

Review of the concept of “Reform with Growth”

Chair’s background and discussion paper

1. The purpose of this paper is to assist the Conference Committee in reaching a common understanding of the concept of “Reform with Growth”.

2. The term “Reform with Growth” appeared on the cover of the Independent External Evaluation (IEE) and the evaluators clearly considered it to be a concept that would suitably focus the attention of their readers on what they presumably regarded as their main message. However, they did not define it precisely. Their report indeed set out a vast number of issues connected with reform but “growth” was left largely as what would be needed to reverse the decline identified in FAO’s capacity and to support the reform process. That they felt action was needed to increase FAO’s resources was clear. The evaluation pointed to a number of services and functions that were in imminent danger of collapse because of lack of manpower caused by diminishing budgets.

3. However, throughout the work of the Conference Committee and the reform implementation undertaken by FAO Management, clarifying the concept of “Reform with Growth” has continually been put off. Although the IEE team had perhaps not considered it unclear or contentious, it appeared so to both FAO Membership and Management and it was feared that it was so fundamental to the success of the overall reform that a premature attempt to define it could fail and this would put the progress at risk. Finally, it was put in the hands of the Joint Meeting of the Programme and Finance Committees in May 2009. Although all agreed that it was for the Membership of FAO to discuss it and reach conclusions, Management assisted them by providing a discussion paper (Annex 2) setting out some parameters but without attempting to move towards any conclusion. Most members of both Committees intervened in the discussion and, despite initial fears that there would be widely divergent opinions, statements converged and quickly led to a clear, shared understanding, which is captured in the Joint Committee’s report to the Council (Annex 1).

4. The essence of this shared conclusion is contained in the final part of the report and is repeated below:

“The growth should be real, considering the following points:

- a) a primary consideration of ensuring efficient and effective delivery of services to member countries;
- b) the need to guarantee sustainability of the reforms presently carried out in the Organization;
- c) the imperative of ensuring that highly qualified and sufficient human resources are at the disposal of FAO;
- d) growth requirements not to be defined by pre-determined figures but be assessed in the first instance against the Strategic and Functional Objectives and MTP approved by the governing bodies; and
- e) the expected full integration of Regular Budget and extra-budgetary resources in the MTP and PWB.”

5. Members are invited to provide comments and guidance to further clarify the term “Reform with Growth” in order to define the concept in a consensual manner.

Annex 1

Extract from the Report of the Joint Meeting of the Hundred and First Session of the Programme Committee and the Hundred and Twenty-sixth Session of the Finance Committee 13 May 2009 (CL 136/10)

Concept of Reform with Growth

14. The Committees recalled that the CoC-IEE had been tasked with analysing the concept of “reform with growth” and submitting proposals to the 2009 Conference. The Committees bore in mind that the Working Groups of the CoC-IEE were due to discuss the concept of “reform with growth” in early June and had requested to receive advice from the Programme and Finance Committees on the matter.

15. The Committees noted that, while the expression “reform with growth” had been used extensively in the IEE report, no firm definition had been given. They observed that the document prepared by Management to facilitate reflections in the Joint Meeting had highlighted three possible dimensions to the concept. The Committees recognised that there could be a broad range of perceptions about its implications, as Members provided during their interventions.

16. The Committees emphasised that “reform with growth” entailed *inter alia* an adequately resourced Organization with stronger comparative advantage, improved governance and reinforced technical, administrative and managerial competencies at headquarters and decentralized offices.

17. The Committees submitted to the CoC-IEE the following initial elements related to the concept of “reform with growth” for its consideration. The growth should be real, considering the following points:

- a) a primary consideration of ensuring efficient and effective delivery of services to member countries;
- b) the need to guarantee sustainability of the reforms presently carried out in the Organization;
- c) the imperative of ensuring that highly qualified and sufficient human resources are at the disposal of FAO;
- d) growth requirements not to be defined by pre-determined figures but be assessed in the first instance against the Strategic and Functional Objectives and MTP approved by the governing bodies; and
- e) the expected full integration of Regular Budget and extra-budgetary resources in the MTP and PWB.

Annex 2

Joint Meeting of the Hundred and First Session of the Programme Committee and the Hundred and Twenty-sixth Session of the Finance Committee 13 May 2009 (JM 09.1/3)

CONCEPT OF REFORM WITH GROWTH

Background

1. The Independent External Evaluation (IEE) commissioned by FAO governing bodies had among its main conclusions: 1) that the world needed FAO to help address the pressing problems of food security, poverty reduction and sustainable agriculture; and 2) that the IEE provided the basis for Members' decision-making on an integrated package of "*reform with growth*" for the Organization.
2. In adopting Resolution 1/2008 related to the Immediate Plan of Action (IPA) for FAO Renewal (2009-11), the 35th (special) Session of the Conference reaffirmed among other basic considerations: *the necessity of FAO "Reform with Growth"* and asked the CoC-IEE: *to analyse the concept of "Reform with Growth" and submit proposals to the 2009 Conference.*
3. This document has been prepared by management for the Joint Meeting so that it could assist the CoC-IEE in this task.

Expectations linked to "reform with growth"

4. The concept associates two relatively straightforward terms: "reform", i.e. generally taken as a set of changes aiming at reaching a more positive or advantageous situation; and "growth", meaning some increase in size or value. The expression has been abundantly used during the Independent External Evaluation of FAO (IEE) and the formulation and adoption of the IPA for FAO Renewal.
5. In his transmittal letter, the IEE Team Leader stated: "*The world needs a renewed FAO. That renewal is predicated on 'Reform with Growth' which requires both substantive reforms in the directions discussed in this evaluation and additional resources. The two must move hand-in-hand and neither will be possible without the other.*"
6. In its first overarching message, the IEE stated: "***The central conclusion reached in this evaluation can be summarized in three words: reform with growth.*** As will be seen in what follows, the IEE concludes that to remain relevant to the needs of its Members and to fulfil its mandate, FAO will need to make major and sweeping reforms. The IEE also concludes that such reforms will only be possible and sustainable within an agreed framework that arrests and then reverses the financial, programmatic and strategic declines that have defined the Organization over the past two decades."¹
7. In further elaborating on the centrality of its "Message 1", the IEE stressed that: "*Without clear agreement on a programme of significant and sustained reform and the growth in resources required for it, forward movement of FAO is difficult to envisage. FAO is in a financial straitjacket. Its overall core competencies and delivery capabilities have been critically eroded in many areas as a result of the steady decline in its total resources, especially for the Regular Budget. The financial situation is both a cause of these problems and the consequence of deeper ones. Paradoxically, a shrinking budget coupled with commitments to staff in posts with particular knowledge and skill sets (plus the staff regulations throughout the UN system) make it more difficult to adjust priorities than an expanding budget, where priority areas can be granted additional resources. Unless corrections are first made to the deeper problems of strategic direction and strategic choices, management processes,*

¹ C 2007/7A.1 paragraph 8.

*structural and administrative barriers and the core culture of the Organization, the confidence and trust that are prerequisite to increased financing will not materialise. By the same token, as FAO addresses its other root problems, it will need and merit new money.*²

Key dimensions of the concept

8. It may be useful to see in the concept of “reform with growth” three inter-related dimensions: the critical challenges to be addressed in food, agriculture and food security requiring FAO; reform leading to growth in FAO’s influence, effectiveness and impact in addressing these challenges; and reform leading to growth in financial resources in real terms for FAO to carry out its work.

A. Challenges to food, agriculture and food security are critical and growing

9. The IEE was finalized in 2007 and emphasized the many serious challenges to ensuring sustainable food and agriculture systems and overcoming hunger. The major crises experienced between late 2007 and 2009, including price and production instabilities, have made this context of external challenges even more prominent today.

10. The High Level Conference convened by FAO in June 2008 as well as other high profile initiatives under way have pointed to the need to give central place to food and agriculture matters on the international agenda. Members have stressed that the imperatives of doubling food production by the year 2050 and at the same time protecting the gravely threatened natural resource base on which agriculture depends, require a more effective contribution by FAO.

11. These complex challenges imply that FAO should promote and assist with integrated and globally balanced solutions. The IEE identified expanded areas for FAO’s work as well as areas for lower emphasis. Members agreed for prioritisation around a set of shared and concrete objectives, and this is an integral part of the reforms under way.

B. Influence, effectiveness and impact

12. A comprehensive package of reform measures has been elaborated and agreed through the IPA. All these measures will contribute directly to enhancing the influence, effectiveness and impact of the Organization at global, regional and country levels towards achieving the goals of Members.

13. The challenge for the Secretariat is to implement this complex set of reforms during the next three years. A cornerstone is the new integrated results-based planning framework, which provides a basis for increasing influence, effectiveness and impact by:

- prioritising and focusing FAO’s work in line with Members’ needs;
- clarifying the means-ends relationships through which FAO will contribute to agreed impacts in, and for, countries; and
- encompassing all sources of funds available to the Organization, both assessed and voluntary contributions, which will be combined to achieve FAO’s agreed organizational results.

14. The challenge to Members is to take decisions on FAO’s priorities, undertake governance reforms and provide the necessary resources to carry out the IPA and implement the agreed programmes of work.

C. Financial resources

15. Enhanced influence, effectiveness and impact require more than reform, i.e. also increased means of taking action. FAO’s resources have been in steady decline in real terms. The IEE observed that FAO’s Regular Budget had declined by 22% in real terms between 1994-95 and 2006-07.

16. The significant nominal increase in the Regular Budget in 2008-09 was equivalent to zero real growth after taking account USD 13.3 million in planned efficiency savings and USD 22.1 million of unplanned efficiency savings. While the Organization has been successful in attracting increased

² C 2007/7A.1 paragraph 35.

extra-budgetary resources, these have been mostly tied to specific projects and emergencies. As a consequence, as also observed by the IEE, core competencies and delivery capacity have steadily eroded since 1994.

17. The challenge to the Organization is to demonstrate it can deliver results more efficiently and effectively through reform. The challenge for Members is to make available the resources – through assessed and voluntary contributions – to provide the means of action to deliver these results in the medium- and long-term.

18. The flow of resources either entrusted directly to the Organization or generated through partnerships in support of food and agricultural development would augment, if the Organization's capacities and effective impact were to grow and become well publicized as the result of successful reforms.

Conclusions

19. According to the IEE, the implementation of reform and providing the means of action through assessed and voluntary contributions needs to proceed in unison. Reform with growth would tend to suggest that the downward spiral experienced in the past must evolve into a virtuous upward spiral - combining the commitment and delivery of reform with the increased resources and means of action to enhance FAO's influence, effectiveness and impact in addressing member Goals.

20. In this regard, it is worthwhile to recall what the IEE concluded: *“If FAO's Members cannot find the political resolve and the means to achieve reform and growth simultaneously in a unified interdependent package, the Organization will not be fit for the needs and challenges of the 21st century.”*³

³ C 2007/7A.1 paragraph 43.