive information gathering and analysis carried out by the IEE, including consultations with both governmental authorities and FAO staff and covering most aspects of the Organization's work.
3. Management appreciated the recognition from the team leader that the IEE has received commendable support from FAO staff at all levels and in all locations - demonstrating the willingness of FAO management and staff to engage in an open and comprehensive assessment of the Organization's activities, challenges and the need for change.

4. The IEE report contains 15 headline messages which are described in Chapter 1, entitled “The IEE in Synthesis”. It contains 109 recommendations broken down into 330 actionable sub-components addressed to management and the governing bodies, summarised in its *Annex I*, which is entitled “Summary of the recommendations by cluster”. Their implementation would require, as indicated in the Report, a phased and sequential process over a certain period, as well as “quick wins” for early action.
5. Management agrees with most of the recommendations as well as the major findings and broad thrusts of the Report. The Director-General is committed to leading a process of transformation, and to implementing the follow-up that would stem from the guidance of the governing bodies, though some recommendations would require further study and consideration while others deserve some additional elements of information for consideration by the membership.
6. The major conclusion of the IEE is clearly laid out in the Executive Summary and also in the section on “messages”. Management supports the emphasis in the report of the IEE on: the need for “**reform with growth**” so as to have an FAO “fit for this century” that “would have set a new standard of excellence in multilateral organizations”.
7. Compared with the situation some 20 years ago, agriculture is back on the world agenda (see *Appendix III*). The present times are most favourable for far-reaching and bold decisions to strengthen multilateral institutions dealing with agriculture. The IEE constitutes a major milestone in FAO’s history. The report offers a timely opportunity for decisions by the membership to fashion a more strategically-oriented, effective and responsive Organization.

III. General Comments on the Report

A. GENERAL REACTIONS

8. There are many assessments in the IEE Report of a positive nature, best exemplified by a statement in paragraph 12 to the effect that: “*This examination confirmed that FAO continues to produce a range of products and services that are highly valued and that there are simply no alternative sources of supply for many of these*”.
9. On the other hand, the report contains a number of critical observations and judgements which are a normal feature of evaluation work. Overall, the underlying analysis and resulting recommendations provide a good basis for objective discussion of the issues, challenges and opportunities pertaining to the future of the Organization.
10. The IEE underlines that the Organization is in reality the sum of its Members and the Secretariat, and that the search for improvements in the Organization’s performance and any related “culture change” are deemed to be a shared responsibility. The representatives of Members assembled in the governing and advisory bodies and the Secretariat should all be prepared to engage in open dialogue, as the IEE invites them to do. Together, they should seek better ways to work together to serve the purposes for which FAO was established.
11. At the same time, the Secretariat naturally defers to the prerogative of Members to react to the many and potentially far-reaching proposals regarding governance in the report, in the dual sense given to it by the IEE team. Management and staff would welcome the introduction of measures which would make the governance process of FAO more effective and less prone to divisions, and also any steps which would allow the Organization to have a greater say and impact on world affairs, in line with its Constitution and mandate. Members should therefore expect whatever support is needed from the Secretariat to achieve these aims.
12. Building greater trust among Member States would create a favourable environment for discussion leading to the consensus required for the smooth operation of an Organization which is expected to reach 192 Members in 2008. Such a positive atmosphere is required to address and overcome the challenge of dealing with the respective priorities accorded by Member States at

different stages of development in food and agriculture in relation to the services expected from the Organization.

13. The report gives ample evidence that the IEE team has sought to place FAO's work and operations in full historical perspective, with a view to taking account of its comparative strengths *vis-à-vis* other institutions. It has also attempted to obtain an updated assessment of the varied expectations of its constituents, particularly those of the membership. The IEE's proposals were not conditioned by the budgetary constraints which have slowed down the implementation of new initiatives by management. The team's formative and forward-looking approach should facilitate discussion among the stakeholders.

14. The Director-General wishes to reiterate that he welcomes most of the proposals of the report and would take early action on those, summarised below, which are essentially within the authority entrusted to him by the membership. Beyond these early actions, management is committed to implementing any decisions by the membership which may stem from the IEE Report. It is convinced that the IEE could be a catalyst for further change in the Organization and improve staff perceptions on their career development.

FAO has a history of being a reforming organization. For example, in the 1994-95 biennium, management initiated, with the approval of the governing bodies, a comprehensive reform focusing on priorities, programmes, structure and decentralization. Another important reform programme was launched by management following the CEB retreat at the Greentree Foundation in October 2004. It resulted in major changes approved by the Conference in November 2005 and the Council in November 2006 and June 2007, which are summarised in *Appendix II*.

It has to be recognised, however, that these initiatives could not be deepened as intended, due to a nominal decline in FAO's Regular Budget of US\$23.1 million in 1996-97, followed by further reduction in real terms in subsequent years, especially since 2004-05, in line with the policy of zero nominal growth of some Members applied to the UN specialised agencies.

Major internal changes introduced since 1994 have included: substantial cut in the number and cost of permanent and temporary staff and implementation of efficiency savings - in fact, efficiency measures implemented through 2007 are yielding savings totalling US\$160 million per biennium; successive restructuring at headquarters and increased decentralization; new approaches to strengthen cooperation with and between developing countries, including technical assistance and capacity building through South-South Cooperation agreements; improved cooperation with financing institutions and Rome-based UN organizations; improvements in information systems, communication technology and knowledge diffusion; changes in financial management and oversight; and measures to improve the working environment and FAO physical facilities. Significant shifts in FAO's programmes and technical services to Members have also taken place, such as the launching of the Emergency Prevention System for Transboundary Animal and Plant Pests and Diseases; increased Emergency Response capabilities; emphasis on upstream policy advice and more relevant country activities in partnership with others and through effective use of the TCP; significant progress in implementing normative instruments such as: the Code of Conduct on Responsible Fisheries, the International Plant Protection Convention, the International Treaty on Plant Genetic Resources for Food and Agriculture, the Prior Informed Consent procedures to regulate trade in hazardous pesticides, and further development of food standards and guidelines. More detailed information on these changes and others can be found on the FAO's Internet Web site at www.fao.org/reform

B. COMMENTS ON THE MESSAGES IN CHAPTER 1

15. The IEE team "sets the tone" for its Report by preceding the detailed recommendations and the supportive substantive chapters with 15 overarching messages contained in Chapter 1.

There was a positive reaction within the Secretariat to these messages, as evident during the consultation process with staff at both headquarters and in the decentralized offices.

Reform with Growth

16. The IEE Report unequivocally invites the membership to put an end to a debilitating period of stagnating resources and, in particular, real decreases in Regular Programme budgets. The need for reform with growth is a recurring theme in Chapter 1, appearing prominently as the first message in paragraph 8, and it is further reinforced by making it the central conclusion.

17. With regard to message 6 on strategic choices, it has been difficult to build consensus between Member States in the face of a decreasing budget. The submission to the Programme Committee in May 2004 of the list of programme entities for priority guidance, which was inconclusive, illustrated these difficulties. In a growth environment, it should be possible to ensure re-programming and priority setting by consensus, and go beyond the consolidation of programme entities from 261 to 186 achieved in the framework of the Reform proposals during 2005-07.

18. The limitations on FAO's action stemming from a relatively modest resource base, as compared to other institutions or national entities are stressed in Message 15. This is not well understood by the general public and the media, and at times even by national authorities themselves, hence this reminder from the IEE is particularly pertinent. The significant declines in real budgetary appropriations to FAO have stimulated innovation on the part of FAO. The IEE Report recognises, however, that there are limits and now the Organization faces difficulties in the maintaining the level of services it can provide to Members¹.

19. There have been divergent trends between the Regular Budget and Trust Funds, especially recently. In 2006-07, the Regular Budget was set at US\$765.7 million, while Trust Funds mobilised by the Organization are already at more than one billion US dollars (i.e. US\$ 550 million in 2006 and already around US\$ 500 million in 2007). The increased voluntary contributions illustrate the confidence that donors have in the Organization, but the lack of Regular Programme funds makes it difficult to build sustainable capacity.

20. The decline of FAO's regular budget, combined with UNDP ceasing to perform its original function of prime financing mechanism for technical cooperation in the UN system (at FAO, UNDP's share of all extrabudgetary contributions – including emergency - went from 31.3% in 1994-95 to 2.5% in 2004-05), obliged the Organization to cut 1,686 of its staff between 1994 and 2005. This was undoubtedly a major factor affecting staff morale in view of the perceived precariousness of their situation. The integrated budget presentation, which opens a possibility of seeking voluntary contributions in support of the Regular Programme, could facilitate discussions of the membership on this issue. Such an approach might also allow the Organization to ensure that there is consistency between the decisions of the Member States that entail financial costs to the Organization and the means put at the disposal of management to address them.

21. Good financial management practices also require adequately funded protection mechanisms such as the Working Capital Fund and Special Reserve Account to deal *inter alia* with cash flow management and exchange rate vagaries.

The Building Blocks for Renewal

22. Message 3 (“if FAO were to disappear tomorrow, much of it would need to be reinvented”) is welcomed as indicating the broad international consensus that FAO continues to

¹ The IEE has recalled that since 1994-95, the regular budget has declined in real terms by 19.4% to 2004-05. It increased in nominal dollars terms by US\$ 76 million from 1994-95 to 2004-05, i.e. from US\$ 673.1 million to US\$ 749.1 million. In the same period, the total regular programme and extrabudgetary resources available to the Organisation declined in real terms by 21% (31% if emergency extrabudgetary funds are excluded). The approved regular budget in 2006-07 is US\$ 765.7 million, resulting in a real decline over the period of 22%.

be relevant with products and services which are highly valued. It provides a strong basis from which the Director-General and Members can work together to improve governance and the efficiency and effectiveness of FAO's work (messages 2, 4 and 10).

23. Message 12 comments on the readiness within FAO for change. On his side, the Director-General again pledges his full commitment to implement any changes, however far-reaching in scope, as may be decided by the membership. For this, he will obviously need the support of the staff and will seek to reach out to them, at whatever level they may be in the hierarchy, in particular nurturing and encouraging initiative and good performance. The IEE emphasises the prerequisite of adequate resources, points to the constraints inherent in UN system-wide human resources management practices and underlines the need for realistic timeframes.

24. Several messages are also broadly in line with the principles of the reforms recently endorsed by the governing bodies, e.g. message 7 regarding a more flexible Organization and message 8 on FAO's role as a knowledge organization, with a focus on capacity building requirements in countries. Therefore, the outcome of the IEE may help accelerate momentum and lead to even more focused efforts in these areas.

25. On FAO's role as a knowledge organization, message 8 rightly stresses its role as a facilitator of knowledge and a "doer" in its areas of comparative strength, emphasising also FAO's advocacy function to deliver technical policy messages and help drive a global and corporate policy agenda. Management considers advocacy work to be consistent with the expectations of founders of the Organization and essential in a highly competitive world, including programmes aimed at attracting the attention and support of the general public and political leaders.

26. The spirit of some messages is to call for further determined action: i.e. pursuing the search for efficiency savings (message 13), further streamlining of administrative procedures and systems, and striking an adequate balance in the exercise of fiduciary and programme delivery responsibilities (messages 7 and 11). Management supports the proposed systemic "root-and-branch" review of financial and administrative systems. The emphasis within the same message 7 on the need for appropriate tools and training to achieve delegation and empowerment is also accepted.

27. Important considerations regarding future priorities of the Organization are contained in messages 5 and 9. These will merit close examination by the membership. It is noted that the IEE Report addresses priority setting in many other sections, e.g. the figure 1.4 placed after paragraph 63 and in Chapter 3, which is devoted to FAO's technical work.

28. In relation to message 5, it should be stressed that the world faces the stark reality of needing to feed 50% more people by 2050 - nearly all of the population increase to take place in developing countries. This is to be achieved with diets that involve a likely doubling in meat consumption, while competition for land use from the biofuel sector is likely to increase very fast. At the same time, countries will have to maintain and manage ecosystem services and meet poverty reduction targets. Globally, they must produce twice as much from crops, the vast majority from the same land and water resources as today. This will require hard policy choices at national level. FAO should facilitate access to appropriate technical knowledge, coupled with awareness of the implications of technologies for policy frameworks. Appropriate balance is to be sought between production matters and broader technical and policy issues.

29. An important area of focus should be capacity building related to crop production and ensuring an enabling environment. The argument placed in the Report that normative work on crop production should focus solely on plant nutrition and small-scale urban and peri-urban horticulture requires further discussion. If FAO is to act effectively as a knowledge manager to assist countries and the global community to make informed decisions, then it would need to facilitate access to technical knowledge and policy experience covering a wider range of topics. The focus would still need to be limited to areas where the Organization has demonstrated comparative advantage, taking account of the alternative sources of supply noted in the report.

30. Given that food and agricultural production in themselves do not guarantee sustainable reductions in hunger, FAO recognises the need to give strategic emphasis to rural and agricultural development along the full food chain. This means giving more attention to a wider policy framework that supports the multiple strategies and pathways that rural households follow to improve their livelihoods, exit poverty, and ensure food security and better nutrition. The policy framework must address production, employment, livelihoods and income generation in a holistic manner. FAO is a recognised actor in areas such as rural income generation and in the analysis of activities upstream and downstream of primary agriculture. Such activities will be further integrated with employment and small-holder oriented policies and strategies.

C. PROPOSALS FOR AN IMMEDIATE ACTION PLAN AND A NEW STRATEGIC FRAMEWORK

31. A major recommendation (1.1) is the formulation of an Immediate Action Plan (IAP) in order to concretise the ideas and measures presented in the Report. This recommendation is fully supported, as its outcome must also be reconciled with the approved biennial budgetary envelope and other decisions of a financial nature which must be taken by the Conference.

32. The preparation of this IAP will be a challenging task. Subject to the decisions of the Conference in November 2007, there will be 109 recommendations and some 330 actionable sub-components, the consequences of which will need to be subsequently examined in detail. In the meantime, some actions captured by the IEE team under the expression “*quick wins*”, would be initiated earlier in response to specific recommendations when they fall under the management’s responsibility.

33. In Chapter 1 and the Annex 1 to its Report, the IEE provides some sense of the main actors involved (whether governing bodies, management or both), possible timeframes, tentative aggregate cost implications, and the degree of complexity (using the concept of “intensity” index) of its recommendations. In the IAP, the cost implications will need to be reviewed in detail to assess their accuracy and the feasibility of proposed actions. Critical operational aspects will need to be revisited in the light of the institutional knowledge of the Secretariat, along with inputs from Members.

34. Another practical question affecting implementation, and hence the formulation of the IAP, is the inter-dependencies among the recommendations and actionable components that will also have to be clarified, so that proper sequencing can be determined where relevant.

35. Under recommendation 1.2, the IAP is to be developed by a working group involving Members and management, and to be endorsed by the governing bodies at a suitable time. Another working group is to cover governance reform. Management endorses the principle of joint ownership of the IAP and the logic of the recommendation to convene a special session of the Conference in late 2008 to establish a workable implementation path, including further consideration of budgetary implications.

36. Future debates on substantive priorities would be well served by the proposed adoption by the governing bodies of a new Strategic Framework. Together with a well formulated implementation plan, this new Strategic Framework would also greatly assist in generating a strong sense of ownership by both Members and the Secretariat. The IEE recommends and management agrees that this new Strategic Framework should stipulate means-to-ends requirements.

37. The current Strategic Framework (adopted by the Conference in November 1999) involved a long gestation period, with intensive internal and external consultations to ensure maximum buy-in. Less time is foreseen for preparing the new one, and it is noted that the Report recommends that only an outline be submitted at the proposed special session of the Conference in the second half of 2008. Within this tight timeframe, it will be important to foster mutual understanding about what is most important and what may be less important, both among

Members and between Members and the Secretariat. The Secretariat is committed to playing fully its role in this delicate process.

The Council and Conference will no doubt study the indicative costing accompanying the IEE recommendations, of both a recurring and one time nature.

The Council and Conference will also have before them the Director-General's proposals in the PWB 2008-09 for a maintenance budget. The PWB document makes clear that the eventual financial implications of implementing the IEE recommendations could not be taken into account at the time it was finalised in July 2007.

In its "way forward" section, the IEE Report suggests to the membership a possible course of action at the Conference of November 2007 in respect of the Budgetary Appropriation Resolution for the next biennium.

The IEE emphasises the mutually reinforcing character of the proposed reforms and resource growth in real terms. In other words, the will for change by the stakeholders and the need to support change with adequate resources should go hand in hand and both underpin the IAP. Ultimately, the competent authorities in individual countries will need to decide on what type of investment their country should make as member of FAO, bearing in mind the requirement for action in its mandated areas and the varied expectations for its services.

As costs are likely to exceed resources available under the Regular Budget in future biennia, even under the most optimistic assumptions, the Conference may wish to consider calling for extrabudgetary support for the further reforms resulting from the IEE and to specify modalities and timing for this purpose.

IV. Comments on Recommendations and Areas for Early Action

38. The Management's comments on many recommendations addressed to management, or jointly to management and the governing bodies, under each cluster in the report are provided in this section, while further details appear in *Appendix I*.

39. In addition, areas where the Director-General intends to take early action within his authority are listed in boxes for each cluster. Some of the actions have resource implications for one-time costs which were not foreseen in the "maintenance" budget presented in the PWB 2008-09. These are in line with the tentative indications of costs outlined in the IEE Report and implementation would be contingent on related funding being available.

Overarching Recommendations / Immediate Action Plan

40. As noted above, Management welcomes the recommendation to formulate a three to four-year Immediate Action Plan (IAP). The IAP would be jointly owned and coordinated by the governing bodies and management, subject to decision of the 2007 Conference. A communication plan is recommended as an integral part of the Plan to keep Members, FAO staff and main partners apprised of the progress on an ongoing basis. Management supports the establishment of such a joint working group of the membership and management to develop the IAP. Management is also in agreement with the convening of a special session of the Conference, in the second half of 2008 to approve and launch the IAP.

Cluster 1: Rekindling an FAO vision through a new strategy

41. Cluster 1 argues the need for a new Strategic Framework to define the orientations of the Organization to at least 2015. The suggested priority themes to be highlighted in the Strategic Framework would be focused, integrating advocacy, normative work and technical cooperation, and would have a life span of at least six years. Management agrees that the three goals of the

Member Nations (overcoming hunger and malnutrition, agriculture as a contribution to economic and social development, sustainable management of the natural resource base for food and agriculture) should underpin the logical framework hierarchy of means to ends analysis for FAO.

42. Management also supports and will take immediate steps where possible to initiate development of the “component strategies” to maximise the impact of FAO’s work through critical areas of activity, including resource mobilisation, cooperation with key partners such as NGOs and the private sector, knowledge management, advocacy and communication and capacity building. It notes with some satisfaction that – contrary to earlier perceptions – FAO is now considered to be a willing partner at large (message 14). The IEE recommendations on strengthening relationships with selected external partners aimed at leveraging FAO’s comparative advantage, are supported by management, and elements of these will be targeted for early action.

43. A major feature of Cluster 1 is the 24 recommendations under the theme of preliminary strategic choices for the technical programmes. Management supports the basic philosophy of having more effective strategic elements to guide the future orientations and programmes of FAO, and a more aggressive choice of priorities. These will have to be discussed and agreed by Members, based on analytical work and advice they may ask from the Secretariat.

44. On six recommendations, the views of management are as follows:

- a) Management will develop and promulgate a new strategy for the Organization’s role in supporting developing countries to determine their own priorities, approaches and plans for investment, including with respect to PRSPs; adjust agreements with IFIs to reflect the new strategy and to seek long-term extrabudgetary support to complement Regular Programme resources to the Investment Centre for providing direct assistance to countries; and strengthen relations between countries, IFIs and other donors for improved investment strategies and the related policy packages.
- b) Management will provide relevant information for decision making by the governing bodies for a meaningful programme on crop production, and ensuring greater synergies between units dealing with crops and grasslands, and seeds and plant nutrition.
- c) Relating to work on nutrition, management will prepare a systematic and differentiated assessment of the economic, food and nutrition policy support needs of developing countries to enable a greater use of partnerships and better division of labour in all aspects of policy work, including with IFPRI and international commodity bodies.
- d) Management agrees to concentrate on capacity building for technology transfer and to facilitate access to knowledge on production technologies.
- e) Management proposes to review the conditions under which the joint work with IAEA, in particular in capacity building for the benefit of developing countries could be more effectively continued.
- f) In water and irrigation, management agrees on the need for a long-term strategic approach, towards integrated policies which bring together engineering, tenure, economics management and legislation in line with political and policy choices of Member Countries.

45. Concerning “technical cooperation at country and regional level”, management agrees that within the demand-driven framework of technical assistance and the Technical Cooperation Programme, there is a need to concentrate on the countries committed to giving priority to agriculture, rural development and food security, particularly in LIFDCs, LDC countries and other UN focus countries (SIDS, landlocked, etc.). Management agrees to form partnerships in the context of the priority action themes with selected developing countries and donors for concentrated attention to progress in particular areas. It will give priority to the LDCs of Africa and other UN focus countries, especially as relates to overcoming hunger and malnutrition and

pushing forward economic growth with job creation. Such work would generally coincide with the National Medium-term Priority Framework (NMTPF), agreed with the government, and should be strongly integrated into “Delivering as One” pilot exercises, as well as being aligned to the maximum possible extent within UN-system priorities as specified in the UNDAF.

46. Management also agrees with the need to decentralize TCP project approval: national projects should be approved by the FAOR, projects at subregional level should be approved by the head of the subregional office, regional projects by the regional ADG, global and emergency projects by the ADG responsible for technical cooperation in consultation with relevant technical ADGs at headquarters, with some set aside funds to ensure flexibility. It will be necessary to first ensure that the various decentralized offices have the capacity to assess and formulate projects that fully meet TCP criteria and to establish an appropriate system of ex-post control.

Cluster 1 - Areas for early action:

- a) In the context of developing the Immediate Action Plan (IAP), a consultative process to formulate a new Strategic Framework will begin immediately following the 2007 Conference; it will provide clear indication of priorities and means-ends requirements in addressing the three goals of Member Nations.
- b) Concurrently, action will be taken to formulate the key Component Strategies highlighted in the Report, such as Resource Mobilisation, Capacity Building, Advocacy and Communication, Knowledge Management, Partnerships, Collaboration with CSOs/NGOs and Risk Assessment and Planning for core administrative, financial and human resource functions.
- c) Strategic reviews will also be initiated in several technical areas where the Organization demonstrates a comparative advantage but where some programme adjustments may be required, including Support to Investment, Support to Emergencies, Statistics, Fisheries and Forestry.
- d) Gender concerns will be more fully integrated in the Organization’s programme cycle, centralised catalytic funding for interdisciplinary work will give specific priority to Gender in 2008. A new Gender Plan of Action will be reviewed at the next Conference session.
- e) Work in priority technical areas will be advanced, notably in the areas of biodiversity, plant pest and transboundary animal diseases emergency management, climate change adaptation and mitigation and bioenergy.
- f) On Information Systems and Publications, efforts to make more hardcopy publications available to Least Developed Countries will be pursued. A mechanism will be developed for determining a budget for each language and identify implications on funds distribution. Resources required to enhance tools, standards and methods to support FAO’s information systems and their governance will be quantified in 2008.
- g) Collaboration with strategic partners on key activities, in particular the Rome-based Agencies (joint communications and advocacy and common services), CGIAR (knowledge sharing and transfer), and UNIDO (institutional support to agricultural development), will be strengthened, with the objective of better leveraging FAO’s comparative advantage.
- h) Technical cooperation at country, subregional and regional levels will be enhanced through the establishment of subregional multidisciplinary teams and empowerment of Heads of decentralized offices.
- i) TCP approvals will be decentralized once the capacity of these offices to assess and formulate TCP projects is ensured and a system of ex-post control is put in place.

Cluster 2: Investing in governance

47. The IEE attaches great importance to improving governance, which is seen as an essential underpinning of any further reforms in the Organization. Hence, the sizeable number of recommendations on governance-related matters, the background to most of which is spelled out in Chapter 4, while some aspects are also addressed under Chapter 5 (*FAO in the Multilateral System - Partnerships*) and Chapter 7 (*FAO's Programme Cycle*). In “*The Way Forward*” section, a separate stream of discussion among Members is foreseen to address governance reform.
48. The first theme in Cluster 2 refers to governance’s Fiduciary Role and Oversight function. The Secretariat supports the objective of enabling governing bodies to exercise independent oversight. Closely connected to this is the election of the Director-General by the FAO Conference and the rules governing the election. In 2003, the duration of the term of office was reduced and the number of terms limited to two.
49. At the macro-level, regarding the Conference itself, the Secretariat supports the need to enhance broad participation and as the Conference agenda develops, to consider facilitating a parallel global forum or fora for non-governmental interest groups. At a more micro-level, and as a way of underpinning the oversight capabilities of the Conference, the Secretariat is committed to preparing an organization-wide risk management framework, as well as studying the experience of the United Nations system and other international organizations, with a view to establishing an effective Ethics Committee with a mandate for independent review of any ethical issue brought to its attention, including any resulting from internal audits. The Secretariat is also committed to conducting an external peer review of FAO’s Internal Audit performance at least once every five years.
50. The Secretariat appreciates the IEE’s proposal, with regard to governance proceedings, to establish a framework that makes possible periodic testing of how well the governance structure is working, as well as providing information, through seminars and briefings, to promote transparency and understanding. It would also be desirable to enable the membership to gain first-hand knowledge of FAO activities in the field.
51. The Secretariat believes in the need for a balanced governance structure, with effectively empowered governing bodies and clearly defined lines of responsibility for leadership and management functions. However, the IEE also proposes significant measures relating to the Independent Chairperson of the Council, including a supportive secretariat and attendant budget. Management needs to draw attention to the fact that this could create potential risks of dual leadership problems and duplication of work.
52. Management considers that an enhanced mediation role for the Independent Chairperson of the Council, particularly before decisions are put to the governing bodies, would represent a positive contribution.
53. Regarding Regional Conferences, the Secretariat supports the proposal for Regional Offices to draw up concrete agendas, in close consultation with governments, focused on major regional issues.
54. The governance architecture also seeks to ensure that the roles of the established governing bodies and actors allow the Organization to achieve its global goals. The Secretariat agrees with the IEE on the need to prioritise those areas, among all international issues that arise, where FAO should be proactive in developing global consensus and that, in some cases, FAO should take an early initiative, aware that parts of the discussion are likely to become the eventual prerogative of others. FAO will also review, on behalf of its constituency, international agreements being drafted elsewhere, in order to influence the concerned decision-making fora.

Cluster 2 - Areas for early action:

- a) The Office of the Inspector General (AUD) will guide management in the systematic development of an “Enterprise Risk Management Framework” in FAO in 2008;
- b) Direct access of the Inspector-General to the Finance Committee will be implemented, and a peer review of the functioning of the AUD will be carried out every five years.
- c) The Organization will pursue the mandatory contribution of 1% of each extrabudgetary project for evaluation purposes.
- d) A yearly calendar of informal, interactive seminars and/or thematic briefings on key issues of major interest to the membership will be established and meetings for the Permanent Representatives to FAO will be organised along the lines of those conducted in 2007.

Cluster 3: Institutional culture change and reform of administrative and management systems

55. As its title indicates, this cluster proposes a two-pronged approach: to generate substantial culture change in the Organization and to engage in further reforms of administrative and management systems and procedures. The supportive analysis is contained in sections of the Report devoted to these two key dimensions: the first part of Chapter 6 entitled “FAO’s Organization Culture” and Chapter 8 “Administration, Human Resources and Finance”.

56. Management agrees with the vast majority of recommendations falling under Cluster 3 in the areas of management and administration, human resources, support to changes in structure, administrative efficiency, finance and organizational culture. Management will give high priority to implementing recommendation 8.1 for a comprehensive root-and-branch review of management and administration with external help, the outcome of which will influence and guide many other actions under this cluster. Management supports the emphasis on more effective and innovative human resource management practices in order to attract and develop high calibre human resources and empower and motivate staff. Included among these would be improved recruitment procedures, increased delegations, better staff development and performance management systems, along with the introduction of performance incentives. Recommended interim measures to help streamline and rationalise administrative processes are also accepted, recognising that the root-and-branch review may take some time to complete.

57. Recognising the importance of a transformation of FAO’s organizational culture, management welcomes the series of proposed direct measures designed to help catalyse culture change and develop new attitudes within the Secretariat. Management is committed to prioritising and implementing these, and related measures, as part of the overall Immediate Action Plan. The measures designed to optimise corporate financial and systems management will contribute to addressing critical problems and gaps in the Organization’s financial and risk management framework, while providing the opportunity to take full advantage of the introduction of International Public Sector Accounting Standards (IPSAS) to further improve efficiencies and effectiveness.

58. Pending the outcome of the root-and-branch review, management agrees with the IEE that this cluster is amenable to early action on several recommendations when they fall under the authority of management to do so. Waiting until the IAP has been completed and approved and the outcome of the root-and-branch administrative review, would unnecessarily delay a number of positive changes that would assist with further reforms.

Cluster 3 - Areas for early action:

I. To streamline and rationalise administrative processes and support:

- a) Prepare terms of reference, tender for, and initiate the comprehensive root-and-branch review of management and administration.
- b) Pursue further collaboration with the Rome-based UN agencies, including meetings to discuss the IEE report recommendations and completing the joint tender process with IFAD for travel services.
- c) Integrate additional administrative IT systems, including applications to support travel transaction processing and field operations.
- d) Merge strategic and programme accountability processes with financial management and financial reporting requirements to establish a complete Management Information System.
- e) Improve procurement and related services by completing a revision of relevant Administrative Manual Sections in 2008 and simplifying controls on proof of travel.
- f) Enhance recovery of project servicing expenses, including recovery of fixed costs such as in the area of information technology infrastructure.

II. To optimise corporate financial and systems management:

- a) Prepare a financial risk management strategy for the Organization.
- b) Start a new Information Risk Assessment project to cover IT-related risks in decentralized offices.
- c) Implement IPSAS project in line with the UN system timetable (2007-2010), identifying and achieving efficiencies including provision of the underlying currency for all transactions to support improved exchange rate monitoring.
- d) Develop proposals for rolling over a proportion of working funds between biennia for consideration by the Finance Committee in 2008.
- e) Record the full after-service medical liability in the balance sheet as at 31 December 2007 and request appropriate levels of funding for the ASMC past service liability.

III. To attract, retain and develop high calibre human resources and to empower and motivate staff:

- a) Develop and implement a coherent human resources policy framework by end-2008 including a seamless approach to identification of competencies, assessment of performance and the provision of targeted staff development programmes.
- b) Prepare an incentive-based targeted staff rotation policy by end-2008.
- c) Develop a Gender Action Plan related to human resources by the end of 2007. Implement by end-2008 an enhanced recruitment strategy with the objective of improving age, gender and geographic representation profiles, and set gender and geographical representation targets for individual departments.
- d) Develop a supply of suitable candidates, encourage recruitment of younger staff and conduct targeted recruitment missions and advertising.
- e) Review contracting modalities, including the existing when-actually-employed consultancy contracts and hiring former FAO staff, and UN and other retirees.
- f) Apply dual grading of D1 and D2 level posts to the positions of divisions head, allowing for some flexibility in both human resources management and programme delivery.

- g) Increase the percentage of total staff costs devoted to staff development and implement a new funding model targeted towards corporate priorities, including increasing funds going to management development, training in results-based management and training of new FAORs.
- h) Develop a delegations framework based on the principle of subsidiarity, which would include further delegation of authority to Personnel Officers and line managers.
- i) Empower heads of decentralised offices through increased programme, human resources management and financial decision-making authority, and for resources mobilisation.
- j) Assign responsibility for selection of professional and national officer staff to ADGs as of 1 January 2008.
- k) Review delegations regarding approval levels for rates offered to consultants.
- l) Finalise and introduce the Performance Management System (PEMS) policy framework.
- m) Strengthen the recently introduced Performance Assessment and Monitoring System (PAMS) for FAORs to include a two-way system of peer review whereby FAORs will also be in a position to evaluate the support received from headquarters.

IV. To catalyse culture change:

- a) Constitute a special working group to oversee implementation of a comprehensive programme of culture change.
- b) Promote *ex ante* planning and “mainstreaming” as the preferred practical routes to execute multidisciplinary activities and increase central catalytic funding for multidisciplinary work.
- c) Develop a corporate platform for knowledge sharing, including new tools for internal communication.
- d) Extend the current telephone directory to include knowledge groupings.
- e) Expand the courses of the Joint Management Development Centre.
- f) AFH to provide increased advice and support (including coaching) to line managers in relation to staff development needs.
- g) Remove the security surrounding the Director-General’s movements when he is in the headquarters building.
- h) Post and update monthly reports of the Director-General’s official visits and major meetings with external contacts.
- i) Increase formal and informal briefings by senior staff to Permanent Representatives.

*Cluster 4: Restructuring for effectiveness and efficiency
in both headquarters and the field*

59. Under this cluster, the IEE suggests an overhaul of FAO structural arrangements in order to fit the new vision, functions and culture contemplated in the report.

60. Management notes that according to the IEE the proposed structural arrangement is: “only one possible model. Others and variations on what we present are obviously possible. The assumptions underlying the model would need to be reviewed carefully, including those related to both costs and benefits. What follows therefore is not intended as a definitive prescription, but rather as an approximation that will require more work and careful review”. The IEE report also acknowledges the constraints of a UN common system regulated by the International Civil Service Commission, as well as the challenges of achieving greater interdisciplinarity through organizational arrangements, in particular in respect of climate change and bioenergy. Discussions

of the proposal will need to consider, among other factors, the principles and best practices on the span of control and chain of command taking due account of the direct day-to-day support received by the Director-General from the Deputy Director-General, the Directeur de Cabinet and the Director of the Office for Coordination and Decentralization (OCD), as well as the critical functions undertaken by Assistant Directors-General as a primary executive decision-making arm of the Secretariat.

61. Management further notes the IEE statement that form should follow function and recommendations on headquarters structure will need to be examined against the programmatic, cultural, functional and partnering issues raised in their analysis. Management also endorses the principle of a more effective field presence and further decentralization of functions and authority from headquarters to the field. It concludes that to be relevant, credible and have a major development impact, further steps in the reform process must address a comprehensive set of issues.

V. Conclusions

62. The IEE team has underlined the unique character of their product and made a strong case for “change with growth”. Their report has been closely studied by managers and staff at all levels in the Secretariat, including in decentralized locations. Management is aware that this is also the case for the staff in permanent representations in Rome, and no doubt national authorities dealing with FAO affairs in capitals.

63. The Director-General has emphasised that he is committed to leading a process of transformation that can build on the willingness of FAO staff to implement such reforms as may be decided by Member States, while pursuing the initiatives recommended by the IEE that are within his authority. He expresses his appreciation to Members, who have followed every step of the IEE process with great interest and involvement.

64. Management trusts that the Council and Conference will recognise the expectations generated by the IEE, and succeed in taking a balanced view of what needs to be done to provide FAO with the guidance, consensus and the means to enable the Organization to support Member States in facing the great challenges of agriculture, rural development and food security in the 21st century.

65. The Director-General once again thanks the Member States for the confidence they have shown for his leadership. He pledges to contribute fully and effectively to the process leading to a successful outcome of the IEE.

**APPENDIX I:
PRELIMINARY COMMENTS ON SOME RECOMMENDATIONS**

66. Because of the limited time available to prepare the Management Response “in principle”, it has not been possible to provide detailed comments on each recommendation. Nevertheless, comments are provided in this Appendix on many of the recommendations that are addressed to management or jointly to management and governing bodies.

67. The comments are presented in the sequence in which they appear in the Summary of Recommendations by cluster in Annex 1 of the Report. Management views on specific recommendations or groups of recommendations are provided below (in italics) together with any further observations relating to the work of the Organization. As foreseen by the IEE, processes after the 2007 Conference would entail the preparation of more detailed comments by management.

**A. OVERARCHING RECOMMENDATIONS -
IMMEDIATE ACTION PLAN**

68. *Management welcomes the recommendation to formulate a three to four year “Immediate Action Plan (IAP)” with a financial baseline to be set at not less than zero real growth for the biennium 2008-09, with arrangements to consider budgetary implications of reform at a 2008 special Conference session.* The IAP will be jointly owned and coordinated by the governing bodies and management after the 2007 Conference, based on the recommendation of the Report to be discussed for decision by the membership, with a communication plan as an integral part to keep Members, the Secretariat and main partners apprised of progress. Management supports the establishment by the governing bodies of a joint working group of the membership and management to develop the IAP and launch actions for implementation after the November 2007 Conference. It also agrees with the convening of a special session of the Conference, in the second half of 2008, to allow clear decisions to be taken, including budgetary implications on implementation.

**B. CLUSTER 1: REKINDLING AN FAO VISION
THROUGH A NEW STRATEGY**

THEME 1.1: New Corporate Strategic Framework

69. This theme aims to set a clear strategic direction for the Organization.

Strategic Framework

70. *Management supports the development of a clearly enunciated strategy covering the full range of FAO products to at least 2015, understood and endorsed by its Members and unequivocal in its stipulation of means to ends requirements.* The mid-term review of the FAO Strategic Framework 2000-2015 was postponed in 2006-07 pending the outcome of the IEE. In the context of developing the IAP, a consultative process to formulate a new Strategic Framework will be initiated immediately after the 2007 Conference. This work will be undertaken in conjunction with the preparation of key component strategies. The arrangements would build on FAO’s experience in 1999 in preparing the first Strategic Framework and more recent experiences throughout the UN system. Consistent with the IEE recommendation, this process would benefit from active participation of Members and would be accorded the highest priority. (7.1, 7.2)

Strategies and Priorities

71. *Management agrees that the three goals of the Member Nations (overcoming hunger and malnutrition, agriculture as a contribution to economic and social development,*

sustainable management of the natural resource base for food and agriculture) should provide the ultimate goals in the logical framework hierarchy of means-to-ends analysis for FAO (3.1).

THEME 1.2: Component Strategies

72. This theme aims to maximise the impact of FAO's work through more effective strategic approaches governing critical means of action.

73. As an important input to the wider and deeper process of developing the new Strategic Framework, the Report identified critical areas of the Organization's work where more effective strategic approaches are needed.

74. Work to develop "component strategies" has already been initiated in several areas under the current reforms; in other areas it will be initiated in 2008. Finalisation of the component strategies will take due account of the IEE's findings and related guidance from Members. Careful attention will be given to appropriately phasing this work, based on dependencies on the overall FAO Strategic Framework, and potential inter-dependencies among the component strategies themselves.

Resources Mobilisation

75. *Management agrees to put in place a coherent and dynamic resource mobilisation strategy around the priority themes and the national medium term priority frameworks (NMTPF) (7.6).*

Partnership Strategy

76. *Management agrees to implement the recommendations made to give priority to partnerships as a means to heighten impact, scaling up effectiveness and efficiency as well as to address multilateral challenges facing the sector (5.1, 5.2).* This could build on policies in place since 2000 which outline the Organization's principles for Partnership and present a framework for greater collaboration on normative and operational activities at the national, regional and international levels, and on the importance accorded to this under the reforms approved by the 2005 Conference.

Knowledge Management

77. *Management agrees to facilitate knowledge sharing and play a policy role in seeking to balance interests between knowledge generation, often in the private domain, and knowledge availability, in the public domain, especially for the LDCs, by developing a strategic vision on specific areas of knowledge access (3.3).* This transverse dimension will be coordinated by the new Knowledge Exchange and Capacity Building Division, which is leading the preparation of a comprehensive Knowledge Management Strategy, building on the study on FAO as a knowledge organization and recent experience with best practices networks, including WAICENT and "Ask FAO".

Communication and Advocacy

78. *Management agrees to develop a corporate strategy for communication and advocacy, shaped through a collegial process and integrating technical and policy messages around central themes, to be submitted to the governing bodies, in partnership with key players in civil society, the private sector, the media and other counterpart organizations (3.4, 5.10).* All strategic advocacy and communication activities, including World Food Day, TeleFood, FAO Ambassadors and International Alliance Against Hunger were recently consolidated into the Knowledge and Communication Department, where the Communication Division is located. This new institutional setting will facilitate formulation of a holistic strategy for communications and advocacy.

Capacity Building

79. *Management agrees to develop a capacity building strategy following an assessment of the needs and capacities of countries at different stages of development and in different parts of*

the world (3.24). Capacity Building is also a guiding principle of the reforms approved in 2005-06, and initial actions are addressing: training on agricultural policies and strategies; training of technicians for capacity building; institution building for agriculture and rural development; and fellowships. The Organization's capacity building strategy will seek to better align FAO's work with the new international paradigm of "capacity development".

Collaboration with CSOs/NGOs

80. ***Management agrees to develop collaboration with civil society and non-governmental organizations (5.8)***. This can build on the experience of successful participation in Governing Body processes of civil society and non-governmental organizations at WFS and WFS: *fyl*, and subsequent consultations that contributed to the adoption of the Voluntary Guidelines for the Right to Food.

Collaboration with the Private Sector

81. ***Management agrees to establish a clear strategy and policy framework for working and partnering with the private sector including particularly with small and medium enterprises (5.9, 5.10)***. Apart from examining experience and practices outside FAO, this would build on FAO's dialogue with the private sector on promoting the SPFS/NPFS, TeleFood and the IAAH, and through the Private Sector Partnerships Advisory Committee.

Risk Assessment and Planning

82. ***Management agrees to develop a stand-by business continuity plan as part of risk assessment and planning (8.20A)***.

THEME 1.3: Preliminary Strategic Choice for the Technical Programme

83. This theme aims to leverage FAO's comparative advantage through prioritisation.

Basic Statistics and Data

84. ***Management agrees to give considerably greater priority to the provision of basic data and statistics, taking into consideration the statistical needs of the 21st century and how they can be met, and to consolidate crop and livestock statistics (3.5)***. Work has begun to examine scope and address internal governance of statistical work. At the behest of management, an evaluation of the statistical work of FAO has been given priority by the Programme Committee.

Information Systems and Publications

85. ***Management agrees to:***

- ***maintain and strengthen information systems, which are fundamental to the performance of the Organization, with the provision of more hard-copy publications to Least Developed Countries (LDCs);***
- ***have an agreed budget for each language with a panel of users making decisions on the application of the funds;***
- ***develop mirror Web sites for Chinese and Arabic (3.6)***.

86. A more effective distribution of FAO's publications to LDC recipients will be achieved through improved up-front identification of target audiences and continued distribution in hardcopy. A mechanism for determining specific budgets for each language will be developed and implications on the use of Regular Programme funds examined. Investments required to enhance tools, standards and methods to support FAO's information systems and their governance would be quantified in 2008.

Support to Investment

87. ***Management agrees to:***

- ***develop and promulgate a new strategy for the Organization's role in supporting developing countries to determine their own priorities, approaches and plans for investment, including with respect to PRSPs;***

- *adjust agreements with IFIs to reflect the new strategy and to seek long-term extrabudgetary support to complement Regular Programme resources to the Investment Centre for providing direct assistance to countries;*
- *strengthen relations between countries, IFIs and other donors for improved investment strategies and the related policy packages (3.7).*

88. The trilateral partnership – country-IFI-FAO – plays a crucial role in investment mobilisation and FAO provides independent advice that would not otherwise exist. Several Investment officers have been outposted to be part of the newly defined multidisciplinary teams in the subregional offices. Since their main task is to respond to country needs in terms of developing investment plans in the agricultural sector in line with the overall country programme and/or to sub regional programmes, they will play a key role in strengthening the relationship between countries, IFIs and FAO.

Support to Emergencies

89. *Management agrees to:*

- *assign a high priority to FAO's work in emergencies;*
- *formulate and submit to the governing bodies an overall strategy based on a clear mandate for those emergency functions in which FAO is strong (3.8).*

90. The strategy will emphasise a corporate approach (i.e. cross-sectoral and across geographic locations) to preparedness and response, and emphasise parameters to improve efficiency, relevance and impact. It will draw upon the experience with the Crisis Management Centre, created in 2007 to coordinate responses to crises in transboundary pests, animal diseases and food safety; FAO's capacity for plant pest emergency management (especially locusts); and ensure adequate standing capacity for livestock diseases (especially avian influenza).

Overall Technical Work

91. *Management agrees to provide relevant information for decision making by the governing bodies of the priority and balance in crops, forestry and fisheries (3.9).*

Plant Production and Protection

92. *Management will provide relevant information for decision making by the governing bodies for a meaningful programme on crop production ensuring greater synergies between units dealing with crops and grasslands, and seeds and plant nutrition (3.10).*

93. FAO will need to contribute to a major international effort to feed the world in the coming four decades when the world's population soars from six to nine billion - from a diminishing worldwide land and water resource base, and in an environment increasingly threatened by climate change. In this context, a new green revolution is needed, especially in Africa. Exploiting the new biotechnologies can supplement conventional breeding approaches. In the area of genetically modified crops, there is strong consensus concerning the need for a case-by-case evaluation that considers the potential benefits and risks of individual GMOs compared with alternative technologies, where FAO provides member countries with objective, science-based information and analysis regarding biotechnology and its applications in crops.

Livestock

94. *Management agrees on the need for livestock work to have resources and focus (3.IIA).* The importance of livestock work stems from increased demand from emerging countries, food quality and nutrition dimensions, and also the impact on the environment of livestock rearing and the challenges of transboundary animal diseases. Stronger partnership with important organizations will be pursued, in particular with OIE, WHO, ILRI and IFPRI.

Institutional Support to Agricultural Development

95. *Management agrees to develop overall policies that assign priority to institutional relationships that maximise the strengths of the public, private and NGO sectors, the*

application of new media as appropriate and strong partnering (3.17). In this connection, an important strategic partnership between FAO and UNIDO will be strengthened to address specific needs of regions in three principal areas: agro-based industrial processing and value-adding activities; commercially competitive biofuels based on agricultural products; and, activities that contribute to recovery and increased human security in countries in post-crisis situations. FAO, UNIDO, and IFAD will organise a Global Agro-industries Forum in April 2008 in India, which should inform future priorities and programmes of the three agencies related to agro-industries and agro-enterprises.

Nutrition

96. ***Management proposes to prepare a systematic and differentiated assessment of the economic, food and nutrition policy support needs of FAO's developing Member Countries to enable a greater use of partnerships and better division of labour in all aspects of policy work, including with IFPRI and international commodity bodies (3.18)***

Gender Mainstreaming and Women's Empowerment

97. ***Management agrees to integrate the Gender Plan of Action into FAO's programme cycle, to report on it and to assign priority to gender in the funds reserved for interdisciplinary and facilitating action (3.19).*** The new Gender Plan of Action to be proposed to Conference is rooted in specific programme entities of each division, with indicators allowing for improved monitoring and reporting on progress to occur as part of FAO's programme cycle. Centralised catalytic funding for interdisciplinary work will give specific priority to Gender in 2008.

Environment and Natural Resources

98. ***Management agrees to accord clear priority to climate change issues for which inter-unit cooperation, external partnership and definition of roles are especially critical (3.20).*** In 2007, a new division on Environment, Climate Change and Bioenergy (NRC) was established. FAO is integrating climate change issues in the PWB 2008-09 and the work is supported by an IDWG. Externally, FAO will cooperate closely with the Intergovernmental Panel on Climate Change (IPCC) and the United Nations Framework Convention on Climate Change (UNFCCC) by providing data, information and technical advice in agriculture, forestry, fisheries, land and water. It hosts international programmes such as the Global Terrestrial Observing System (GTOS) and the Global Land Cover Network (GLCN). Increased priority and resources will be accorded during 2008 to climate change issues, in particular to assist developing countries in climate change adaptation. FAO has proposed to organise two high-level meetings in 2008: on World Food Security and the Challenges of Climate Change and Bioenergy (June 2008), and on Feeding the World in 2050 (Fall of 2008).

Production Technologies, Transfer and Piloting

99. ***Management agrees to concentrate on capacity building for technology transfer and to facilitate access to knowledge on production technologies (3.21).***

Legal Services

100. ***Management agrees to concentrate legal support to Member Countries in those areas of clear strengths, in relation to international instruments (treaties, codes of conduct, etc) (3.22).***

Policy and Strategy

101. ***Management agrees to bring together the Organization's capacities for securing livelihoods and increasing economic and social well-being to follow through on the continuum created by its advocacy on policy development (3.23).*** The Economic and Social Development Department, enlarged in 2007 to include a division dealing with gender, equity and rural employment dimensions, will help to ensure a more holistic view of both social and economic issues in FAO's policy advice. A policy task force created in 2003 will become more active in

coordinating work within this critical area, including policy specialists in regional and subregional offices and the FAORs.

Land and Soils

102. ***Management agrees to assign greater priority to land and soils (3.12)***

Joint Work with IAEA

103. ***In consultation with the membership, management proposes to review the conditions under which the joint work with IAEA could be more effectively continued, in particular in capacity building for the benefit of developing countries. (3.13)***

104. It is noted that the collaboration between FAO and IAEA is one of the longest standing formal partnerships in the UN system. FAO contributes less than 20% of the total assessed resources of the Joint Division (12% if IAEA's technical cooperation is taken into account). In September 2007, the IAEA 51st General Conference adopted a resolution which *inter alia* called for strengthening the activities of the Joint Division. Over the past three biennia, more than 500 trainees have participated in training courses, workshops and seminars. The FAO/IAEA Agriculture and Biotechnology Laboratory provides hands-on training and gives participants the opportunity to accelerate capacity building in their respective countries.

Water and Irrigation

105. ***Management agrees on the need for a long-term strategic approach, that would contribute to integrated policies bringing together engineering, tenure, economics management and legislation within the framework of the political and policy choices of the member countries (3.14).*** The importance of water for humans, fish, animals, crops and forests, particularly in the face of the challenges of climate change, cannot be over emphasised. In many low-income, food-deficit countries, the solution to the problem of water constraints is considered to be the entry point to the multidisciplinary dimensions of agriculture, rural development and food security. Strengthening partnerships in particular through existing networks like UN-Water will be essential.

Fisheries

106. ***Management agrees on the need to develop a coherent strategy for fisheries work at the level of integrated policy and the related global data requirement (3.15).*** This will need to take into consideration the outcome of the Committee on Fisheries. Fisheries and expanding aquaculture should create more employment and play a greater role in livelihood development. FAO should provide data and information, but also policy advice and capacity building in partnership with relevant organizations and provide support to regional fisheries bodies.

Forestry

107. ***Management agrees on the need for a long-term inter-sectoral approach (3.16).*** In follow-up to the outcome of the Committee on Forestry, a renewed strategy will be developed. It will emphasise an integrated inter-sectoral approach, promote partnerships, including with the members of the Collaborative Partnership on Forests, and provide support to the regional forestry bodies.

THEME 1.4: Specific External Partnerships

108. This theme leverages FAO's comparative advantage through partnering.

109. The IEE report identifies a series of strategic partnerships which would assist FAO, over the medium-term, to leverage its comparative advantage and resources. Although building partnerships is not a short-term process, there are some specific early actions that can be taken in this respect.

Partnerships with the United Nations

110. **Management agrees to ensure that FAO partnerships, through collaborative arrangements, inter-agency coordination mechanisms and interaction with UN intergovernmental bodies, contribute to the fulfilment of FAO's mission and, in turn, to that of the UN system as a whole (5.3).** A starting point for this is FAO's well established cooperative arrangements with other UN Agencies and Programmes, such as joint food standards work with WHO, its strengthening collaboration with UNIDO on agro-industrial development, with ILO on child labour in agriculture, and IMO on safety at sea for fisherfolk; its active involvement in the CEB mechanisms such as HLCM and HLCP; collaboration with the Regional Economic Commissions of the UN; country-level collaboration in UN Country Teams, including contribution to preparation of UNDAFs; and participation in the UN reform process.

Partnerships with Rome-based Agencies

111. **Management agrees to further develop and strengthen the partnerships between the three Rome-based Agencies and to unify World Food Day, TeleFood and Ambassadors Programmes around common goals, building a joint communication and advocacy strategy with WFP and IFAD (5.4/3.4).** Through the recently created Inter-Institution Coordination Committee (IICC), the opportunities for common services and actions in Rome are being explored in several areas including procurement, human resources management, after-service staff plans, management development, information systems and protocol. FAO will pursue collaboration with WFP in the area of Information and Communication Technology (ICT) on a potential consolidation of FAO and WFP Computer Centres and switchboards. On sharing offices in Member States the expansion of joint FAO-IFAD pilot programmes into Colombia, Rwanda, Madagascar and Viet Nam will be pursued. On joint projects, joint food security thematic groups at country level and co-leadership of food security clusters in several countries is being expanded.

Partnerships with CGIAR

112. **Management agrees to develop a coalition for agriculture and rural development and knowledge availability and transfer in collaboration with CGIAR (5.6). Work to facilitate knowledge sharing and transfer in cooperation with CGIAR can be expanded.**

113. The CGIAR Science Council (SC) is hosted by FAO. In fulfilling its newest function of mobilising global science, the SC completed a survey of CGIAR Centres' ongoing scientific collaboration and prepared a publication on Science for Agricultural Development. The Heads of IARCs and CGIAR have discussed with the Director-General and concerned officers at FAO the best ways to strengthen their cooperation with FAO. Subsequently, a High-level FAO-CGIAR meeting was held at FAO on 3 April 2007, and it was agreed to strengthen collaboration in several areas including genetic resources, transboundary pests and diseases, climate change and policy development. Also, a number of joint activities will be initiated to enhance capacity building in member countries.

Partnership with OIE

114. **Management agrees to examine potential for a closer relationship with the OIE, including collaboration on global governance requirements in animal health (5.7).** This would build on an agreement signed in May 2004, which delineates the primary responsibilities of the two organizations' joint activities and information sharing. A joint initiative entitled "Global Framework for the Progressive Control of Transboundary Animal Diseases" (GF-TADs) includes the Global Early Warning System hosted at FAO headquarters to which the OIE and World Health Organization contribute as equal partners. Potential for closer collaboration will be taken up at the next annual meeting where work plans are shared and issues of common interest resolved.

THEME 1.5: Technical cooperation at country and regional levels

115. This theme focuses decentralized interventions on strategic country needs where FAO has comparative advantage

116. Since 2006, technical cooperation and partnerships at regional and country levels have been enhanced through strengthened decentralization in several regions. Outposted technical officers focus on region-wide issues and strategy, while multi-disciplinary teams in subregional offices directly support countries and subregional organizations, and report to the subregional coordinator rather than headquarters' units. The subregional offices are part of the respective regional offices, and their teams – and the concerned FAORs - work together by efficiently providing their service to Member States. Further adjustment will be made without transfer of staff from headquarters to decentralized offices unless new resources are made available at a future Conference.

117. The reforms also empowered FAORs to act as budget holders and project formulators for national projects; take the lead in preparation of NMTPFs and work with other UN agencies on formulation of the UNDAF; take lead responsibility for resource mobilisation at country level; and approve TCP projects up to US\$ 200 000 per country and per biennium.

118. The use of TCP in Africa has made possible among other outputs, the adoption by Heads of State and Government of the Comprehensive Africa Agriculture Development Programme (CAADP) and National Medium Term Investment Programmes (NMTIP) for five countries, a resolution assigning priority to water control and rural infrastructure; and the target of 10% of countries' national budgets to be invested in rural development.

Technical Cooperation at Country and Regional Level

119. ***Management agrees to form partnerships in the context of the priority action themes with selected developing countries and donors for concentrated attention on making progress in particular areas and giving priority to the LDCs of Africa, and other UN focus countries (SIDS, landlocked, etc.), especially as relates to overcoming hunger and malnutrition and pushing forward economic growth with job creation (3.2).***

120. Such work would generally coincide with the agreed National Medium-term Priority Framework (NMTPF), driven by the FAO Representation, and be strongly integrated into "Delivering as One", as well as being aligned to the maximum possible within UN-system priorities as specified in the UNDAF. FAO should assist in particular in policy advice, capacity building and mobilising bilateral and multilateral partners to implement the programmes.

121. ***On TCP, management agrees with the priority demand-driven nature of the TCP and on the need for decentralized approval (3.2).*** It considers that national TCP should be approved by the FAOR, TCP for regional economic unions should be approved by the Head of the subregional office, regional TCP by the regional ADG, global and emergency TCP by the ADG responsible for technical cooperation in consultation with relevant technical ADGs at headquarters with some set-aside funds to ensure flexibility in the system. It will be necessary to first ensure that the various decentralized offices have the capacity to assess and formulate projects that fully meet TCP criteria and to establish an appropriate system of ex-post control.

C. CLUSTER 2: INVESTING IN GOVERNANCE

THEME 2.1: Conducting Governance Reform

THEME 2.2: Global Governance Role

Global Policy Coherence

122. *Management agrees on the need to prioritise those areas among all international issues that arise where FAO is going to be proactive in developing global consensus and where in some cases FAO should take an early initiative, aware that parts of the discussion are likely to become the eventual prerogative of others. FAO will also review on behalf of its constituency international agreements being drafted elsewhere, in order to influence the decision-making fora (4.4, 4.5).*

Participation

123. *Management agrees on the need to enhance broad participation and as the Conference agenda develops, to consider facilitating a parallel global forum or fora for non-governmental interest groups (4.19).*

THEME 2.3: Fiduciary Role and Oversight

Election of the Director-General

124. On the duration and number of terms of office of the Director-General, in 2003 the Conference reduced the duration, and the number was limited to two. In some other UN organizations, no term limitations are in place.

Programme Cycle

125. *Management sees merit in the IEE recommendation that the Conference should meet in May or June so that the detailed programme of work can then be subsequently established. Prior to the Conference, the Council should endorse a general programme direction and agree on an indicative but reasonably reliable biennial budget level (7.3).* This coincides with the Secretariat's comparative review in 2006 of planning and budgeting practices in other UN system organizations which showed that ILO, WHO, UNESCO and UNIDO were able to remove to a large extent the uncertainty concerning the final Programme of Work and Budget, which prevails in FAO until Conference decides the budget level.

Audit

126. *Management agrees to:*

- *prepare an organization-wide risk management framework; to provide FAO's internal audit work plans to the governing bodies;*
- *study experience of United Nations System and other international organizations with a view to establish an effective Ethics Committee with a mandate for independent review of any ethical issue brought to its attention, including any resulting from internal audits;*
- *conduct an external peer review of FAO's Internal Audit function at least once every five years (7.9).*

Evaluation

127. *Management agrees to undertake consultations with donor countries on the recommendation to require a mandatory contribution of 1% of each extrabudgetary project for evaluation purposes and will continue to assign the highest priority to strategic corporate level evaluation and to ensure full evaluation of extrabudgetary programmes (7.11).*

THEME 2.4: Governance architecture

Enhanced Leadership and Management Role in Governance of the Independent Chairperson of the Council

128. The IEE proposes (recommendation 4.2, 4.10 and related observations) that the Independent Chairperson of the Council conduct informal consultations to facilitate confidence building and key decision-making processes. In the opinion of management, an increasingly effective mediation role for the Independent Chairperson of the Council, particularly before key decisions are put to the governing bodies, would represent a positive development.

129. The IEE also proposes significant measures relating to the Independent Chairperson of the Council, including a supportive Secretariat and attendant budget. Management needs to draw attention to the fact that this could create potential risks of dual leadership problems and duplication of work and division among Member States, bearing in mind that both the Independent Chairperson of the Council and the Director-General are elected by the Conference. This issue has already been raised and discussed in the governing bodies several years ago.

Ministerial Conferences

130. ***FAO agrees with the importance of convening ministerial meetings on subjects of global importance (4.12), inter alia for mobilising political will.*** In November 2007, High Level Special Events will be held on: The Role of Aquaculture in Sustainable Development; Forests and Energy; The Financing of Agriculture; Food Quality and Safety; and Aid for Trade.

Regional Conferences

131. ***Management agrees to have the Regional Office, in close consultation with governments, draw up a concrete and focused agenda for the Regional Conference, dealing with major regional issues (Consultation with Regional Groups) (4.13).*** This will build on the process of consultation already in place, which has led to concrete guidance and follow-up in areas such as: extended support for Avian Influenza (HPAI) in Africa; since 2006 support to regional economic commissions in Africa in harmonising policies, especially through CAADP/NEPAD implementation activities; technical assistance on WTO-related issues in Near East countries for effective participation in trade negotiations and in meeting commitments to trade agreements; in the Asia and Pacific region, assistance to enhance country capacities to meet international food quality, sanitary and phytosanitary standards, and certification schemes for capture fisheries and aquaculture.

THEME 2.5: Governance proceedings

Trust

132. ***The Director-General will continue to reach out to the membership through seminars and initiate a dialogue on the establishment of consultative groups (4.2).***

133. The Director-General will continue periodic informal consultations with groups of Ambassadors and Permanent Representatives for informal exchange of views on topics of mutual interest, and with Regional Groups prior to the meetings of the governing bodies. Presentations by senior staff to Permanent Representatives will also continue, as will the series of informal, interactive seminars on key issues of major interest to the membership which were initiated in 2007.

134. The Director-General will encourage briefing (both formal and informal) of Permanent Representatives on technical and administrative issues by senior staff. It would also be desirable to enable the membership to have first-hand knowledge of FAO activities in the field.

D. CLUSTER 3: INSTITUTIONAL CULTURE CHANGE AND REFORM OF ADMINISTRATIVE AND MANAGEMENT SYSTEMS

THEME 3.1: Overarching review of Management and Administration

135. ***Management agrees to contract an external agency specialised in institutional analysis and reform to facilitate a comprehensive root and branch review of all aspects of the Organization's human and financial resources management and administration (8.1).***

136. Three previous reviews in the last 10 years by external, independent experts have proved useful: in 1997, a review of the Administration and Finance Department provided assurance that its management and organizational structure was aligned with FAO's requirements and identified areas for improvement in efficiency and quality of service; in 2003, reviews of the Finance Division and the Information Systems and Technology Division led to the 32nd FAO Conference establishing a systematic approach to managing and financing capital expenditure; and in 2005, a review of the Human Resources Management Division led to the development of the Human Resources Management Model (HRMM) now under implementation.

THEME 3.2: Human Resources framework

137. ***Management agrees to align recruitment, staff development and promotion criteria into a single and more coherent human resources policy framework (8.2).***

Contracting Modalities

138. ***Management agrees to design contracting modalities to respond to the rapidly changing context in which FAO works: increasing staffing flexibility to respond to shifts in technical competency requirements and geographic placements, while also delivering the highest possible quality of service to FAO's clients cost-effectively (8.3).***

Geographic and Gender Balance

139. ***Management agrees to achieve geographic and gender balance under the Director-General's overall responsibility within a more inclusive framework of delegated responsibilities, making full use of the Human Resources Gender Plan of Action (8.5).***

140. Positive actions between January 1994 and August 2007 led to an increase in the proportion of Member States represented among the staff of the Organization from 68% to 81%, while the total number of Member States increased from 168 in 1994 to 189. Recruitment missions aimed at identifying candidates from seriously under-represented countries contributed to redressing the geographic representation status of these countries.

141. The overall proportion of female staff in the Organization is 49%. Efforts during the last five biennia have resulted in the steady increase of women in professional posts from 17% at the beginning of 1994 to 30% as of 1 September 2007, and from 2% to 12% in the Director category. FAO will develop an HR Gender Plan of Action that carefully analyses the opportunities for, and constraints to, achieving the Organization's gender target of 35% in the professional category.

Performance Management

142. ***Management agrees to improve performance management by implementing the new performance appraisal (8.6).***

Staff Incentives

143. ***Management agrees to introduce a range of incentives for exceptional performance linked to a strong appraisal system (8.7).***

Training

144. ***Management agrees to redirect and strengthen staff training and use resources for building staff skills in identifying and monitoring outcomes and results and developing***

baselines for related indicators by exploring results-based management training programmes of benchmark agencies and others (7.5, 8.8).

Technical Programme Departments

145. *Management agrees to empower Programme ADGs while continuing to assign annual budget allotments to divisional heads (6.17, 6.18).*

Recruitment

146. *Management agrees to assign new responsibility for recruitment at different levels (8.4).* Responsibility for selection of professional and national staff will be assigned to ADGs.

THEME 3.3: Support to changes in structure

Interdisciplinarity

147. *Management agrees to build incentives for interdisciplinarity and focus on global goals and priority themes (6.16)*

Project Serving Charges

148. *Management agrees to maintain the regular process for periodic review of actual servicing costs and adjustment of fees to ensure that they are fixed at an appropriate level (7.7).*

THEME 3.4: Administrative efficiency

149. The Organization has been vigorously pursuing efficiencies and introducing improvements in its administration processes and systems, as described in the documentation placed on the FAO Web site at www.fao.org/reform.

Administration, Procurement, and Collaboration with other Rome-based UN Agencies

150. *Management agrees to seek improvements in administration processes, procurement and related services in collaboration with the other Rome-based agencies (8.9, 8.10, 8.19).*

Other Interim Administrative Action

151. *Management agrees to:*
- *pursue full integration of the supporting systems for strategic and financial management needs more vigorously so as to address strategic and programme accountability processes with reporting requirements adequately addressed (8.13).*

THEME 3.5: Finance

152. *Management agrees to:*
- *use the transition to International Public Sector Accounting Standards (IPSAS) to achieve significant efficiencies and improved effectiveness in financial accounting and management, but also decision supports systems (8.14).*
 - *develop an institutionalised strategy for financial risk management (8.15).*
 - *introduce the possibility of rolling over a relatively small proportion of working funds between biennia in addition to TCP, Capital and Security accounts, both as a matter of good financial management and for smoothing income and expenditure (8.17).*
 - *adopt additional measures for funding under-funded after service liabilities, and reduce liabilities to retirees (8.18).*

THEME 3.6: Information Technology

153. *Management agrees to improve Information Technology risk management at headquarters and in regional, subregional, liaison and country offices, in particular through deployment of Oracle based financials with establishment of appropriate funding procedures and study of cost/benefit for new applications (8.12).*

THEME 3.7: Organization Culture

154. *The Director-General agrees to take the lead in rallying the high staff commitment around a clear vision of how FAO will work towards its mission with clearly articulated objectives (as approved by the governing bodies) and with measurable indicators (8.1).*

155. *The Director-General agrees to constitute a special working group to lead development and oversee the programme of culture change (6.2).* This will be initiated after the Conference where guidance is expected from the membership on the general direction of the reform process. Successful experiences from the arrangements put in place to prepare the management response will be an asset in this endeavour.

156. *Management agrees to encourage cross-departmental contact and take steps towards creating a map of where knowledge lies (6.3).*

Recommendations directly concerning the Director-General

The Director-General accepts the recommendations which aim at presenting a more open and accessible image (6.4). The security system inside the perimeter of the Organization, put in place in 1976, has been changed to address the perception by some of an image (not sustained by facts) of a person who is not open or accessible. The Director-General wishes to note that, regarding his external image, his re-elections as Director-General of FAO and his previous elected positions must necessarily require him to be accessible. Furthermore, the Director-General is not aware of any occasion where an FAO ADG, Director or FAOR requested a meeting with him which was not promptly acted upon through an appointment or a phone call.

157. Reports of the Director-General's official overseas visits and his major meetings with external contacts of importance and meetings with small and informal groups of staff on topics of internal importance to FAO, mostly related to the Organization's work, have been posted on the Intranet, and will be updated every month.

E. CLUSTER 4: RESTRUCTURING FOR EFFECTIVENESS AND EFFICIENCY IN BOTH HEADQUARTERS AND THE FIELD

THEME 4.1: Headquarters Structure

158. *Management agrees with the IEE that the proposed headquarters structure is "only one possible model. Others and variations on what we present are obviously possible. The assumptions underlying the model would need to be reviewed carefully, including those related to both costs and benefits. What follows therefore is not intended as a definitive prescription, but rather as an approximation that will require more work and careful review". It also agrees with the IEE report that "form should also follow function", and that thus the recommendations on headquarters structure need to be examined against the programmatic, cultural, functional and partnering issues raised in their analysis.*

159. The IEE report acknowledges the need to factor the constraints of a UN common system regulated by the International Civil Service Commission (ICSC), as well as the challenges of achieving greater interdisciplinarity through organizational arrangements, in particular in respect of climate change and bioenergy. Discussions of the proposal will have to take into consideration, among other factors, the principles and best practices on the "span of control" and "chain of command" taking due account of the direct day-to-day support received by the Director-General from the Deputy Director-General, the Directeur de Cabinet and the Director of OCD, as well as the critical functions undertaken by Assistant Directors-General as a primary executive decision-making arm of the Secretariat.

THEME 4.2: Field Structure

160. *Management endorses the principle of a more effective field presence and decentralization of functions and authority from headquarters to the field. (6.19)*

**APPENDIX II:
SUMMARY OF THE REFORMS APPROVED BY FAO
GOVERNING BODIES IN THE 2005-07 PERIOD**

A. BACKGROUND AND SCOPE

161. In the 2005-07 period, reforms to improve FAO's relevance and effectiveness were proposed by the Director-General and approved by the governing bodies in phases, i.e. principally at the 33rd session of the Conference in November 2005, the 131st session of the Council in November 2006, and at the 132nd session of the Council in June 2007. The reforms which took place in this period had a broad scope, including organizational changes, administrative streamlining and increased efficiency measures (leading to savings), and the rationalisation of FAO's programmatic structure. In the context of consideration of the IEE report by the membership, it seems pertinent to recall the main thrusts of this latest round of reforms in FAO.

162. Accordingly, this *Appendix* summarises:

- the guiding principles for the reforms;
- the modified organizational structure put in place at headquarters as of 1 January 2007;
- the revamped field office network resulting from the above reforms;
- the establishment of a "multi-hub" arrangement for the Shared Services Centre (SSC);
- the significant changes made to the programme structure and substantive content of the Programme of Work and Budget (PWB); and
- the financial savings resulting from the reforms.

B. GUIDING PRINCIPLES FOR THE REFORMS

163. In view of their broad congruence with the essence of many IEE recommendations, it is also useful to recall a number of principles which have guided the above reforms. These principles (in greatly abbreviated form) were as follows:

- a) Preserving Members' priorities, i.e. giving due prominence to work on international regulatory frameworks, conservation of natural resources and fight against plant pests and animal diseases; and to technical and policy assistance;
- b) Enhancing FAO's role as a knowledge organization;
- c) Increased focus on capacity-building, to develop further individual and institutional capacities at regional, subregional and country level;
- d) Deepening cooperation with Members' organizations, recognising the growing involvement of Regional Economic Integration Organizations (REIOs) in agricultural and food security issues;
- e) Strengthening interdisciplinarity, to address the increasingly complex problems and new threats and challenges faced by countries in their food and agricultural development;
- f) Working together with UN partners, including participation in the UN system country teams to support national policy or planning exercises in line with FAO's mandate;
- g) Reinforcing alliances with civil society and peoples' organizations, at both national and international levels;
- h) Marshalling resources to support Members, not solely for programmes to be implemented by FAO, but more importantly leveraging the investments required by Members to support agricultural development and food security;
- i) A more effective country focus, *inter alia* through the formulation of national medium-term priority frameworks (NMTPFs) to enhance coherence of FAO's assistance at country level, to be strengthened by multidisciplinary capacity at the subregional level;

- j) Universality in serving Members, while maintaining selectivity in allocating resources, implying special attention to the most needy country groups;
- k) Adaptation of organizational structures, coupled with better management processes;
- l) More flexible means of action.

C. ORGANIZATIONAL STRUCTURE

Main features of the present headquarters structure

164. The reforms aimed at making the headquarters structure more responsive to the enhanced role of FAO as a knowledge organization and to support interdisciplinary action more effectively.
165. The major changes introduced were:
- the transformation of the General Affairs and Information Department into a new *Knowledge and Communication Department*, with the transfer of the Information Technology Division from the Administration and Finance Department. and the grouping in its Communication Division of key advocacy activities;
 - a new department of *Natural Resource Management and Environment*, as a successor to the previous Sustainable Development Department, housing a Land and Water Division and a new division for Environment, Climate Change and Bioenergy;
 - the consolidation of disciplines in the *Agriculture and Consumer Protection Department* to support the “farm to table” approach; this department now also hosts a Crisis Management Centre to address transboundary pests and diseases of animals and plants and food safety crises, allowing FAO to respond more quickly and effectively to crises affecting the entire food chain;
 - the placement in the *Economic and Social Development Department* of a division addressing Gender, Equity and Rural Employment to reinforce this department’s capacity to deal in an integrated fashion with the social as well as economic aspects of development;
 - some rearrangements to the departments covering the forestry and fisheries sectors, with a new name for the latter department – Fisheries and Aquaculture – to reflect the significantly increased priority to be given to aquaculture;
 - renaming of the Administration and Finance Department (AF) as *Department of Human, Financial and Physical Resources*, consolidating within this department the functions pertaining to the security of FAO’s staff and assets worldwide.

Revamped structure in decentralized offices

166. The reforms aimed at progressively putting in place a more effective field office network, including:
- national offices better equipped to serve countries in need of assistance;
 - subregional offices (SROs), which now form an integral part of the respective regional office, staffed with multidisciplinary teams (MDTs) and strategically located, including MDTs co-located with regional offices, all having increased operational resources, to meet demands in the respective geographical areas beyond the available expertise within the teams;
 - more focused regional offices (primarily dealing with regional issues).
167. A new operating model is implied in this transformation, with: 1) technical officers in regional offices continuing to work closely with their parent division at headquarters in responding to regional priorities; 2) the MDTs being composed of technical officers matching main requirements in the respective subregion and, for a part of their time, FAO country representatives; and 3) country offices focusing on the main priorities agreed with the concerned government and acting in close concertation with the United Nations country teams.
168. Taking advantage of very favourable conditions offered by the corresponding host countries, the field office structure revamped along the above lines is already in place in the following geographical areas:

- **Africa**, with subregional offices staffed with multidisciplinary teams in two new locations, Addis-Ababa and Libreville, together with an SRO co-located with the Regional Office for Africa in Accra, and a smaller SRO than in the past in Harare to cover the Southern Africa subregion;
- **Europe and Central Asia**, with a new SRO in Ankara to cover the Central Asian countries, and the Regional Office for Europe now transferred to Budapest (henceforth called Regional Office for Europe and Central Asia) joining a modified SRO for Central and Eastern Europe which had been operating in Budapest for several years;
- **Latin America and the Caribbean**, with a new SRO for Central America soon to be operational in Panama, the pre-existing SRO for the Caribbean in Barbados and a new MDT for Southern America, co-located with the Regional Office in Santiago.

169. To complete the picture regarding changes in decentralized locations, since the decision of the Russian Federation to take up membership in the Organization in the early part of 2006, contacts are under way with this country to establish a liaison office in Moscow. The Asia and Pacific region and the Near East region have not yet been covered by the 2005-07 reforms.

Implementation of the Shared Services Centre (SSC)

170. The reconfigured SSC is to handle high volume, routine administrative processing functions in the areas of human resources, travel, finance and procurement in lower cost locations. The approved approach being implemented (with full completion scheduled by end 2009) entails three “hubs” in regional offices (Bangkok, Budapest and Santiago). These hubs are within time zones similar to those of the majority of the staff generating transactions and are to be managed by a coordination centre based in Rome within the Department of Human, Financial and Physical Resources. The implementation of the SSC will yield net savings of US\$ 8 million per biennium, due to efficiency savings and favourable staff cost differentials between headquarters and these lower cost locations.

D. RATIONALIZATION OF THE PROGRAMMATIC CONTENT OF THE PWB

171. The reforms submitted to the Conference in November 2005 included a completely revamped programme structure for use from 2006-07. This new structure underpinned the Revised PWB 2006-07² that was endorsed by the Programme and Finance Committees in May 2006, and is also reflected in the PWB 2008-09³ document before the Conference. The Revised PWB 2006-07 reflected significant reformulation of the programme entities that are the results-based building blocks of the 42 programmes. This rationalisation effort was aimed at ensuring that the programmes contained coherent sets of activities with increased attention to multidisciplinary action, and also at reducing fragmentation. This led to a much tighter set, reducing by 29% the number of substantive entities, from 261 to 186.

172. As regards interdisciplinary actions, there has been a significant shift towards formal upfront cooperation in planning, programming, resource mobilisation, and establishment of monitoring and evaluation systems, including through interdisciplinary programme entities and interdepartmental working groups. In this light, the PWB 2008-09 gives due attention to planned activities under four key areas involving intense cooperation across disciplinary lines: *knowledge management and exchange, capacity building, climate change and bioenergy*.

E. SUMMARY OF SAVINGS AND BENEFITS LINKED TO REFORMS

173. The implementation of these reforms is already yielding both qualitative and quantitative benefits. The qualitative benefits include giving more effective meaning to FAO as a knowledge

² PC 95/3 - FC 113/14

³ C 2007/3

organization, enhancing multidisciplinary approaches and benefiting from a more effective decentralized office network. The quantitative benefits arise from recurring financial savings summarised in *Table 1* below.

Table 1. Summary of the major recurring savings

Area/action	Amount per biennium (US\$ 000)
Efficiency savings, streamlining and restructuring	
Full-scale phased implementation of the Shared Services Centre (SSC).	8,000
Net decrease of director-level posts and associated general service posts at headquarters (i.e. delayering) – part of the savings were reallocated to the same organizational units.	9,100
Increased reimbursements to the general fund from emergency projects and from extrabudgetary projects, including proposed increase in support cost rates for projects which provide direct support to Regular Programme activities.	15,000
Efficiency savings, streamlining and efficiency measures under the authority of the Director-General.	1,650
Decentralization	
Favourable staff cost differentials, by positioning multidisciplinary teams in subregional offices, and from the streamlining of policy and operations groups in regional offices.	5,300
Favourable staff cost differentials from transfer to Budapest of the Regional Office for Europe, to become Regional Office for Europe and Central Asia.	740

174. In addition, assistance in cash and in kind from host governments towards running costs of the SSC and the subregional offices, including the estimated value of the provision of junior technical officers and support staff by host governments of subregional offices, are estimated to be in excess of US\$ 15 million.

APPENDIX III: AGRICULTURE IS BACK ON THE WORLD AGENDA

175. Over the past 20 years the world has witnessed dramatic changes. East-West political divisions have progressively given way to a more complex multilateral relationship among nations and the emergence of regional powers. There has been an increase in conflicts. The policies of reduced or different state interventions, which started in the 1980s, were extended at international level, resulting in austerity budgets with a call for streamlining and efficiency. Powerful multinationals have emerged with more resources⁴ than many states and foreign direct investment reached US\$1.2 trillion in 2006. With regard to development work, private foundations are mobilising vast amounts of resources, in particular for health and education⁵. Bilateral and multilateral public institutions with a total of Official Development Assistance (ODA) of US\$104 billion in 2006 certainly do not compare in size despite a significant increase from earlier years.

176. Under these circumstances the United Nations and Bretton Woods system put in place after World War II is under critical examination. Similarly, the United Nations, specialised agencies, funds and programmes are facing difficult times.

177. FAO is naturally affected by these overall trends. However, the impact was more severe due to the low priority given, during the 1980s and 1990s, to agriculture, rural development and food security on the international agenda. The Primary sector's share in ODA was reduced by 50% from 1990 to 2000. At the World Bank, the portfolio in this area fell from 29% in 1986 to 7% in 2006.

178. Bilateral assistance for the sector followed the same path creating a downward spiral in the regional and national resources although they are necessary to ensure world food security.

179. In response to this situation, FAO Management launched several initiatives to refocus attention on world food security. It introduced fundamental adaptation measures to serve effectively its Members - whose number increased from 169 in 1994 to 190 in 2006, including the historic decision of Russia to rejoin the Organization after 60 years of absence.

180. The first ever World Food Summit at the level of Heads of State and Governments was convened in 1996, followed by the World Food Summit – *five years later*, in 2002.

181. In September 2000, the Millennium Summit, convened by the UN Secretary-General, led to the adoption of the Millennium Development Goals. Follow-up actions in favour of increased ODA took place at the Monterrey Conference, and also at G8 summits, in particular in Sea Island (USA) and Gleneagles (UK).

182. As a result of these initiatives, a new awareness of the importance of agriculture is emerging. This has resulted in successful mobilisation of civil society and artists in the fight against poverty as well as increased advocacy efforts of multilateral institutions.

⁴ For the year 2000, the combined value added of the largest 19 trans-national corporations was over four times that of the combined GDP of all 50 Least Developed Countries (LDCs).

⁵ Private sector aid contributions totalled US\$11 billion in 2006, an amount equal to 13% of the aid provided by DAC members. For instance, the Gates Foundation is projected to disburse US\$2.8 billion in 2007 and the Global Fund to Fight AIDS, Tuberculosis and Malaria has disbursed on average US\$2 billion per year between 2002 and 2006.

*At the G8 meeting in Genoa in 2001, attended by the Director-General,
the following commitments were made:*

(...)

20. As the November 2001 "World Food Summit: Five Years Later" approaches, food security remains elusive. Over 800 million people remain seriously malnourished, including at least 250 million children. So a central objective of our poverty reduction strategy remains access to adequate food supplies and rural development. Support to agriculture is a crucial instrument of ODA. We shall endeavour to develop capacity in poor countries, integrating programmes into national strategies and increasing training in agricultural science. Every effort should be undertaken to enhance agricultural productivity. Among other things, the introduction of tried and tested new technology, including biotechnology, in a safe manner and adapted to local conditions has significant potential to substantially increase crop yields in developing countries, while using fewer pesticides and less water than conventional methods. We are committed to study, share and facilitate the responsible use of biotechnology in addressing development needs.

21. We shall target the most food-insecure regions, particularly Sub-Saharan Africa and South Asia, and continue to encourage South-South co-operation. We will support the crucial role international organisations and NGOs play in relief operations. We believe national poverty reduction and sectoral strategies should take due account of the nutritional needs of vulnerable groups, including new-borns and their mothers.

(...)

183. Without investment in rural areas, the fight against hunger and poverty will not be won. These basic conclusions are starting to percolate in the Development Policy, Strategies and Programmes of the bilateral donors. This is also being acknowledged by the multilateral financing institutions. The World Development Report (WDR) of 2008 will focus on agriculture; the last time this happened was in 1982. The WDR's focus on agriculture is an indication of a welcome change of priority in development policies. The advocacy role of FAO has certainly played some part in this evolution of priorities in international cooperation.

184. While the change in the perceived role of agriculture is welcome, there are reasons for great concerns over the world food situation in the short term. Price of agricultural commodities have reached record levels in the world market. New challenges like bioenergy and climate change are also attracting media attention to agriculture.

185. **Compared with the situation some 20 years ago, agriculture is back on the world agenda.** Therefore the present times are most favourable for far reaching and bold decisions to strengthen multilateral institutions dealing with agriculture, in particular in FAO, where the IEE Report gives an opportunity to Member States and Management to chart a way forward for an organisation fit to address the present and emerging challenges.

LIST OF ACRONYMS

ADG	Assistant Director-General
AFH	Human Resources Management Division
ASMC	After-service Medical Coverage
AUD	Office of the Inspector-General
CAADP	Comprehensive Africa Agriculture Development Programme
CEB	United Nations System's Chief Executives Board for Coordination
CGIAR	Consultative Group on International Agricultural Research
CSO	Civil society organization
FAOR	FAO Representative
GF-TADs	Global Framework for the Progressive Control of Transboundary Animal Diseases
GMOs	Genetically modified organisms
GLCN	Global Land Cover Network
GTOS	Global Terrestrial Observing System
HLCM	High-level Committee on Management
HLCP	High-level Committee on Programmes
HPAI	Highly pathogenic avian influenza
HRMM	Human Resources Management Model
IAAH	International Alliance Against Hunger
IAEA	International Atomic Energy Agency
IAP	Immediate Action Plan
IARC	International Agricultural Research Centre
ICSC	International Civil Service Commission
ICT	Information and communication technology
IDWG	Interdepartmental Working Group
IEE	Independent External Evaluation of FAO
IFAD	International Fund for Agricultural Development
IFI	International financing institution
IFPRI	International Food Policy Research Institute
IICC	Inter-Institution Coordination Committee
ILO	International Labour Organization
ILRI	International Livestock Research Institute
IPCC	Intergovernmental Panel on Climate Change
IPSAS	International Public Sector Accounting Standards
LDC	Least developed country

LIFDC	Low-income, food-deficit country
MDT	Multidisciplinary team
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organization
NMTIP	National Medium Term Investment Programmes
NMTPF	National medium-term priority framework
NPFS	National Programme for Food Security
NRC	Environment, Climate Change and Bioenergy Division
OCD	Office for Coordination and Decentralization
ODA	Official development assistance
OIE	World Organisation for Animal Health
PAMS	Performance Assessment and Monitoring System
PEMS	Performance Management System
PPAB	Programme and Policy Advisory Board
PRSP	Poverty Reduction Strategy Paper
PWB	Programme of Work and Budget
SIDS	Small island developing states
SMM	Senior Management Meeting
SPFS	Special Programme for Food Security
SRO	Subregional Office
SSC	Shared Services Centre
TAD	Transboundary animal diseases
TCP	Technical Cooperation Programme
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organization
WDR	World Development Report
WFP	World Food Programme
WFS	World Food Summit
WFS: <i>fyl</i>	World Food Summit: <i>five years later</i>
WHO	World Health Organization
WTO	World Trade Organization