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y la
Alimentación

COUNCIL

Hundred and Twenty-eighth Session

Rome, 20 – 25 June 2005

SUMMARY PROGRAMME OF WORK AND BUDGET 2006-07

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Director-General's Introduction

I have pleasure in submitting to the Council, through the Programme and Finance Committees, the Summary Programme of Work and Budget (SPWB) for the biennium 2006-07, which will serve to implement the first two years of the Council-approved Medium Term Plan. The reaction of the Council, as well as the pertinent advice from its Technical Committees, will guide the preparation of more detailed proposals in the full Programme of Work and Budget (PWB), to be considered by the FAO Conference in November.

This SPWB has been redesigned to fulfill Members' expectations for a reduction in length of planning documentation, focusing on the main policy issues and resource implications. Building on these efforts, I hope that the Council will be able to encourage the Secretariat to substantially streamline the length and content of the full PWB 2006-07, in line with similar efforts of other organizations of the UN system.

A key feature of this SPWB is the identification of and response to internal and external factors that may have a major influence on budgetary, financial and operational performance in 2006-07. I draw your attention to two proposals that will help address specific financial and operational risks:

- *in the spirit of the guidance previously provided by the Council, to revise the treatment of forecasts of Miscellaneous Income in order to fully fund the budgetary appropriation until such time as the Organization returns to a stronger financial position; and*
- *the creation of a new budgetary chapter on Security Expenditure to improve financial management, visibility and accountability for the security and safety of staff and assets.*

Ongoing risk management in other areas complements these proposals - for example, the operationalization of the Capital Expenditure Facility. The search for efficiency savings also continues unabated, presently covering matters such as human resource management processes, identification of outsourcing and off-shoring opportunities, use of new publication, printing and distribution technologies, streamlining regional and country level administrative activities, savings in governance and higher support cost recoveries. Success in some of these areas will depend in part upon decisions by governing bodies.

Members will certainly recognize the evolving environment and the collective efforts to improve the Organization's relevance and effectiveness. The decision of the Council at its last session to undertake an independent external evaluation of FAO could lead to strategic, programmatic

and institutional changes after 2006-07. In the meantime, tangible progress is being made in a number of areas in full consultation with Members. The Organization is responding to the Independent Evaluation of Decentralization, strengthening the efficiency of the Technical Cooperation Programme, improving priority setting in the technical and economic programmes, mainstreaming auto-evaluation and applying the new programming model for non-technical programmes to extend results-based management processes in FAO. At the same time, due account must be taken of the momentum of UN system reform initiatives under way, including arrangements for closer cooperation at country level and more concerted action to support the implementation of the Millennium Development Goals.

This SPWB provides a high-level biennial financial plan based on the priorities already approved by the Council in the Medium Term Plan 2006-11. It is the first major opportunity to logically and rationally reconcile the demands Members place upon the Organization with the resources that the Conference will make available for 2006-07 through the budgetary appropriation. In response to the request from the last session of the Council, this document presents three resource "scenarios" for the next biennium: Real Growth (RG), Zero Real Growth (ZRG) and Zero Nominal Growth (ZNG).

I must unequivocally emphasize that the US\$ 51.2 million, or 6.4% real reduction in the present biennium has already left several areas of the Organization's substantive work, including its decentralized structure seriously under-funded. Successive budget reductions have resulted in significant under-investment in institutional infrastructure. Moreover, the intrinsic costs of serving Members and being a part of the United Nations family continue to escalate, such as the expenditure on security and safety of staff and assets. In the meantime, to be realistic, new efficiency savings beyond the present levels of US\$ 120 million per biennium already implemented compared with 1994, cannot be expected to be a major source of savings in 2006-07. I must also stress that over the years, harsher budget decisions have been implemented at FAO when compared to other organizations.

Consequently, even a ZRG budget level in 2006-07 will fail to meet the expectations of many Members. While resources for regional policy advice and to the Finance Division to ensure adequate controls have been restored within ZRG, as requested by the Programme and Finance Committees, our activities at country level - the sharp end of putting our normative work into action - are nowhere near commensurate with the effective demand for FAO's involvement.

For this reason, the RG scenario proposes an overall real increase of US\$ 30.9 million. It is bolstered by US\$ 8 million compared with the MTP to provide for additional capacity building in the application of international regulatory frameworks, for capital expenditure and for the safety and security of staff and assets.

The ZNG scenario implied the need to identify real cuts totaling US\$ 43 million, based on current estimates of anticipated cost increases, i.e. an average reduction of 5.7 % for the biennium. The overall effect, when combined with the previous negative or stagnant growth, puts into serious question the capacity of the Organization to fulfill its mandate and meet the complex and varied needs of its Members.

The substantial erosion of the Organization's budget over the past decade is illustrated by the fact that even the approval of a RG scenario would leave the Regular Programme some 16% below the inflation-adjusted level of resources in 1994. As is my firm duty as Executive Head, I have consistently and most forcefully expressed concerns about FAO not being able to meet well recognized challenges and satisfy the expectations and demands from its Members in areas where the Organization has a clear comparative advantage. Clear examples of such expectations of FAO's action are in relation to food security, to the alarming threats to natural resources, to the alarming threats to natural resources, to emerging food safety problems and, of course, to emergencies, in particular, as a result of transboundary pests and diseases such as avian influenza and desert locusts. I have difficulty reconciling this long period of stagnation in resources with the fact that this Organization deals with the most important economic and social sector, for hunger and poverty reduction in developing countries.

I also appreciate the concerns of Governments about eventual increased assessments and their prerogative to determine what is most important for the respective Member Nations in the realm of external relations. However, I hope that the context of expectations, challenges and emergencies facing FAO is convincing enough for you to value the relatively modest collective investment you would make by agreeing on a Regular Budget more in tune with demands. My most sincere personal hope at this juncture is that the membership sees its way to reversing a damaging trend of budget decisions.

I look forward to the reactions of the Committees and the Council to this Summary, to guide the preparation of the proposals in the full PWB.



Jacques Diouf

Director General

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THE SPWB 2006-07 WITHIN THE ENHANCED PLANNING PROCESS

1. In 1999, the FAO Conference endorsed strategic planning principles and a results-based approach in the formulation of the programmes of work of the Organization, leading to an enhanced process to define goals and achieve measurable results through a hierarchy of logically linked objectives and activities. The Conference adopted in particular a 15-year policy document, the Strategic Framework, together with a programming and budgeting system comprising a six-year, rolling Medium Term Plan (MTP), updated every two years, and a biennial plan in the Programme of Work and Budget (PWB). The governing bodies also endorsed a new programming model that aimed at clearly articulating time-bound and relevant objectives for individual activities together with verifiable quantitative and qualitative indicators and measurable targets as well as a more comprehensive evaluation regime.

2. The application of the new programming model has been progressively improved over the years, for example through better design of objectives, indicators and targets, and mainstreamed by extending the new model across all programmes and organizational units. Concomitant developments in programme and financial management policies, procedures and information systems are also improving performance monitoring and accountability for results.

3. The Secretariat has adapted the format and content of the main planning documents, the MTP and full PWB, to this new strategic planning and results-based framework. However, no re-examination of the purpose of the Summary PWB (SPWB), nor of the type of information it should contain, has been carried out.

4. A SPWB was first submitted in connection with the PWB 1974-75. Before that, the full PWB was prepared much earlier, to enable the Committees and the Council to consider it at their Spring sessions of Conference years. Although no strict definitions of the format and content of the SPWB were ever adopted, the expectation was that a summary document would facilitate preliminary dialogue among Members. The preparation of the full PWB at a later stage, after advice from the technical committees, Programme and Finance Committees and the Council, enabled the Secretariat to take better account of developments that had a bearing on the biennial budget estimates and made the contents of the full PWB more relevant and precise.

5. A SPWB that better addresses the present needs of Members is submitted for 2006-07. Its primary purpose is to serve as a bridge between the two main planning documents now in place, i.e. the MTP and the PWB, while recognising that the SPWB has a shelf-life of barely three months, after which it is superseded by the full PWB.

6. This function of “bridge” derives directly from the strategic planning principles adopted by the Conference in 1999:

- the MTP is FAO’s main vehicle for programme formulation and prioritisation over a six year horizon; its high-level and tentative resource estimates do not qualify it as a decision document on the biennial budget level;
- the PWB embodies the two-year tranche of implementation of the programmes described in the MTP, setting out the products and services to be delivered to the membership over a biennium, and the required staff and non-staff inputs; it provides the basis for the Conference resolution on the biennial budget level.

7. The Summary PWB 2006-07 therefore draws from, and expands on considerations in the MTP 2006-11, for example by including different resource scenarios and illustrating their impact in broad terms. It presents key policy issues with direct bearing on eventual decisions of the Conference on the budget for the next biennium and on which the guidance of Council is invited. It does not, however, go into detailed programmatic and budgetary proposals that would be presented in the full

PWB 2006-07, thus avoiding duplication in the internal formulation process and review by governing bodies. For instance, this SPWB does not present resource allocations below the programme level and refers instead to the main substantive thrust of the proposals for the biennium, including the import of scenarios. The full PWB will provide detailed proposed resource allocations at the programme entity level.

8. The present, redesigned SPWB 2006-07, therefore, aims to:
 - focus on key issues for the upcoming biennium, i.e. those having a major impact on the next PWB;
 - provide an effective bridge between the essentially programmatic dimension of the MTP and the necessarily more strict budgetary focus of the PWB; and
 - reduce duplication in the collection and presentation of programmatic and resource data, as well as document length.

9. The focus on key issues is reflected particularly in the sections entitled *Budgetary Framework* and *Financial Framework*, covering:
 - Risk assessment;
 - Efficiency savings;
 - Approach to priority setting;
 - Impact of resource scenarios;
 - Decentralization;
 - Capital budgeting;
 - A Security Expenditure Facility for the security and safety of staff and assets;
 - Overview of cost increases; and
 - Financial analysis of the General and related funds.

10. The main programme thrusts and impact of resource scenarios at major programme level are provided in the much reduced section *Programme Budget Proposals*.

11. Regarding document length, the first version of the Summary PWB was 53 pages¹. However, in seeking to anticipate many details presented in the full PWB, and despite the addition of a revamped MTP document since 2000, the SPWB has moved away from the concept of a concise document. The nearly 200 pages of the 2004-05 version are at variance with the normal expectations for a "Summary".

12. A recent progress report on efficiency savings submitted to the Finance Committee² identified one potential area as "the reduction in length of planning documentation". In response to Members' request for shorter documents, the trend of a SPWB of ever-growing detail and size has been reversed for 2006-07. Beyond the self-evident impact on document costs, this has also permitted to streamline the planning process by obviating the need for FAO units to develop detailed planning information more than a year before the start of the biennial period, thus ensuring that staff time is devoted to putting together the required details only at the stage of the full PWB.

13. Building on efforts to reduce the length of SPWB documentation, the governing bodies may wish to encourage the Secretariat to further streamline FAO's planning documents. Apart from a 200-page SPWB, the FAO PWB 2004-05 had 298 pages, supplemented by extensive additional information on the FAO Web site available in the five official languages. Efforts at reducing the length of planning documentation have already been successfully pursued by other organizations of the UN system:
 - in the United Nations (UN) itself, the rough equivalent of the Summary PWB is only six pages (*Outline PWB 2006-07*);

¹ For illustrative purposes, the indicated page numbers of various documents refer to the English version.

² FC 108/14

- in a very large specialised agency such as World Health Organization (WHO), there is no practice of a Summary and for the last two biennia its full PWBs are impressively short documents (119 and 157 pages);
- another comparable agency, the International Labour Organization (ILO), also has no practice of a Summary, and the latest version of the full PWB has only 144 pages, less than half the size prior to the introduction of strategic budgeting in 1999.

14. In view of the above, it would seem reasonable for FAO to aim at curtailing the length of the PWB 2006-07 to around half the size of the PWB 2004-05. However, the need for economies in document production and the desirability of emulating comparable agencies through a shortened PWB 2006-07 must be balanced with the requirement to continue to satisfy Members through adequate information, and preserve transparency and trust in the exchange of information between the membership and the Secretariat. The Secretariat would, therefore, welcome feedback and guidance from the Committees and Council on the length and content of both the Summary and full PWB 2006-07.

BUDGETARY FRAMEWORK

RISK ASSESSMENT

15. Members have previously welcomed information on major risks to the achievement of the Programme of Work. This process has improved risk response decisions by management and governing bodies, for example in addressing exchange rate risks through the application of split assessment to the Organization's assessed contributions. It has also contributed to a more open governance process, for example by anticipating the need for funding the After-service Medical Coverage liability and promoting the ensuing discussions in the governing bodies.

16. Furthermore, improvements continue to be made in the requisite financial management and accountability reporting to the governing bodies. The former include, for example, regular reports on financial highlights, budgetary performance, human resources matters and programme implementation reporting. Oversight, compliance and accountability processes include the work of the external auditors, local auditors, internal audit and inspection and the Joint Inspection Unit, as well as the auto-evaluation and independent evaluation process, which are themselves essentially based on a risk assessment of FAO's operations. These mechanisms contribute to an effective internal and external monitoring of performance, including the requisite critical examination of any departure from expected results.

17. The increasing application of risk assessment to management at all levels of the Organization will assist in maximising the benefit to stakeholders from the resources made available to implement the 2006-07 Programme of Work.

18. "Risks" to conducting the Organization's work stem from both internal and external factors, including evolving demands, expectations and institutional relationships. They impact upon the effective and efficient achievement of the Programme of Work through their influence on budgetary, financial and operational performance. This section anticipates some of the risks that the Organization faces in these areas and, where appropriate, the steps that are proposed to mitigate their impact through 2007.

Evolving demands and institutional relationships

19. At the present time, the Organization faces a challenging and evolving environment of considerable magnitude and scope which may influence its strategic and operating orientation. The Independent Evaluation of Decentralization provided a number of recommendations aimed at better responding to the needs of Members without increasing costs. Part of the answer to this dilemma lies in enhancing FAO's relationship with partners. There is a parallel need to address the Organization's support to the implementation of the Millennium Development Goals and strengthen participation in UN country level processes, which calls for careful scrutiny of FAO's future positioning in conjunction with the reform effort under way in the UN system. In addition, the proposed Independent External Evaluation of FAO could lead to strategic, programmatic and institutional measures, but not for the 2006-07 budget.

20. These important initiatives will, *inter alia*, feed into the review of the Strategic Framework due for consideration by the Conference in 2007. The Organization will need to progressively undertake a diligent analysis of the demands and institutional relationships, as further information from various initiatives becomes available, seizing those opportunities that it can act upon (e.g. streamlining of administrative processes). Therefore, flexibility in the methods for implementing the 2006-07 Programme of Work would be required, so that new thrusts, improvements and efficiencies can be incorporated as soon as practicable.

Budgetary risk management

21. FAO's budgetary process encompasses a significant element of risk. The budgetary Appropriation for the biennium is not known until December of the preceding year, with no lead

time for programme adjustments to be implemented if required due to an approved budget level different from that which is proposed. Unplanned or severe budget reductions, such as those for 2004-05, have to be largely managed through opportunistic savings. Such measures include, for example, a freeze on vacant posts or termination of contracts on agreed conditions - usually with insufficient resources available even for this purpose.

22. A recent Joint Inspection Unit (JIU) report on the implementation of results-based management in UN organizations recommended that member states “should focus on ... providing resources commensurate with the approved programmes, and/or giving clear guidance on programme and resource allocation priorities where sufficient resources cannot be provided.”³ To facilitate this process to the extent possible, the Organization has prepared three resource scenarios for the 2006-07 budget, with less focus being placed on budgetary detail and more on programmatic results. The narratives in the *Programme Budget Proposals* as well as the sections below entitled *Approach to Priority Setting* and *Impact of Resource Scenarios* endeavour to link resource levels to programmatic priorities and results. Indeed, the Secretariat will continue to give careful attention to such linkages in the future.

23. The Secretariat continues to pursue efficiency savings, and the present measures are described in the *Efficiency Savings* section. However, the Organization’s tendency to set over-ambitious efficiency targets, as was the case in the PWB 2002-03, is an area of concern. The ensuing over-optimistic projections of efficiency savings in the PWB result in an under-budgeting of programmes during the biennial implementation cycle, with adverse consequences on the achievement of planned objectives. This risk must be managed through achieving a better balance between the need for establishing challenging efficiency targets on the one hand, and a realistic assessment of the timing and degree of efficiency savings on the other. Tentative and speculative analysis on the benefits to be achieved from complex future process changes will have to be scrutinised with particular caution.

24. Much of the continuing budget reductions which have been faced by the Organization over the last 10 years, has been absorbed by the efficiency savings referred to above. However, as it becomes increasingly difficult to find new ways of reducing costs while maintaining output, the need to reduce programmes in line with the priorities of the membership is heightened. As described below, the internal methodology, which exists and is applied, attempts to avoid fragmentation of programmes. There are, however, growing areas of the Programme of Work that are seriously under-funded if the demand for services is to be fully taken into consideration. Both the Secretariat and the Programme Committee, therefore, continue to seek a priority-setting methodology which responds to the needs of Members and the importance of maintaining a minimum critical mass of resources for each approved programme.

25. Capital Budgeting, which will be implemented in 2006-07, as approved by the Conference in 2003, allows more systematic planning for large expenditures on assets with a useful life of more than two years. It removes the need to absorb peaks in financial requirements for capital items within a single biennium, which in the past often led to delays and budgetary transfers from substantive programmes. However, its successful functioning in 2006-07 is dependent upon adequate resources in the Capital Expenditure Facility, particularly for institutional infrastructure and information technology. This is becoming increasingly difficult at the present budget levels, following the successive cuts of previous biennia. Despite the existence of an enhanced approach to planning and managing capital expenditure, the danger is that without adequate funding, essential investments will continue to be delayed, and viable investments that have already been initiated will fail to reach their full potential.

26. The system of receiving the Organization’s assessed contributions partly in US dollars and the balance in euro safeguards the programme of work from exchange rate risk to the extent that forecast euro requirements are matched by actual payments. The split assessments, introduced from 2004-05, protect programme implementation only from the impact of exchange rate fluctuations of the euro against the US dollar. The system does not provide protection for the approximately 20% of

³ JIU/REP/2004/5 paragraph 16a

the Organization's expenditures which is incurred in other currencies. The unfavourable impact on the budget of such fluctuations was significant in 2004, on account of a weakening dollar against some currencies in locations where the Organization has a substantial decentralized presence. Mechanisms for dealing with this risk are currently under review, and the outcome of this along with a report on performance of the split assessment arrangement will be submitted to the governing bodies in the latter part of 2005.

Financial risk management

27. The Secretariat actively monitors the financial health of the Organization, including a review of its equity and reserve accounts, and forecasts of expenditure and cash flow:

- steps to reduce the accumulated deficit in the General Fund, as well as proposals for earmarked funding for the After-service Medical Coverage (ASMC) liability, are essential in this regard. As further outlined in the *Financial Framework* section, proposals have been put forward for consideration by the governing bodies;
- in a worst-case scenario, eventual cash deficits in 2006-07 could lead to curtailment and forced under-delivery of programmes, despite the authority to spend granted through the budgetary appropriation. The Secretariat will continue to encourage prompt payment of assessed contributions, although the timing of such payments is in the hands of Members.

28. To safeguard internal controls, especially during a period of further streamlining of procedures and increased delegation, a robust financial controls unit in the Finance Division (AFF) will mitigate the risk of non-compliance with internal administrative and operational procedures. Accordingly, as recommended by the Finance Committee, the proposed budget for 2006-07 includes the reinstatement of five posts in AFF which were abolished to meet the reduced budget for 2004-05.

29. An area of expenditure that is difficult to predict and can have a significant impact on the Programme of Work is staff costs. FAO's methodology for establishing standard rates, which are used for budgetary purposes, is sophisticated and results in unique budget rates for each grade level and location. However, even with refined projection methodologies, actual costs are difficult to predict with total accuracy. A mere 1% variance between actual unit staff cost rates and the standard staff cost rates that are planned up to two-and-a-half years before the costs are incurred, amounts to a forecasting error of US\$ 5.5 million. When actual staff costs are higher than the budgeted standard rates, as is likely to be the case in 2004-05, the Organization is required to reduce its programmes, its products and services, to remain within the approved appropriation. Although the Special Reserve Account (SRA) can protect the Organization's Programme of Work against the risk of unbudgeted extra costs that may arise during a biennium, the possibility of having to replenish the SRA through special assessments effectively limits its application in practice.

Operational risk management

30. The Organization must ensure that the working environment and processes in 2006-07 will be conducive to the achievement of its desired results.

31. The staff and assets of the Organization are under greater threat than ever before, and a safe working environment cannot be taken for granted. Improving safety goes hand in hand with increased security at headquarters and the field. To mitigate the security risk, FAO has introduced a number of additional measures at headquarters during 2004-05, including the application of shatter-proof film to windows, installation of road blocks at the main entrances, and hiring additional guards. In the field offices, FAO is taking measures to comply with the UN field security standards. However, the Organization perceives a need for a strengthened financial management framework for this increasingly visible and unpredictable area of expenditure. In 2006-07, the introduction of a separate Chapter of the budget, dedicated to security and safety of staff and assets is proposed to facilitate planning and management. This proposal is further outlined in the *Security Expenditure Facility* section below.

32. Another risk comes in the form of threats facing information resources and systems. With the active participation of FAO, the UN system High Level Committee on Management (HLCM)

has recommended that every UN agency adopt a four-stage “road map” for managing information security. To initiate this process, FAO is undertaking an Information Risk Assessment to review both the technical and non-technical aspects of information security.

33. To improve its operational processes, the Organization carefully reviews recommendations arising from other reports or studies. For example, bearing in mind the interim report of the Independent Inquiry Committee which investigated the allegations against the Oil-for-Food Programme, FAO is reviewing operational modalities related to national execution.

34. The risks arising from a significant increase in FAO’s emergency work, coupled with the distinctive response needs of such operations, necessitates a critical review of the related internal controls, procedural constraints, coordination and management mechanism, budgetary, financial and administrative processes and operational support. This review is already under way, and salient policy matters, including a possible reassessment of the support cost rates for emergency operations, will be submitted to the governing bodies in due course.

35. A modern-day institution, especially one with a mandate to maintain itself as a centre of technical excellence, risks marginalisation if it is not continually examining and updating the skill profiles of its staff. The development of the new Oracle-based Human Resources Management System (HRMS), funded from arrears, is a recognition of this challenge. The HRMS will contribute to ensuring excellence by facilitating assessment and development of skills and competencies of FAO staff. Furthermore, in developing the biennial budgets, managers are required to set aside at least 1.35% of staff costs for staff development activities.

36. The assessment of uncertainties impacting upon FAO in 2006-07, summarised above, seeks to strike an optimal balance between the achievement of goals and related risks. Further information on management’s planned actions in response to the decentralization evaluation and on the Organization’s approach to priority setting are provided below and in separate papers submitted to the governing bodies. More details on the pursuit of efficiency savings and proposals for capital expenditure in 2006-07 are also provided below. Specific risk responses requiring guidance from the governing bodies include:

- proposals to facilitate planning and management of security and safety of staff and assets, as presented below;
- proposals that could contribute to structural improvements in the financial and cash flow position, as contained in the *Financial Framework* section.

EFFICIENCY SAVINGS

37. Efficiency Savings have been defined by the FAO Council as *reductions in the costs of inputs without material negative impact upon the outputs*.⁴ The Finance Committee at its 108th Session received the document *Progress Report on Efficiency Savings*⁵ which outlined the Organization’s current approach to the identification of, and the process for pursuing, efficiency savings. The Committee ... *looked forward to receiving more detailed information, including on cost savings and timing, in the Summary Programme of Work and Budget 2006-07*.⁶

38. The vigorous pursuit of efficiencies has been under way in FAO since January 1994 and applied in line with the decision of the 28th Conference which had *stressed that the approach to dealing with eventually reduced resources should be directed to maximising efficiencies and reductions in the non-technical programmes, before reducing selectively technical and economic programmes as a last resort*.⁷

⁴ CL 110/REP paragraph 24

⁵ FC 108/14

⁶ CL 127/15 paragraph 84

⁷ CL 110/REP paragraph 21

39. In the implementation of this principle, much has been achieved to improve the Organization's overall efficiency. As reported in the Programme of Work and Budget (PWB) 2004-05,⁸ efficiency savings over the previous five biennia are estimated at US\$ 60 million per annum compared with 1994, arising from input-oriented measures (US\$ 39 million per annum), process-oriented measures (US\$ 19 million per annum) and cost-recovery measures (US\$ 4 million per annum).

40. The search for efficiency savings remains an ongoing management process that is independent of the level of the FAO budget and builds on the economies already achieved. Further efficiency gains will focus more on changes in process and examination of more effective modalities of work, which can be operationalised through lower costs of inputs or higher recoveries. This will require cross-sectoral consultation, a longer-term implementation period, and sometimes involve transitional costs. It will recognise the need for realistic efficiency target setting as over-optimistic assumptions eliminate the lead-time required for planning programme adjustments. Furthermore, the Organization will continue to pursue efficiencies through enhanced quality and quantity of outputs for the same level of inputs.

Current process

41. In keeping with the policy-oriented nature of this document, key developments in the current process are described below, including quantified cost savings consistent with the FAO Council definition of efficiency savings. Wherever possible, comparisons are made with other organizations for benchmarking purposes and drawing upon comparable lessons learned. The full PWB 2006-07 will provide more details on the anticipated savings.

Business process reviews and streamlining of headquarters activities

42. Since 1994, FAO administrative and financial procedures have undergone extensive review, taking into account relevant findings of the External Auditor and the Inspector-General. This has resulted in the revision of a large number of procedures, many of which were implemented under the Oracle financial and administrative system. While it is difficult to quantify with accuracy the direct savings from these actions, previous reports have demonstrated the contribution of such action in significantly reducing the level of support staff since 1994.

43. The Organization is now reviewing its human resource management processes in connection with the development of the Human Resources Management System (HRMS), which will have Organization-wide implications. Efficiency savings are expected to come from the elimination of time-consuming steps in administrative processes and reduction of paper flows through, for example, on-line initiation of transactions by the requesting users directly in the system. They will also come from the availability of systems in support of processes which are currently manual or only partially automated, such as recruitment.

44. Efficiency savings in the servicing units, namely the MSS, OCDS, Regional MSUs⁹ and in parts of AFH and AFF¹⁰ will be progressively assessed and refined. This has started with a study to review the way human resource services are provided across the Organization, and in 2006 workflows will be more accurately defined before being put into operation. Once the new human resources servicing processes are implemented, reductions in the number of posts are expected in the servicing units after a period of transition and stabilisation.

45. The Organization has also been considering the outsourcing of administrative and information systems development and maintenance work to less costly locations or, alternatively, off-shoring them to staff located in a suitable lower cost Regional Office. The latter option is being pursued and a business case is now being prepared for off-shoring work to the Regional Office for Asia and the Pacific, in Bangkok, where the infrastructure in terms of office accommodation and

⁸ C 2003/3 paragraph 179

⁹ Management Support Service (MSS); Decentralization Management Support Service (OCDS); Management Support Units (MSUs)

¹⁰ Human Resources Management Division (AFH); Finance Division (AFF)

management support is well established. The extent and timing of implementation of this off-shoring will depend on the results of the business case.

46. The mainframe computer environment was outsourced to the UN International Computing Centre (ICC) in Geneva in mid-January 2004, where FAO's mainframe systems operate on a dedicated computer at the ICC at similar cost to previous arrangements. A project is now under way to move to a larger mainframe at the ICC, where FAO applications would share this resource with applications from other Rome-based UN agencies. The savings foreseen for 2005 will be utilised to fund the consolidation of activities, but from 2006 onwards, savings of approximately US\$ 60,000 per year are anticipated.

47. Furthermore, the Organization is already examining possibilities for cost saving through the adoption of emerging voice and data communication technologies, especially *Voice over Internet Protocol*, at the expiry of the economic life of existing digital telephone exchange (PABX) equipment.

Document and publication management

48. Actions already taken to adjust the financial management and modalities of publications production, including the use of remote translation for the Regional Conferences, have realised savings of approximately US\$ 6 million per year compared with 1994. The current review is focussing on the distribution and storage costs of all FAO publications.

49. Changes in printing technologies have reached a level of maturity whereby most of the distribution activity (i.e. handling, packing and labelling of publications) can be automated as is already being done in large private sector companies. The Organization is investigating whether a substantial portion of FAO publications could be produced and inserted into addressed envelopes directly by upgrading in-house printing facilities or by using properly equipped external printers.

50. In either case, FAO could reap savings of about US\$ 500,000 per annum in handling, storing and intermediate shipping of publications, although this proposal may require some initial investment costs.

Registry management

51. The review of registries commenced in mid-2003 and resulted in significant changes to the methods of work with the introduction of digitisation. The FAO records management process now reflects the recommendations of the International Organization for Standardization (ISO) 15489 standard, which is an essential component of new accountability and quality management standards. In order to realise the full potential of efficiency savings in the registries, the Organization is currently analysing possible structural and staffing changes.

52. Net savings of US\$ 222,000 per year were realised in the PWB 2004-05. It is anticipated that implementation of the next phase could yield further savings of US\$ 365,000 per year in the 2006-07 biennium. However, this amount will be reduced by approximately US\$ 105 000 required for software licensing.

Containment of travel costs

53. Until now, efficiency savings in travel were achieved mainly through adjustments in travel entitlements and through the use of non-endorsable airline tickets, wherever practical, producing annual cost savings of approximately US\$ 2 million. However, changes in the travel market have heralded the virtual elimination of airline commissions which were being passed on to FAO as a discount on the ticket price. The cumulative effect of these new market conditions will be an increase in travel costs of some US\$ 600,000 per year. To counterbalance this unfavourable change, the Organization is working with other UN system agencies to benefit from the UN's overall bargaining power with airlines to negotiate competitive fares. In this case, therefore, the "efficiency" savings being sought are geared towards cost-containment.

Efficiencies and savings in governance

54. The Organization has benefited from support of the governing bodies in this area and considerable reductions in the costs of running meetings have been achieved with estimated savings of approximately US\$ 2 million per annum compared with 1994.

55. Besides reducing the duration of the Conference from 9 to 7 days, as approved at the 32nd session of the Conference, the length of Committee on Commodity Problems (CCP) and Committee on Agriculture (COAG) sessions is reduced in 2005 as requested by the Council,¹¹ which should lead to savings. Furthermore, interpretation costs could be contained by critically reviewing the number of Regional Groups' meetings held. It may also be feasible to reduce the length of most meeting documents. The aim of the current initiative is to reduce by 10% the total volume of documentation for all governing body meetings, which, indeed, was one of the reasons for shortening this SPWB document. Achievement of the target is a shared responsibility with the governing bodies, who are the primary recipients of such documents. The governing bodies may, therefore, wish to exercise further selectivity in their requests to the Secretariat for additional information or new documents, and encourage the Organization to shorten existing meeting documentation.

56. In seeking to find innovative ways to generate further savings in governance, the Organization is also looking to best practices in other UN agencies. The elimination, or more efficient production of verbatim records, which are very expensive to produce, is one area of investigation. Other organizations using verbatim records are IFAD, ILO and UNESCO¹². However, recognising that verbatim records are a requirement of FAO's Basic Texts, other less costly methods are being considered, such as audio/video recordings of governing body meetings. UNCTAD and WTO¹³ have experience in making such recordings available on their Web sites. It is estimated that the implementation of such measures will generate savings of approximately US\$ 300 000 per annum. However, some of these savings will be required as an initial investment in technological infrastructure.

Streamlining of regional and country level administrative activities

57. It is recalled that the decentralization of some administrative functions since 1994 has yielded approximately US\$ 2 million per year in savings due to the differential in salary rates for local staff in Rome versus other locations. Further initiatives will be examined in the context of the implementation of the recommendations of the Independent Evaluation of FAO's Decentralization. These could directly lead to efficiency savings, although the extent or exact nature of these savings cannot yet be determined.

Improved support cost recovery

58. The Organization continues to seek means to recover costs incurred in providing administrative and operational support (AOS) services and technical support services (TSS) to extra-budgetary projects, thus minimising the burden on the Regular Programme budget.

59. The Organization will review the justification for, and feasibility of, increasing the percentage-based AOS rate for Technical Cooperation Programme (TCP) and emergency projects in accordance with the principles already approved by the FAO Council, and will seek to further improve recovery for technical services performed for extra-budgetary projects. This will require, *inter alia*, improved budget formulation practices and consultation with the governing bodies. In the case of TCP-funded projects in particular, increased recovery is being sought by simplifying the cost recovery procedures.

Conclusion

60. The expected savings which will crystallise in 2005, such as in the area of registry management, have already been accounted for in the current biennium. New initiatives will have initial investment costs, for example technological investments for documents and publications management.

61. The initiatives identified above will yield a satisfactory level of efficiency savings in 2006-07. Some US\$ 1.2 million per year can be quantified at present for savings in mainframe computer

¹¹ CL 127/REP paragraph 23

¹² International Fund for Agricultural Development (IFAD); International Labour Organization (ILO); United Nations Educational, Scientific and Cultural Organization (UNESCO)

¹³ United Nations Conference on Trade and Development (UNCTAD); World Trade Organization (WTO)

services, publications and registry management, meetings documents and records. The implementation of HRMS, off-shoring and reforms in decentralization will increase this figure and a more accurate estimate will be available in the full PWB 2006-07.

APPROACH TO PRIORITY SETTING

62. The approach for overall planning and management of Regular Programme resources includes three areas of scrutiny:

- in the first instance, efficiencies and economies in programme execution (including increased recovery of the cost of technical, administrative and operational support to field activities, where feasible and justified) are pursued for all areas of work, to release funds for the Organization's programmes or to handle budget reductions;
- every attempt is made to minimise the cost of delivering the non-technical programmes to optimise the cost effectiveness of servicing and back-office functions, particularly general policy, governance, administration and common services. The adoption of results-based principles in non-technical programmes and technical cooperation areas, which commenced in the Medium Term Plan (MTP) 2006-11, and the application of auto-evaluation to these programmes, will improve the capacity to identify areas for programme and resource adjustments. Initiatives addressing the cross-organizational strategy to improve the management process also contribute to this effort; and
- with respect to the technical and economic activities, priorities first come into play at the resource planning phase, which occurs in the development of the Medium Term Plan, where criteria analysis is used to determine the priority to be accorded to the programme entities that will contribute to the achievement of the strategic objectives.

63. As noted in the Medium Term Plan 2006-2011¹⁴, the criteria for priority setting endorsed in the Strategic Framework fall into two categories:

- those that can assist in determining the relative priority of a given entity in relation to others (relevance to the Strategic Framework; clear focus on Members' expressed priorities and embodiment of FAO's comparative advantage); and
- those that more particularly address the quality of design of a programme entity (demonstrated means-ends causal links; clear indication of quality and utility; cost efficiency; likelihood of success and sustainability of results).

64. The three criteria in the first category are those more relevant to informing the process of allocating resources. Based on the scores of these three criteria, the entities and related planned resources were critically reviewed in the context of RG opportunities as well as within the constraints of ZRG and ZNG budget levels.

65. In developing the ZNG scenario, three differentiated priority levels were identified at the programme entity level when assigning resource reduction targets:

- **highest priorities** considered as fully protected, i.e. keeping allocations to present levels, comprising the TCP and a few areas where commitments exist with third parties;
- **high priority** areas, generally scoring high on the first category of priority setting criteria, which were partially protected; and
- **other priority** areas, i.e. areas which were required to absorb a higher reduction than the preceding group.

66. At all resource levels, two other factors were taken into account by departments and offices in proposing changes to programme thrusts and resource allocations to entities:

- activities that could be substantially reduced or eliminated were identified in order to limit programme fragmentation, drawing attention to the consequent impact. Other risks (or

¹⁴ CL127/7 paragraphs 183 to 192

threats) were also identified which might affect programmes due to lack of critical mass at current resource levels or changes in the external environment; and

- where appropriate, the results of recent independent programme and strategy evaluations and of auto-evaluations were used by managers in deciding on the future of individual entities. The results of the first auto-evaluations and their contribution to the priority setting process are presented to the Programme Committee¹⁵ at the same time as the SPWB.

67. Further changes are expected to be made based on the guidance to be provided by the governing bodies on programme and resource allocation priorities. It is, therefore, anticipated that programme managers will build on the outcome of the guidance and the internal results-based management process to prepare the full PWB.

IMPACT OF RESOURCE SCENARIOS

68. At its 127th session the Council *recognized that alternative scenarios for the next MTP and PWB would be necessary to enlighten the membership about the possible impact of alternative allocations, including Zero-Real Growth (ZRG), Zero-Nominal Growth (ZNG), and Real Growth.*¹⁶

69. The Organization's approach to overall planning and management of Regular Programme resources, described under *Approach to Priority Setting*, can be applied to any resource scenario and has been used to develop indicative budgetary allocations and programme budget proposals at ZRG, RG and ZNG resource levels. Thus, managers have prepared their scenarios by taking account of potential efficiencies and applying the priority setting criteria, focussing on the main thrusts and planned achievements approved in the MTP 2006-11, particularly the first biennium of the plan period, across all locations.

70. As noted under *Risk Assessment*, the programme of work proposals for 2006-07 have been framed in the context of evolving demands and rapidly changing external relationships compounded by an uncertain budgetary climate.

71. The substantive thrusts of the ZRG scenario, proposed RG increases and the impact of ZNG reductions are described in the *Programme Budget Proposals* section for each major programme. A summary of these implications is provided below.

Zero Real Growth Scenario – Outline of the substantive thrusts

72. ZRG is defined as the budget level needed to maintain purchasing power by providing for the estimated amount of cost increases in 2006-07. In developing the ZRG scenario, the current biennium was taken as the starting point, adjusted for the reinstatement of resources for the Finance (AFF) and Policy Assistance (TCA) Divisions (which were foreseen in the MTP to be redressed under RG). This is in accord with the budgetary adjustments requested by the governing bodies in 2004, which are expected to be funded from estimated efficiency savings to be achieved in 2006-07. However, following the significant reductions in the budget in 2004-05 of US\$ 51.2 million (6.4%) in real terms, involving 232 abolitions in staff positions, some other areas remain under-funded and at risk under ZRG, in particular resources for escalating security costs, the FAO Representative (FAOR) network under Major Programme 3.4, and capital expenditure. The extent of coverage of these areas under ZRG will be primarily dependent upon the governing bodies' reaction to the management response to the decentralization evaluation and the achievement of hitherto unquantified efficiency savings.

¹⁵ PC 93/4 a)

¹⁶ CL 127/REP paragraph 56

73. It is clearly necessary to maintain continuity between the planned programme achievements articulated in the MTP within a results-based budgeting framework (as approved by the Council), and the budgetary proposals and biennial plans in the PWB. Therefore, adjustments to the programme structure at the PWB stage are exceptionally proposed. The following five areas of proposed adjustment, which are not yet reflected in the *Programme Budget* tables are highlighted:

- The work on auto-evaluation will be funded from Regular Programme resources. In addition to technical support from the Evaluation Service, resources budgeted in the programme entities undergoing auto-evaluation will be transferred from the technical and administrative programmes to a new, centrally-managed programme entity under Programme 1.2.2: *Evaluation*. Catalytic funding will then be reallocated during the biennium to the divisions undertaking auto-evaluations;
- Under Major Programme 2.1: *Agricultural Production and Support Systems*, the support to the Secretariat of the International Treaty on Plant Genetic Resources for Food and Agriculture (IT-PGRFA) will be provided by Programme 2.1.2: *Crops*, rather than from Programme 2.1.0: *Intra-departmental Entities*, once the first meeting of the governing body for the Treaty has taken place during the biennium;
- Resources will be allocated in Major Programme 2.2: *Food and Agriculture Policy and Development* under a new programme entity to be established for follow-up action on the Voluntary Guidelines to Support the Progressive Realization of the Right to Adequate Food in the Context of National Food Security;
- Building on the restructuring of Major Programme 2.5: *Contributions to Sustainable Development*, as approved in the MTP, two entities relating to education and extension will be shifted from Programme 2.5.1 to Programme 2.5.2;
- In order to emphasise the country focus of FAO's policy work, and to reduce programme fragmentation, some entities under Major Programme 3.1: *Policy Assistance* will be merged and refocused in the full PWB.

Real Growth Scenario – Summary of the import of proposals

74. The real growth of US\$ 30.9 million before cost increases, equivalent to an increase of 2.4% in 2006 and 2.5% in 2007, corresponds to the average gross domestic product (GDP) growth expected among the major contributors. The MTP 2006-11, which indicated a budgetary increase of US\$ 22.9 million for 2006-07, was used as the starting point for preparing the RG scenario for 2006-07, with some adjustment to rectify the under-funding for the decentralized structures. Of the additional US\$ 8 million compared with the MTP, US\$ 3.5 million would be provided for work on capacity-building in the application of international regulatory frameworks, US\$ 2.5 million to Chapter 8: *Capital Expenditure*, and US\$ 2 million to Chapter 9: *Security Expenditure*, as shown in *Programme Budget Table 7*.

75. Under Major Programme 2.1: *Agricultural Production and Support Systems*, RG would allow in particular to strengthen:

- work on the International Treaty on Plant Genetic Resources for Food and Agriculture (IT-PGRFA) to build national and regional capacities and the implementation of the Global Plan of Action for PGRFA;
- support to the Priority Areas for Inter-disciplinary Action (PAIAs);
- water use efficiency and conservation activities (e.g. on-farm water control techniques, irrigation system modernisation and management);
- the implementation of the International Plant Protection Convention (IPPC), by accelerating the harmonisation and standard-setting programmes and for technical assistance;
- EMPRES,¹⁷ i.e. to initiate work on other transboundary plant pests and diseases beyond the current focus on desert locusts;

¹⁷ Emergency Prevention System for Transboundary Animal and Plant Pests and Diseases

- work on critical animal health and production aspects (e.g. environmental and disease risk assessment and management, the Global Early Warning System for Transboundary Animal Diseases, pro-poor livestock development policies);
- support to policy and institutional measures for private sector marketing, agribusiness development and agro-industry innovation;
- the practical applications to solve specific development problems, as generated by the joint FAO/IAEA Division.

76. Under Major Programme 2.2: *Food and Agriculture Policy and Development*, real growth conditions would *inter alia* facilitate:

- the design of national Food Insecurity and Vulnerability Information and Mapping Systems (FIVIMS) that specifically address institutional issues;
- the capacity of the Codex Secretariat for information dissemination, as well as capacity-building in countries related to Codex activities;
- the expansion of the modernised Corporate Database for Substantive Statistical Data (FAOSTAT) to countries through CountryStat;
- the development of more efficient World Agricultural Information Centre (WAICENT) access tools for Members;
- effective methodologies for Crop and Food Supply Assessments;
- enhanced assistance to countries to implement trade agreements.

77. Under Major Programmes 2.3: *Fisheries*, the main benefits of RG would be in terms of:

- enhanced information on fisheries (the “Strategy-STF”);
- improved monitoring of marine ecosystems relevant to fisheries;
- expanded capacity-building for small scale fisheries development.

78. Under Major Programmes 2.4: *Forestry*, RG would facilitate:

- translating agreed concepts of sustainable management of forests into action and related sharing of experiences;
- expanded advice related to the Kyoto Protocol;
- comprehensive studies of forests and forestry for the 2030 horizon;
- meeting the high demands for national forestry policy frameworks and institutional arrangements.

79. Regarding Major Programme 2.5: *Contributions to Sustainable Development and Special Programme Thrusts*, RG would allow to:

- reinforce normative activities and policy assistance regarding the impact of HIV/AIDS and other diseases on household and national food security;
- build capacities of decision makers in designing and implementing policies and best practices for Sustainable Agriculture and Rural Development (SARD);
- increase the RP provision to support the Special Programme for Food Security (SPFS).

80. Under Chapter 3: *Cooperation and Partnerships*, RG would principally allow for:

- assistance to countries in coping with new treaties, regional integration mechanisms and globalisation challenges;
- responsiveness and capacity of service delivery by FAO Representatives at a more sustainable level.

81. Under Chapter 4: *Technical Cooperation Programme*, the RG net increase would clearly augment the capacity of the TCP Appropriation to meet requests from countries, including for emergencies.

82. Under Chapter 5: *Support Services*, real growth funding would be used to speed up the implementation by the Human Resources Management Division (AFH) of the Plan of Action for Human Resources.

Zero Nominal Growth Scenario – Summary of Impact

83. The ZNG resource level is defined as the programme of work that leads to the same nominal level of net appropriation for the next biennium as the current appropriation, which amounts to US\$ 749.1 million in 2004-05. An appropriation of US\$ 749.1 million to implement the 2006-07 programme of work, which is planned to continue to be collected through a system of split assessments to protect the budget from the effects of the dollar-euro exchange rate, therefore implies that the estimated cost increases (see section on *Cost Increases*), need to be “absorbed” by the Organization. This corresponds to an overall real reduction in resources of approximately US\$ 43 million, or 5.7%.

84. The programme resource reduction targets were applied as described under *Approach to Priority Setting* and affect work at all locations. The financial implications of a ZNG budget on the Organization’s programmes is shown at the major programme level in *Programme Budget* Table 8, and the highly damaging impact is described in the *Programme Budget Proposals* section. Salient points arising under this scenario are summarised below.

85. In the first instance, ZNG reductions could entail abolition of at least 190 positions. Even assuming that such action is feasible immediately after the required 232 post abolitions in 2004-05, additional costs for redeployment and separation of staff, tentatively estimated at up to US\$ 10 million, have not been “absorbed” in the ZNG proposals.

86. Under Chapter 1: *General Policy and Direction*, despite largely fixed costs, cuts in staff and non-staff provisions would be necessary in several offices (AUD, LEG, PBE, SAD)¹⁸, reducing support to the governance structures and results-based management, which would put at risk the governance, oversight and accountability framework.

87. Major Programme 2.1 would be affected in several ways, including:

- less capacity-building activities and dissemination of policy experience and examples of good agricultural practices, as well as conservation agriculture;
- delayed implementation of the programme of work of the Commission on Genetic Resources for Food and Agriculture (CGRFA);
- reduced activities on land degradation and conservation, soil fertility and nutrient management;
- elimination of support to the International Network of *ex-situ* collections of PGRFA;
- lower participation of developing countries in IPPC standard setting and less IPPC outreach activities (information systems and technical assistance);
- reduced support to countries in relation to integrated pest management, pesticide management, crop improvement and biotechnology;
- delays for the interactive Global Livestock Production and Health Atlas (GLiPHA) and in the establishment of national and regional livestock policy negotiation platforms;
- less work on good practices for addressing food-borne diseases and new measures for zoonoses control, and also lower support to the Programme Against Animal Trypanosomiasis (PAAT);
- making work on early warning and disease control strategy design and implementation under EMPRES fully dependent on extra-budgetary funding;
- elimination of technical support and information systems relating to farm power and mechanisation, and direct assistance for improving the business capacities of farmer organizations;
- reduced policy and institutional guidance relating to agribusiness, supply chain management and commercial farming;

¹⁸ Office of the Inspector-General (AUD); Legal Office (LEG); Office of Programme, Budget and Evaluation (PBE); Special Advisers to the Director-General (SAD)

- curtailment of outputs in the Joint FAO/IAEA Division of Nuclear Techniques in Food and Agriculture (AGE) on the use of the Sterile Insect Technique against the Mediterranean fruit fly, molecular characterisation of animal genetic resources and veterinary public health.

88. Under Major Programme 2.2, some telling examples of negative impact are:

- the need to adjust the structure, duration of and documentation for Committee on World Food Security (CFS) meetings;
- scaling down of FIVIMS objectives (reduced statistical data collection and analysis, technical assistance to countries, work on nutritional assessment and country nutrition profiles);
- elimination of new entities proposed in the MTP, undermining FAO's analytical capacity in fast-changing external contexts;
- drastic reductions in work on food composition, less nutrition publications, capacity-building workshops and training activities; coupled with the elimination of six sessions of FAO/WHO Regional Coordinating Committees;
- cancelled work on environmental statistics, as well as income and investment statistics, delays in the development of additional indicators for measurement of food security, and fewer new CountryStat countries;
- impaired development of the WAICENT corporate framework and the Programme to Bridge the Rural Digital Divide;
- reduced expenditures on promotion and dissemination of SOFA¹⁹ and other supportive analytical studies, providing the underpinning of Global Food and Agricultural Perspective Studies;
- fewer projects formulated and submitted to the Common Fund for Commodities, and reduced documents and analyses for the IGGs.

89. As regards Major Programme 2.3, ZNG conditions would negatively affect data quality, timeliness and responses to requests for information. Work on fishing fleet statistics would be cancelled, impairing monitoring of implementation of the International Plan of Action (IPOA) on fishing capacity. Other areas which would have to be reduced include: the identification and cataloguing of commercial fish species; the assessment and monitoring of world marine fishery resources; guidelines for fishery resources assessments and fisheries management; national workshops/meetings for the promotion of sustainable aquaculture; projection of world fish consumption by 2020; technical meetings and publications; support to regional fishery bodies.

90. Concerning Major Programme 2.4, ZNG would imply much lower activities in Low Forest Cover Countries (LFCC), making them mostly subject to extra-budgetary funding. Support in combating desertification and implementing the UNCCD²⁰ would have to be severely reduced. One statutory body - Silva Mediterranea - could be eliminated. ZNG would force curtailment of support to countries in the prevention and control of forest fires and to forest fire networks. It would not be possible to initiate new regional forestry outlook studies and update previous ones. Work on forest products trade and environment would be eliminated. Planned activities to address inadequacies in forestry institutions as a result of the HIV/AIDS pandemic, especially in Africa, would be halted. Support to the United Nations Forum on Forests and other dimensions of the international arrangement on forests would be curtailed.

91. Under Major Programme 2.5, ZNG would imply reductions in:

- support to environmental agreements and promotion of integrated environmental planning and management;

¹⁹ *The State of Food and Agriculture*

²⁰ United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa

- technology enhancement for Geographic Information System (GIS) and remote sensing data for early warning systems;
- technical assistance and capacity building in biotechnology and biosafety;
- support to networks among national research bodies and stakeholders;
- follow-up to the UN Roundtable on Communication for Development and the forthcoming World Congress on Communication for Development (WCCD);
- policy advice and technical assistance to countries in the context of the initiative on Education for Rural People (ERP);
- policy materials and methodologies to strengthen national agricultural extension systems, including extension capacity for the prevention and mitigation of HIV/AIDS;
- support to policies and practices for SARD, making work on the latter virtually dependent on extra-budgetary resources;
- headquarters support to the UN System Network on Rural Development and Food Security;
- support for up-scaling of the SPFS and to South-South Cooperation (SSC) agreements.
- FAO's financial support to the Consultative Group on International Agricultural Research (CGIAR) Science Council and its Secretariat, and technical assistance to National Agricultural Research Systems (NARS).

92. Under Chapter 3, ZNG conditions would force a return to cuts affecting policy assistance posts in the regions, impacting on FAO's capacity to assist with the implementation of the Millennium Development Goals and the Organization's capacity to assess field programme opportunities. Work with financial institutions other than the World Bank would be reduced by approximately 25 percent versus the current level of Investment Support Programme (ISP) work. The preparation of reports on field programme performance and the capacity to address problems related to field programme operations would be undermined. ZNG conditions would also compound the difficulties which already exist in managing the network of country offices under the present budget level. Appropriate measures to meet the reduction target still need to be identified. The coordination of activities related to cooperation with NGOs/CSOs²¹ and with the private sector, as well as the decentralized cooperation programme may also be affected.

93. Under Chapter 5, the General Affairs and Information Department would not be able to maintain the level of editorial and production quality of information materials, and would also need to reduce media services. AFF would need to eliminate posts, weakening internal financial controls, while the frequency of local audits in field offices would be reduced with self-evident impact. Among other things, the Information Systems and Technology Division (AFI) would be required to reduce significantly its information systems development services, while AFH would also reduce activities and services in key areas such as recruitment, post management and staffing services. The Management Support Service (MSS) in AFD would also have to eliminate critical Help Desk functions and other support to users throughout the Organization.

94. Under Chapter 6, the ZNG level would entail serious and short-term maintenance shortfalls on the premises which will lead to additional costs in the long term, and other reductions in common services at all locations.

DECENTRALIZATION

95. The Independent Evaluation of FAO's Decentralization²² was given initial consideration by the Programme and Finance Committees at their sessions in September/October 2004. The Committees also had before them the Preliminary Management Response²³ which commended the

²¹ Non-governmental Organizations (NGOs) / Civil Society Organizations (CSOs)

²² PC 92/6 a) or FC 108/18

²³ PC 92/6 a) - FC 108/18 Sup. 1

report and generally supported the recommendations. It was agreed that a further response by management would be made available to the next sessions of the Committees in May 2005. A detailed implementation plan with assigned responsibilities and deadlines is provided to the Committees in a separate document.²⁴ The document also explores the areas in which there are significant budgetary implications, many of which have yet to be quantified.

96. A further complexity to the Evaluation of FAO's Decentralization recommendations that needs to be taken into consideration is that the review of FAO's contribution to the Millennium Development Goals (MDGs) raises issues concerning the adequacy of FAO's capacity at the country level to meet not only the demand from Member Nations, but also to fully participate in country-level exercises such as Poverty Reduction Strategies (PRS), Common Country Assessments (CCA), United Nations Development Assistance Framework (UNDAF) or Sector-Wide Approaches (SWAs). In many cases, participation requires resource allocations for cost-sharing arrangements or even joint programmes, something which has been difficult to accommodate in a context of ever-diminishing resource levels.

97. While the report of the Evaluation of FAO's Decentralization is excellent in its depth of detail and coverage, it includes some 50 plus recommendations which, even in the Executive Summary, obscure the overall picture. Thus, a recommendation-by-recommendation approach to the report, while being both essential and appropriate in terms of accountability, needs to be enhanced through a classification of the recommendations and consideration of each class as a whole as well as individually. The requirement for such an approach is made even more important by the need to also address the MDGs and UN country level reform, the combined effect of which is to cause some reconsideration of FAO's future role and presence at country level.

98. As a result all of the recommendations have been classified under seven main headings that are described in more detail in document PC 93/7 - FC 109/26 and are as follows:

- Demand and priorities for FAO services at country level;
- Supply of FAO services, including country coverage;
- Authority and delegation;
- Human resources and staff management;
- Budgetary issues;
- Procedures, streamlining and efficiency; and
- Partnership at the country and regional levels.

99. All of the recommendations have budgetary implications to varying degrees. For example, the recommendations relating to the demand for, and supply of, services at country level have a myriad of implications including the costs of expanding existing country offices to accommodate the "technical hubs" or Subregional Offices, the relocation of staff, etc. Other recommendations would lead to increased funding for FAOR salary costs to facilitate the proposed reduction in vacancies or more resources for staff development in a number of areas. It is hoped that much of this incremental cost can be offset by savings arising from various recommendations dealing with streamlining, efficiency savings and delegations. However, following the reductions implemented in the 2004-05 budget, the current Regular Programme resource constraints are such that it is increasingly evident that the decentralized network is financially stretched to the limit.

100. The feedback that will be received from the Committees on the detailed implementation plan and the evolving budgetary implications will be progressively incorporated into the full PWB 2006-07, recognising that this is an on-going process which is likely to impact upon the budgets for future biennia as well.

²⁴ PC 93/7 - FC 109/26

CAPITAL BUDGETING

101. Conference Resolution 10/2003 established a Capital Expenditure Facility to integrate capital expenditure planning into the existing budgeting and financial framework, by:

- designating Chapter 8 of the Programme of Work and Budget for the purposes of defining and authorising capital expenditures; and
- establishing a Capital Expenditure Account through the addition of Financial Regulation 6.10.

102. The Facility provides a systematic approach to managing and financing essential capital expenditures under Chapter 8 within the existing planning framework. The source of funds for the Account is the Regular Programme Appropriation approved by Conference, voluntary contributions, and recoveries from charges to users for the delivery of capital investment services.

103. Capital expenditure plans totalling US\$ 6.6 million in the 2006-07 biennium and a tentative proposal for their funding were included in the Medium Term Plan 2006-11²⁵. The Finance Committee²⁶ welcomed the proposals and endorsed the cautious approach adopted by the Secretariat, in terms of the scope of eligible plans and level of funding.

104. The capital expenditure plans, which are summarised in Table 1 below and are entirely consistent with the proposals in the MTP 2006-11, were limited to the most indispensable projects for 2006-07, as the extent to which the capital expenditure plans can be implemented are dependent upon the level of expenditure financed under the Facility:

- planned capital expenditure totalling US\$ 6.6 million comprise the completion of investments that have already commenced (US\$ 3.9 million for the Human Resource Management System (HRMS) implementation and post implementation activities), essential periodic investments for information and communication technology systems (US\$ 1.7 million for corporate administrative and technical applications and telephony services), and US\$ 1 million for overdue replacement of interpretation equipment in meeting rooms;
- four possible sources of funding totalling US\$ 6.9 million are proposed for the Capital Expenditure Account in 2006-07. The resources planned for 2006-07 would be authorised for expenditure in Chapter 8 through the Appropriations Resolution approved by the Conference.

105. The sources of funding are outlined below.

106. **Carry-forward from Arrears at 31/12/2005 – US\$ 2.9 million** The Finance Committee at its 108th Session agreed to the proposal to carry forward to the Capital Expenditure Account the unspent balance on Resolution 6/2001 *Use of Arrears*. The Committee recognised that many items detailed in Resolution 6/2001 also fall under the definition of Capital Expenditure and that certain projects originally authorised under the *Use of Arrears* would run beyond 2005. Examples include the development of HRMS and Field Accounting System (FAS) administrative systems. A firmer estimate of the carryover will be provided in the full PWB.

107. **Eventual 2004-05 under-spending transferred to Chapter 8 – US\$ 1 million.** It is not generally feasible to spend 100% of the Appropriation if the Organization is to avoid ever exceeding it. Therefore, surpluses of varying magnitude occur every biennium. The governing bodies may wish to transfer the amounts under-spent at the end of each biennium in Chapters 1 through 6 of the budget to Chapter 8, so as to permit the effective operation of the Facility.

108. **Redirection of funds from Chapters 1 through 6 to Chapter 8 – US\$ 2 million.** The intention is to withhold a part of the Appropriation across the Chapters at the beginning of the

²⁵ CL 127/7 paragraphs 624-645

²⁶ CL 127/15 paragraph 79

biennium, to ensure a steady flow of income from the Appropriation to the Capital Expenditure Account. These transfers would preferably be in the form of efficiency savings to be achieved in 2006-07, but could also include resources that would have been budgeted by the concerned programmes for capital expenditure. This approach has not yet been reflected in the resource tables of the document, pending consideration of the best mechanism to calculate the hold back. The first Appropriation adjustment for US\$ 2 million will be made as part of the full PWB 2006-07.

109. **Transfers from other Chapters during implementation – US\$ 1 million.** Although the precise sources of funding have yet to be determined, possibilities could include charges for capital services, voluntary contributions, or one-time charges against specific programmes.

110. Table 1 summarises the inflows and the outflows for the Capital Expenditure Account to arrive at a tentatively projected balance in Chapter 8 of US\$ 0.3 million at the end of 2006-07. Under Financial Regulation 6.10, this balance will be transferred to the Capital Expenditure Account for use in the subsequent financial period.

Table 1: Planned Movements in the Capital Expenditure Account (US\$ 000)

	Carry forward at 31/12/05	2006-07 Biennium
PLANNED INFLOWS		
Carry-forward from Arrears at 31/12/2005	2,900	
2004-05 Under-spending Transferred to Chapter 8	1,000	
Total Available Funds at 31.12.05 Carried Over to 2006-07	3,900	3,900
Redirection of funds from Chapters 1 through 6 to Chapter 8		2,000
Transfers from other Chapters during implementation		1,000
Total Additions in 2006-07 to Capital Account		3,000
TOTAL FUNDS AVAILABLE IN 2006-07		6,900
PLANNED CAPITAL EXPENDITURE		
1. Telephone Services		150
2. Shared Data Services		1,545
3. IT Support to Meetings		1,000
4. Human Resources Management System		3,900
TOTAL PLANNED EXPENDITURE IN 2006-07		6,595
Closing Balance transferred to the Capital Expenditure Account		305

111. Since the Finance Committee has previously endorsed the restricted scope of eligible plans in preparing capital expenditure proposals, a single expenditure plan and a corresponding funding level has been prepared for the biennium. However, the compulsion for budgetary realism has precluded proposals for other essential investments in institutional infrastructure as it would not be feasible to support them without additional assessed or voluntary contributions. For the same reason, other strategic proposals that would contribute to improved efficiency and effectiveness in the medium-term, have also been left out, even though their desirability can be established through careful application of investment appraisal techniques. Details of viable, but unfunded capital expenditure initiatives could be provided in the full PWB so that the governing bodies are able to consider them.

PROPOSAL FOR AN FAO SECURITY EXPENDITURE FACILITY

112. Security awareness worldwide has increased notably since 11 September 2001 and a safe working environment cannot be taken for granted. The United Nations system, including FAO staff, faced attacks against its premises in Baghdad in August 2003. The conclusions of the report of the Independent Panel on the Safety and Security of United Nations Personnel in Iraq pointed to severe failures in the UN security management, system and practices.

113. The Organization perceives a need for a strengthened financial planning, monitoring and accountability framework for security and safety of staff and assets, which has caused mounting and unpredictable expenditure in recent times. In this regard, guidance is sought from the governing bodies concerning the establishment of an FAO Security Expenditure Facility, which would ease financial management within a results-based context.

114. The primary responsibility for the security and protection of FAO personnel and property rests with the host government. However, within the framework of the United Nations Security Management System, the Director-General is ultimately responsible for the safety and security of FAO personnel and property. Providing a safe environment also requires adequate funding and Members have a collective responsibility in this regard.

115. The Organization must fund a variety of costly security provisions to protect both its personnel and assets in line with existing UN security policies, practices and procedures. In the light of recent events, decisive action has been taken to strengthen security at headquarters and field duty stations, including through the promulgation of a new FAO Field Security Policy issued in July 2003. Security provisions include *inter alia* the Organization's cost-share of the newly established UN Department of Safety and Security (encompassing the ex-Office of the United Nations Security Coordinator - UNSECOORD); Minimum Operating Security Standards (MOSS) equipment and facilities for all field offices and staff; security training; and Minimum Operating Residential Standards (MORS) equipment.

116. The resources required for safeguarding staff and assets have risen dramatically since 2001. A budgetary provision for security of US\$ 2.4 million in 2002-03 was increased in the PWB 2004-05 by US\$ 7.6 million to US\$ 10 million, while the actual cost incurred in 2004-05 is expected to rise to US\$ 11.7 million. In 2006-07 it is estimated that the requirements will increase further to at least US\$ 12.7 million as detailed in the following table, excluding the rising cost of headquarters building guards, amounting to over US\$ 6.5 million in 2004-05. Most of these costs are recurrent and the significant amounts involved warrant revised modalities of security budget presentation and management.

Table 2: Security Resource Requirements (US\$ 000)

Security Item	Estimated 2004-05 cost to be funded by FAO RP	Estimated 2006-07 cost
FAO share of ex-UNSECOORD	2,760	4,000
Malicious Acts Insurance Policy	300	300
MOSS equipment, GOE and related costs for FAORs	5,760	6,340
FAO Field Security Focal Point and Security Clerk	480	480
Residential security provisions	718	718
Miscellaneous including MOSS equipment and GOE for FAO Regional/Sub-regional Offices	350	350
Subtotal security items - field	10,368	12,188
HQ security services including installation of anti-ram barriers	805	500
Installation of blast-proof film on HQ windows	333	-
Other HQ expenditure	180	-
Subtotal security items - HQ	1,317	500
TOTAL	11,686	12,688

117. The budgets and expenditures for safeguarding staff and assets are currently spread among several chapters and organizational units. This weakens financial management and control of this important area of expenditure, hindering the formulation of a linked hierarchy of programmes and activities with clearly articulated objectives, and the alignment of resources to the programmes.

118. The financial management of security resources is also complicated by unanticipated costs and fluctuating cost estimates, particularly where they relate to FAO's participation in United Nations system-wide arrangements, such as the Organization's share in the costs of the UN Department of Safety and Security. These uncertainties are very much exacerbated by the fluctuating security situation at global, regional or country level. The requirement to reduce the substantive programme of work due to unplanned security expenditures, or the inability to carry forward under-expenditure on security from one biennium to the next, on account of delays that are entirely outside the control of the Organization, are serious constraints.

119. To address the present shortcomings, the governing bodies may wish to consider establishing a Security Expenditure Facility from 2006, as a multi-biennia funding mechanism that groups in a new dedicated Chapter of the PWB (Chapter 9) all costs that are directly related to headquarters and field security at FAO. The account could also be supplemented by voluntary contributions.

120. Unspent funds in this Chapter at the end of the biennium would be credited to an FAO Security Account and could be carried-forward to future biennia.

121. For the PWB 2006-07, resources required are estimated at US\$ 12.7 million, excluding the cost of headquarters building guards, as tabulated above. US\$ 10 million would be drawn from the existing provision for security budgeted in the approved PWB 2004-05, the majority of which is under Chapter 1 (US\$ 6.3 million) and Chapter 3 (US\$ 2.7 million) and the remaining budgetary requirements would be funded from within the appropriations in the 2006-07 budget, as for the other chapters.

122. The Security Expenditure Facility would improve financial management within a results-based context and give needed visibility to the efforts of Members and the Organization to ensure a safe and secure working environment.

FINANCIAL FRAMEWORK

OVERVIEW OF COST INCREASES

Methodology

123. The methodology for the calculation of cost increases in 2006-07 follows the approach of previous biennia, which was approved by the Finance Committee, Council and Conference. As noted under the section on *Risk Assessment*, staff cost increases in particular remain difficult to predict despite the sophisticated information systems used to analyse current costs and quantify trends. Cost increase calculations will be further refined and updated for the full PWB.

124. As in previous biennia, the cost increase estimates in the SPWB are developed based on actual cost adjustments that have occurred in the first year of the current biennium and cost projections over the planning horizon. The resulting financial adjustments are sub-divided into *biennialization* and *inflation*.

125. Biennialization incorporates the full biennial effect of cost increases that have occurred or will materialise during the current biennium, but which will be incurred for the full 24 months in 2006-07. As such, biennialization objectively reflects the financial impact of events that will have already taken place before the implementation of the 2006-07 budget. The financial implications are essentially a matter of fact and arithmetic, not conjecture or long-range planning.

126. Inflation represents the cost impact in 2006-07 of those adjustments that are expected to take effect at various points in the next biennium. The planning assumptions are summarised below. To assure prudent fiscal management and transparency, independent verifiable forecasts from the Economist Intelligence Unit and published data of authoritative bodies such as the International Civil Service Commission (ICSC) are used.

Analysis of cost increases

127. This section provides an overview of the cost increases needed to maintain purchasing power, which are estimated at US\$ 45.7 million for the 2006-07 biennium at ZRG. This corresponds to a biennial cost increase rate of 5.4% of the Programme of Work (equivalent to a 3.6% annual increase), or 6.1% of the total net budget (equivalent to 4% per year).²⁷

128. In line with previous SPWB documents, at this stage the cost increase projections assume the same input mix for 2006-07 as the current approved PWB 2004-05 (i.e. 67% staff costs and 33% non-staff costs). The estimated cost increases for 2006-07 could change in the full PWB as a result of the application of cost increases to the proposed input mix in the biennium. For example changes between the current budget and the PWB 2006-07 in the proportion of staff in the total programme of work, or even modifications in the distribution of posts across locations, would alter the cost increase calculations.

²⁷ The overall real reduction in resources at ZNG is derived by applying the 6.1% biennial cost increase to the reduced programme of work base required to remain at a total net budget level of US\$ 749.1 million. This produces a real reduction in resources of approximately US\$ 43 million.

Table 3: Summary of Cost Increases (US\$ 000)

	PWB 2004-05 Programme Base	Biennialization	Inflation	Total Cost Increases for 2006-07	2006-07 ZRG Budget after Cost Increases
Personnel Services: Salaries, Pension Fund Contributions and Allowances	539.7	17.6	18.1	35.7	575.4
After Service Medical	10.1	2.3	0.0	2.3	12.4
Other After Service Benefits	16.5	1.8	0.0	1.8	18.3
Total Personnel Services	566.2	21.7	18.1	39.9	606.1
Total Goods and Services	274.8	0.0	5.8	5.8	280.7
Programme of Work	841.0	21.7	24.0	45.7	886.7
Less income	(91.9)	-	-	-	(91.9)
Net Budget	749.1				794.8

129. Explanations are provided below for the most significant cost increases and the underlying assumptions by main cost heading.

Personnel services

130. Personnel Services comprises all staff costs, including salaries, pension fund contributions, dependency allowances, social security and other staff related entitlements and after service benefits for both the professional and general service staff categories.²⁸ The increases in personnel services costs are exclusively those deriving from the UN common system, as reviewed by the ICSC and approved by the UN General Assembly.

131. Personnel Services are estimated to increase by 7% compared to the previous biennium and account for US\$ 39.9 million out of the overall US\$ 45.7 million cost increases for 2006-07 (87%). The significant cost adjustments are, in turn, primarily the effect of events that are occurring in the current biennium.

132. Biennialization accounts for US\$ 21.7 million of the total cost increase, due mainly to under-budgeting of unit staff cost rates in the current biennium²⁹ arising from:

- the increase in Staff-Related Liabilities of some US\$ 5.2 million due to a change in methodology in the actuarial valuation as at 31 December 2003 (US\$ 4.2 million of this amount was unforeseen and unbudgeted in 2004-05);
- the increase in the Organization's share of the premiums for the Basic Medical Insurance Plan that was budgeted at 12% per year against an actual increase of around 20% in 2004 and a similar increase expected in 2005;
- increases in Education Grant and Entitlement travel; and,
- the impact of a lower US dollar against local currencies in decentralised offices.

133. With regards to inflation, a total cost increase of US\$ 18.1 million is foreseen based on estimates for the various cost components, including:

- for headquarters general service staff remuneration, the Economist Intelligence Unit (EIU) Average Nominal Wages Index in Italy for 2006 (2.4%) and 2007 (2.3%);
- for headquarters professional salaries, the consumer price index (CPI) in Italy for 2006 (1.9%) and 2007 (1.8% adjusted upwards to 2% in view of the place-to-place survey foreseen for late 2005); and
- an average of factors such as inflation indexes, exchange rate forecasts and recent past patterns of increases, as applied to staff costs in other locations.

²⁸ FC 108/11(b) on Cost Analysis of Staff Remuneration and Benefits contains a detailed description of the various benefits and allowances granted to internationally and locally recruited staff.

²⁹ FC 109/3 paragraphs 12-13

134. For pensionable remuneration, a somewhat lower increase than for the Average Nominal Wages Index for the USA for 2006 and 2007 is applied, at 3% and 2% respectively. This adjustment takes account of a 4.42% across-the-board increase in September 2004 in the scale of pensionable remuneration for the professional and higher categories.

135. The Basic Medical Insurance Plan witnessed a sharp cost escalation in 2004³⁰ and the same is forecast for 2005. However, a slowing down is assumed in the next biennium with an 11% increase for each year, as the contract for the medical plan will come to an end in 2006 and, through the tendering process, cost containment measures are expected.

136. Funding for after service staff benefits, including After-service Medical Coverage (ASMC) is assumed to remain at the same level set by the actuarial valuation of 31 December 2003.

Goods and services

137. This cost heading includes Other Human Resources, Travel, General Operating Expenses, Furniture, Equipment and Vehicles.

138. Other Human Resources, which consist of non-staff human resources in the form of temporary assistance, consultants and contracts, are estimated to increase by 2.4% overall in the biennium due to inflation. The calculation is based on the weighted average of the estimated nominal wage increase for Italy applied to headquarters-based expenditures and the consumer price index for goods and services, and lower estimated increases for decentralised expenditure.

139. Travel costs have been increased by 0.9% for the biennium in view of the low level of increases in air tariffs and DSA, assuming that cost containment measures mentioned under *Efficiency Savings* are implemented. The 1% inflationary increase in General Operating Expenses is based on the CPI for Italy applied to headquarters-based expenditures and lower inflation rates for the remaining part of expenditure. Under Furniture, Equipment and Vehicles, it has been assumed that most of the expenditure will be incurred under international tendering provisions for which US rates of inflation are considered appropriate.

Amortization of accrued liability for After-service Medical Coverage

140. The governing bodies approved the Organization's treatment of the ASMC liability in respect of the past service of staff members in 1998. This involved an annual accrual in the accounts from 1 January 1998 over an amortization period of 30 years. In addition, the current service costs of staff members are being accounted for and funded from the regular budget.

141. The Conference at its 2003 session approved an additional assessment to begin funding the amortization of the ASMC. Document FC 109/17 proposes several options for funding the ASMC, which are not part of the Organization's current or proposed Programme of Work.

Lapse factor

142. The methodology approved by the Council at its 107th session in November 1994 for a reduction of staff costs for staff turnover (the lapse factor), has been followed. As in the PWB 2004-05, an across-the-board budgetary reduction of 2.52 percent and 1.63 percent continues to be applied to professional and general service staff costs respectively in arriving at the programme budget estimates for 2006-07. The percentages will be revised in the full PWB 2006-07 to take account of standard retirement lead times and staff turnover rates.

FINANCIAL ANALYSIS OF THE GENERAL AND RELATED FUNDS

143. The General and related funds comprise three distinct elements which together characterise the overall financial health of the Organization:

³⁰ The increase is directly related to the benefits paid from the plan each year together with projections for medical inflation for the next year and the fact that in 2003 claims were substantially higher than in 2002.

- the most significant caption is the General Fund, which reflects the accumulated historical result of all receipts from assessments on Members, miscellaneous and other income, offset by cumulative expenditures to execute the Programme of Work;
- the Working Capital Fund (WCF), which is authorised at a level of US\$ 25 million, its primary purpose being to advance monies to the General Fund to finance expenditures pending receipt of assessed contributions to the budget. The WCF can also be used to finance emergency activities not contemplated in the budget;
- the Special Reserve Account (SRA), which is authorised at a level of 5% of the effective working budget (currently US\$ 37.5 million). Its primary purpose is to protect the Programme of Work against the effects of unbudgeted extra costs arising from adverse currency fluctuations and unbudgeted inflationary trends. The SRA can also advance monies on a reimbursement basis to the WCF.

144. The breakdown of the General and related funds as at 31 December 2003 (i.e. from the latest available audited accounts), is summarised as follows:

Table 4: General and Related Funds Equity Position as at 31 December 2003

	US\$ Millions
General Fund Balance/(Accumulated Deficit)	(90.1)
Working Capital Fund	25.2
Special Reserve Account	23.0
Total Reserves and Fund Balances/(Deficit) at 31 December 2003	(41.9)

145. The significant accumulated deficit under the General Fund at 31 December 2003 can be largely explained by:

- the treatment of arrears in assessed contributions from Members; and
- the recognition of After-service Medical Coverage (ASMC) costs in the accounts of the Organization.

146. Outstanding payments of assessed contributions are not recognised in the accounts. However, the accumulated deficit of US\$ 90.1 million as at 31 December 2003³¹ is covered by outstanding arrears in assessed contributions from Members, amounting to US\$ 97.7 million on the same date.

147. The Organization's accounting policy with respect to ASMC is similar to that of the international accounting standards and the policy of some other UN organizations. At the same time, it is more prudent than the policy presently adopted by the United Nations itself and several other agencies. For example, the United Nations recognises ASMC liabilities only to the extent of the payments actually incurred every biennium on retiring or separated staff. However, this is currently under review with the assistance of a recognised firm of actuaries, to see how the matter can be brought in line with best practice.

148. In the case of FAO, since 1998 the governing bodies have approved the following approach:

- the current service costs, as determined in the actuarial valuation, are planned in the Regular Budget and charged in the accounts; and
- the unrecorded liabilities for past service determined by the actuarial valuation are being amortised over 30 years for ASMC.

149. The accumulated deficit at 31 December 2003 includes charges for ASMC amortisation amounting to US\$ 49.5 million which are not funded and have augmented the accumulated deficit by a corresponding amount. However, at 31 December 2003 ASMC liabilities not yet recorded amount to US\$ 202.9 million.

³¹ This includes the effect of the balance of one-time expenditures authorised by the Conference against the major contributor's arrears payments (US\$ 41.4 million).

150. While the above clarifications provide a justification for the accumulated deficit balance on the General Fund at 31 December 2003, the difficulty is real. The accumulated deficit will grow in 2004-05 and will continue to rise unless further action is taken. For example, the unrecorded ASMC liabilities will continue to be amortised in current and future biennia, in accordance with the above-mentioned decisions of the governing bodies.

151. The Conference approved additional funding in 2004-05 of US\$ 14.1 million for ASMC in 2003 and the Finance Committee and Council were subsequently informed in 2004, that according to the latest actuarial report, the current funding would need to increase significantly to cover the ASMC liabilities. Options for dealing with the funding of the ASMC liabilities are submitted to the governing bodies in a separate document.³²

152. The governing bodies are also being informed³³ that delays in the receipt of assessed contributions will exacerbate the cash position of the General Fund, requiring monies to be advanced to the General Fund from the WCF and SRA on a more frequent and continuing basis. There will be a requirement for external borrowing during 2005, unless significant contributions from Members are received earlier than was the case in 2004.

153. The Organization must, therefore, seek solutions to reverse the trend of an increasing accumulated deficit under the General Fund, or at least to stabilise it, and to improve the cash flow situation. A possible partial solution, on which guidance is sought from the governing bodies, concerns the treatment of Miscellaneous Income in arriving at the assessment of the contributions to the biennial budget.

154. In accordance with Financial Regulation 7.4, *Miscellaneous Income shall be estimated for each financial period*. The estimates are provided in every Programme of Work and Budget, and the amounts put forward during the past three biennia are tabulated below:

Table 5: Miscellaneous Income (US\$ 000)

Description	2000-01	2002-03	2004-05
Rental of Conference and Office facilities	196	100	100
Investment Earnings	4,000	4,500	4,500
Less discounts payable	(1,200)	(600)	(600)
Lapse of accrued liabilities	3,700	2,500	5,000
Contributions from New/Associate Members	100	100	100
Sundry	100	95	95
TOTAL ESTIMATED MISCELLANEOUS INCOME	6,896	6,695	9,195

155. In accordance with Financial Regulation 5.2(a), *in the assessment of contributions of Members and Associate Members for each financial period, adjustments shall be made in respect of estimated Miscellaneous Income of the financial period in respect of which the assessment of contributions is being made*. Thus, in arriving at the assessments on Members, the resolution on the budgetary Appropriation makes a deduction for the estimated Miscellaneous Income in the Programme of Work and Budget.

156. It is befitting to recall the rationale for this treatment of Miscellaneous Income. Under Financial Regulation 7.4, *if the actual Miscellaneous Income ... exceeds or is less than the estimate, such excesses or such shortfall shall form part of the surplus or deficit of that financial period*. Moreover, under Financial Regulation 6.1(b), *any cash surplus in the General Fund at the close of any financial period shall be allocated among Member Nations*. Therefore, the practice of estimating Miscellaneous Income is aimed at projecting the likely surplus in the General Fund at the end of a biennium. Assuming full implementation of the Programme of Work, the deduction of Miscellaneous Income from assessments serves to obviate the need to raise assessments for the portion that would anyway have to be distributed to Members after the implementation cycle.

³² FC 109/17

³³ FC 109/4

157. In fact, the governing bodies have already recognised the risk in this approach should the level of forecast Miscellaneous Income not eventuate, with the consequent adverse effect on the delivery of the Programme of Work. For this reason *“the Council asked the Director-General to prepare conservative estimates of Miscellaneous Income for the purpose of determining the level of payment of contributions from Member Nations”*.³⁴

158. The reality now is that the Organization has a large and growing accumulated deficit in the General Fund. Therefore the basis for reducing the assessed contributions to a figure that is lower than the net Appropriations, on the assumption that the Organization will have a cash surplus, is no longer valid. In the light of such circumstances, the governing bodies may consider it prudent fiscal management to fully fund the net Appropriations.

159. Options that could be considered by the governing bodies to fully fund the net Appropriation from 2006-07 might be to:

- temporarily suspend the application of Financial Regulation 5.2(a), which requires adjustments to be made to the assessments in respect of estimated Miscellaneous Income, until such time as the General Fund nears a surplus; or
- further to the guidance previously provided by Council, request the Secretariat to supply only a nominal estimate for Miscellaneous Income until such time as the Organization returns to a stronger financial and cash flow position.

³⁴ CL 91/REP paragraph 278

PROGRAMME BUDGET

Introduction

160. The three summary tables immediately following, provide the financial movements from the base (i.e. the approved budget for 2004-05) to the proposals for 2006-07 under the ZRG, RG and ZNG scenarios. They show the changes to the Programme of Work as well as the net changes to the Appropriation. The substantive import of these movements has been summarised under the section on *Impact of Resource Scenarios*.

161. Attention is drawn to the new Chapters 8: *Capital Expenditure* and 9: *Security Expenditure* reflected in the summary tables. The purposes of the Capital Expenditure and Security Expenditure Facilities are described in the relevant sections of the *Budgetary Framework*.

- The amounts shown in Chapters 8 and 9 at ZRG (US\$ 2 million and US\$ 10 million respectively), are an integral part of the Regular Programme Appropriation. Under this scenario, the resources for Security Expenditure have been taken from budgeted security resources in Chapters 1 (US\$ 6.3 million), 3 (US\$ 3.5 million) and 6 (US\$ 0.2 million). The Regular Programme resources required for Capital Expenditure still within the programme structure will be removed in the full PWB, once a more precise resource distribution is known.
- Under real growth, Chapter 9: *Security Expenditure* is increased by US\$ 2 million to minimise risk of not meeting the full biennial requirement, while Chapter 8: *Capital Expenditure* receives an additional US\$ 2.5 million in partial fulfilment of identified needs.

162. Of the US\$ 2.4 million in efficiency savings quantified, US\$ 1.9 million has been allocated to the Policy Assistance Division in Major Programme 3.1 and to the Finance Division in Major Programme 5.2, as requested by the governing bodies in 2004. The removal of efficiency savings from the programme structure and the re-allocation of the remaining amount, will take place in the full PWB.

163. The lower-level tables embedded in the programme narratives provide in a combined manner breakdowns of resource allocations and changes in the Programme of Work under both ZRG and RG at the programme level, and ZNG at major programme level.

164. The programme narratives focus on the main substantive thrusts for the biennium under ZRG conditions, as well as the programme impact of RG and ZNG resource levels. These substantive thrusts may – and do in most cases – involve contributions of (and impact on) decentralized offices.

165. As per established practice, the figures are at constant cost levels, before cost increases expected in 2006-07, to ensure comparability between the 2004-05 budget and the 2006-07 proposals.

Table 6: Summary of Programme of Work and Appropriation by Chapter and Major Programme at 2004-05 Costs for ZRG (all amounts in US\$ 000)

Major Programme and Chapter	Description	2004-05 Budget			ZRG Programme Change			2006-07 ZRG Proposal		
		Programme of Work	Less: Income	Appropriation	Programme of Work	Less: Income	Appropriation	Programme of Work	Less: Income	Appropriation
11	Governing Bodies	19,598	0	19,598	0	0	0	19,597	0	19,597
12	Policy, Direction and Planning	28,236	2,100	26,136	(1)	0	(1)	28,234	2,100	26,135
13	External Coordination and Liaison	22,390	769	21,621	(6,915)	0	(6,915)	15,475	769	14,706
1	General Policy and Direction	70,224	2,869	67,355	(6,917)	0	(6,917)	63,307	2,869	60,438
21	Agricultural Production and Support Systems	102,927	2,980	99,946	(132)	(28)	(104)	102,794	2,952	99,842
22	Food and Agriculture Policy and Development	100,547	2,278	98,269	180	102	78	100,727	2,380	98,347
23	Fisheries	47,223	2,173	45,049	(829)	(832)	3	46,394	1,341	45,052
24	Forestry	35,374	697	34,677	(3)	0	(3)	35,370	697	34,673
25	Contributions to Sustainable Development and Special Programme Thrusts	56,376	5,182	51,194	995	981	14	57,372	6,163	51,209
2	Technical and Economic Programmes	342,446	13,311	329,136	211	223	(12)	342,657	13,534	329,123
31	Policy Assistance	29,653	862	28,792	1,267	0	1,267	30,920	862	30,059
32	Support to Investment	55,128	29,654	25,474	(1)	0	(1)	55,128	29,654	25,474
33	Field Operations	24,646	20,540	4,106	(65)	(3)	(62)	24,581	20,537	4,044
34	FAO Representatives	82,247	11,832	70,414	(3,397)	0	(3,397)	78,850	11,832	67,018
35	Cooperation with External Partners	11,800	1,955	9,845	3,558	3,014	544	15,358	4,969	10,389
39	Programme Management	2,288	147	2,141	0	0	0	2,288	147	2,141
3	Cooperation and Partnerships	205,762	64,989	140,772	1,363	3,011	(1,648)	207,124	68,000	139,124
41	Technical Cooperation Programme	98,645	0	98,645	0	0	0	98,645	0	98,645
42	TCP Unit	4,382	0	4,382	0	0	0	4,382	0	4,382
4	Technical Cooperation Programme	103,027	0	103,027	0	0	0	103,027	0	103,027
51	Information and Publications Support	18,064	0	18,064	0	0	0	18,065	0	18,065
52	Administration	48,402	7,051	41,351	747	75	672	49,148	7,126	42,022
5	Support Services	66,466	7,051	59,415	747	75	672	67,213	7,126	60,087
6	Common Services	52,486	3,692	48,794	463	700	(237)	52,949	4,392	48,557
7	Contingencies	600	0	600	0	0	0	600	0	600
8	Capital Expenditure	0	0	0	2,000	0	2,000	2,000	0	2,000
9	Security Expenditure	0	0	0	10,000	0	10,000	10,000	0	10,000
	Efficiency Savings anticipated from RP programmes	0	0	0	(1,856)	0	(1,856)	(1,856)	0	(1,856)
	Capital Expenditure Facility (funded from Chpts 1 - 6)	0	0	0	(2,000)	0	(2,000)	(2,000)	0	(2,000)
Total		841,011	91,911	749,100	4,009	4,009	0	845,020	95,920	749,100

Table 7: Summary of Programme of Work and Appropriation by Chapter and Major Programme at 2004-05 Costs for RG (all amounts in US\$ 000)

Major Programme and Chapter	Description	2006-07 ZRG Proposal			RG Programme Change			2006-07 RG Proposal		
		Programme of Work	Less: Income	Appropriation	Programme of Work	Less: Income	Appropriation	Programme of Work	Less: Income	Appropriation
11	Governing Bodies	19,597	0	19,597	0	0	0	19,597	0	19,597
12	Policy, Direction and Planning	28,234	2,100	26,135	0	0	0	28,234	2,100	26,135
13	External Coordination and Liaison	15,475	769	14,706	0	0	0	15,475	769	14,706
1	General Policy and Direction	63,307	2,869	60,438	0	0	0	63,307	2,869	60,438
21	Agricultural Production and Support Systems	102,794	2,952	99,842	5,751	0	5,751	108,545	2,952	105,593
22	Food and Agriculture Policy and Development	100,727	2,380	98,347	4,822	0	4,822	105,549	2,380	103,169
23	Fisheries	46,394	1,341	45,052	2,060	0	2,060	48,454	1,341	47,112
24	Forestry	35,370	697	34,673	1,455	0	1,455	36,825	697	36,128
25	Contributions to Sustainable Development and Special Programme Thrusts	57,372	6,163	51,209	2,069	0	2,069	59,441	6,163	53,278
2	Technical and Economic Programmes	342,657	13,534	329,123	16,157	0	16,157	358,814	13,534	345,280
31	Policy Assistance	30,920	862	30,059	244	0	244	31,164	862	30,303
32	Support to Investment	55,128	29,654	25,474	2,300	1,300	1,000	57,428	30,954	26,474
33	Field Operations	24,581	20,537	4,044	0	0	0	24,581	20,537	4,044
34	FAO Representatives	78,850	11,832	67,018	3,900	0	3,900	82,750	11,832	70,918
35	Cooperation with External Partners	15,358	4,969	10,389	0	0	0	15,358	4,969	10,389
39	Programme Management	2,288	147	2,141	0	0	0	2,288	147	2,141
3	Cooperation and Partnerships	207,124	68,000	139,124	6,444	1,300	5,144	213,568	69,300	144,268
41	Technical Cooperation Programme	98,645	0	98,645	4,000	0	4,000	102,645	0	102,645
42	TCP Unit	4,382	0	4,382	100	0	100	4,482	0	4,482
4	Technical Cooperation Programme	103,027	0	103,027	4,100	0	4,100	107,127	0	107,127
51	Information and Publications Support	18,065	0	18,065	0	0	0	18,065	0	18,065
52	Administration	49,148	7,126	42,022	1,000	0	1,000	50,148	7,126	43,022
5	Support Services	67,213	7,126	60,087	1,000	0	1,000	68,213	7,126	61,087
6	Common Services	52,949	4,392	48,557	0	0	0	52,949	4,392	48,557
7	Contingencies	600	0	600	0	0	0	600	0	600
8	Capital Expenditure	2,000	0	2,000	2,500	0	2,500	4,500	0	4,500
9	Security Expenditure	10,000	0	10,000	2,000	0	2,000	12,000	0	12,000
	Efficiency Savings anticipated from RP programmes	(1,856)	0	(1,856)	0	0	0	(1,856)	0	(1,856)
	Capital Expenditure Facility (funded from Chpts 1 - 6)	(2,000)	0	(2,000)	0	0	0	(2,000)	0	(2,000)
Total		845,020	95,920	749,100	32,201	1,300	30,901	877,221	97,220	780,001

Table 8: Summary of Programme of Work and Appropriation by Chapter and Major Programme at 2004-05 Costs for ZNG (all amounts in US\$ 000)

Major Programme and Chapter	Description	2006-07 ZRG Proposal			ZNG Programme Change			2006-07 ZNG Proposal		
		Programme of Work	Less: Income	Appropriation	Programme of Work	Less: Income	Appropriation	Programme of Work	Less: Income	Appropriation
11	Governing Bodies	19,597	0	19,597	(1,471)	0	(1,471)	18,127	0	18,127
12	Policy, Direction and Planning	28,234	2,100	26,135	(1,873)	(55)	(1,818)	26,361	2,044	24,317
13	External Coordination and Liaison	15,475	769	14,706	(247)	0	(247)	15,228	769	14,459
1	General Policy and Direction	63,307	2,869	60,438	(3,591)	(55)	(3,536)	59,716	2,813	56,903
21	Agricultural Production and Support Systems	102,794	2,952	99,842	(6,926)	(165)	(6,761)	95,868	2,787	93,081
22	Food and Agriculture Policy and Development	100,727	2,380	98,347	(6,836)	(113)	(6,723)	93,891	2,267	91,624
23	Fisheries	46,394	1,341	45,052	(3,110)	(116)	(2,993)	43,284	1,225	42,059
24	Forestry	35,370	697	34,673	(2,316)	(30)	(2,286)	33,054	666	32,388
25	Contributions to Sustainable Development and Special Programme Thrusts	57,372	6,163	51,209	(3,822)	(388)	(3,434)	53,550	5,775	47,775
2	Technical and Economic Programmes	342,657	13,534	329,123	(23,010)	(813)	(22,197)	319,647	12,721	306,926
31	Policy Assistance	30,920	862	30,059	(2,239)	(57)	(2,182)	28,681	805	27,877
32	Support to Investment	55,128	29,654	25,474	(4,173)	(2,254)	(1,920)	50,954	27,400	23,554
33	Field Operations	24,581	20,537	4,044	(1,150)	(279)	(871)	23,431	20,258	3,174
34	FAO Representatives	78,850	11,832	67,018	(3,546)	(173)	(3,374)	75,304	11,660	63,644
35	Cooperation with External Partners	15,358	4,969	10,389	(884)	(2)	(882)	14,474	4,967	9,507
39	Programme Management	2,288	147	2,141	(207)	0	(207)	2,081	147	1,934
3	Cooperation and Partnerships	207,124	68,000	139,124	(12,199)	(2,765)	(9,434)	194,925	65,235	129,690
41	Technical Cooperation Programme	98,645	0	98,645	0	0	0	98,645	0	98,645
42	TCP Unit	4,382	0	4,382	0	0	0	4,382	0	4,382
4	Technical Cooperation Programme	103,027	0	103,027	0	0	0	103,027	0	103,027
51	Information and Publications Support	18,065	0	18,065	(1,324)	0	(1,324)	16,741	0	16,741
52	Administration	49,148	7,126	42,022	(3,266)	(175)	(3,090)	45,883	6,951	38,932
5	Support Services	67,213	7,126	60,087	(4,589)	(175)	(4,414)	62,623	6,951	55,673
6	Common Services	52,949	4,392	48,557	(3,184)	(31)	(3,153)	49,765	4,360	45,405
7	Contingencies	600	0	600	0	0	0	600	0	600
8	Capital Expenditure	2,000	0	2,000	0	0	0	2,000	0	2,000
9	Security Expenditure	10,000	0	10,000	0	0	0	10,000	0	10,000
	Efficiency Savings anticipated from RP programmes	(1,856)	0	(1,856)	0	0	0	(1,856)	0	(1,856)
	Capital Expenditure Facility (funded from Chpts 1 - 6)	(2,000)	0	(2,000)	0	0	0	(2,000)	0	(2,000)
Total		845,020	95,920	749,100	(46,573)	(3,839)	(42,734)	798,448	92,081	706,367

PROGRAMME BUDGET PROPOSALS

CHAPTER 1: GENERAL POLICY AND DIRECTION

Major Programme 1.1: Governing Bodies

(all amounts in US\$ 000)

Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
111 Conference and Council	6,904	3,029	9,933	0	9,933
112 Conference Services	8,674	(3,528)	5,146	0	5,146
113 Protocol Services	2,270	499	2,769	0	2,769
119 Programme Management	1,750	0	1,750	0	1,750
Total	19,598	0	19,597	0	19,597
ZNG Impact			(1,471)		
Total			18,127		

Substantive thrusts under ZRG conditions

166. Major Programme 1.1 ensures that FAO's governance process is carried out according to established rules. It covers the organization of the Conference, Council and Council Committees, as well as liaison and protocol activities at headquarters. The major programme provides logistical support and services for FAO meetings, ensuring adequate language coverage as per the Organization's language policy.

167. The shift of resources among programmes is due to the transfer in the Medium Term Plan 2006-11 of some of the activities of *Support to Governing Bodies and Relations with Governments* from Programme 1.1.2 to Programme 1.1.1. The activities related to *Meetings of Permanent Representatives*, previously included under Programme 1.1.1, have been transferred to Programme 1.1.3.

168. The revised PWB 2004-05 already incorporated reductions which led to major difficulties in implementing the programmes and planned outputs. Under ZRG conditions in 2006-07, further cost efficiencies would, however, be sought in activities and services. While no further reduction in the number of days of governing body sessions could be envisaged under this scenario, an indicative list of further saving measures include:

- a more stringent limitation on the length of the documents;
- enhanced electronic distribution of main session documents. In addition, information documents would be distributed via electronic means only and arrangements would be made with Permanent Representations for documents to be printed on demand only, according to their specific needs;
- an additional reduction of staff overtime costs for the sessions, through tighter control of timetables;
- the elimination of the Terminology and Reference Library services (implying a transfer of the physical collection to the David Lubin Library);
- the implementation of cost-recovery mechanisms for processing and delivering administrative documents (Visas, Laissez-passers, etc.) to World Food Programme; and

- the elimination or more efficient production of the verbatim records for the Council and Conference sessions (see section on *Efficiency Savings*).

Zero Nominal Growth Impact

169. A ZNG scenario would imply an even more significant reduction of the resources available to the Conference, Council and Protocol Affairs Division (GIC). Cuts would particularly affect the Secretariat's support to meetings, such as those of the G77 Group, and the translation workflow and document referencing services for official meeting documentation.

Major Programme 1.2: Policy, Direction and Planning

(all amounts in US\$ 000)

Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
121 Director-General's Office	7,879	0	7,879	0	7,879
122 Programme Planning, Budgeting and Evaluation	9,167	(1)	9,166	0	9,166
123 Audit and Inspection	6,472	0	6,472	0	6,472
124 Legal Services	2,855	0	2,855	0	2,855
125 Programme and Operational Coordination	1,863	0	1,863	0	1,863
Total	28,236	(1)	28,234	0	28,234
ZNG Impact			(1,873)		
Total			26,361		

Substantive thrusts under ZRG conditions

170. This major programme includes the activities of the immediate Office of the Director-General (ODG) (1.2.1); the Office of Programme, Budget and Evaluation (PBE) (1.2.2); the Office of the Inspector-General (AUD) including the outposted staff in the Regional Offices (1.2.3); the portion of the costs of the Legal Office (LEG) as relates to "in-house counsel" work (1.2.4), which includes advice to the Director-General, technical departments and governing bodies of the Organization on legal matters, servicing of the Committee on Constitutional and Legal Matters (CCLM), support to the preparation of international legal agreements at the global and regional levels, and the handling of cases before the International Labour Organization (ILO) Administrative Tribunal; and that portion of the cost of the Office for Coordination of Normative, Operational and Decentralized Activities (OCD) as relates to its overall coordination responsibilities (1.2.5). The remaining activities of the latter two offices are budgeted under Programme 3.1.3: *Legal Assistance to Member Nations*, Major Programme 3.4: *FAO Representatives*, and Programme 3.5.3: *Cooperation Agreements with Member Nations and Support to ECDC and TCDC*.³⁵

171. Under Programme 1.2.2, the Evaluation Service carries out evaluations decided by the Programme Committee for consideration by the governing bodies, as well as supporting the auto-evaluation process and the evaluation of extra-budgetary funds. The programme for 2006-07 provides for five to six evaluations covering: Strategic Objectives and Cross-organizational Strategies (one of each); two technical programmes; one major programme and an evaluation of country-level activities. Technical support to auto-evaluation will be provided by the Service, while resources will be transferred from the technical and administrative programmes to a new centrally-managed

³⁵ Economic Cooperation among Developing Countries (ECDC); Technical Cooperation among Developing Countries (TCDC)

programme entity under Programme 1.2.2: *Evaluation*. Catalytic funding will then be reallocated during the biennium to the divisions undertaking auto-evaluations.

172. Under Programme 1.2.5, the Office for Coordination of Normative, Operational and Decentralized Activities (OCD) supports the decentralization policy by ensuring that the functional relationships between headquarters and decentralized offices are conducive to overall cost-effectiveness and adequately responsive to the provision of services to Members. It monitors related implementation and coordination arrangements throughout the Organization and provides information and guidance to other FAO units, both at headquarters and in the field, on coordination issues. OCD provides guidance, coordination and support to decentralized offices regarding their involvement in, and contribution to, the UN reforms and development efforts. It also provides coordination and support to Regional Offices in the organization and conduct of regional conferences.

Zero Nominal Growth Impact

173. The required ZNG reductions would severely impair the capacity of the above offices to meet their established range of tasks. Several posts would have to be eliminated. For instance, under 1.2.2, support to the implementation of results-based budgeting and related information systems would be curtailed. Funding for auto-evaluation would require extra-budgetary support; the actual conduct of evaluation work (i.e. the non-staff budget for employment of external evaluators and for travel) would be reduced to approximately half, leading to a reduction of two or three evaluations for the governing bodies and diminution in the use of external consultants as team leaders and participants in evaluations. Although *Audit and Inspection* was accorded high priority in developing the ZNG scenario, the Office of the Inspector-General would not be able to adequately address its risk-based audit plan and would have to reduce internal audit activity in decentralized locations. The response to fraud investigations and the conduct of special reviews would also be significantly affected. The Legal Office, whose programme of work would anyway be greatly affected as a result of significant income reduction, would no longer have the necessary critical mass of human and non-staff resources under zero nominal growth conditions for it to continue to adequately perform its wide-ranging legal duties in a sustainable manner. OCD would need to reduce services provided to an evolving and complex decentralized structure.

Major Programme 1.3: External Coordination and Liaison

(all amounts in US\$ 000)

Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
131 External Relations and Coordination	11,363	(6,915)	4,448	0	4,448
132 Liaison Offices	11,027	0	11,027	0	11,027
Total	22,390	(6,915)	15,475	0	15,475
ZNG Impact			(247)		
Total			15,228		

Substantive thrusts under ZRG conditions

174. Programme 1.3.1 covers the work of the Special Advisers to the Director-General (SAD), including the unit in charge of FAO's coordination and cooperation with other organizations of the UN system. It also includes FAO's contributions to several UN system-wide mechanisms, e.g. the Joint Inspection Unit (JIU), the International Civil Service Commission (ICSC) and the Chief Executives Board (CEB) subsidiary bodies. Budgeted resources of US\$ 6.3 million for inter-agency security arrangements have been transferred from this programme to the proposed Security

Expenditure Facility, and the balance of the reduction in Programme 1.3.1 is due to activities being planned for the International Alliance Against Hunger (IAAH) Secretariat under Programme 3.5.2.

175. Programme 1.3.2 covers the Liaison Offices with the United Nations (in New York and Geneva), for North America (in Washington D.C.), with the European Union and Belgium (in Brussels) and with Japan (in Yokohama).

Zero Nominal Growth Impact

176. It would not be possible to reduce the provision for UN system-wide mechanisms, in view of FAO's commitment to respective cost-sharing arrangements. Due to their negligible absorption capacity, the Liaison Offices have also been considered as 'fully protected'. The bulk of the indicated ZNG reduction would have to be met by SAD.

CHAPTER 2: TECHNICAL AND ECONOMIC PROGRAMMES

Major Programme 2.1: Agricultural Production and Support Systems

(all amounts in US\$ 000)

Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
210 Intra-departmental Programme Entities for Agricultural Production and Support Systems	5,395	(10)	5,386	778	6,164
211 Natural Resources	17,392	(5)	17,387	706	18,093
212 Crops	27,745	221	27,966	2,485	30,451
213 Livestock	18,859	(97)	18,761	944	19,705
214 Agricultural Support Systems	15,905	(242)	15,663	400	16,063
215 Agricultural Applications of Isotopes and Biotechnology	5,682	0	5,682	438	6,120
219 Programme Management	11,949	0	11,949	0	11,949
Total	102,927	(132)	102,794	5,751	108,545
ZNG Impact			(6,926)		
Total			95,868		

Substantive thrusts under ZRG conditions

177. During 2006-07, Major Programme 2.1 will give priority to supporting standard-setting processes and the development of appropriate policy and regulatory frameworks in areas such as plant and animal genetic resources, biotechnology, biosecurity, animal health and sustainable development and management of natural resources, in particular water. It will assist countries in acquiring new technologies and promote approaches that are compatible with social, environmental and health concerns, and which contribute to increased productivity of land, water and labour. It will pursue strong linkages between normative and field activities and emphasise policy assistance, technical advice and capacity building at country level, as well as market linkages in support of farmers and agro-processing enterprises during the transition to commercial agriculture.

Programme 2.1.0: Intra-departmental Programme Entities for Agricultural Production and Support Systems

178. A major focus is on facilitating inter-disciplinary capacity building in sustainable and integrated approaches. Specific attention will be given to the assembly, assessment and sharing of lessons relating to the adoption of improved agronomic and management practices in changing farmer and market circumstances. Expected accomplishments during the biennium will include: dissemination of national policy experience and concrete examples of good agricultural practices that meet economic, social and environmental objectives and contribute to food safety and security in the context of a rapidly changing food economy and globalisation; information resources to support the development of these practices and conservation agriculture in integrated production systems, generation of principles and lessons learned, and enhanced capacity of partner institutions in selected locations.

179. Limited support will be given to inputs into global perspective studies and to work on SARD; to publications and communications planning across the department; and to the agriculture home page of the FAO Web site (Agriculture 21) and other advocacy material. In late 2006, the

eleventh regular session of the Commission on Genetic Resources for Food and Agriculture (CGRFA) will review the status and needs of the various sectors of biodiversity as well as cross-sectoral matters, including biodiversity for food and agriculture other than plants and animals and the agro-ecosystem approach. It will adopt a medium-term programme of work, which will include preparations for the First International Technical Conference on Animal Genetic Resources for Food and Agriculture in 2007. The 20th session of COAG will be organised in 2007.

Programme 2.1.1: Natural Resources

180. Under Programme 2.1.1, in line with the priorities expressed by governing bodies, activities in the areas of: *Agricultural water use efficiency and conservation; Integrated land, water and plant nutrition policies, planning and management; and Land and water quality improvement* are to continue with their current focus. Policy and institutional support for water management, including transboundary water resources and for land and water management in a watershed context, with focus on ecosystem services, are to be strengthened. In contrast, the implementation of lower priority outputs dealing with: moisture conservation techniques in rainfed areas; disaster mitigation through water logging and salinity control and rehabilitation; and related studies and inputs to major fora, will be delayed. Regional priorities, in particular those focusing on capacity building, as well as water management policy, water use efficiency improvement, water harvesting, land degradation and soil fertility, with special attention to institutional arrangements, are to be better integrated into the Programme. In Africa, both normative and field activities through TCP and SPFS will continue to support the formulation and implementation of projects in the context of the CAADP³⁶ of NEPAD.³⁷

Programme 2.1.2: Crops

181. During 2006-07, Programme 2.1.2 will put more emphasis on horticulture for income generation and nutrition and on integrated crop production and conservation agriculture in response to growing demand from Members. The First Meeting of the governing body for the International Treaty on Plant Genetic Resources for Food and Agriculture (IT-PGRFA) will adopt its programme of work, following which the Secretariat of the Treaty will be supported by Programme 2.1.2, since it is close to the substantive activities of the Treaty. Accordingly, a priority area will be the implementation of the Global Plan of Action (GPA) and the IT-PGRFA, more particularly conservation and sustainable use of plant genetic resources through plant breeding, biotechnology, biosafety and sustainable management of agro-biodiversity. The Programme will enhance complementarity between the public and private sectors in national seed systems, improve and harmonise regulatory frameworks for PGRFA, seeds and variety release and contribute to disaster preparedness, seed relief and rehabilitation.

182. Work on the International Plant Protection Convention (IPPC) will give high priority to the harmonisation of phytosanitary measures with the aim of reducing trade barriers while protecting national plant resources from pest damage. The plant pest component of the Emergency Prevention System for Transboundary Animal and Plant Pests and Diseases (EMPRES) is to concentrate mainly in the Western Region (West and Northwest Africa), emphasising preventive control of the Desert Locust through support for early warning, early reaction and applied research, especially on alternatives to conventional chemical pesticides and related human health and environmental issues.

183. Expected accomplishments in 2006-2007 will include: i) enhanced countries' capacities to use PGRFA by improving access and utilisation of plant genetic resources, seed-related technologies and policies in support of food security; ii) analysis of country surveys on sustainable use of genetic resources and projects to strengthen plant breeding and biotechnology in developing countries; iii) increased harmonisation of phytosanitary measures through the development of new and revised standards; iv) an active exchange system on phytosanitary information; v) technical assistance to strengthen national phytosanitary systems; vi) advice to countries on reducing risks from pesticides through Integrated Pest Management (IPM) and pesticide regulations to better meet growing obligations in domestic and international trade, health and environment, including the

³⁶ Comprehensive Africa Agriculture Development Programme

³⁷ New Partnership for Africa's Development

implementation of the Rotterdam Convention and disposal of obsolete pesticide stocks; vii) regular bulletins, updates and alerts on desert locust, and regional and subregional frameworks for locust management; viii) pilot community-based projects for introducing the joint FAO/WHO framework to promote fruit and vegetable production and consumption in developing countries and technical assistance on horticulture and other food crop improvement; ix) national integrated production systems, including the intensification of crop/livestock systems through farmers' participatory Integrated Production and Pest Management (IPPM) approaches; and x) the 17th session of the International Rice Commission to be held in Peru in 2006.

Programme 2.1.3: Livestock

184. Programme 2.1.3 clarifies (through analysis and information) and facilitates: i) the role of the livestock sector in improving food security and providing a pathway out of poverty; and ii) the potential of meeting rapidly increasing demands for livestock products through production, processing and trade, while mitigating negative impacts of production intensification on the poor, safeguarding the environment, and minimising the risks to public health.

185. During 2006-07, the programme will strengthen national disease prevention and management systems and give priority to transboundary animal diseases, including avian influenza, under EMPRES and through the Emergency Centre for Transboundary Animal Diseases operations. Furthermore, it will work to secure agreements among countries to cease rinderpest vaccination and join the process for the declaration of global freedom from the disease in 2010. Veterinary public health activities will be strengthened in conjunction with Codex and the World Organisation for Animal Health (OIE) as well as the investigation of the environmental factors driving animal disease emergence and spread. The programme will continue to analyse access barriers to markets for smallholder livestock producers and design opportunities to overcome them, based on policy and institutional innovations and underpinned by the use of good agricultural practices. The first report on the World's Animal Genetic Resources will be finalized and priority actions for the improved management and conservation of domestic animal genetic resources will be identified and addressed in an International Technical Conference on Animal Genetic Resources. The Programme will prepare detailed guidance on managing the livestock sector in emergency situations. Detailed policy guidance will be made available and testing started for the management of livestock wastes in high-intensity and high-density production systems. The Global Livestock Production and Health Atlas (GLiPHA) will be made available interactively in all its intended elements. The Programme will also address the impacts of livestock on the environment (disease dynamics and ecology, biodiversity and environmental health).

Programme 2.1.4: Agricultural Support Systems

186. The Programme aims at improving capacity building and strengthening market linkages to support farmers and agro-processing enterprises in making the transition to commercial agriculture. It will enhance work on food distribution systems and rural-urban linkages, in response to the growing interest in support to medium-scale agro-industries and related commercial farming enterprises. Region-specific materials will be developed to build farmers' management and marketing skills. Emphasis will be given to information on promising farm income opportunities and on post-harvest technologies for high value, non-traditional products. Capacity building to support small farmers and agro-processing enterprises and rural finance will be another priority.

187. In order to ensure coherence in work on policy and institutional support, Programme entity 214B1: *Guidance on policies and institutions for sustainable agricultural services provision* will be merged with 214B4: *Policy and institutional support for fostering competitive agro-industries*. At the sectoral level, policy and institutional constraints affecting competitiveness and the provision of agricultural services will be identified to feed into appropriate strategies. Policy guidance materials will be made available to improve access to marketing, rural finance and mechanisation services. Stress will be placed on strategies and approaches for improving product quality and safety, as well as increasing competitiveness and efficiency using modern market, industrial organisation and food chain concepts. Priority policy actions and technologies for improving quality and safety in food chains will be identified. Assessments will be made of effective approaches to food chain management and product innovation in order to increase trade competitiveness.

Programme 2.1.5: Agricultural Applications of Isotopes and Biotechnology

188. Programme 2.1.5 assists Members to apply isotopes and biotechnology to intensify agricultural production systems while conserving natural resources and ensuring food quality and safety. In addressing crops, livestock and food safety, the Programme provides a mix of validated methodologies, information products and support for training and capacity building at national and regional levels.

189. Detailed guidelines and protocols coupled with technical advice will strengthen national capacities for applying molecular, genomic and isotope abundance methods to select and introduce genes for key traits into crops and contribute to making cropping systems more productive and sustainable, particularly in marginal and stress-prone areas. Skills and knowledge will be imparted on using isotopic and soil water measuring devices to identify and apply practices that improve crop water productivity, enhance soil fertility and minimise land degradation. To reduce the risks to crop production and the environment posed by exotic or alien invasive insects, the programme will assist in the use of sterile insect technique (SIT) and other biological control methods by providing standard operation procedures for rearing and sterilisation of target species.

190. The Programme will contribute to the process of declaration of global freedom from rinderpest and to the progressive control of other livestock diseases covered by EMPRES by providing sensitive early-detection methods and analysed quality-assured data from national serological and molecular surveys. It will strengthen the international regulatory framework by providing inputs to OIE on validation criteria for diagnostic assays and accreditation of veterinary laboratories. It will contribute through the Programme Against African Trypanosomiasis (PAAT) to the African Union's Pan African Tsetse and Trypanosomiasis Eradication Campaign (PATTEC) by providing Members with policy and technical advice on priority-setting for interventions that involve the SIT to create tsetse-free zones. Also, countries' access to molecular tools for better characterising indigenous animal genetic resources and identifying DNA sequences that mark favourable traits will be improved by the provision of DNA markers and the development of internationally standardised sampling and analytical protocols.

191. By providing curricula and training through distance learning and technical cooperation projects, the Programme will assist countries in harmonising national regulations based on the Codex General Standard for Irradiated Foods and the IPPC International Standard on Irradiation as a Phytosanitary Treatment. It will help them minimise the risks to food production and food security from a nuclear or radiological accident by finalising and testing a management plan for emergency preparedness. By developing guidelines, protocols and distance learning materials supported by training-the-trainer activities and by providing assistance in introducing laboratory quality management systems compliant with international standards, it will improve the quality of services provided by laboratory personnel involved in food control and regulation of pesticides and veterinary drugs, thereby promoting good agricultural practices from "farm to fork" and consumer and environmental protection.

Real Growth Scenario

192. Under Programme 2.1.0, incremental resources would be used: i) to accelerate the assessment and sharing of lessons to support the development of sustainable production systems; and ii) to increase the number of locations where assistance would be provided for good agricultural practices initiatives. Real growth would also allow for a more substantial catalytic provision to support work under the Priority Areas for Inter-Disciplinary Actions (PAIAs) - 210S5.

193. The RG resources under Programme 2.1.1 would be allocated to enhancing water use efficiency and conservation activities, in particular: support to on-farm water control techniques and integrated resources management; assistance to irrigation system modernisation, management and scheduling; and integrated planning and management of land, water and nutrient resources. They would allow to redress under-funding under ZRG for work related to moisture conservation techniques in rainfed areas; disaster mitigation through water logging and salinity control and rehabilitation; and contributions to studies and inputs to major fora.

194. Under Programme 2.1.2, additional funds for the IPPC would be used for the acceleration of the harmonisation/standard setting programme and for technical assistance, in particular for participation in the standard setting procedure and application of quarantine systems at national level. IPPC would also benefit especially from strengthening its work with the Convention on Biological Diversity in the context of invasive alien species. EMPRES would seek to initiate work on other transboundary plant pests and diseases beside its current focus on Desert Locust with supplementary extra-budgetary resources.

195. Due to the entry into force of the IT-PGRFA in June 2004, incremental resources would be used to enable FAO to build national, subregional and regional capacity for the activities that will be prioritised by the governing body of the Treaty. With regard to the conservation and sustainable use of plant genetic resources, increased resources would enable FAO to reinforce assistance to countries in assessing and building capacity in national plant breeding and biotechnology programmes, and would strengthen support to implementing the Biosafety Protocol. It would be possible to promote, in response to increased requests by countries, the development of international agro-biodiversity normative indicators and regulations for access to seed. The Facilitating Mechanism would be developed further for the implementation of the Global Plan of Action for PGRFA.

196. Additional support would be given to horticulture and integrated production and protection management (IPPM) in crop production and the development of diversified and sustainable production systems in different agro-ecologies.

197. Incremental resources in Programme 2.1.3 would be used: i) to strengthen capabilities in environmental and disease risk assessment and management (e.g. for Highly Pathogen Avian Influenza, HPAI); ii) to accelerate the preparation of the Global Early Warning System for Transboundary Animal Diseases (GLEWS) agreed with OIE and WHO in the context of the Global Framework for the Progressive Control of Transboundary Animal Diseases (GF-TADs); iii) to enhance the design and negotiation of pro-poor livestock development policies in countries and regions; and iv) to add a regional Animal Production Officer post in RAF.

198. RG resources in Programme 2.1.4 would be used: i) to accelerate policy and institutional support for private sector marketing, agribusiness development and agro-industry innovation in order to enhance growth and trade competitiveness; and ii) to increase outreach and the regional adaptation of capacity building materials for improving the technical and business skills of small farmers and agro-processing enterprises and their access to essential services and post-harvest technologies.

199. Additional funds under Programme 2.1.5 would be used primarily: i) to reinforce international cooperation for further development and application of DNA markers to perform molecular characterisation of animal genetic resources, ii) to speed up the development of internationally standardised sampling and analytical protocols and provide nucleic acid sequence and annotation data for a database linked to Domestic Animal Diversity Information System (DAD-IS); and iii) to maximise the utility of local breeds by integrating molecular and phenotypic information through an international network and associated workshops. A further priority would be to strengthen work on veterinary public health, focusing on the development, validation and transfer of molecular tools for diagnosis, surveillance and epidemiology.

Zero Nominal Growth Impact

200. Programme 2.1.0 would be affected in several ways: capacity building and dissemination of policy experience and examples of good agricultural practices would only be done in a limited number of countries. In conservation agriculture, emphasis would have to be placed on evaluating past and on-going country experience rather than promotion. Capacity building and sharing of experience in integrated production systems would be restricted to one or two of these systems. ZNG would imply a further reduction in the duration of COAG and in the number of agenda items, greatly impairing its advisory role. Contributions to global perspective studies and to SARD-related matters would have to be drastically curtailed, and consultative meetings with staff in regional offices

would be reduced. The preparation and implementation of the multi-year programme of work of the Commission on Genetic Resources for Food and Agriculture would be slowed down.

201. Programme 2.1.1 would need to treat information systems and knowledge management as lower priority areas. Cutbacks would also seriously reduce land-related activities such as on land degradation and conservation, soil fertility and nutrient management, with consequential impact on assistance to countries in Africa and Latin America which have been badly affected by land degradation. FAO's inputs to international fora on land and water issues would be weakened and the delivery of technical services to the field programme would inevitably diminish.

202. Regarding Programme 2.1.2, support to the International Network of *ex-situ* collections of PGRFA would be eliminated, with consequent negative impact on enhancing productivity and crop production in countries. Participation of developing countries in IPPC standard setting would be reduced, as would IPPC outreach activities in relation to information systems and technical assistance. Reductions would need to be made in support to IPM, pesticide management, crop improvement and biotechnology as well as in crop production.

203. For Programme 2.1.3, the intended enhancement of the interactive Global Livestock Production and Health Atlas (GLiPHA) would be delayed with respect to geographical coverage and to intended integration with other information systems. Several important outreach activities - in particular the creation of national and regional livestock policy negotiation platforms - would be reduced or delayed. Work on Veterinary Public Health that is not directly related to Codex and sanitary and phytosanitary measures (SPS) support would be reduced, such as the design of good practices for the reduction of food-borne diseases as well as new control measures for zoonoses control. Work on the role of livestock in poverty alleviation would be curtailed, except for that related to the mitigation of HIV/AIDS and emergency impacts on livestock and livestock-related livelihoods. Arthropod disease management, including support to the Programme Against Animal Trypanosomiasis (PAAT), would be reduced, as well as work on natural resources and policy-related aspects of the livestock-environment interactions. The statutory programme for animal genetic resources would be curtailed only in a minimal way so as not to endanger the commitments made. In EMPRES, work on early warning and disease control strategy design and implementation would need extra-budgetary funding in order to continue.

204. Programme 2.1.4 would need to eliminate technical support and information systems relating to farm power and mechanisation. Capacity building for enhancing farmer-market linkages would be significantly reduced, including elimination of assistance for improving the business capacities of farmer organizations. Policy and institutional guidance relating to agribusiness, supply chain management and commercial farming would also be reduced. Support relating to farm management and agribusiness in Central and Eastern Europe would have to be provided only by headquarters staff and specialist capacity in agro-industries would be eliminated in Asia, although more general support for improving the efficiency and competitiveness of agrifood systems would be maintained.

205. With reduced resources, Programme 2.1.5 would need to phase out outputs envisaged on the management of soil nutrients, animal nutrition and reproductive efficiency, as well as food irradiation, while delivery of those on the use of the Sterile Insect Technique against the Mediterranean fruit fly, on molecular characterisation of animal genetic resources and on veterinary public health would be severely curtailed.

Major Programme 2.2: Food and Agriculture Policy and Development

(all amounts in US\$ 000)

Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
220 Intra-departmental Programme Entities for Food and Agriculture Policy and Development	6,603	1,242	7,845	500	8,345
221 Nutrition, Food Quality and Safety	20,626	(109)	20,517	1,308	21,825
222 Food and Agricultural Information	33,917	(98)	33,819	1,500	35,319
223 Food and Agricultural Monitoring, Assessments and Outlooks	15,119	(467)	14,652	300	14,952
224 Agriculture, Food Security and Trade Policy	13,024	(922)	12,102	1,214	13,316
229 Programme Management	11,258	534	11,793	0	11,793
Total	100,547	180	100,727	4,822	105,549
ZNG Impact			(6,836)		
Total			93,891		

Substantive thrusts under ZRG conditions

206. Major Programme 2.2 is heavily involved with global and regional priorities set by major international conferences or pronouncements, including the World Food Summit: *five years later*, WTO³⁸ Ministerial Conferences, the Financing for Development Conference in Monterrey, the Fora of Food Safety Regulators, the Millennium Declaration and the World Summit on the Information Society. Follow-up includes analyzing reasons for insufficient progress in combating hunger and malnutrition, and proposing and supporting actions that can be taken, nationally and internationally, to improve the situation while stressing the various contributions of agriculture and rural development to overall socio-economic development. Other thrusts include: ensuring greater participation of developing countries in the formulation of a rules-based food and agricultural trading system, improved quality and safety of food for consumers, assisting commodity-dependent economies with commodity development and diversification strategies, providing early warning of impending food crises, natural resource management strategies for poverty alleviation, the implications of globalisation and urbanisation on the food economy, and addressing the information gap that separates the poor and hungry in rural areas from the world's information and knowledge resources, thus bridging the rural "digital divide".

207. The modernised Corporate Database for Substantive Statistical Data (FAOSTAT), and its country version CountryStat, will come into operation with revised methodologies, domains, model parameters and dissemination tools. Similarly, improved access to FAO information resources under the World Agricultural Information Centre (WAICENT) framework and coherence in agricultural information will be pursued. Continued work aimed at promoting access to and consumption of nutritionally adequate and safe food, particularly through nutrition education and national development policies will also be among achievements of this major programme. Complementary activities on methodological and conceptual frameworks, coupled with empirical research through strengthened inter-institutional collaboration among varied stakeholders, will also support policy analysis and dialogue.

Programme 2.2.0: Intra-departmental Programme Entities for Food and Agriculture Policy and Development

208. Shifts of resources are made from other programmes to fund new analytical entities, as

³⁸ World Trade Organization

included in the Medium Term Plan 2006-11. Resources will also be allocated under a new programme entity for follow-up action on the Voluntary Guidelines to Support the Progressive Realization of the Right to Adequate Food in the Context of National Food Security.

209. Beyond continuation of its major activity - the Food Insecurity and Vulnerability Information and Mapping Systems (FIVIMS), this programme will cover the analysis of structural changes in international value chains for agricultural commodities. It will trace the implications of these changes for developing countries dependent on international commodity trade whether as commodity exporters or food importers. Special attention will be given to two key aspects. First, the scope for commodity-dependent exporters to diversify their production and exports, especially vertically into value-added products, and the strategies needed for success. Secondly, the particular implications of structural changes in global food markets for low income food deficit countries. The programme will also seek to identify upcoming problems associated with long-term developments in world food and nutrition due to changes in population composition and in the location of population.

210. Activities in the 2006-07 biennium will also analyse the formation and functioning of information networks among stakeholders, identifying the major issues and influences on small farmers based on historical and current trends. A conceptual framework will be further developed, through at least three case studies to analyse and document changes in the food economy, including the rapid spread of supermarkets, and the resulting opportunities and threats posed by these changes to small producers in developing countries. Two Sessions of the Committee on World Food Security will be held; the session in 2006 will focus on the mid-term review of the World Food Summit Plan of Action.

Programme 2.2.1: Nutrition, Food Quality and Safety

211. By promoting access to and consumption of nutritionally adequate and safe food to all based on a "Right to Food" approach and with high priority given to assuring the quality and safety of food, Programme 2.2.1 makes a direct contribution to the achievement of several Millennium Development Goals (MDGs). It will maintain its prime emphasis on Codex Alimentarius and Codex-related issues of food safety and quality, nutrition information and education, household food security and nutrition interventions, as well as due reflection of nutrition considerations in national development policies.

Programme 2.2.2: Food and Agricultural Information

212. This programme will continue to be implemented by the Statistics Division (ESS) and the Library and Documentation Systems Division (GIL) which are jointly responsible for the Organization's principal corporate information systems under the WAICENT framework (e.g. FAOSTAT and the Corporate Document Repository).

213. It is expected that the modernised FAOSTAT will come into operation in the next biennium, with revised methodologies, domains, model parameters and dissemination tools. It is also expected that CountryStat (the country version of FAOSTAT) will successfully pass the pilot phases and be ready for full operation. Complete alignment of FAO's statistical classifications to the international norms is planned. A new quality assessment scheme will be part of the statistical system. The new FAOSTAT will enable a revised data compilation system with enhanced communication tools to be put into effect, including questionnaires, focal points, active follow-up and editing. The Programme for World Census of Agriculture 2010 will be fully operational in 2006 with a new approach to agricultural censuses.

214. Improved access to FAO information resources under the WAICENT framework will continue to be sought, with due emphasis on greater coherence in agricultural information and extension of the WAICENT corporate model components to national levels. Coherence will be achieved *inter alia* through electronic publishing guidelines based on best practices and international standards, improved resource descriptions through multilingual ontologies and metadata, establishment of semantic standards relevant to food security and rural development, standards for the multi-lingual digitisation of FAO information, and coordination through the applicable Priority Area for Inter-disciplinary Action (PAIA) to maintain quality in corporate systems and content

management tools. Dialogue with FAO Members will be maintained to better mobilise, access and exchange information and knowledge; to assess Members' needs, and to monitor and evaluate the impact of information. The preferred methods of implementation will be: technical expert consultations to discuss and agree on normative frameworks; electronic fora and meetings for information exchange between Members and the international community; and meetings of FAO governing bodies to discuss and decide on policy issues.

215. Within the framework of the Programme for Bridging the Rural Digital Divide, information management expertise will be transferred to Members through the implementation of distance learning modules (IMARK), facilitating access to information and knowledge networks (AGORA, AGLINET, AGRIS), regional expert consultations and technical workshops on information management, and advisory and technical services under the field programme. The physical renovation of the David Lubin Memorial Library, made possible thanks to substantial voluntary contributions from the Host Country, will lead to state-of-the-art services and facilities, both as a physical and digital library centre for the Organization, including areas for user consultation, briefing and research and a digital resources laboratory. The full range of Library and Virtual Library services will be consolidated and enhanced through consortia approaches (e.g. the UN Library Consortium), and enhanced library tools will be implemented.

Programme 2.2.3: Food and Agricultural Monitoring, Assessments and Outlooks

216. Programme 2.2.3 will give emphasis to analytically based commodity outlook work, development of primary databases (prices, quantities, policies, etc.), and provision of information and early warning on food security at global, regional, national and subnational (household) levels. Thematic commodity studies will be undertaken on issues identified as important, including international and national commodity risk management strategies and instruments for both exports and imports, and strategies for diversification and value addition in domestic and export markets. The development of the model of world agricultural commodity markets will continue, and analyses of policy reforms will be undertaken. Preparatory work for a new long-term perspective study *Agriculture Towards 2050* will be initiated, while publications on thematic topics of global significance will be issued.

Programme 2.2.4: Agriculture, Food Security and Trade Policy

217. Programme 2.2.4 covers key aspects of commodity policy and development strategies, and their linkages to national and household food security. With respect to international agricultural trade policy, it includes analyses, technical assistance to countries and capacity-building to support effective participation in international trade negotiations and implementation of multilateral trade agreements. Analyses will be undertaken in connection with strategies to cope with increased vulnerability to commodity shocks at both macro and household levels and of the food security implications of import surges. With respect to commodity development, analyses will be undertaken and technical assistance provided to countries on policies and programmes for increasing export earnings and diversification.

218. The other main thrust in the biennium 2006-07 will be enhancing understanding of the impact of agricultural, rural development and environmental policies on poverty and food security through methodology development and empirical case studies. This will be accomplished by further analytical work and policy research on a number of relevant subjects, including: the role of non-farm activities in rural development and its linkages to agriculture; commercialisation of agriculture and its welfare impact on smallholders; the importance of migration in rural development and poverty alleviation; the potential for environmental service payments for poverty alleviation; and the impact of seed supply systems on the access to crop genetic resources, on farm diversity and household welfare. Furthermore, emphasis will be put on conducting analytical work and strengthening inter-institutional collaboration in a number of countries to facilitate the inclusion of food security concerns in Poverty Reduction Strategy Papers (PRSPs) and integrating the voluntary guidelines on the right to food in policy advice.

Real Growth Scenario

219. There would be increased work under Programme 2.2.0 to build national capacity in dietary surveys and nutrition assessments. Further work would be carried out on the application of vulnerability group profile methodologies and specific case studies collated and shared with partners. Work would also be carried out on methodological guidelines on the design of national FIVIMS that specifically address institutional issues.

220. Under Programme 2.2.1, RG would strengthen the capacity of the Codex Secretariat for information dissemination and communication on standards development and the adopted texts, including advanced Internet documentation facilities, timely translation and publication as well as increased presence of Secretariat staff in international and regional fora. Three new posts would assist in the proposed work. Resources would also be used to meet the growing demand for capacity-building in Codex-related activities, including: i) the establishment and strengthening of national codex committees and focal points to improve the participation of developing countries in international food standard setting; ii) more effective national regulatory systems for food control; and iii) tools for capacity-building in food safety. RG resources would also enhance scientific advice to Codex and countries on the safety assessment of foods derived from biotechnology, of microbiological hazards in food and of emerging food contaminants (two technical officer posts could be added, including for a specialist on genetically modified foods).

221. Under Programme 2.2.2, the RG resources would be used to expand FAOSTAT to countries through CountryStat. A second area would be the development of new domains in the statistical database, namely agricultural resource, price and income statistics. A third area would be coordinating statistical activities in FAO to improve the consistency and the coverage of different databases, improve their quality and reduce the burden on countries from data compilation activities. As regards WAICENT and associated areas, RG resources would be applied to: enhancement of WAICENT access tools for Members, such as the WAICENT Information Finder; increased digital content to the Corporate Document Repository in support of the Virtual Library, affording Members access to more readily available multi-lingual information on agricultural and rural development; electronic publishing guidelines to cover additional agricultural domains and for enhanced search functionality of the FAO Web site; more timely multi-lingual distance learning modules on information management (IMARK); and additional regional workshops for transfer of WAICENT methodologies at the national level.

222. Programme 2.2.3 would seek improved methodologies for Crop and Food Supply Assessments. Analyses would be undertaken and technical assistance provided to countries on strategies to address foreseen food shortages and emergencies. The impacts of food aid on commodity markets and affected households would be assessed.

223. Incremental resources would be used under Programme 2.2.4 on: the methodology for measuring the economic cost of hunger and empirical studies in selected countries; assessment of the role of non-farm income in development, rural poverty reduction and links to agriculture; and support to the implementation of multilateral environmental agreements, as well as meetings on methods for valuation of environmental externalities. Furthermore, it would be possible to more fully meet the increasing requests for information, timely analyses and capacity-building to deal with an increasingly complex international trade environment.

Zero Nominal Growth Impact

224. Under Programme 2.2.0, while frequency of CFS sessions would not be modified, there would be a need to re-adjust the structure and duration of the meetings, in addition to reducing the amount of documentation. Additional reports to be examined by the Special Forum 2006, as well as participation from civil society would need to be covered by extra-budgetary funds. FAO's contributions to the monitoring of MDGs would be significantly reduced.

225. FIVIMS objectives would also be negatively affected by, for example: reduced statistical data collection and analysis, as well as reduced technical assistance to countries for the production and use of food security-related statistical information; necessary curtailment of support to inter-agency collaboration; and difficulties in the production and publication of SOFI. Another area that would be affected is the FIVIMS work on nutritional assessment and consequent impact on the production of country nutrition profiles.

226. Several planned new entries would have to be eliminated or drastically reduced, i.e. those dealing with: *Managing Nutrition in a Transforming Food Economy*, *Evolution of Commodity Value Chains and Impact on Markets, Trade and Food Security*, and *Demographic Change and Urbanization: Impact on Consumption Patterns*, thereby undermining FAO's capacity to influence decision-making in the face of fast-changing external contexts.

227. Under Programme 2.2.1, ZNG would imply a rather drastic reduction in work related to food composition, publications, capacity-building and training activities. FAO's contribution to joint normative work with other UN agencies on nutrient requirements would not be met. Two expert consultations, one on fats and oils and the other on carbohydrates in human nutrition, would need to be postponed or cancelled. Country-level work on household food security and nutrition would not benefit from the planned training guides, manuals and educational materials, and workshops in nutrition education, as well as manuals for need assessments and response in emergency situations. A regional training workshop on food safety risk management, one expert consultation on the risk assessment of microbiological hazards in food and a technical meeting on chemical hazards would be cancelled. Regarding Codex, a ZNG budget would mean the elimination of six sessions of FAO/WHO regional Coordinating Committees.

228. Under Programme 2.2.2, ZNG would entail cancellation of work on environmental statistics, as well as income and investment statistics. The same scenario would: limit capacity to monitor governments' expenditures on agriculture; delay work on developing additional indicators for measurement of food security; delay compiling, publishing and dissemination of statistics; and reduce the number of new CountryStat countries. Direct assistance to countries would have to be limited. On information systems, the high expectations from the modernised FAOSTAT would not be met. ZNG resources and potential loss of posts would negatively impact the further development of the WAICENT corporate framework and the Programme to Bridge the Rural Digital Divide, addressing regional priorities. ZNG would necessitate reduction of indexing, cataloguing and other services. The more limited corporate resources for library subscriptions would have to be supplemented by users, based on demands.

229. Under Programme 2.2.3, work on SOFA would rely on reduced inputs by external experts and stakeholders, while expenditures on promotion and dissemination of the publication would also be severely reduced. Analytical work on prospective changes in food consumption patterns would be curtailed, together with other analytical studies (under other programmes). This would clearly affect the underpinning of *Global Food and Agricultural Perspective Studies*.

230. Under Programme 2.2.4, ZNG would lead to postponement of work on the methodology for measuring the economic cost of hunger. Similarly, reports in support of the implementation of environmental agreements as well as meetings on methods for valuation of environmental externalities would be postponed, in particular as relates to the UN Convention to Combat Drought and Desertification. In connection with activities on diversification and competitiveness of agricultural commodities, which involve mainly project preparation and supervision of Common Fund for Commodities (CFC) projects which are submitted by Members to the various IGGs, fewer projects would be processed for submission to the CFC. Therefore, increased dependency on extra-budgetary funds would be necessary to maintain this activity. Fewer, and/or shorter documents and analyses would be prepared for the IGGs.

Major Programme 2.3: Fisheries

(all amounts in US\$ 000)

Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
231 Fisheries Information	7,573	0	7,573	300	7,873
232 Fisheries Resources and Aquaculture	12,358	41	12,399	500	12,899
233 Fisheries Exploitation and Utilisation	9,882	(131)	9,751	760	10,511
234 Fisheries Policy	11,406	(742)	10,664	500	11,164
239 Programme Management	6,003	3	6,006	0	6,006
Total	47,223	(829)	46,394	2,060	48,454
ZNG Impact			(3,110)		
Total			43,284		

Substantive thrusts under ZRG conditions

231. Major Programme 2.3 will continue to address the implementation of the Code of Conduct for Responsible Fisheries (CCRF), the International Plans of Action (IPOAs) endorsed by the Committee on Fisheries (COFI) and Council, and other international instruments which provide the framework for national policies to pursue responsible and sustainable development in fisheries and aquaculture.

232. It will actively contribute to meet the goal of the World Food Summit and the Millennium Declaration of halving hunger by 2015. In this context, the activities of small-scale and artisanal fisheries are often targeted on supplying fish and fishery products to local and domestic markets, and for subsistence consumption. Consequently, emphasis will be given to activities aiming to increase the contribution of small-scale fisheries to food security and poverty alleviation.

233. The prime emphasis in the implementation of the CCRF found echo in the priority on fisheries given by other relevant international instruments such as the Plan of Implementation adopted by the Johannesburg Summit in 2002. The ecosystem approach to fisheries and aquaculture will be developed further and the contributions of inland fisheries and aquaculture to food security will be enhanced. Current information systems will be adapted to new needs. FAO will assist with the elimination of illegal, unreported and unregulated (IUU) fishing through the implementation of better management practices, including monitoring, control and surveillance (MCS).

234. Measures to reduce the negative impacts of fishing on the environment will be identified. Overall priority will be given to human and institutional capacity-building, particularly for small-scale fisheries development and in the area of fish trade, quality and safety. Partnerships with regional fisheries bodies and national centres of excellence will be expanded in support of the newly adopted Strategy for Improving Information on Status and Trends of Capture Fisheries (Strategy-STF). The Major Programme will continue to devote a substantial part of its resources to support the field programme and the FAO regional fishery commissions and to respond to member countries' requests.

Programme 2.3.1: Fisheries Information

235. The programme will continue to provide Members and the international community at large with comprehensive information and statistics on fisheries and aquaculture, in support of status and trends monitoring and analysis, as well as for policy making and sector planning. In addition, it will continue to pursue the development of norms and standards for collection and exchange of fisheries information and statistics.

236. The Strategy for Improving Information on Status and Trends of Capture Fisheries, which was endorsed by FAO governing bodies and the United Nations General Assembly (UNGA) in 2003, provides an overall framework for the improvement of data collection, analysis and exchange at the national, regional and global levels. Implementation of the Strategy-STF will benefit from a dedicated FishCode-STF project.

237. The programme will strive to expand partnerships with regional fisheries bodies and national centres of excellence for the contribution of information to the Fisheries Global Information System (FIGIS) module on Fisheries Resources Monitoring System (FIRMS). Even under ZRG conditions, it will probably be necessary to scale down work on fishing fleet statistics, despite increasing demands for such statistics, particularly in support of the IPOA on the management of fishing capacity and the FAO Compliance Agreement.

Programme 2.3.2: Fisheries Resources and Aquaculture

238. The programme will continue to cover its core areas of work on the identification, cataloguing and mapping of commercially important species and fish resources of the oceans, assessment and monitoring of fishery resources, development and use of research and management methods and techniques (including the production of technical guidelines and development of indicators) aimed at ensuring sustainability of exploited fish resources. Depending on resources available, the programme will also try to address new emerging issues such as identification, mapping, assessment and monitoring of marine ecosystems; possible impacts of climate change; assessment and rebuilding of endangered species (in relation to CITES) and strengthening of current fishery resources monitoring and reporting. Work in these areas will require the building of databases, development of indicators and analytical protocols and improved reporting methods (including GIS) on aspects such as biodiversity, critical or refuge areas, and species interactions.

239. In addition, in follow-up to the recommendations of the 2nd Session of the COFI Sub-committee on Aquaculture, the programme will work on analysis of development trends and conclude a major global prospective analysis of future aquaculture development based on regional reviews and workshops to be undertaken in eight different regions. Technical reviews and guidelines will be prepared on appropriate stocking schemes of inland fisheries, sea ranching, mariculture and seed and feed use in aquaculture, and also on integrated aquaculture and irrigation in Africa. Other activities will deal with specialised databases and information systems on inland fisheries and aquaculture, including the use of GIS, aquatic animal pathogens and quarantine, species introduction, aquatic biodiversity, feed and nutrient use, national aquaculture sector overviews, national aquaculture legislation fact sheets, aquaculture species fact sheets, and the Information System for the Promotion of Aquaculture in the Mediterranean (SIPAM).

Programme 2.3.3: Fisheries Exploitation and Utilization

240. The programme will assist countries with regard to fish utilisation and marketing in a manner consistent with national food security objectives. Human capacity-building for small scale fisheries development will be emphasised. Priority will also be given to capacity building in relation to WTO agreements and their application to the fish industry, safety and quality management (with a greater emphasis on aquaculture) as well as activities that arise from the COFI Sub-committee on Fish Trade and relevant Codex Committees. The small-scale fisheries sector should be enabled to respond to opportunities for access to markets (promotion of appropriate technologies in processing, preservation, transport and storage, all of which can help to increase value-added, and reduce fish spoilage and wastage).

241. The Programme will also give priority to combating IUU fishing and to evaluating and mitigating the impact of fishing on the environment as well as assessing its effects on small-scale and artisanal fishing communities. In particular, international cooperation on vessel monitoring systems (VMS) will be promoted and guidance will be provided on cost-effective use of monitoring control and surveillance (MCS) assets and technologies. Studies on the physical impact of different fishing gears on the aquatic habitat will be continued and the environmental impact of marine debris and ghost fishing by lost gears will be reviewed. Guidelines and extension materials will promote the use of sustainable, cost-efficient and safe fishing operations.

Programme 2.3.4: Fisheries Policy

242. The Programme will continue to promote sustainable aquaculture and coastal fisheries, including through support for effective control of access to wild fish stocks, improved access of small-scale fishers to resources and fishing grounds in coastal and inland waters, and participatory resources management. Main issues affecting the conditions of the stocks, particularly overcapacity and its economic and social aspects, will be addressed. Regional fishery bodies and arrangements will be supported, with particular attention given to those recently established (RECOFI and SWIOFC). Reliance upon extra-budgetary funds, especially those made available under the FishCode Programme, will facilitate dissemination of the Code and its International Plans of Action, through workshops at the national and regional levels.

243. Finally, the programme has a substantial component of direct support to countries in fishery policy and arrangements, in response to demands of Members, which is, however, largely dependent upon the possibility of securing extra-budgetary funding.

Real Growth Scenario

244. In support of the Strategy-STF, RG would facilitate: further agreements for information exchange, dissemination of tools and procedures; new and improved data collection methodologies, standards and guidelines; and technical assistance to countries for capacity building. Work on fishing fleet statistics would be fully reinstated, allowing FAO to disseminate vessel authorisation information in support of the FAO Compliance Agreement.

245. The additional funding will allow the Organization to expand work, directly or through partnerships, on the identification, mapping, assessment and monitoring of marine ecosystems relevant to fisheries, the study of possible impacts of climate change on fisheries, and assessment and recovery of endangered species (in relation to CITES), thereby strengthening current global fishery resources monitoring and reporting activities. Increased resources would be devoted to the application of the ecosystem approach to fisheries and aquaculture, following the recommendations of the 2001 Reykjavik Conference. A P-4 post of Regional Aquaculture Officer would be created for the RLC³⁹ region.

246. Furthermore, regional capabilities in fish technology, risk analysis and market information access would be strengthened. Capacity building for small scale fisheries development would be expanded. Taking account of the growing role of regional fishery management bodies and arrangements, more activities could be undertaken aiming to make these bodies - particularly those in Africa - more effective. It would also be possible to better assess the growing interaction between fisheries and the rest of the economy, with emphasis on economic and social aspects.

Zero Nominal Growth Impact

247. Inevitably, ZNG would negatively affect data quality, timeliness and responses to requests for information under Programme 2.3.1. Work on fishing fleet statistics would be cancelled with consequent impact on monitoring implementation of the IPOA on fishing capacity, and FAO not being able to meet its obligations for the exchange of vessel information under Article VI of the Compliance Agreement.

248. Under Programme 2.3.2, reductions would force the Organization to scale down or stop altogether work in some areas where it has demonstrated to have clear comparative advantages vis-à-vis other organizations (such as the identification and cataloguing of commercial fish species, assessment and monitoring of world marine fishery resources, development and adaptation of indicators, guidelines and methodologies for fishery resources assessments and fisheries management). Other areas would need to be reduced significantly, caused by the possible elimination

³⁹ Regional Office for Latin America and the Caribbean

of a professional post, resulting in delays in the implementation of the recommendations of the last COFI Sub-committee on Aquaculture.

249. Under Programmes 2.3.3 and 2.3.4, the number of national and regional workshops and meetings would be reduced, which would negatively affect implementation of the programmes. It would not be possible to convene workshops for the promotion of sustainable aquaculture, projection of world fish consumption by country in 2020 would not be undertaken, while technical meetings would be reduced as well as publications. Less support to regional fishery bodies would be another inevitable consequence.

Major Programme 2.4: Forestry

(all amounts in US\$ 000)

Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
241 Forest Resources	9,131	(2)	9,129	455	9,584
242 Forest Products and Economics	9,193	0	9,193	600	9,793
243 Forestry Policy and Institutions	5,788	0	5,788	400	6,188
244 Forestry Information and Liaison	5,457	0	5,457	0	5,457
249 Programme Management	5,805	(2)	5,803	0	5,803
Total	35,374	(3)	35,370	1,455	36,825
ZNG Impact			(2,316)		
Total			33,054		

Substantive thrusts under ZRG conditions

250. The Major Programme aims at sustainable forest management in its three dimensions: environmental, economic and social. During the biennium 2006-07, activities will be maintained on these three fronts, while placing emphasis on: sustainable forest management in the context of the Millennium Development Goals; FAO leadership in the international forest agenda, primarily through the Collaborative Partnership on Forests; further strengthening of international cooperation on forest fires; support to national capacity-building and forest programmes particularly through field projects, including the National Forest Programme Facility; and continued analysis and dissemination of information about forests and trees outside forests, including statistics, national and global forest resource assessments, support to countries, effective use of the Internet as a dissemination tool, and leadership in monitoring, assessing and reporting on sustainable forest management.

Programme 2.4.1: Forest Resources

251. Sustainable forest management aims at ensuring that goods and services derived from the forests and trees meet the needs of present and future generations, while at the same time securing their continuing availability and contribution to development. To this end, FAO will continue the update of the global forest resource assessment and enhance capacities for national forest assessment in 20 countries. FAO will provide countries with decision support information for management of planted forest and tree resources and increase assistance to smallholders in relation to plantation forest and agroforestry systems. New management approaches to fragile ecosystems, especially dry lands and mountain ecosystems, will be tested and promoted in a number of countries. The programme will provide a forum for discussions and assist country and regional networks in combating fires and forest pests and diseases. It will support national strategies and plans against forest fires, including prevention and control, and facilitate inter-country cooperation. The role of forests in climate change and support to countries in climate change-related actions is another priority area. Developing countries will be provided information on the potential benefits of new environmental markets, under the Clean Development Mechanisms (CDM).

Programme 2.4.2: Forest Products and Economics

252. Key activities will remain global and regional Forestry Sector Outlook Studies and analysis of the status, trends and emerging opportunities and challenges for the forestry sector in the mid and long term. The economics of sustainable forest management, specifically in the tropics, will be another major thrust. The programme will continue to provide data and information on forestry production, consumption and trade of wood and non-wood products as well as on wood fuels and their economics. The programme will also actively work towards the enhancement of forests and forest products' contribution to poverty alleviation while ensuring environmental sustainability by: 1) identifying the potential of non-wood forest products, improved harvesting and production methods, and disseminating related knowledge widely at all levels; 2) re-appraising the value and potential of wood energy as a clean and safe energy source and raising awareness of its importance at policy level, including improved information systems; and 3) assisting countries in Asia and Africa to introduce reduced impact logging practices based on regional codes of harvesting, and also preparing one for Latin America.

Programme 2.4.3: Forestry Policy and Institutions

253. In the particular perspective of the achievement of the Millennium Development Goals, the programme will continue to emphasise the vital role trees and forests play in addressing poverty and food security, and increase awareness of the forest sector's contributions nationally and internationally. Raising the profile of forests in national planning, policy development and poverty reduction strategies will be underscored. In addressing the social dimensions of sustainable forest management, FAO will aim at creating an enabling environment for better access to forest resources and sustainable livelihoods by the rural poor. Participatory approaches to forest policy planning and implementation, multi-stakeholder platforms and communities of practice will be major tools to support this goal. At the same time, the programme will continue to strengthen institutional capacities to formulate, implement and enforce policies which promote sustainable development of the forest sector through: support to national forest programmes, promoting cross-sectoral approaches and addressing important issues such as privatisation and decentralization. The programme will also stress the important roles education, research and extension play in forest development and provide active support to strengthen these roles.

Programme 2.4.4: Forestry Information and Liaison

254. Ensuring synergies with other key organizations is a prime objective of this programme, including continued FAO leadership in the international forest agenda, particularly through the Collaborative Partnership on Forests (CPF). FAO's key role in providing country-based information at the regional and global levels will be further strengthened in partnership with countries themselves and with other international and regional organizations, at the same time contributing to national capacity-building. Monitoring and reporting on forests, and in particular on progress toward sustainable forest management, will be strengthened, including through a coordinated CPF information framework. High quality forestry information will continue to be provided through publications including the State of the World's Forests and UNASYLVA, technical publications and policy guidelines, and a comprehensive Web site about forests. FAO will continue to serve as a venue for regional and global discussions on key forest issues by organizing: regional forestry commissions and their working groups; international expert consultations; technical statutory bodies such as the Advisory Committee on Paper and Wood Products; and the Committee on Forestry (COFO).

Real Growth Scenario

255. Support would be provided to more countries in translating agreed concepts of sustainable management of forests into action, and sharing the experiences more widely among stakeholders. Programme 2.4.1 would also expand the dissemination of new and innovative approaches to watershed management and prepare appropriate communication tools. Awareness of the implications of the Kyoto Protocol would be fostered with regional top level forestry administrators in Africa, Asia and Latin America. The programme would also facilitate small-scale forestry and agroforestry projects under the Clean Development Mechanism.

256. The additional resources for 2.4.2 would be applied to three outputs. Under the study of forests and forestry for the 2030 horizon, more emphasis would be put on demographic changes, links between economic development of forests and the evolution of technologies, and an expert consultation on forest trends would be held. The second output pertains to the economic analysis of forestry in countries in transition, i.e. approaches to enhance economic benefits from forests and support to capacity building in economic analysis in these countries. The third would be the reduction of carbon emissions during harvesting operations.

257. The RG level for 2.4.3 would allow enhancement of work on national policy frameworks and institutional arrangements for increased participation of civil society. Support would also be provided to improve forest law compliance and ensure transparency in the management of public forests at country level.

Zero Nominal Growth Impact

258. The ZNG scenario would have to be addressed by abolishing a number of posts. Under 2.4.1, activities in Low Forest Cover Countries (LFCC) have included integrating desertification control programmes into national development plans and ensuring participation of all stakeholders, especially rural populations in the rehabilitation of degraded lands. With reduced resources, LFCC support will be subject to extra-budgetary funding. Support to countries in combating desertification and implementing the UNCCD⁴⁰ would have to be severely reduced. One statutory body, Silva Mediterranea, could be eliminated, unless extra-budgetary resources are identified.

259. Negative impacts are also expected from insufficient capacity to support countries in the prevention and control of forest fires at national and regional levels, to support forest fire networks and to elaborate guidelines on fire management. Assistance to countries in forest fire management would be dependent on extra-budgetary funding.

260. Under 2.4.2, it would not be possible to initiate new regional outlook studies and update previous ones. Work on forest products trade and environment would be eliminated. A planned major regional assessment of trends in production, consumption and trade in forest products and updated forecast for 2020 would have to be put on hold.

261. Under 2.4.3 and 2.4.4, ZNG would reduce capacity to promote problem-solving, participatory, multistakeholder approaches to enhance the contribution of trees and forests to sustainable land use and food security. Planned activities to address inadequacies in forestry institutions as the result of the HIV/AIDS pandemic, especially in Africa, would be halted.

262. Support to the United Nations Forum on Forests and other dimensions of the international arrangement on forests would be severely curtailed in order to maintain adequate support to Regional Forestry Commissions.

⁴⁰ United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa

Major Programme 2.5: Contributions to Sustainable Development and Special Programme Thrusts

(all amounts in US\$ 000)

Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
251 Research, Natural Resources Management and Technology Transfer	21,588	34	21,622	169	21,791
252 Gender and Population	6,058	474	6,532	750	7,282
253 Rural Development	8,580	115	8,695	750	9,445
256 Food Production in Support of Food Security in LIFDCs	11,644	0	11,644	400	12,044
259 Programme Management	8,505	373	8,878	0	8,878
Total	56,376	995	57,372	2,069	59,441
ZNG Impact			(3,822)		
Total			53,550		

Substantive thrusts under ZRG conditions

263. Major Programme 2.5 promotes sustainable development concepts, methods and practices aiming at environmental, social and economic well-being of rural people, especially the poor. It ensures FAO's leadership in the follow-up to World Summit on Sustainable Development (WSSD) as relates to key areas of direct relevance to the Organization, acts as corporate focal point for sustainable agriculture and rural development (SARD), gender, HIV/AIDS, communication for development, education, training, land tenure, bio-energy and the multilateral environmental conventions on biodiversity, climate change, and desertification. It also contributes to strengthening national capacities in research and technology and ensures close cooperation with regional and international agricultural research systems through the Secretariats of the Consultative Group on International Agricultural Research (CGIAR) Science Council and the Global Forum on Agricultural Research (GFAR).

264. Three component programmes, served by the Sustainable Development Department, are centred on: the environment and natural resources for present and future generations (2.5.1); people, i.e. their knowledge, resources, social relations, equity and equality (2.5.2); and rural institutions, i.e. the norms, values, practices and organizational arrangements that affect how people access and manage land and other resources, implement programmes and govern themselves (2.5.3). The programmes were restructured and streamlined in the Medium Term Plan (MTP) 2006-11, and it is proposed to fine-tune this effort in the PWB 2006-07 by shifting two programme entities from Programme 2.5.1 to 2.5.2.

265. The fourth programme (2.5.6), implemented by the Technical Cooperation Department, helps to formulate, coordinate and monitor the Special Programme for Food Security (SPFS).

Programme 2.5.1: Research, Natural Resources Management and Technology Transfer

266. Through its restructured entities approved in the MTP 2006-11, Programme 2.5.1 will concentrate on environmental and research issues pertinent to FAO's mandate, including key priorities such as: environmental assessment, remote sensing, multilateral environmental agreements, biotechnology and biosafety. It will provide support to Members to achieve improved planning and decision-making with a view to harmonising agricultural production and environmental concerns. The programme will further strengthen National Agricultural Research Systems (NARS) to improve access to information, the development and adoption of appropriate technologies and the safe application of biotechnology. The programme will also support the CGIAR, through the Secretariat of the Science Council, in priority setting, monitoring and evaluation of CGIAR centre programmes

and impact evaluation. The incorporation of sustainable development concepts in national research agendas will be emphasised. Improved national capacities for formulating and implementing policies for harmonisation of regulatory frameworks are among the expected achievements. GFAR will facilitate the participation of NARS in regional and international fora and promote interaction among stakeholders in agricultural research.

267. Work in response to increased demands for policy advice and technical assistance in the area of Education for Rural People (entity 251A7), in line with the lead role assigned to FAO by WSSD regarding this initiative, will be shifted to Programme 2.5.2. Furthermore, the continuing development of conceptual frameworks, methodologies and training materials for information and communication technology (ICT) applications and content development, distance-learning and information dissemination, and impact assessment (comprising entity 251P3) will also be moved to Programme 2.5.2. Work to reform and renew agricultural extension systems will be shifted to Programme 2.5.3.

Programme 2.5.2: Gender and Population

268. Programme 2.5.2 is based upon the twin pillars of capacity building and policy assistance to Members in the areas of gender, HIV/AIDS and other, often related, diseases and their relation with rural poverty and food insecurity. The programme will build capacity and provide tools and policy advice towards the accomplishment of several of the Millennium Development Goals, in particular regarding gender equality; mitigation of HIV/AIDS; and in the reduction of rural poverty and food insecurity. It will continue to support implementation of the FAO Gender and Development Plan of Action (2002-2007) and the Strategy on HIV/AIDS and other poverty-related diseases. Expected accomplishments include: workshops on gender, gender disaggregated data development and use and HIV/AIDS issues; testing and development of gender-sensitive research and indicators; Socio-Economic and Gender Analysis (SEAGA) sector guides and other training materials; policy advisory notes and other policy assistance on gender and the conventions on climate change, biodiversity and desertification, natural resource management, HIV/AIDS impact on food security, and rural ageing; assistance to countries in developing agriculture sector strategies for HIV/AIDS; publications on the gender and social dimensions of globalization and trade, new forms of energy, coping with natural disasters, biotechnology and new information technologies.

Programme 2.5.3: Rural Development

269. Under Programme 2.5.3, three entities were consolidated into two technical projects in the MTP. The programme will prepare and test appropriate policy materials and develop methodologies for national arrangements for improved land tenure security. It will also support the testing and dissemination of policies and practices to strengthen the implementation of SARD and sustainable livelihoods as well as methods for institutional analysis and capacity-building to strengthen the contribution of public, producer and community-based organizations to SARD and for the reduction of rural people's vulnerability to natural, economic and political shocks. Policies, institutions and methods will be fostered to strengthen national extension systems, including the promotion of effective linkages among research, extension, private and public sector and farmer organizations. The UN System Network on Rural Development and Food Security will continue to support the design and dissemination of rural development and food security policies and practices at country level.

Programme 2.5.6: Food Production in Support of Food Security in LIFDCs

270. The Special Programme for Food Security will continue to assist and support Low-Income, Food-Deficit Countries (LIFDCs) in their efforts to improve food security, both at household and national levels. South-South Cooperation (SSC) agreements, whereby more advanced developing countries provide technicians and experts to work in the rural communities of the recipient countries, will remain an important feature of the programme. Following the World Food Summit, an increasing number of countries are developing plans for scaling up national food security programmes as an integral part of Poverty Reduction Strategies. Due consideration is also being given to the regional dimension of food security and assistance is provided to the Regional Economic Organizations in the formulation and implementation of regional programmes for food security. These situations are creating new demands on the Organization, while due emphasis will continue to be placed on assisting countries to mobilise resources in support of the SPFS.

271. The substantially increased number of countries and regional organizations participating in the SPFS will lead to the fielding during the biennium of a number of formulation missions including:

- initiation of activities in four new countries (bringing the total to 105);
- extension of Phase I in six countries (bringing the total to 12);
- starting Phase II in one country; and
- preparation of two SSC tripartite agreements (bringing the total to 33).

Real Growth Scenario

272. Major Programme 2.5 would be able to reinforce its normative activities and increase its policy assistance regarding the impact of HIV/AIDS and other diseases on household and national food security. It would play a more strategic role in UN system joint programming efforts on HIV/AIDS and other, often related, diseases. It would support up-scaling of the relatively new adult and junior farmer field and life schools, which target single parent or grandparent-headed households impacted by HIV/AIDS, or HIV/AIDS orphans, respectively.

273. RG would also permit an expanded programme to build capacities of decision makers in designing and implementing policies and best practices for SARD. It would also allow for an expanded contribution to the work on the Commission on Sustainable Development (CSD) on energy and climate change, including through increased inter-departmental efforts on bioenergy. The increased resources under 2.5.6 would be used to support one additional national programme and an additional SSC agreement.

Zero Nominal Growth Impact

274. Under Programme 2.5.1, work under *Support to environmental agreements and promotion of integrated environmental planning and management* would be scaled down. A loss of technical capacity would also occur in a key area of FAO comparative advantage – geo-spatial data and information systems – particularly to maintain updated technology for Geographic Information System (GIS) and remote sensing data for early warning systems. Furthermore, the provision of technical assistance for capacity building in biotechnology and biosafety, the support to networks among national research bodies and stakeholders to ensure access to appropriate technologies, the advice in action-based research to increase farmer participation, as well as efforts to integrate traditional knowledge in natural resource management, would be severely affected. The provision of information relevant for policy formulation and decisions on biotechnology, as well as other technologies aimed at achieving national food security, would also be reduced.

275. Under Programmes 2.5.1 and 2.5.2, loss of capacity in Communication for Development would hamper follow-up to the UN Roundtable on Communication for Development and the forthcoming World Congress on Communication for Development (WCCD). It would also hinder follow-up to international commitments made on Education for Rural People (ERP), especially policy advice and technical assistance to countries. Moreover, capacity building, policy and advocacy activities on ERP, already planned with international partners such as UNESCO, IICA⁴¹ and the World Bank, as well as support to national youth development would be limited, if not eliminated. The programmes' capacity to prepare, test and disseminate policy materials and methodologies to strengthen national agricultural extension systems would be undermined, affecting in the SAFR⁴² subregion extension capacity for the prevention and mitigation of HIV/AIDS.

⁴¹ United Nations Educational, Scientific and Cultural Organization (UNESCO); Inter-American Institute for Cooperation on Agriculture (IICA)

⁴² Subregional Office for Southern and East Africa

276. Programme 2.5.3 would incur loss of capacity to support countries in improving access by the rural poor to land and other development resources and services. The testing and dissemination of methodologies and adapted materials to strengthen land administration, decentralized public institutions and producer and community-based organizations in several subregions would no longer be possible. The support to policies and practices for SARD would be virtually dependent on the availability of extra-budgetary resources and headquarters support to the UN System Network on Rural Development and Food Security would be discontinued.

277. The reduction under Programme 2.5.6 would imply a decreased capacity to meet countries' demands and an obligation to reduce targets in respect of the up-scaling of the SPFS and support to SSC agreements.

278. FAO's financial support to the CGIAR Science Council and its Secretariat would also be affected, weakening the latter's capacity to undertake prioritising of international agricultural research programmes and the Organization's technical assistance to NARS.

CHAPTER 3: COOPERATION AND PARTNERSHIPS

Major Programme 3.1: Policy Assistance

<i>(all amounts in US\$ 000)</i>					
Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
311 Coordination of Policy Assistance and Field Programme Development	6,841	(16)	6,825	0	6,825
312 Policy Assistance to Various Regions	14,511	1,265	15,776	0	15,776
313 Legal Assistance to Member Nations	3,539	0	3,539	244	3,783
319 Programme Management	4,762	18	4,780	0	4,780
Total	29,653	1,267	30,920	244	31,164
ZNG Impact			(2,239)		
Total			28,681		

Substantive thrusts under ZRG conditions

279. In cooperation with the various organizational units, this major programme ensures outreach of normative policy work to countries. It provides the interface between the policy analysis by technical departments and the delivery of advice through the Policy Assistance Division (TCA). Most of TCA activities – which include country information, policy advice and support to field programme development – are undertaken by policy assistance branches and units decentralized to Regional and Subregional Offices. With a view to better targeting policy advice and identifying entry points for FAO field programmes, Major Programme 3.1 needs to develop a sound knowledge of the agricultural and food sector, including driving forces for change, major opportunities and constraints. In doing this, FAO seeks to interact closely with leading country planning exercises such as national development plans and Poverty Reduction Strategy Papers (PRSPs), as well as international cooperation arrangements such as UN system development frameworks.

280. Given the extensive involvement of countries in regional integration agreements and treaties, policy assistance is increasingly extended to regional economic organizations around the world. Of critical importance is the assistance to secure convergence and harmonisation of development policies, strategies and priorities in areas of FAO's mandate. Programme 3.1.1 covers TCA activities at headquarters, while Programme 3.1.2 covers the work of the decentralized branches and units – tailored as appropriate to the specific needs of each region/subregion. In order to reduce fragmentation and ensure greater symmetry and synergy, some programme entities will be merged in the full PWB to harmonise FAO policy advice to Members and better support the decentralized policy teams. Programme 3.1.3 is implemented by the Legal Office.

Programme 3.1.1: Coordination of Policy Assistance and Field Programme Development

281. The programme will continue to backstop, support and coordinate the work of TCA's decentralized units, seeking *inter alia* to:

- enhance country focus by ensuring availability of relevant data on country situations and strategic priorities through a Web-based country information system;
- ensure effective provision of technical assistance under the field programme related to core issues of agricultural development and food security; and

- ensure that relevant policy advice and capacity building is efficiently delivered to Members, in particular through interdisciplinary approaches.

Programme 3.1.2: Policy Assistance to Various Regions

282. This programme covers the work of the decentralized policy assistance branches and units of TCA, aiming at consistent policy advice and programme development support to countries and regional organizations. It plays a major role in maintaining country focus for FAO activities. Sector and subsector reviews and analyses of selected policy issues are conducted to underpin policy advice and targeting of the field programme. An important dimension is to assist countries in adjusting national policy and strategic frameworks, for aspects falling under FAO's mandate, and to support regional organizations in developing and implementing policies and strategies for food security at regional level.

283. The increase under ZRG is, in fact, a reinstatement of the above-average resources lost under the budget reduction exercise in connection with the PWB 2004-05. Returning to the resource levels that would have existed, had the average 2004-05 budget reductions been applied, reflects the priority that the governing bodies attach to policy assistance and the concern for capacity loss to serve countries in the field due to the abolition of eight posts under Programme 3.1.2 in 2004-05. This restored amount would allow for more adequate decentralized staffing levels, leading to:

- improved regional and country sector information and analysis and better targeting of policy advice and field programme interventions;
- closer adaptation of field programme development approaches to emerging development aid modalities; and
- harmonised inter-departmental cooperation with FAO country offices as they develop agreements for priority areas of technical assistance.

Programme 3.1.3: Legal Assistance to Member Nations

284. Programme 3.1.3 is designed to improve the legal and institutional framework for agricultural development and natural resources management in countries. It operates through three principal means: technical advice for law design and legal reform; production and dissemination of legal information; and legal inputs to inter-departmental normative work, in particular through the Priority Areas for Inter-disciplinary Action (PAIAs) covering biosecurity, biodiversity, biotechnology, climate change, multilateral trade negotiations and organic agriculture.

Real Growth Scenario

285. Real growth would permit additional legal assistance to countries, especially the smaller ones, to cope with new treaties, regional integration mechanisms and globalisation challenges (under 3.1.3).

Zero Nominal Growth Impact

286. ZNG would force a return to the severe budgetary cuts in the revised PWB 2004-05. This would make it impossible to bring the staffing of decentralized branches and units back to critical mass; the Pacific subregion, for example, has only one outposted TCA staff member. FAO's outreach capacity would be impaired at the very time when the international community is pushing for faster implementation of the Millennium Development Goals and is calling for UN system reforms designed to deliver strategic and policy assistance. TCA capacity to systematically draw the attention of technical departments to field programme opportunities would also be more limited. Legal assistance work would also be negatively affected, including as relates to Right to Food.

Major Programme 3.2: Support to Investment

(all amounts in US\$ 000)

Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
321 FAO/World Bank Cooperative Programme	35,761	(286)	35,475	0	35,475
322 Investment Support Programme	19,367	285	19,652	2,300	21,952
Total	55,128	(1)	55,128	2,300	57,428
ZNG Impact			(4,173)		
Total			50,954		

Substantive thrusts under ZRG conditions

287. This major programme is aimed at promoting investment in agriculture, rural development and sustainable use of natural resources. The Investment Centre (TCI) will continue to work closely with its partners to generate such investment, by international institutions and national governments, contributing to reversal of falling trends of the last decade. Assistance in the preparation of investment and complex technical cooperation projects that respond to the priorities of developing and transition countries, and which meet the funding criteria of multilateral financing agencies, remains the main focus of work, involving cooperation with some 20 major financing and related institutions. On average, 54 percent of the total cost of FAO's support to investment is met by extra-budgetary resources. The programme entity structure will be adjusted in the full PWB in order to strengthen planning, target setting, financial monitoring and reporting.

288. Programme 3.2.1, covering the FAO/World Bank Cooperative Programme, is defined through a firm contractual arrangement with the Bank. The level of activities undertaken with cooperating institutions other than the World Bank (Programme 3.2.2: *Investment Support Programme*) was reduced in the PWB 2004-05.

Real Growth Scenario

289. TCI would be able to restore activities with cooperating institutions under Programme 3.2.2 to its former level. This would mean expanding work beyond core partners such as IFAD, WFP and AfDB⁴³ and encouraging more collaboration with regional banks such as AsDB, IsDB, CAF⁴⁴, etc.

Zero Nominal Growth Impact

290. Work with the World Bank would remain at its present level so as not to jeopardise the cooperative programme which is defined through a firm contractual arrangement. However, there would be no capacity to respond to the Bank's demand for supplementary services in support of its increasing lending programme in agriculture and rural development.

291. The programme with non-World Bank cooperating institutions (Programme 3.2.2) would be reduced by approximately 25 percent versus the current level of Investment Support Programme (ISP) work. ZNG would entail reductions in the level of cooperation with the core partners (IFAD,

⁴³ International Fund for Agricultural Development (IFAD); World Food Programme (WFP); African Development Bank (AfDB)

⁴⁴ Asian Development Bank (AsDB); Islamic Development Bank (IsDB); Capital Asset Fund (CAF)

WFP and AfDB) and require freezing activities with other 19 cooperating institutions, including AsDB, IsDB, EBRD⁴⁵ and CAF.

Major Programme 3.3: Field Operations

(all amounts in US\$ 000)

Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
331 Field Operations in Various Regions	5,056	(5)	5,051	0	5,051
332 Central Support and Special Activities	4,692	270	4,962	0	4,962
333 Emergency Operations and Rehabilitation	13,750	(330)	13,420	0	13,420
339 Programme Management	1,148	0	1,148	0	1,148
Total	24,646	(65)	24,581	0	24,581
ZNG Impact			(1,150)		
Total			23,431		

Substantive thrusts under ZRG conditions

292. It may be recalled that technical cooperation projects are now operated by FAO representations (FAORs) for national projects; by Regional Offices for regional and national projects in countries without an FAOR; and by technical departments at headquarters for inter-regional, global and normative projects. The whole process is supported by the restructured Field Operations Division (TCO), while the Emergency Operations and Rehabilitation Division (TCE) has overall responsibility for emergency-related activities.

293. Under Programme 3.3.1, regional operations branches perform critical monitoring and coordination functions and provide analytical reviews of field programme implementation issues in the various regions. Programme 3.3.2 covers a number of supporting activities to the field programme, such as: provision of monitoring information; overall coordination of operational and administrative procedures; facilitation of project appraisal; implementation of fellowships; support to small-scale initiatives; and overall coordination of the preparation of project terminal reports. The Field Programme Management Information System (FPMIS) is the Organization's primary management tool for field programme-related data in the decentralized environment. Programme 3.3.9 covers *Programme Management* costs of the Office of the Director, TCO.

294. Programme 3.3.3: *Emergency Operations and Rehabilitation*, will continue to respond to needs for relief and early rehabilitation assistance in countries affected by exceptional natural or human-induced calamities. The programme should be exclusively funded from extra-budgetary resources and will, accordingly, require an assessment of support cost rates to be applied from 2006.

295. Emphasis needs to be placed on providing sustained training and support to decentralized staff and on necessary adjustments to existing administrative and operational procedures. Through FPMIS, enhanced information systems support will be given to the field programme, including emergency operations to improve programme and project management capacity.

Zero Nominal Growth Impact

296. Management and operational backstopping of the field programme may become insufficient. Preparation of consolidated reports on field programme performance for senior officers and

⁴⁵ European Bank for Reconstruction and Development

adequate review of project-level decision-support reports would no longer be possible. Problems related to field programme operations may remain undetected and unresolved for some time. Combined with the constraints already identified under ZRG conditions, this will increase risks of an operational and financial nature. *Post factum* detection of problems could lead to audit missions, and thus additional cost of operations at the corporate level.

Major Programme 3.4: FAO Representatives

<i>(all amounts in US\$ 000)</i>					
Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
340 FAO Representatives	82,247	(3,397)	78,850	3,900	82,750
Total	82,247	(3,397)	78,850	3,900	82,750
ZNG Impact			(3,546)		
Total			75,304		

Substantive thrusts under ZRG conditions

297. The FAO Representatives (FAORs) will continue to be focal points for contact with the respective host governments, civil society and the donor community in countries of accreditation. They help focus FAO's expertise where and when it is most needed; monitor national developments relevant to food and agriculture; mobilise technical and policy advice; and channel and coordinate FAO's technical cooperation activities and emergency operations. The FAORs work with the support and functional guidance of technical, policy, operational and administrative units at headquarters, as well as in Regional and Subregional Offices.

298. The upstream programming functions of FAORs are embedded in those of the UN Country Team within the Resident Coordinator System, involving participation in exercises such as the Common Country Assessment (CCA), the United Nations Development Assistance Framework (UNDAF) and Poverty Reduction Strategies. In emergency-affected countries, the upstream work of FAORs feeds into UN Consolidated or Flash Appeals contributing to needs assessments for emergency interventions.

299. As donors delegate greater responsibility for project approvals to the country level, FAORs play a critical role in the development of FAO's field programme, assisting with the identification, formulation and appraisal of projects, and mobilising resources from local donor representations. FAORs have operational responsibility for national technical cooperation projects and support regional projects with activities in their countries, and they are making increasingly significant contributions, under the Emergency Operations and Rehabilitation Division's overall responsibility, to the implementation of emergency projects.

300. FAORs communicate FAO's messages and policies at country level, liaise with the media and organise advocacy activities such as World Food Day and TeleFood events, as well as National Alliances Against Hunger. They also contribute to other UN advocacy activities, facilitate the transfer of information and knowledge between FAO and its partners at country level and ensure a two-way flow of data and information between the Organization and member countries.

301. Under this major programme, the Office for Coordination of Normative, Operational and Decentralized Activities (OCD) provides oversight, operational and management support services to the FAORs and ensures secure working conditions for FAO personnel, assets and operations in the field. Budgeted security resources of US\$ 3.4 million have been transferred from the programme to the proposed Security Expenditure Facility.

Real Growth Scenario

302. The additional funds would barely allow to partially offset the severe impact on the operational capacity and efficiency of the FAOR network stemming from a net reduction of US\$ 5.2 million for the biennium 2004-05. RG would restore the responsiveness and capacity for service delivery by FAO Representations at a more sustainable level; strengthen FAO's participation in UN Country Team activities (e.g. CCA/UNDAF); improve country-level support to normative programmes and the advocacy/outreach work of FAORs; enhance visibility and effectiveness of FAO's work at country level; and generally permit a better response to the challenges recognised with respect to FAO's decentralized structure.

Zero Nominal Growth Impact

303. ZNG would compound the difficulties in managing the network of country offices under the present budget level. Appropriate measures to meet the reduction would need to be identified. The reductions in OCD itself would weaken oversight and support services to the country offices which could in turn affect their operational capacity and efficiency.

Major Programme 3.5: Cooperation with External Partners

Programme	<i>(all amounts in US\$ 000)</i>				
	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
351 Multilateral and Bilateral Agencies	4,994	1,579	6,573	0	6,573
352 Civil Society Awareness and Partnerships	5,747	2,034	7,781	0	7,781
353 Cooperation Agreements with Member Nations and Support to ECDC and TCDC	1,059	(55)	1,004	0	1,004
Total	11,800	3,558	15,358	0	15,358
ZNG Impact			(884)		
Total			14,474		

Substantive thrusts under ZRG conditions

304. Programme 3.5.1: *Multilateral and Bilateral Agencies* aims at the further expansion and diversification of resources under FAO trust funds, through sustained and dynamic dialogue with partners. It facilitates an active dialogue and partnership with decentralized donors and bilateral cooperation mechanisms. Development of strategic alliances with major donors will continue, bolstered by expected income from Technical Cooperation Department.

305. Emphasis will be placed on field programme development in support of national and regional strategies, based on the effective use of country and regional knowledge as well as overview of sector issues, drawing the attention of technical units to countries' needs and opportunities for project formulation. The programme will ensure that the field programme is consistent with the agenda set by the international conferences of the 1990s, culminating in the MDGs, and with existing development frameworks at country level, such as the Poverty Reduction Strategy Papers (PRSP) and UNDAF.

306. Programme 3.5.2 addresses important components of the cross-cutting organizational strategy on *Broadening partnerships and alliances*. It promotes a corporate framework for effective partnerships to guide the various FAO units involved in enhancing cooperation with different partners such as civil society organizations (CSOs) and non-governmental organizations (NGOs), the private sector and decentralized entities. It supports FAO's involvement in the United Nations

Development Group (UNDG). The programme also includes support to World Food Day and TeleFood related activities, as well as to the International Alliance Against Hunger (IAAH).

307. The IAAH Secretariat, which serves communication and coordination among the Alliance members (FAO, IFAD, IPGRI, WFP, International NGOs, IPC⁴⁶ and National Alliances), will be strengthened by resources transferred from Programme 1.3.1 and expected income. The IAAH will interface with the implementation process for the UNGA Millennium Declaration and other international efforts in calling attention to policy reforms and programme initiatives to reduce hunger.

308. Under Programme 3.5.3, the implementation of the Partnership Programmes benefits Members in terms of capacity-building and greater leverage for the limited resources at FAO's disposal. OCD will continue to provide central coordination and support to the implementation of the Partnership Programmes, taking into account the needs of all stakeholders. Innovative ways and means of promoting these programmes will be explored to enrich the pool of experts and scientists.

Zero Nominal Growth Impact

309. Under Programme 3.5.2, strategic partnerships could no longer be addressed through a dedicated unit. Activities related to cooperation with NGOs/CSOs, private sector, UNDG, the decentralized cooperation programme and the secretariat function for the Field Programme Committee and Emergency Coordination Group would be absorbed under other organizational units. Under Programme 3.5.3, the implementation of Partnership Programmes would be constrained.

Major Programme 3.9: Programme Management

(all amounts in US\$ 000)

Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
390 Programme Management	2,288	0	2,288	0	2,288
Total	2,288	0	2,288	0	2,288
ZNG Impact			(207)		
Total			2,081		

310. This major programme covers the Office of the Assistant Director-General (TCD), including the Programme Coordination Unit (TCDP).

⁴⁶ International Fund for Agricultural Development (IFAD); International Plant Genetic Resources Institute (IPGRI); World Food Programme (WFP); International Non-governmental/Civil Society Organizations (International NGO/CSO); Planning Committee for Food Sovereignty (IPC)

CHAPTER 4: TECHNICAL COOPERATION PROGRAMME

(all amounts in US\$ 000)

Major Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
41 Technical Cooperation Programme	98,645	0	98,645	4,000	102,645
42 TCP Unit	4,382	0	4,382	100	4,482
Total	103,027	0	103,027	4,100	107,127
ZNG Impact			0		
Total			103,027		

Substantive thrusts under ZRG conditions

311. Under the guidance of the Programme Committee, a comprehensive review of the Technical Cooperation Programme (TCP) has been initiated in order to ensure that it is able to respond in the most effective and efficient manner to changes in internal and external environments. This review may lead to substantial changes in the TCP criteria, to the programme's overall scope, and in the procedures that govern its implementation. It is expected that final management proposals will be considered at the 129th Session of the FAO Council in November 2005. The proposals may also envision streamlining and other efficiency measures which could be applied and be of benefit to the programme. The detail of these measures can not, however, be entirely foreseen at this stage.

312. Subject to any specific guidance to be provided by the governing bodies in response to the Technical Cooperation Programme Review, the TCP will continue to respond to specific requests for technical assistance by Members, in close association with other components of the Regular Programme. It will maintain its main characteristics: ability to respond quickly and effectively to requests; limited project duration; practical orientation; and catalytic role and complementarity to other sources of assistance.

313. The table below shows the evolution of TCP allocations by region between 1992-93 and the first year of the biennium 2004-05. Variations reflect the unprogrammed and demand-driven nature of the TCP.

Distribution of TCP Allocations by Region (US\$ million)

Year/Biennia	Africa	Asia and Pacific	Europe	Latin America and Caribbean	Near East	Total
2004 (1 year)	26.3	19.2	6.2	18.5	7.5	77.7
2002-03	49.9	24.9	7.4	18.3	10.9	111.4
2000-01	36.8	24.9	7.5	18.5	11.4	99.1
1998-99	37.2	17.6	9.6	17.2	10.0	91.6
1996-97	36.8	19.7	9.7	17.3	9.9	93.4
1994-95	38.8	22.7	5.5	16.9	9.1	93.0
1992-93	35.1	19.1	4.8	16.8	12.2	88.0

314. The Technical Cooperation Service (TCOT) ensures adherence of approved projects to the TCP criteria, and coordinates the appraisal of, as well as the Organization's response to, incoming requests for TCP assistance. FAO Representatives, technical officers in the Regional/Subregional Offices, and the technical and operations divisions at headquarters, participate in the formulation and appraisal process. During the implementation, the Service reviews and monitors, in close cooperation with field and headquarters offices, the performance of the programme as a whole and of projects. A

process for systematically evaluating thematic clusters of TCP projects has been implemented. Five evaluations have so far been carried out covering projects in the fields of food control, apiculture/sericulture, legislation, policy advice and emergency relief operations.

315. The provision under Chapter 4 has received full protection under the ZNG scenario to reflect the priority granted by the governing bodies.

Real Growth Scenario

316. The net increase of 4% would augment the capacity of the TCP Appropriation to meet requests from countries including for emergencies. A small increase would also be warranted for the TCOT service which supports implementation of the TCP.

CHAPTER 5: SUPPORT SERVICES

Major Programme 5.1: Information and Publications Support

(all amounts in US\$ 000)

Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
511 Public Information and Publications Support	16,487	0	16,487	0	16,487
519 Programme Management	1,577	0	1,577	0	1,577
Total	18,064	0	18,065	0	18,065
ZNG Impact			(1,324)		
Total			16,741		

Substantive thrusts under ZRG conditions

317. This major programme encompasses all activities related to communication and management of publishing activities. It ensures a continuous flow of communication to FAO's Members as well as proactive communications with a broad range of audiences. It is central to supporting the SACOI⁴⁷ on *Communicating FAO's messages*. Highlights of planned work in multilingual communication, publishing policy and support and public information and outreach under ZRG conditions are given below.

318. The major programme will continue to support the development of FAO's biennial communication strategy and plan, as well as targeted communication strategies supporting specific programmes and events. It will also cover the production of multilingual information products and services, essential for in-house clients in their efforts to raise awareness and understanding of their activities and build support among Members for both regular and field programme activities. The Information Division (GII) will continue high-quality information activities including: professional, broadcast-quality audio and video productions; printed materials including brochures, fact sheets, folders, flyers and posters; exhibitions and exhibition materials; management of a comprehensive digital photo library serving the whole Organization; multimedia presentations; support to the TeleFood campaign; and Web site design.

319. GII will pursue its integrated cross-media publishing management function which encompasses operational, normative and advisory activities, in order to manage the Organization's publishing work and ensure timely issuance of high-quality, high profile, multilingual publications and appropriate treatment of other categories of information products. Copublication agreements with commercial and academic publishers and publication of FAO material in non-official languages are also instrumental to the dissemination function, as is the administration of FAO's intellectual property and copyright policies.

320. Work on public information and outreach will increase public awareness and understanding of the issues related to FAO's mandate and build support and political will for achievement of the World Food Summit and Millennium Development Goals. Key audiences at the national regional and global levels will be targeted through comprehensive multilingual media services and public outreach campaigns. Essential tools in this broad effort are press releases in official languages; the dynamic FAO Newsroom Web site in official languages; interviews, media briefings and press

⁴⁷ Strategy to Address Cross-Organizational Issues

conferences; placement of articles under the signature of the Director-General; and delivery of radio and television materials for broadcasters. Special attention will be given to enhancing regional outreach through strategic use of external services.

Zero Nominal Growth Impact

321. ZNG would reduce the extent and quality of services: reducing the volume of material produced for the FAO Newsroom Web site; reducing the number of press releases issued annually and imposing a maximum length.

322. With less staff, GII would not be able to maintain editorial and production quality of information material and publish multilingual information products in print and electronic format at the acceptable levels.

Major Programme 5.2: Administration

(all amounts in US\$ 000)

Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
521 Financial Services	20,813	671	21,484	0	21,484
522 Information Systems and Technology Services	2,036	0	2,036	0	2,036
523 Human Resources Services	18,848	75	18,923	1,000	19,923
529 Programme Management	6,704	1	6,705	0	6,705
Total	48,402	747	49,148	1,000	50,148
ZNG Impact			(3,266)		
Total			45,883		

Substantive thrusts under ZRG conditions

323. Major Programme 5.2 includes the provisions for the financial, information systems and human resource services provided by the Administration and Finance Department (AF) and the Regional and Subregional Offices. It also includes the Office of Assistant Director-General, AF, and the share of the overall Management Support Service (MSS) cost relating to the provision of services to AF divisions. Following the request of the Finance Committee, resources have been provided to the Finance Division (AFF) reinstating funding of five general service posts which had been cut in the revised PWB 2004-05.

Programme 5.2.1: Financial Services

324. AFF manages a flow of assets well in excess of US\$ 1 billion each year. It processes over 3 million entries in the accounts, many of which are quite complex, with an ever-increasing volume from FAO's extra-budgetary activities. Under Programme 5.2.1, AFF will continue to maintain the accounts of the Organization to the accepted standards (UN System Accounting Standards and Generally Accepted Accounting Principles) and provide accurate and timely financial information to all levels within the Organization and to the governing bodies. Despite the reinstatement of five general service posts mentioned above, AFF staffing level would still be less than the minimum recommended by independent consultants. This would have a negative impact on processing of daily payments, project account returns, staff receivables and other receipts, and payroll accounting.

Programme 5.2.2: Information Systems and Technology Services

325. The provision under Programme 5.2.2 covers only the direct managerial costs of the Information Systems and Technology Division (AFI), with the exception of the Director and a secretary who are shown under Programme Management. The remaining costs for information

systems and technology are distributed to the various programmes making use of the ICT infrastructure and computerized applications.

326. Priorities for information systems and technology services are largely determined by the demands of all FAO programmes. The volume of requests is constantly rising and is driven by the greater use of information and communications technology in the business practices of FAO. For instance, AFI is responsible for the development and support of a wide range of administrative systems, including the Oracle Financials systems, and the Oracle Human Resources system which will replace the legacy mainframe Human Resources and Payroll systems in 2006-07. AFI also assists computer application initiatives such as the World Agricultural Information Centre (WAICENT), Food Insecurity and Vulnerability Information and Mapping System (FIVIMS), Fisheries Global Information System (FIGIS) and the Forestry Information System (FORIS), all of which make heavy use of Internet-based technology. Ensuring the required computer infrastructure for FAO is also a major activity of the division.

327. It is noted that the current level of funding is already below that deemed by external consultants to be satisfactory to support the current workload and that this exposes the Organization to insufficient service availability and additional information security risks.

Programme 5.2.3: Human Resources Services

328. Programme 5.2.3 includes the Human Resources Management Division (AFH) and the Medical Unit (AFDM). AFH will continue to address the broad spectrum of human resources management issues, enhancing its advisory role and also providing support to the decentralized offices. In this context, a more integrated approach to Human Resources planning and development will continue to be adopted. The full implementation in the next biennium of a new Human Resources Management System (HRMS), based on Oracle applications, is a major undertaking that will require a significant commitment from the division. Within the UN system, AFH will continue to participate in inter-agency consultations, particularly relating to the International Civil Service Commission (ICSC) and the UN Joint Staff Pension Fund (UNJSPF), in order to maintain a common approach on human resources management matters.

329. AFH will support corporate activities, such as: targeted recruitment (in particular, for under-represented countries) and development programmes for young professional; the establishment of managerial competencies; integration of gender and diversity issues into human resources management; and an evolving programme of staff development.

330. The Medical Unit will fulfill its mandate relating to health of staff. Further to initiatives already carried out (workstation ergonomic assessment, physiotherapy and extended travel clinic), preventative programmes will be implemented based on data from its Occupational Health Information System.

Programme 5.2.9: Programme Management

331. Programme 5.2.9 covers AFD, the offices of division directors and the portion of the distributed costs of the Management Support Service (MSS) corresponding to the services provided to the AF Department. The remaining costs of the MSS are distributed to the various management programmes of headquarters departments being serviced by the MSS. It is recalled that the MSS provides a range of administrative support services, advice and management information to departments in the areas of finance, budget, procurement-requisitioning, personnel and travel, in accordance with the established rules and regulations of the Organization.

Real Growth Scenario

332. RG would accelerate work in three human resources priority areas: i) the establishment of managerial competencies and a complementary development plan; ii) the implementation of the Action Plan on recruitment from under-represented countries (ref. FC 107/16); and iii) the development and improvement of a performance management system linked to the Organization's planning model.

Zero Nominal Growth Impact

333. The ZNG overall reduction for Major Programme 5.2, including indirect allocations for the Computer Pool Account and the Management Support Services, would amount to US\$ 5.6 million. This could equate to a potential reduction of some 30 posts. Continued cuts over many biennia have reduced the ability of the department to provide other than core services.

334. ZNG would severely weaken the Organization's internal financial controls and compromise the capacity to produce accurate, timely and complete accounts. Reductions would also affect the Local Audit Programme (LAP) in field offices with the frequency of audit being reduced.

335. The impact of a ZNG budget on AFI would be widely felt, i.e. on all information systems and technology activities. The division would be required to reduce significantly its information systems development services. The manned hours of the Computer Centre would be reduced from 90 hours each week to less than 50, with adverse impact across the Organization. Server hardware maintenance and software updating would be restricted. Reduced service levels would also be required for the central telephone switchboard, for meeting and conference services, for governance activities, and for the AFI Help Desk.

336. For AFH many of the elements of the recruitment action plan (organization and participation in recruitment missions, university job fairs, increased use of the Internet, etc.) would not be possible under a ZNG scenario. Reductions in post management and staffing services would also be required leading to an increase in the time taken to deal with establishment proposals and a reduction in the frequency of selection committee meetings. It would not be possible to carry out the planned rationalisation of the Staff Compensation Plan, including the improved management of the process of disbursements. The Medical Service would be obliged to remove all preventative and counselling programmes.

337. The ZNG scenario would require a reduction of services provided by the Management Support Service. In order to maintain critical line functions such as personnel servicing, travel operations and financial transaction processing intact, the only area which can be considered for reduction is that of the Help Desk. This would mean the elimination of critical support to units across the Organization as they encounter problems or seek advice when executing their budget holder or transaction initiator functions; elimination of training courses; reduction in system testing or initiation of system change requests; and no support for year-end closure processes.

CHAPTER 6: COMMON SERVICES

(all amounts in US\$ 000)

Major Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
60 Common Services	52,486	463	52,949	0	52,949
Total	52,486	463	52,949	0	52,949
ZNG Impact			(3,184)		
Total			49,765		

Substantive thrusts under ZRG conditions

338. Under the management of the Administrative Services Division (AFS), this chapter covers the cost of common services, including mail and pouch, document distribution, archives and records, procurement, buildings maintenance and (unless alternative financial management arrangements are approved under the Security Expenditure Facility by the governing bodies) the protection of people, property and premises at headquarters, and related coordination with government authorities. It also covers similar costs for common services in the Regional and Subregional Offices.

339. AFS operates in a climate of high service level demands, rising headquarters facility management and expansion costs, as well as increases in utilities and air conditioning costs, generating severe resource pressures. Within procurement, there is understaffing in the monitoring, vendor and registry support areas due to expanded activities, potentially exposing the Organization to inadequate controls.

340. Procurement functions have expanded considerably, due to emergency-related work, and the current high level of activities is expected to continue. AFS will further assist decentralized offices in the implementation of procurement activities. It will also take a new role of institutional building and training, assisting the concerned Member Nations in strengthening their procurement capacity, in the context of important unilaterally-funded programmes and projects.

341. Documents, central records and communications user services will continue to focus on the enhancement of the Digital Records Management System, capable of operating across the FAO local and wide-area networks. These initiatives have resulted in some restructuring of the registries, with further changes planned for the next biennium. Work will also be done on the automation of the publications distribution process, through the adoption of new printing technology and different outsourcing of services.

342. Building maintenance includes the cost in the first instance of utilities and ongoing maintenance requirements including cleaning, renovation and refurbishment. It also includes one-off major maintenance for the buildings and for ancillary technical installations. As in the past, the budgetary provision for major maintenance works and upgrading of the infrastructure remains inadequate. For infrastructure improvements, reliance is being placed on the support of the Italian Government, as well as governmental and corporate donors.

Zero Nominal Growth Impact

343. ZNG would entail serious maintenance shortfalls leading to interruptions of service (e.g. air conditioning). Some maintenance cycles, which could not be fully respected in the past, would have to be interrupted with the risk of shortening the life cycle of equipment and incurring longer term higher capital costs for replacements. In addition, AFS would have to further reduce the frequency of

cleaning activities, with social and health associated risks, implement a drastic reduction in office moves, eliminate the purchase of new furniture and seek maximum recovery of costs in all circumstances, for example by backcharging all its services for non-FAO meetings.

CHAPTER 7: CONTINGENCIES

(all amounts in US\$ 000)

Major Programme	2004-05 Programme of Work	ZRG Programme Change	ZRG 2006-07 Programme of Work	RG Programme Change	RG 2006-07 Programme of Work
70 Contingencies	600	0	600	0	600
Total	600	0	600	0	600
ZNG Impact			0		
Total			600		

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

Acronyms

AF	Administration and Finance Department
AFD	Office of Assistant Director-General, AF
AfDB	African Development Bank
AFF	Finance Division
AFH	Human Resources Management Division
AFI	Information Systems and Technology Division
AFS	Administrative Services Division
AGE	Joint FAO/IAEA Division of Nuclear Techniques in Food and Agriculture
AOS	Administrative and operational support
AsDB	Asian Development Bank
ASMC	After-service Medical Coverage
CAADP	Comprehensive Africa Agriculture Development Programme
CAF	Capital Asset Fund
CCA	Common country assessment
CCRF	Code of Conduct for Responsible Fisheries
CFC	Common Fund for Commodities
CFS	Committee on World Food Security
CGIAR	Consultative Group on International Agricultural Research
CGRFA	Commission on Genetic Resources for Food and Agriculture
CL	Council
COAG	Committee on Agriculture
COFI	Committee on Fisheries
CPF	Collaborative Partnership on Forests
CPI	Consumer price index
CSD	Commission on Sustainable Development
CSO	Civil Society Organization
DNA	Desoxyribonucleic acid
EBRD	European Bank for Reconstruction and Development
ECDC	Economic Cooperation among Developing Countries
EMPRES	Emergency Prevention System for Transboundary Animal and Plant Pests and Diseases
ERP	Education for Rural People
FAOR	FAO Representative
FAOSTAT	Corporate Database for Substantive Statistical Data
FAS	Field Accounting System

FC	Finance Committee
FIGIS	Fisheries Global Information System
FIRMS	Fisheries Resources Monitoring System
FIVIMS	Food Insecurity and Vulnerability Information and Mapping System
FORIS	Forestry Information System
FPMIS	Field Programme Management Information System
GDP	Gross domestic product
GFAR	Global Forum on Agricultural Research
GIC	Conference, Council and Protocol Affairs Division
GII	Information Division
GIS	Geographical Information System
GOE	General operating expenses
GPA	Global Plan of Action
HQ	Headquarters
HRMS	Human Resources Management System
IAAH	International Alliance Against Hunger
IAEA	International Atomic Energy Agency
ICC	International Computing Centre
ICSC	International Civil Service Commission
ICT	Information and communication technology
IFAD	International Fund for Agricultural Development
IICA	Inter-American Institute for Cooperation on Agriculture
ILO	International Labour Organization
IPC	International NGO/CSO Planning Committee for Food Sovereignty
IPGRI	International Plant Genetic Resources Institute
IPM	Integrated pest management
IPOA	International Plan of Action
IPPC	International Plant Protection Convention
IsDB	Islamic Development Bank
ISP	Investment Support Programme
IT	Information technology
IT	International Treaty
IUU	Illegal, unreported and unregulated (fishing)
JIU	Joint Inspection Unit
LFCC	Low Forest Cover Countries
LIFDC	Low-Income, Food-Deficit Country

MCS	Monitoring, control and surveillance
MDG	Millennium Development Goal
MOSS	Minimum Operating Security Standards
MSS	Management Support Service
MSU	Management Support Unit
MTP	Medium Term Plan
NARS	National Agricultural Research Systems
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental Organization
OCD	Office for Coordination of Normative, Operational and Decentralized Activities
OIE	World Organisation for Animal Health
PAIA	Priority Area for Inter-disciplinary Action
PBE	Office of Programme, Budget and Evaluation
PC	Programme Committee
PGRFA	Plant Genetic Resources for Food and Agriculture
PWB	Programme of Work and Budget
RG	Real growth
RLC	Regional Office for Latin America and the Caribbean
RP	Regular Programme
SACOI	Strategy to Address Cross-Organizational Issues
SAD	Special Advisers to the Director-General
SAFR	Subregional Office for Southern and East Africa
SARD	Sustainable agriculture and rural development
SIT	Sterile Insect Technique
SOFA	The State of Food and Agriculture
SPFS	Special Programme for Food Security
SPS	Sanitary and phytosanitary measures
SPWB	Summary Programme of Work and Budget
SRA	Special reserve account
SSC	South-South Cooperation
TC	Technical Cooperation Department
TCA	Policy Assistance Division
TCDC	Technical Cooperation among Developing Countries
TCE	Emergency Operations and Rehabilitation Division
TCI	Investment Centre Division
TCO	Field Operations Division
TCOT	Technical Cooperation Service

TCP	Technical Cooperation Programme
UN	United Nations
UNCCD	United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNGA	United Nations General Assembly
WAICENT	World Agricultural Information Centre
WCF	Working Capital Fund
WFP	World Food Programme
WHO	World Health Organization
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization
ZNG	Zero nominal growth
ZRG	Zero real growth

Strategies to Address Members' Needs

A. Contributing to the eradication of food insecurity and rural poverty

- A.1** Sustainable rural livelihoods and more equitable access to resources
- A.2** Access of vulnerable and disadvantaged groups to sufficient, safe and nutritionally adequate food
- A.3** Preparedness for, and effective and sustainable response to, food and agricultural emergencies

B. Promoting, developing and reinforcing policy and regulatory frameworks for food, agriculture, fisheries and forestry

- B.1** International instruments concerning food, agriculture, fisheries and forestry, and the production, safe use and fair exchange of agricultural, fishery and forestry goods
- B.2** National policies, legal instruments and supporting mechanisms that respond to domestic requirements and are consistent with the international policy and regulatory framework

C. Creating sustainable increases in the supply and availability of food and other products from the crop, livestock, fisheries and forestry sectors

- C.1** Policy options and institutional measures to improve efficiency and adaptability in production, processing and marketing systems, and meet the changing needs of producers and consumers
- C.2** Adoption of appropriate technology to sustainably intensify production systems and to ensure sufficient supplies of food and agricultural, fisheries and forestry goods and services

D. Supporting the conservation, improvement and sustainable use of natural resources for food and agriculture

- D.1** Integrated management of land, water, fisheries, forest and genetic resources
- D.2** Conservation, rehabilitation and development of environments at the greatest risk

E. Improving decision-making through the provision of information and assessments and fostering of knowledge management for food and agriculture

- E.1** An integrated information resource base, with current, relevant and reliable statistics, information and knowledge made accessible to all FAO clients
- E.2** Regular assessments, analyses and outlook studies for food and agriculture
- E.3** Central place for food security on the international agenda