

REVIEW OF CERTAIN ASPECTS OF FAO'S GOALS AND OPERATIONS

**VIEWS AND COMMENTS
OF THE DIRECTOR-GENERAL**

**REPORT OF THE PROGRAMME
AND FINANCE COMMITTEES**



FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

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	<u>Page</u>
Introduction	iii
FAO's Objectives, Role, Priorities and Strategies and FAO's Field Operations	iii
General Remarks	iii
Evolution and Trends in Food and Agriculture	iv
Comments on Chapter 2 - FAO's Objectives, Role, Priorities and Strategies	v
Comments on Chapter 3 - FAO's Field Operations	xi
Comments on Chapter 4 - FAO in the International System	xv
Comments on Chapter 5 - The Resource Dimension	xvi
FAO Management Review	xix
Introduction	xix
General Comments	xix
Annex I - Director-General's Comments on the Methodology for Adoption of the Budget Rate	xxi

VIEWS AND COMMENTS OF THE DIRECTOR-GENERAL

Introduction

1. In Resolution 6/87 which launched the Review of FAO, the Conference invited the Director-General "to submit the conclusions and recommendations of the study, together with his views and comments, to the Council, which will transmit it, together with its views, to the Twenty-fifth Session of the Conference". Accordingly, the Director-General takes pleasure in forwarding the attached report of the Programme and Finance Committees, containing their conclusions and recommendations. The views and comments of the Director-General are given below.

2. Resolution 6/87 provided for the Programme and Finance Committees to be assisted by experts. The Committees established two Groups of Experts, dealing respectively with FAO's Objectives, Role, Priorities and Strategies, and with FAO's Field Operations. These subjects are covered in Part I of the Committees' report. The Committees have appended the reports of both Groups of Experts, the comments on these reports by the Director-General, and certain other material submitted in connection with the Review. These appendices are being circulated in a separate volume as C 89/21-Sup.1.

3. On the proposal of the Director-General, a Management Review was carried out by external consultants at the same time as the Review called for in Resolution 6/87. Part II of the report of the Programme and Finance Committees covers the Management Review. The Director-General has given his views and comments in the second part of the present paper. The Executive Summaries of the reports of the Management Consultants are included in C 89/21-Sup.1.

4. The present document and its supplement thus provide the Council and Conference with a complete dossier on the Review process.

FAO'S OBJECTIVES, ROLE, PRIORITIES AND STRATEGIES AND FAO'S FIELD OPERATIONS

General Remarks

5. During the discussions which led up to the adoption of Resolution 6/87 there was, in the words of the Conference Report, "unanimity...on the need to strengthen FAO in every possible manner, so that it could continue to play a leading role in world agriculture during the years ahead" (C 87/REP, para. 138). Nevertheless, the decision to undertake the Review of FAO was a controversial one, with strong disagreements over the need for a Review at this particular juncture, and over the mechanism to carry it out.

6. Considering this background of controversy, it is surely very important that the proposals of the Experts were all unanimous, and that the Programme and Finance Committees reached a consensus on almost all the issues they considered. It is greatly to be hoped that full agreement will be reached at the Council and Conference, so

that the conclusions of the Review can be adopted unanimously. For his part, the Director-General has done everything possible to foster a consensus, and in this spirit he supports the findings and recommendations of the Committees.

7. The Director-General is pleased to note that the Experts and the Committees conclude their Review by finding that FAO "remains a solid and dynamic institution". In the words of the Experts, "this certificate of good health does not preclude opportunities for making FAO more efficient and effective". The Director-General is confident that this aim can be achieved if the recommendations emerging from the Review can be implemented successfully.

8. The one major obstacle still to be overcome is the financing of measures that involve new expenditures. The estimated costs are mentioned in the Director-General's comments on individual recommendations. The problem as a whole is dealt with in the Director-General's comments on Chapter 5 of the Committees' report.

9. The Director-General's views and comments on the recommendations of the Committees follow the order of the Committees' report. He has not commented on all conclusions and recommendations, but only on those where he felt there were additional points that might be borne in mind by the Council and Conference.

Evolution and trends in food and agriculture

10. The Conference called for the Review to be conducted "in the light of the evolution and trends in the world food and agriculture situation". Prospects for world food and agriculture are analysed in Secretariat document SJS 1/4, in the reports of both Groups of Experts, and in the Annex to the report of the Committees prepared by the Chairman of the Programme Committee.

11. If a single conclusion can be drawn from these analyses, it is that agriculture must remain high on the international agenda for the foreseeable future. For instance, the Group of Experts on FAO's Objectives, Role, Priorities and Strategies (Group I) points out that agriculture can still "tilt the balance between sustainability and deterioration of the resource base and between political stability and turmoil. It can underpin or undermine global prosperity". The Group feels that the analysis of prospects for supply and demand put forward by the Secretariat in SJS 1/4 may err on the side of optimism; it fears that production may be lower, demand may be higher, and markets may be tighter than the document projects. It sees a "pivotal role" for FAO in the assessment and solution of the twin problems of chronic shortages and chronic surpluses. Annex I to the Committees' report speaks of "several factors likely to lead to worsening agricultural and rural poverty" (para. 8).

12. The Director-General believes that the years ahead will see continually mounting pressures on FAO to do more and more things for more and more people. In the few months that have passed since the Experts completed their work, two new challenges have begun to emerge on the horizon. The first relates to the current round of multi-lateral trade negotiations in GATT. As the Council and Conference are

being informed separately, these negotiations are expected to lead to an agreement that the Codex Alimentarius Commission (jointly sponsored by FAO and WHO and with its secretariat in FAO) and the International Plant Protection Convention (sponsored by FAO which also provides secretariat services) should play a major technical role in helping GATT to resolve agricultural trade disputes. The second development arises out of changes underway in some countries of Eastern Europe, including a rethinking of agricultural policies. It appears not improbable that FAO will at some stage be asked to play a role. And in a broader context, the USSR has publicly expressed interest in joining FAO, although the possible timing is still unclear.

13. Such developments bring home the fact that the world is in a phase of rapid change. The global economy in food and agriculture is becoming ever more complex: new problems are added, while the old problems do not go away. Between 1988 and the year 2000, it is expected that there will be one billion extra mouths to feed - 90 percent of them in developing countries. Despite progress on many fronts, the total number of the malnourished continues to rise remorselessly. The world is going to need a stronger FAO, and FAO is going to need stronger support from the world.

Comments on Chapter 2 - FAO's Objectives, Role, Priorities and Strategies

14. FAO's objectives The Committees, basing themselves on the report of the Experts, have identified seven development objectives pursued by FAO. They have listed these objectives in para. 2.6 of their report. The Director-General is pleased to note their conclusion that these objectives are consonant with the purposes given in the Preamble to the Constitution of FAO, and relevant to Article I. Despite the far-reaching changes that have occurred since the Constitution was drafted, the Committees feel that these texts remain relevant and valid.

15. The major roles of FAO Much attention was devoted in the course of the Review to the balance between the three major roles of FAO: in assembling and disseminating information; in serving as an international forum for reaching agreement and promoting action on issues; and in providing technical assistance to Member Nations.

16. Probably there will always be a measure of disagreement as to the emphasis to be placed on these respective roles, since they tend to be of different value to countries at different stages of development. Generally speaking, high-income nations will tend to emphasize the information and forum functions of FAO, while developing nations and particularly the least developed countries will be more concerned about the provision of technical assistance. These viewpoints are reflected in para. 2.11 of the Committees' report.

17. In the view of the Director-General, such inevitable differences in emphasis do not imply different visions regarding the future of FAO. Considering the mandate of FAO, all three are essential roles, and in many ways interlocked. Information provides the basis on which an international forum can act. And agreements in a forum lead to technical assistance being channeled to areas of need. Current events

show the vitality of the Organization in all three roles. A major effort is underway to strengthen FAO's information systems so that it can function as a World Agricultural Information Centre (WAICENT); this has been welcomed by the Experts and the Committees. The FAO Conference will be considering a proposal for an international conference on nutrition to be organized jointly with WHO - an important new venture for FAO as a forum. And in the area of technical assistance, FAO remains under continuous pressure to step up its efforts for needy countries.

18. Probably everyone would agree that FAO should do all it reasonably can to promote the development of the poorer countries, and everyone would recognize the importance of quality in the delivery of technical assistance. It is agreed by all that FAO's Field Programme should draw upon, and feed into, the Regular Programme, and it is obvious that there is a limit to the volume of field operations that can be technically supported by the Organization.

19. Given the extent of practical agreement which already exists, the Director-General does not believe that the issue of "balance" between major roles, or "balance" between Regular Programme and Field Programme, need become a bone of contention among the membership. For his part, the Director-General will continue to take the necessary precautions to ensure that a reasonable balance between the three roles is maintained, in the light of the overall capacity of the Organization. The related issue of selection of field programmes is, in the Director-General's opinion, satisfactorily covered in the Committees' paragraph 2.27.

20. The policy role of FAO A special word is necessary about the policy role of FAO. The Director-General is satisfied with the Committees' findings and recommendations on this subject (paras. 2.15-2.20), which if endorsed by the Conference will give him practical guidance for the future activities of the Organization. He merely wants to point out here the need for a realistic appreciation of what FAO can do. Policy advice is an extremely serious matter, and it must draw on the accumulated knowledge of the Organization. Policy studies can vary greatly in scope, but experience shows that the overall number which FAO can successfully handle in a year is rather limited. Whether the present level of activity will have to undergo a major increase will depend on the level of demand from requesting governments, and this will also influence the secretariat arrangements needed to organize the work.

21. The Director-General agrees with the Committees that sub-sectoral policies are the area for which FAO is best equipped. Sub-sectoral studies require a deep knowledge not only of the technical discipline or disciplines involved, but also of the country situation in which new policies are to be formulated. The necessary expertise has to be mobilized both inside FAO and also from outside sources. The personnel for each and every study must be chosen ad hoc, drawing on staff members with the required background and on consultants. It is not feasible approach to expect that a small group of permanent staff could themselves undertake policy studies requiring a wide range of technical expertise, linguistic ability and country knowledge. On the other hand, a core of regular staff is obviously required to do the necessary organizing and in-house coordination.

22. The Director-General draws particular attention to - and strongly supports - the criteria for undertaking policy studies put forward by the Committees in para. 2.20.

23. The average cost of a policy study can be taken as US\$ 400,000, mostly for consultants and travel. For ten such studies in the course of a biennium the total cost would therefore be US\$ 4,000,000.

24. The Committees, and the Experts, have drawn attention to the importance of FAO contributing to such policy-oriented undertakings as structural adjustment and the organization of Round Tables and Consultative Groups by UNDP and the World Bank respectively. The Director-General agrees that FAO should participate fully in such exercises when it has something to contribute, and when its presence is desired, in the first place by the country concerned. The extent of the demand for FAO's services is not yet clear, but the cost estimates include a figure of US\$ 150,000 for this purpose. In some cases, probably the Organization's contribution would be linked to policy studies as just discussed above.

25. Linked to the policy role of FAO is a recommendation originally formulated by the Group of Experts on FAO's Field Operations that the Organization should strengthen its capacity to undertake major regional studies, along the lines of those already carried out in Africa and in Latin America and the Caribbean. This is estimated to cost US\$ 1.6 million for one regional study per biennium.

26. Research and technology The Director-General agrees fully with the views of the Committees (paras. 2.21-2.24) on the continuing importance of research and the transfer of technology, particularly for the most underprivileged countries and the most deprived producers. He also agrees on the usefulness of strengthening links between FAO and the International Agricultural Research Centres (IARC's) affiliated to the Consultative Group on International Agricultural Research (CGIAR). It may be helpful to recall that the CGIAR is sponsored by FAO as well as by UNDP and the World Bank, so that it is by no means a body totally external to the Organization. Indeed, technical guidance for both the Group itself and the IARC's is provided by a Technical Advisory Committee, serviced by a Secretariat that is an integral part of FAO. Alongside the IARC's, the Director-General would like to underline the importance of stepping up cooperation with national agricultural research systems. Indeed, the strengthening of such systems in countries where they are still weak is often vitally important, not just for the development of an autonomous research programme, but also for the testing and adaptation of technology developed internationally at the IARC's and elsewhere.

27. The Committees' recommendation in para. 2.64(iii) calls for the necessary attention to be given to technologies, genetic resources and appropriate farming systems from all over the world, with a view to improving, transferring and promoting them, in particular through TCDC, in order to maximise their impact on agricultural development. The scope of this recommendation is very wide, and the Director-General believes that the best starting-point would be intensified collaboration with the individual IARC's, combined with arrangements with developing countries on an ad hoc basis. He is convinced that there could be great value in an expanded role for FAO at the national level in assisting the two-way flow of information between country

research systems and the centres composing the CGIAR network. As a cost estimate for implementing para. 2.64(iii) the Director-General has retained a figure of US\$ 220,000 per biennium which was originally submitted to the Committees in connection with a proposal from the Experts for strengthening in-country research capability.

28. The Committees, and the Experts, have placed a considerable emphasis on biotechnology. A programme increase for biotechnology amounting to US\$ 322,000 is already included in the Proposed Programme of Work and Budget for 1990-91. To take account of the recommendations emerging from the Review, a modest additional expansion of US\$ 50,000 per biennium is suggested by the Director-General. Incidentally, many of the centres affiliated to the CGIAR need no encouragement from FAO to make greater use of biotechnology, having already been extensively engaged in this field for a number of years.

29. Role of FAO in the New International Economic Order The Committees have briefly analysed FAO's contribution to the New International Economic Order, and agreed that the Organization should be able to strengthen certain activities relating to ECDC (para. 2.34). The Director-General has estimated a total cost of US\$ 200,000 per biennium.

30. Other forms of strengthening Additional activities in support of sustainable development and the environment are recommended by the Committees in para. 2.64(ii), and listed in para. 2.35. The cost of implementation is at US\$ 900,000 per biennium, but it needs to be emphasized that this will allow only a start to be made. The ultimate costs will be very much higher in certain cases. For instance, one of the new activities to be undertaken is defined as "strategies for sustainable agriculture in areas with different resource endowments and the choice of appropriate technologies". The estimate allows only for work on methodology. The actual preparation of such strategies for specific areas would, of course, involve expenditures of a quite different order of magnitude.

31. In a broader context, the Committees have recommended in para. 2.64(iii) that FAO actively promote sustainable development aimed not only at conserving natural resources, but at improving them with a view to their rational exploitation for the benefit of agricultural and rural development, particularly in developing countries. No reorientation is required, since this is the spirit in which FAO has been working for many years. It may, however, be useful to bring the Organization's activities for sustainable development into sharper focus. One possible way, mentioned below, would be the creation of a Special Action Programme for this purpose.

32. The Committees analyse problems relating to WCARRD, women and youth in paras. 2.36-2.37 and in 2.47, and set forth their recommendations in para. 2.64(vi). The Committees point out that the proposed evaluation of the results of WCARRD should be decided upon in agreement both with Member Nations and also with the other UN agencies concerned. If the Committees' recommendation is approved by the Conference, the Director-General will arrange for the matter to be pursued at the next meeting of the ACC Task Force on Rural Development, in which all these agencies are represented. The cost of the evaluation is estimated at US\$ 240,000.

33. The Committees recommend pursuit of efforts on behalf of women in rural development, and increased efforts to assist young farmers and to create non-farm employment. A Plan of Action for the Integration of Women into Agricultural and Rural Development, endorsed by the Council, will be before the Conference for approval at its forthcoming session (document C 89/14 and C 89/14-Sup.1). Presumably the Conference will wish to take action on this matter under the relevant agenda item rather than in the context of the Review.

34. Efforts to assist young farmers are already being made, and can be stepped up in the framework of activities directed at rural youth. Regarding non-farm employment, FAO can of course only promote forms of activity related to agriculture. There is certainly much that can be done within the agricultural sector, but the Director-General believes that there is much greater promise in a broad approach that could include such components as rural industries or agri-tourism. This is exactly the scope of rural development programmes, which bring in all sectors that could contribute to the development of a particular area. The Director-General therefore suggests promoting this recommendation in association with other agencies in the context of rural development.

35. Regarding international trade, the Committees have recommended in para. 2.64(iv) that FAO provide positive assistance to developing countries in their negotiations in GATT, and speak out against protectionist measures and other practices which hinder trade of products, especially those adversely affecting developing countries and discouraging producers in these countries. The recommendation does not involve undertaking any new line of work, but rather a stepping up of ongoing activities. The Director-General estimates the cost at US\$ 30,000 per biennium. However, this needs to be looked at in conjunction with the new work arising out of the Uruguay Round of Multilateral Trade Negotiations in GATT, mentioned by the Director-General in para. 12 above, which is estimated to cost US\$ 900,000 per biennium.

36. Planning, programming and budgeting in FAO The Review, in the opinion of the Director-General, has been useful in articulating the requirements of Member Nations for an improved planning and programming process in FAO.

37. The revised process which is emerging from the Review consists of the following elements: a long-term strategy for food and agriculture, a medium-term plan for the Organization, and a three-stage Programme of Work and Budget (the Outline as prepared for the first time this year, the Summary, and the full PWB). The Committees have recommended that the strategy consist of the FAO input to the broader International Development Strategy to be approved by the General Assembly of the United Nations, that the medium-term plan cover a six-year period, and that the procedure for an Outline of the Programme of Work and Budget be continued for at least another biennium so that its value can be judged over a longer time period. An issue which is left open is the extent to which the medium term plan should indicate resource levels, and the degree in which approval of the medium term plan would involve a commitment by the membership regarding the size of the budget for the three future biennia covered.

38. In the view of the Director-General, the task for the Secretariat will be to ensure that the linkages between these various elements and stages are as clear as possible, that repetition and duplication are avoided as far as possible, and that throughout the process information is provided to Governments in a usable and intelligent manner. As the Committees have noted, this is an area in which increasing the quantity of the data made available may not increase - and may actually reduce - its practical usefulness to Governments. Close consultation with the Programme and Finance Committees will therefore be needed before preparations are started on the next biennial cycle, for 1992-93. Over the longer term, if the Outline is maintained the Director-General believes that the Summary Programme of Work and Budget will be unnecessary.

39. The extra cost of the new arrangements is estimated at US\$ 600,000 per biennium, including additional staff and documentation costs. The figure does not include any cost for the time of technical officers engaged on the preparation of the medium-term plan.

40. Priorities and the FWB As the Experts and the Committees have pointed out (para. 2.54), the definition of priorities is a long and elaborate process in an organization like FAO. It involves specialized bodies in the many technical fields covered by the Organization, regional conferences and committees, the Programme and Finance Committees, the Council and Conference. It must take account also of events outside FAO, and in particular the recommendations emanating from the United Nations Economic and Social Council and General Assembly.

41. The Committees have put forward a set of guidelines, based on the work of the Experts, which FAO Member Nations and Governing Bodies could usefully bear in mind during the process (para. 2.54, reiterated in para. 2.64). The Director-General has no difficulties with these guidelines, which will of course also be observed by the Secretariat.

42. The Director-General strongly endorses the views of the Committees (para. 2.56) on the great difficulty of a straightforward ranking of priorities. Experience has shown many times that, while it is relatively easy to agree on the positive things that should have a high priority, it is extremely hard to reach agreement on activities that should have a lower priority.

43. Special Action Programmes The Director-General welcomes the Committees' support for the establishment of a small number of new Special Action Programmes (SAP's) covering areas of high priority (paras. 2.60 and 2.64(x)). No specific proposal for new SAP's is advanced. One possible area might be sustainable development. Any decision to launch a new Programme would need to be carefully prepared by the Secretariat and the technical and governing bodies of the Organization. Since the SAP's are largely dependent on Trust Fund contributions, it would be essential that donors confirm their readiness to support a new SAP before it is launched. The Regular Programme would normally be expected to fund the core staff responsible for organizing and coordinating a new SAP, and the financial implications for the Regular Programme would need to be worked out on a case-by-case basis in advance. The issue is whether the Programme could be organized and maintained by existing staff or whether it would require additional personnel.

Comments on Chapter 3 - FAO Field Operations

44. The Director-General welcomes the manner in which the Committees have expressed the importance of field operations, both for Member Nations and for the Organization itself (paras. 3.1-3.4).

45. In commenting on the recommendations in this chapter, the Director-General follows the order in which they are summarized by the Committees in paras. 3.48-3.54.

46. Review of field operations by Governing Bodies The Committees recommend in para. 3.51(i) that the content and orientation of field programmes be reviewed regularly in the technical committees, in joint sessions of the Programme and Finance Committees, and in the Council. In the view of the Director-General, particular care will be needed to ensure that the papers for this review are geared to the practical needs of participants in the meetings. For instance, they should avoid overwhelming delegations with indigestible data on the field programme. The first cycle of discussions in the technical committees might be considered as experimental in character.

47. Secondly, policy issues and questions concerning relations with financing agencies and other sources of external assistance should be reviewed regularly by the Council (para. 3.51(ii)). This would be a development of the discussions on operational questions which have taken place in the Council during recent years.

48. The cost of these recommendations is estimated at US\$ 200,000 per biennium in terms of staff time and expenditure for documentation.

49. Field Inspection Unit The Director-General notes the proposal that a Field Inspection Unit be established as part of the Evaluation Service, to focus mainly on project management and organization. The Unit would be expected to contribute to documentation for the Governing Body review of field operations. However, since the Unit would not be concerned with the technical content of projects, it could hardly contribute towards discussions in the technical committees, and it would rather provide an input to the documentation for the review in the Council. Moreover, in the Director-General's view, it would be premature to decide on the location of the Field Inspection Unit within FAO before its detailed Terms of Reference have been developed. Indeed, care would have to be taken to ensure that there is no duplication with the other units which already exist in the Organization.

50. The cost of the Field Inspection Unit is estimated at US\$ 680,000 per biennium. The purview of the Unit would relate mainly to activities financed from extra-budgetary sources, and the Unit itself should therefore be financed partially outside the Regular Programme.

51. Additional project officers and technical backstopping staff The Committees, drawing on the work of the Group of Experts on FAO's Field Operations, have pointed out (para. 3.17) that the workload of both project officers and technical staff supporting projects is "too often excessive". They have recommended (paras. 3.18 and 3.52(v)) that additional project officers be appointed as an immediate ameliorative measure, and that technical backstopping staff be increased. The

problem is an old one, which is worsening as projects become smaller and more complex, and as operating costs rise ever higher above the level of reimbursement received by the Organization. The Director-General is ready to implement short-term measures of relief as a priority matter.

52. The Group of Experts on FAO's Field Operations recommended the immediate appointment of additional project officers, and the cost was estimated at US\$ 2,600,000 per biennium for 12 officers. The Committees have supported this recommendation but have felt that an increase in technical backstopping staff is equally necessary. The Director-General suggests that the appointment of six additional technical officers be envisaged, at a cost of US\$ 1,300,000. The total cost for both project officers and technical officers would then come to US\$ 3,900,000 per biennium.

53. Project identification/formulation facility The proposed facility is described by the Committees in para. 3.26 of their report, and by the Group of Experts on FAO's Field Operations in their para. 74(m). In the view of the Director-General this is one of the most valuable recommendations to emerge from the Review, and would greatly increase FAO's flexibility and usefulness. It may be underlined that the facility would not be restricted to identifying and formulating projects for implementation by FAO. For instance, in connection with Special Action Programmes it may often be desirable for projects to be prepared by FAO and then taken over by a donor which implements them directly with the government concerned.

54. The essence of the proposal is that expenditures incurred by FAO would be reimbursed when project funding was secured, so the ultimate cost to the Organization would be limited to the preparation of projects which did not find a sponsor. The initial amount required for the facility is estimated at US\$ 1 million, to be sought from extra-budgetary sources.

55. Technical Cooperation Programme The Director-General welcomes the Committees' positive evaluation of the TCP, and their recommendation that it be "maintained in its present form as a vital element in FAO's field operations". He will be ready to contact donors regarding possible additional contributions on a voluntary basis, either to TCP or through trust funds.

56. Role of the Investment Centre The Committees feel that the work of the Investment Centre "deserves the strongest support of Member Nations". The Director-General agrees with this verdict, and will do everything possible to strengthen the World Bank Cooperative Programme as recommended.

57. Cooperation with NGO's The Director-General agrees with the Committees' and the Experts' assessment of the increasing importance of non-governmental organizations. The Committees have recommended in para. 3.52(ix) a review of the present administrative and financial procedures guiding FAO's cooperation with NGO's with a view to strengthening that cooperation. This recommendation runs along the lines of a proposal made by the Director-General, as mentioned by the Committees in their para. 3.47. The Director-General will be glad to carry out the review in 1990 as he had suggested, submitting the report to the Programme and Finance Committees and Council.

58. Role of Country Offices The Committees recommend that ways be found to decentralize administrative support tasks to the Country Offices, and to enlarge and equip them not only for this purpose but also so that they can serve as interlocutors for governments and other institutions on matters relating to agricultural policy and agricultural and rural development programmes (paras. 3.33-3.37, 3.53(x) and 3.53(xi)). The Committees have given some general guidelines for the ways in which the Offices should be strengthened, but they feel that such measures could only be fully effective if a solution is found to the overall problem of inadequate administrative and financial resources.

59. The Director-General proposes to implement these recommendations progressively over several biennia. The precise measures to strengthen individual Offices would be determined case by case.

60. The Director-General foresees an expenditure of US\$ 2,000,000 per biennium for strengthening ten Country Offices to play a role in policy analysis and advice. In order to support field activities, the cost would be US\$ 2,250,000 per biennium for the outposting of a Programme Officer in 15 Offices. For improving telecommunications and computer facilities, there would be an expenditure of US\$ 800,000 in the first biennium and US\$ 240,000 in subsequent biennia.

61. Computerization While recognizing that it will not solve the basic problems of the Field Programme, the Committees feel that "a relatively modest investment in computerization is fully justified and should be given the highest priority" (para. 3.14). They recommend in para. 3.53(xiii) the development of computerized management systems for use in administration as well as in field programme monitoring. The Director-General believes that it should be possible to introduce the planned project information and monitoring system (PROSYS) in the near future. The cost is estimated at US\$ 1,730,000 in the first biennium and US\$ 1,270,000 in the second biennium. The Director-General hopes that, as suggested by the Committees, resources might be found from extra-budgetary sources for this purpose.

62. Training of national staff In considering government execution of projects, and the need to strengthen the capacity of many developing countries to carry out projects themselves, the Experts and the Committees have recommended that FAO provide more training for national personnel in project identification, formulation, management and monitoring and evaluation (paras. 3.19 and 3.53(xiv)). The Director-General considers this a highly significant recommendation. He estimates that a new programme along the lines of work already carried out in the past could be set in train for US\$ 1,100,000 per biennium. This would provide training for 10 people in project formulation and appraisal, and 100 people in project management and monitoring.

63. The overall situation of FAO in the field In a general recommendation (para. 3.54(xv)) the Committees call for FAO to be recognized, on the basis of its comparative advantage and its experience, as the lead agency and coordinator for sectoral and sub-sectoral reviews in its field of competence. It should be fully associated in the process of preparation and holding of multilateral coordination meetings such as the UNDP Round Tables and World Bank Consultative Groups as well as

with UNDP-sponsored national technical cooperation assessment programmes so that it can provide its essential technical contribution. Mutual understanding and rapport among the UN agencies should be strengthened.

64. The Director-General strongly supports this recommendation. However, he feels that if it is to be fulfilled, Governments must take the same line on the role of FAO both in the Organization's own Governing Bodies and in the corresponding bodies of the other organizations concerned. Strengthening mutual understanding and rapport requires an effort by all parties involved, and as far as FAO is concerned the Director-General and the staff are ready to make it. The problem areas are dealt with in the next chapter of the Committees' report, and the measures suggested there will certainly help. In order to keep the full respect of other organizations, it is also important that FAO achieve continuous improvements in the implementation of its field programme. Here again, the Review has led to a number of recommendations that could be helpful. There remains, however, a troublesome problem which is evoked in the following paragraphs.

65. Conditions of employment The Director-General would like to take up a point made by the Committees in para. 3.13 but not the subject of a specific recommendation. This is the problem created by the gradual decline in conditions of employment in the United Nations system as compared with conditions elsewhere. Although mentioned in the context of field operations, it is equally important for the Regular Programme.

66. No matter how many times he has said it in the past, the Director-General would like to repeat that the unattractiveness of United Nations scales of salaries and allowances is undermining FAO and other multilateral organizations. In the field, an expert from one of the major industrialized countries is likely to obtain much better conditions working for a bilateral programme, the World Bank or the EEC. For work at Headquarters, a candidate who is in mid-career with a family is all too frequently discouraged by the financial situation in which he would find himself if he came to Rome. For both the shorter and the longer term, it is essential that the UN system again become competitive. As the Committees observe, Member Nations will have to address the problem on a system-wide basis. It is urgent that they do so now.

67. Staff training Before leaving Chapter 3, the Director-General would like to evoke an issue which figures in para. 74(i) of the report of the Group of Experts on FAO's Field Operations but which has not been taken up by the Committees. This is the desirability of providing technical staff with opportunities to update their knowledge and skills. Technology continues to develop with extraordinary rapidity. There are two ways in which an organization like FAO can cope with this fact: it can employ technical experts on a relatively short fixed-term basis, so that it is continually recruiting fresh people from outside who bring with them the latest knowledge; or it can have a regular staff with career opportunities and arrange for them to be brought up to date from time to time in their specialized fields. FAO does neither one nor the other. It can no longer afford to recruit new experts systematically, as just explained above. And it currently has no provision for refresher training for regular staff.

68. The Director-General therefore proposes that, as part of the Review, the Organization make provision for technical staff to update their knowledge. This generally cannot be done through short or superficial courses. A six-months' sabbatical is suggested, and it is expensive, especially if a temporary replacement has to be found while the staff member is away. The estimated cost is US\$ 70,000 per person, or US\$ 4,200,000 in a biennium for 60 people.

Comments on Chapter 4 - **FAO** in the International System

69. The Committees have noted that cooperation with other agencies proceeds on a very broad front, and in general is "rather good". They have advanced recommendations for improving collaboration in a few specific cases.

70. Before giving his comments on the recommendations of the Committees, the Director-General would like to mention one general point. For over a decade, there have been four UN bodies in Rome dealing with food questions. FAO and IFAD are specialized agencies, WFP is a programme jointly sponsored by the United Nations and FAO, and the World Food Council is an organ of the UN General Assembly with its own Secretariat. The relations between these four bodies inevitably vary over time. Even when they are at their best, there is still a need for more systematic consultation than has generally taken place in the past.

71. In order to foster such consultation, the Director-General wishes to suggest the creation of an inter-secretariat mechanism among the Rome food agencies, to function at senior working level. Meetings, which might be held every six months, could be hosted by the four bodies in turn. The emphasis should be on questions of substance, and issues of protocol or procedure should be avoided. The objective should be to ensure that information is shared, initiatives are coordinated, and the best possible use is made of limited resources. Needless to say, a mechanism of this nature could only be established if all four bodies agree to it. If the idea receives the endorsement of the Council and Conference, Governments should be ready to advocate it in the other fora involved.

72. The following comments relate to the Committees' recommendations on relations with individual agencies, as listed in para. 4.14.

73. World Bank Arrangements for periodic consultations have now been made, and at the time of writing the first such consultation is being prepared.

74. UNEP The Committees recommend consultations aimed at the harmonization of work programmes and the reinstitution of the system of joint programming. Some informal consultations with UNEP have already taken place. The Director-General proposes to take the matter up formally with the Executive Director of UNEP in the light of the Conference decision on this recommendation. He wishes to add, however, that consultations at secretariat level will not necessarily resolve all the problems identified by the Experts and the Committees. It is important that Governments take fully compatible and coordinated decisions in both UNEP and FAO.

75. UNICEF The Committees recommend steps to strengthen collaboration at the country level between FAORs and UNICEF representatives. As soon as the Conference has completed its work on the Review, the Director-General will take up with the Executive Director of UNICEF the possibility of formulating parallel instructions to the two sets of representatives in order to intensify cooperation.

76. WFC The problem identified by the Experts and the Committees relates to activities on national food security policies. Consultations between FAO and WFC to resolve this issue have been held, and good progress is being made.

77. UNDP The Committees recommend a meeting at least once a year between senior officials of FAO and UNDP to resolve outstanding problems. Annual meetings at senior level have, in fact, already started and the Director-General does not see any problem in carrying out this recommendation. Secondly, the Committees recommend that consultations between UNDP Resident Representatives and FAO Representatives be reinforced in order to solve issues on the spot. If the Conference approves this proposal, the Director-General will be happy to take the necessary steps.

78. UNIDO High-level consultations are recommended in order to ensure first of all the effective functioning of the 1969 agreement, ~~and in order~~ to study the possibility of creating an FAO/UNIDO Division of Agro-Industrial Development. The Director-General will take the matter up with the Director-General of UNIDO when the Conference has adopted a decision on the matter. He wishes to point out, however, that this is another area where it is indispensable to have coordinated and compatible decisions by Governments in the respective fora.

79. WFP The Committees have recommended that cooperation between FAO and WFP be reinforced, and that overlapping be avoided. They have particularly mentioned overlapping in the area of food aid policies (para. 4.12). The Director-General endorses the recommendation of the Committees.

Comments on Chapter 5 - The Resource Dimension

80. New issues Before coming to the cost of implementing the recommendations of the Committees, the Director-General would like to revert to the new issues which he has mentioned in paragraph 12 above. While no preparations can yet be made for possible new work in Eastern Europe, there are strong reasons for the Organization to start getting ready in the next biennium to handle the new responsibilities that are expected to arise out of the Uruguay Round of Multilateral Trade Negotiations in GATT. The Committees, like the experts, have stressed that FAO should play as active a role as possible in the area of international trade. The arrangements currently envisaged will call for a major technical input from the Organization to a process which will be of benefit to all member countries, and the Director-General considers it essential that FAO be in a position to respond positively and urgently. On a biennial basis, the cost can be estimated at a minimum of US\$ 600,000 in connection with the International Plant

Protection Convention, and US\$ 300,000 in connection with the Codex Alimentarius Commission, for a total of US\$ 900,000 per biennium.

81. This question has come up since the Programme of Work and Budget was prepared, and consequently there is no provision for the necessary expenditure in 1990-91. Like the recommendations arising from the Review, it is oriented towards the future. The Director-General is therefore including the estimate for extra expenditure on cooperation with GATT in this document alongside the estimates for implementing the recommendations of the Review.

82. Options for financing expenditure in 1990-91 The Committees have advanced three options for a solution in the next biennium: a special supplementary appropriation; programme adjustments; and the mobilization of extra-budgetary funds.

83. In the light of these options, the Director-General proposes on the next page a division of costs into the following three categories:

1. Expenditures for possible funding by the Regular Programme, which he considers to have priority and which should be started during the coming biennium provided funding can be assured;
2. Expenditures for possible funding by the Regular Programme, but which could be considered as less urgent or of lesser priority;
3. Expenditures which would normally be financed from extra-budgetary sources.

84. This division of costs is put forward for discussion. It will be for the Council and Conference to take the final decisions. The Committees have suggested that the three financing options may be envisaged alone or in combination; the Director-General would add that only the first --a supplementary appropriation--would offer the certainty that all of the recommendations could be implemented without serious and highly undesirable disruption of the Organization's programmes and activities. In no case could the Director-General advocate covering expenditures of the magnitude envisaged through programme adjustments, and the availability of extra-budgetary funds cannot be taken for granted.

Category 1 - priority expenditures for possible
Regular Programme funding

The Director-General suggests that the following items should be in Category 1:

	<u>US\$</u>
Participation in Round Tables and CG's (para. 24)	150,000
Additional activities in sustainable development (para. 30)	900,000
WCARRD review (para. 32)	240,000
Stepping up work on trade (para. 35)	30,000
Medium-term plan for FAO (para. 39)	600,000
Review of Field Prog. by Governing Bodies (para. 48)	200,000
Field Inspection Unit—50% funding (para. 50)	340,000
Additional project & technical staff (para. 52)	3,900,000
Strengthening Country Offices (para. 60)	5,050,000
New forms of cooperation with GATT (Uruguay Round) (proposed by DG, para. 12)	900,000
Total	12,310,000

Category 2 - lesser priority expenditures for possible
Regular Programme funding

The following items are proposed for inclusion in Category 2:

Regional studies (para. 25)	1,600,000
Additional activities in biotechnology (para. 28)	50,000
Additional activities in ECDC (para. 29)	200,000
Staff training (proposed by DG, paras. 67-68)	4,200,000
Total	6,050,000

Category 3 - expenditures for possible extra-budgetary funding

The following items might attract extra-budgetary funding:

Country policy studies (para. 23)	4,000,000
Research and technology (para. 27)	220,000
Field Inspection Unit—50% funding (para. 50)	340,000
Project identification/form. facility (para. 54)	1,000,000
PROSYS (para. 61)	1,730,000
Training of national project staff (para. 62)	1,100,000
Total	8,390,000

GRAND TOTAL 26,750,000

FAO MANAGEMENT REVIEW

Introduction

85. It will be recalled that the commissioning of the reports of the management consultants was not called for under Conference Resolution 6/87.

86. The Director-General submitted his Preliminary Comments on the reports of the management consultants to the Third Special Joint Session of the Programme and Finance Committees, and Supplementary Information and Views to the Fourth Special Joint Session. After consideration of the Committees' report, the following are the Director-General's conclusions on the reports of the management consultants.

General Comments

87. The Director General has in many cases reached positive conclusions on the recommendations of the various management consultants. As part of his constitutional responsibility for managing the Organization, he has already initiated action within existing allocations. In some cases, he has given indications of his views or intentions regarding possible future studies of measures, subject to availability of resources. In others, he is not convinced of the case for follow-up, at least in the immediate future, particularly having regard to the Organization's freedom of manoeuvre, e.g. in such matters as the Common System, or to administrative and financial feasibility.

88. In this connection, the Director-General would emphasize that in view of all the economies that have been effected since he assumed office in 1976, the fact is that except for the report on Printing, the reports have not revealed any major source of over-expenditure of resources where savings could be made. Indeed, if all the recommendations were to be implemented, the additional costs would absorb several times the amount of the potential savings from the changes in the Printing area. Some recommended measures would involve the establishment of additional, continuing posts, and the total of 57 studies which are recommended throughout the various reports would involve a vast outlay in the fees of management consultants, and heavy staff costs for researches by many existing staff already overburdened with important tasks, to deal with changes in or documentation of procedures or methodology.

89. The Director-General wishes to express his appreciation for the views of the Programme and Finance Committees and has no difficulty in associating himself with them. He intends therefore to continue implementation of the measures already begun and pursue his analysis of other recommendations as and when resources permit, and will of course as appropriate report or submit proposals to future regular sessions of the Finance Committee.

90. It therefore does not seem necessary for the Director-General to submit a further large, comprehensive, detailed document on all the recommendations of the management consultants. There is however one

important issue on which the two Committees did not make any specific recommendation but which will inevitably come before the forthcoming sessions of the Council and Conference, and on which therefore the Director-General considers it would be appropriate to recapitulate his views for the consideration of the Governing Bodies.

91. The issue is the methodology for adoption of a rate for calculating the approved budget level. The Director-General accordingly submits his detailed views on this issue in Annex I.

ANNEX I

The Director General's Comments on
The Methodology For Adoption of the Budget Rate

1.1 Since the greater part of the Organization's Regular Programme expenditures are made in Italian Lire, it is necessary for the purpose of deciding an approved budget level to make an assumption about the relationship of the currency in which the budget is expressed, hitherto always the US dollar, to the Italian currency, i.e. the US\$/Lit rate. For many biennia, the rate used has been the spot rate on the day of the vote on the PWB resolution.

1.2 However, concerns have sometimes been expressed, mainly during the Conference, about this in relation to:

(i) the effect, which is an immediate but not necessarily lasting one, of the approved US\$/Lit rate on the budget level;

(ii) the effect, which is seen only after two years but could be much greater than in the case of (i), of actual rates during the biennium on the eventual debits/credits to the Special Reserve Account (SRA);

(iii) the programme cuts, which sometimes have to be made, during the biennium but have long-term effects on the programme, because the Special Reserve Account may not be large enough to absorb the full losses arising from adverse currency developments during the biennium.

1.3 Although member countries may give different emphasis to each of the above, the three factors are in fact inter-related. A rate which is too "pessimistic" in relation to experience may exaggerate the budget level for a short period but will result eventually in gains being accumulated in the Special Reserve Account and eventually returned through the Cash Surplus to Member Governments. A rate which proves to have been "optimistic" will reduce the approved budget level but in practice will result in withdrawals from the Special Reserve Account and when the latter is exhausted, in programme cuts, while Member Governments will not benefit from a contribution from the SRA to the Cash Surplus. Indeed, additional assessments may be required to replenish it.

1.4 Thus, the gains over and above the replenishment level of the SRA contributed substantially by US\$ 1.1 million in 1980-81, US\$ 13.7 million in 1982-83, US\$ 9.8 million in 1984-85, to the Cash Surplus which eventually was returned to Member Governments in offset of their subsequent contributions. Whereas, as regards the PWB for 1986-87, exchange losses amounted to US\$ 31.3 million, of which only US\$ 21.9 million could be absorbed by the Special Reserve Account and US\$ 9.4 million had to be absorbed within the approved PWB. However, the Director-General strongly feels that this experience is not to be regarded as the norm.

1.5 With this experience in mind, the management consultants made the suggestion that instead of using the spot rate on the day of deciding the budget level, the Conference could set the US\$/Lit rate by reference to the 9 or 12 months forward rates. (Using forward purchases of lire to reduce

foreign exchange exposures after adoption of the FWB is a separate question).

1.6 Forward rates: However, as the report itself indicates, such forward rates simply constitute a view by the market of future events. Forward rates are based primarily on interest rate differentials affecting the value of the US dollar against other currencies. In recent biennia, the forward lira rate has been more favourable to the US dollar than the spot rate, because historically lira interest rates have been higher than contemporary US dollar interest rates. However, it cannot be assumed that this situation will continue indefinitely, and in any case, actual rates during the course of the recent biennia have shown big differences, positive and negative, from the forward rates at the time of the respective Conference decisions.

1.7 Average rates: A different alternative to continued use of the spot rate on the day of decision, i.e. use of the average rate over a past period of one year or less, was not covered in the report of the management consultants, but has been the subject of isolated suggestions in other discussions. These have never been substantively discussed, but examination immediately reveals a number of inherent difficulties therein. Firstly, difficulties would inevitably arise over what should be the period over which an average rate should be calculated, i.e. how far any such past period could be regarded as representative of future currency developments. This problem is illustrated by the following table, which also shows the relationship of past averages to the corresponding spot rates, forward rate, actual average rates in the ensuing biennium and corresponding budget levels.

Comparison of Rates/Budget Levels

	End 1985/Level 86-87 [*]		End 1987/Level 88-89	
	<u>Lit.</u>	<u>US\$</u>	<u>Lit.</u>	<u>US\$</u>
Average - 3 months preceding Conference	1 874	/ 431m.	1 326	/ 483m.
Average - 6 months preceding Conference	1 941	/ 427m.	1 313	/ 485m.
Spot rate on day of decision	1 760	/ 437m.	1 235	/ 492m.
Forward rate ^{**}	1 776	/ 435m.	1 242	/ 491m.
Actual average 1986-87	1 406	/ 450m.	n/a	
Actual Average 1/1/1988 - 30/6/1989	n/a		1 343	/ 482m.

* Budget level in US\$ million

** 3 months forward rate on 1 December

1.8 It will be evident from these figures that:

(i) the Conference could have spent much time and had much difficulty in agreeing, at the point of adopting the FWB resolution, either to adopt a past average rate or to agree upon the period to be used for the average.

(ii) for 1986-87,

(a) the forward rate was nearer, although only marginally so, to actual experience than past averages, but both were further from the actual average achieved than the spot rate actually adopted;

(b) the various budget levels implied by any of the past average, spot or forward rates were close together but a long way from the budget level implied by the actual average achieved, could the latter have been foreseen two years previously; but

(c) as indicated in para.4 above, the result was that the programme had to be cut by US\$ 9.4 million;

(iii) for 1988-June 89,

(a) the spot rate and the forward rate were quite close, but average past rates would have been the nearest to the actual average up to 30 June 1989;

(b) the corresponding budget levels resulting from the spot rate and the forward rate were much the same, but use of the past average would have produced a budget level similar to that implied in the actual experience with rates during the biennium so far; but

(c) if the past average had been adopted, far less would have been accruing to the Special Reserve Account than the total of approximately US\$ 10 million which now seems likely.

1.9 However, all this is only obvious in hindsight and experience in neither biennium is necessarily indicative of what will happen in future biennia. The fact is that the use of a past average or a forward rate average would simply be "playing the market" from different viewpoints, but neither would necessarily be more reliable as regards what was going to happen than the spot rate.

1.10 Experience with the spot rate: The Director-General considers therefore that experience over several biennia of using the spot rate on the day of decision coupled with the protection afforded either way by the Special Reserve Account is clear and unequivocal and overall has served the Organization as well as could be expected in a period of considerable currency instabilities.

1.11 Looking ahead, it would seem undeniable that unless and until real stability in the currency markets can be firmly established and maintained by the great financial powers, no past period nor the current period nor any future period can be regarded as necessarily more representative or necessarily more advantageous than the spot rate for use in determining the FAO budget level. The spot rate simply offers the simplest and the least controversial chance, and so long as resort can be had to an adequate Special Reserve Account, the best method for adopting the currency rate to be used in determining the budget level.

REPORT OF THE PROGRAMME AND FINANCE COMMITTEES

	<u>Page</u>
Foreword - Modalities of Implementation of Resolution 6/87	1
Part I - FAO's Objectives, Role, Priorities and Strategies and FAO's Field Operations	5
Part II - FAO Management Review	55

Foreword

Modalities of Implementation of Resolution 6/87

1. This report contains the "conclusions and recommendations" of the Programme and Finance Committees arising from their joint review of "certain aspects of FAO's goals and operations", which they carried out in 1988-89 as required by Resolution 6/87 of the Twenty-fourth Session of the FAO Conference.

2. The report of the Committees is to be submitted by the Director-General, "together with his views and comments", to the FAO Council, "which will transmit it, together with its views, to the Twenty-fifth Session of the Conference".

3. To implement the resolution, the Programme and Finance Committees held in Rome, in 1988 and 1989, four Special Joint Sessions.

4. During the first of these sessions, which took place from 16 to 24 May 1988, they approved the proposal by the Director-General to extend the scope of the Review to include field operations and certain administrative questions. The Committees firstly defined terms of reference for the studies on FAO's Objectives, Role, Priorities and Strategies and on FAO's Field Operations, and then, in accordance with Resolution 6/87 and in consultation with the Director-General, selected a Rapporteur and experts to carry out each of the studies:

Study of FAO's Objectives,
Role, Priorities and Strategies
(Group I)

Study of FAO's Field
Operations (Group II)

Mr. J. Faaland (Norway) - Rapporteur

Mr. C.S. Sastry (India) - Rapporteur

Mr. G.J. Facio (Costa Rica)

Mr. E.P. Alleyne (Trinidad and Tobago)

Mr. J.P. Lewis (USA)

Mr. K.G. Jansson (Finland)

Mr. P. Masud (Pakistan)

Mr. S.G. Sarraf (Lebanon)

Mr. Chohei Nagata (Japan)

Mr. D.F. Smith (Australia)

Mr. A. Sawadogo (Côte d'Ivoire)

Mr. Bukar Shaib (Nigeria)

Mr. S. Sunna (Jordan)

5. During the same session, the Committees examined the question of the programme budget process and decided on the principle of an Outline of the Programme of Work and Budget 1990-91, to be examined by the Committees in January 1989 (cf. 2.63).

6. During their Second Special Joint Session on 22 - 23 September 1988, the Committees received oral reports from the Rapporteurs of the two groups of experts and discussed with them their respective terms of reference. They established February 1989 as the date for submission of the experts' final reports. They were also informed of the international tender issued for the management review, as well as of the terms of reference and schedule for the studies. Finally, the Committees decided to submit a progress report on the Review to the Ninety-fourth Session of the Council.

7. During their Third Special Joint Session from 18 to 26 May 1989, the Committees examined the experts' reports on FAO's objectives, role, priorities and strategies and on FAO's field operations, along with the corresponding report of the Director-General. They also considered the executive summaries of the management consultants' reports, along with the preliminary comments of the Director-General. They questioned and obtained clarifications to their satisfaction from the Rapporteurs and the Secretariat, and they had comprehensive in-depth discussions on all issues related to the Review. The Committees welcomed the contribution made by the two expert groups. They thanked the two Rapporteurs for the completion of the work by the experts. They requested the Chairmen of the Programme and Finance Committees to prepare preliminary draft reports. It was decided that these would be examined first by a Drafting Support Group to identify the points of agreement, the points that would require further debate, and possible amendments. Finally, the Committees decided to submit a progress report to the Ninety-fifth Session of the Council.

8. The Drafting Support Group met in Rome from 29 August to 4 September 1989, following which revised versions of the Chairmen's draft reports were prepared for the Fourth Special Joint Session. During this session, which took place from 18 to 22 September 1989 with a final meeting on 28 September, the Committees considered and adopted the "final conclusions and recommendations" which are contained in this report.

9. The Committees have implemented Resolution 6/87 in as open and constructive a manner as possible: in widening the scope of the Review, as proposed by the Director-General, to include field operations and administrative/management questions; in calling on two groups of experts with a broad composition (eight and five experts for the first and second groups respectively), and on three external management consultant firms; in giving the experts and the consultants very wide terms of reference and in requesting them to submit substantive reports of which the Committees have considered most carefully in formulating their own conclusions and recommendations. The Committees are satisfied that the experts carried out their tasks independently. The Committees have also reported regularly to the Council on progress in their work.

10. Detailed briefing sessions were organized by the Secretariat on issues arising from the terms of reference of each of the groups of experts, who had access to all necessary documentation. The experts received from the Director-General and Secretariat officials all the required support and cooperation and obtained all the supplementary information requested. Experts from Group I had discussions with other institutions: United Nations Environment Programme (UNEP); World Bank; Inter-American Development Bank; International Food Policy Research Institute (IFPRI); United Nations (UN); United Nations Development Programme (UNDP); United Nations Children's Fund (UNICEF); United Nations Fund for Population Activities (UNFPA); United Nations Industrial Development Organization (UNIDO); International Atomic Energy Agency (IAEA); World Health Organization (WHO); International Labour Organisation (ILO); General Agreement on Tariffs and Trade (GATT) and United Nations Conference on Trade and Development (UNCTAD); International Fund for Agricultural Development (IFAD); World Food Council (WFC); and the World Food Programme (WFP). Experts from Group II also consulted with the World Bank, the UN, UNDP and other UN agencies and programmes in New York, and carried out country visits in Brazil, China, Ethiopia, Senegal and Turkey where they were able to have discussions with governments, FAO Representatives, project personnel, national project coordinators, other UN system

representatives, as well as representatives of other aid agencies and non-governmental organizations. They also visited the International Centre for Agricultural Research in the Dry Areas (ICARDA) (Aleppo, Syria) and the FAO Regional Offices for Latin America and the Caribbean (Santiago, Chile), and for Asia and the Pacific (Bangkok, Thailand).

11. The reports of the experts and the management consultants have constituted a substantial input to the Review. The report of Group I covers the following points:

- the evolution of world food and agriculture in the 1990s and beyond;
- FAO's major objectives and roles;
- FAO's global and regional strategies and their relevance;
- the process of priority setting and budgeting;
- institutional capacity and adjustment; and
- FAO in the international system.

The report of Group II covers the following points:

- scope and composition of FAO's field operations;
- outlook for FAO's field operations in the future; and
- factors affecting FAO's field operations and approaches to address them.

The management consultants produced six reports plus executive summaries covering:

- printing systems;
- treasury operations;
- conceptual review of accounting policies and procedures;
- conceptual review of personnel policies and practices;
- computer facilities management feasibility study; and
- review of maintenance and security services.

12. In addition to the preliminary documentation prepared by the Secretariat for the Review, the Committees considered the Director-General's views on the recommendations of the experts, his estimate of the cost implications of these recommendations, and both his preliminary comments, and supplementary information and views on the reports of the management consultants.

13. At the outset of their work the Committees had been informed of the likely cost of the Review (US\$ 2.4 million) and had approved recourse to the Special Reserve Account up to US\$ 1.8 million, with the balance met from the provision for contingencies in the Programme of Work and Budget 1988-89.

14. At the conclusion of their work, the Committees received a report on the costs incurred. The Committees expressed satisfaction that every effort had been made to limit the costs to a significant level below the initial estimates. The Committees were informed of the FAO Secretariat support costs, conservatively estimated at US\$ 1 million. It was noted that costs had also been incurred by other organizations contacted or involved in the Review, as well as by Member Nations individually.

15. Thanks to the documents prepared by the Secretariat, the reports of the experts and consultants, and the reports and views of the Director-General, the Committees have been able to carry out a broad and in-depth review of FAO's goals and operations. In order that all Member Nations may benefit from the information in these documents, the Committees append to their own report the following:

- SJS 1/4: FAO's Role, Priorities, Objectives and Strategies - Preliminary Examination of Issues and Annex I: The Possible Evolution of World Food and Agriculture up to the End of the Century and Beyond
- SJS 3/2: Reports of the Experts - FAO's Objectives, Role, Priorities and Strategies and FAO's Field Operations
- SJS 3/3: Report of the Director-General - FAO's Objectives, Role, Priorities and Strategies and FAO's Field Operations
- SJS 3/4: FAO Management Review - Director-General's Comments and Executive Summaries of Consultants' Reports
- SJS 4/2: Cost Implications of Recommendations by the Experts
- SJS 4/3: Supplementary Information and Views of the Director-General on the Reports of the Management Consultants
- SJS 4/4: Cost of the Review of FAO

16. The greatest effort has been made by all to clarify the debate, to reach mutual understanding and to attempt, taking account of all views, to reach a common position. The largest part of the conclusions of the two Committees is unanimous. In some cases, however, Committee members have not been able to reach a unified point of view; their various points of view are therefore presented in the report in a brief and balanced manner.

PART I

**FAO'S OBJECTIVES, ROLE, PRIORITIES AND STRATEGIES AND
FAO'S FIELD OPERATIONS**

TABLE OF CONTENTS

	<u>Page</u>
Chapter 1: General Introduction	8
Chapter 2: FAO's Objectives, Role, Strategies and Priorities	9
FAO's Purposes	9
A. FAO's Objectives and Roles	9
a) FAO's Objectives	9
b) FAO's Roles or Functions	10
1. Role of FAO as a Global Information Centre on Agriculture and Nutrition	11
2. FAO's Policy Role	11
3. Role of FAO in Research and Transfer of Technology	13
4. Role of FAO in Technical Assistance	14
5. Role of FAO in the New International Economic Order (NIEO)	15
6. Other Forms of Strengthening	16
B. Strategies and Long-term Plans	17
a) Strategies	17
b) Review of Strategies	18
c) Medium-term Plan	18
d) Programme of Work and Budget and Priorities	19
e) Special Action Programmes	20
f) The Format of the PWB	21
Recommendations	22
Chapter 3: FAO Field Operations	25
A. Significance of FAO's Field Operations	25
a) Linkages between Field Operations and the Regular Programme	25
b) Fuller Utilization of FAO's Capacities	26
c) Role of the Investment Centre	26

B. Growing Complexity of Field Operations	27
a) Quality of Field Operations Support	27
b) Computerization	28
c) The Problem of Staff and Financial Resources	28
C. Trust Funds	29
a) Trust Funds, Priorities and Choice of Projects	29
b) Identification/Formulation Facility and Special Financing Mechanism	30
c) Standardizing Procedures	30
D. Technical Cooperation Programme	31
E. Role of Country Offices	31
F. Review of Field Operations by the Governing Bodies	32
G. Inspection of Field Operations	33
H. Non-Governmental Organizations	34
I. Recommendations	34
Chapter 4: FAO in the International System	37
Recommendations	39
Chapter 5: The Resource Dimension	41
<u>Annex I:</u> Situation and Trends in World Food and Agriculture	43
A. The Situation	43
B. Trends	44
C. An Open Debate: Division of Labour in Global Agriculture, Trade Policies and Food Security	48
D. Livestock	49
E. Fisheries	50
F. Forestry	50
G. Agricultural Development and Ecological Risks	51
<u>Annex II:</u> Possible Cost of Implementation of the Committees' Recommendations (based on document SJS 4/2)	53

Chapter 1: General Introduction

1.1 This report contains the conclusions and recommendations of the Programme and Finance Committees following the review of FAO's goals and operations which they carried out jointly in 1988 and 1989, in accordance with Resolution 6/87 of the Twenty-fourth Session of the FAO Conference.

1.2. The Committees first of all wish to thank the Conference for its confidence in entrusting them with this exceptional review.

1.3 Throughout the review, the Committees have kept in mind the Conference's wish to strengthen FAO's capacity so that it may be able to fulfil its role as lead agency in world agriculture, fisheries and forestry, and face the challenges of the 1990s and beyond with increased strength and efficiency, and they have taken due account of the decisions of the governing and consultative bodies and the views of Member Nations.

1.4 In their debates, conclusions and recommendations, the Committees have drawn heavily on the experts' reports, the documents provided by the Secretariat, and the reports and observations of the Director-General. For reasons of presentation, they do not always quote these or refer to them explicitly, but they recognize fully how invaluable these have been for their work. The Committees therefore express their sincere thanks to the experts, the Secretariat and the Director-General for the considerable assistance which they provided.

1.5 Resolution 6/87 stipulates that the two Committees "shall study FAO's role, priorities, objectives and strategies in the field of food and agriculture, in the light of the evolution and trends in the world food and agriculture situation". With regard to this question, the Committees took particular account of Secretariat publications such as "Agriculture: Towards 2000" and document SJS 1/4, as well as of the experts' contribution. The Chairman of the Programme Committee had prepared a chapter on the evolution and trends in the world food and agriculture situation, in his preliminary draft report. This document was not discussed in detail or adopted by the Committees; it is attached in Annex I as background.

1.6 The "conclusions and recommendations" of the two Committees deal specifically with the issues identified in Resolution 6/87, as well as with other matters which were found to be relevant during the course of the review:

- FAO's objectives, role, strategies and priorities (Chapter 2);
- FAO's field operations (Chapter 3);
- FAO in the international system (Chapter 4);
- The resource dimension (Chapter 5).

Chapter 2: FAO's Objectives, Role, Strategies and Priorities

2.1 In the light of the evolution and trends in the world food and agricultural situation, the Committees review below:

- A. The Organization's objectives and roles, as spelled out in its mandate, in order to ascertain their relevance and determine to what extent and how FAO is fulfilling them at present and could fulfil them in the future.
- B. FAO's strategies and priorities, in order to consider measures to ensure that planning and budget processes clearly show the connection between these strategies and priorities, planned activities and resource allocation.

FAO's Purposes

2.2 The Committees cannot fail to note that the concerns of FAO's Member Nations, as expressed in the Preamble of its Constitution, 45 years ago, correspond to the needs of the food and agriculture situation and its future evolution. The Preamble, which also spells out FAO's main purposes (major goals or objectives), states that Member Nations are concerned about:

- raising levels of nutrition and standards of living of the peoples under their respective jurisdictions;
- securing improvements in the efficiency of the production and distribution of all food and agricultural products;
- bettering the condition of rural populations;
- and thus, contributing toward an expanding world economy and ensuring humanity's freedom from hunger.

2.3 The Committees applaud the vision of FAO's Founding Fathers. They consider that this concept of FAO is still valid today and that there is no need for any modification in the major purposes assigned to it in the Preamble of its Constitution.

A. FAO's Objectives and Roles

a) FAO's Objectives

2.4 The major objectives which FAO must pursue may be identified both in the Preamble and in Article I of the Constitution. Article I in fact lists the Organization's functions, but these functions relate implicitly to certain objectives, and the Committees find it necessary to examine them first of all from this angle.

2.5 However, the Committees note that in Article I, para. 2(c), "the conservation of natural resources", formally sets an objective to be attained. Keeping in view environmental problems, the Committees are satisfied that the importance of this objective is appropriately reflected in the Constitution.

2.6 The Committees considered a detailed analysis of FAO's mandate and of its medium-term objectives under seven main headings: 1. improvement in resource utilization, production and productivity; 2. conservation of natural resources and protection of the environment; 3. development of human resources; 4. nutritional improvement; 5. improvement in living standards of the poor and underprivileged; 6. policy adjustment in food production, distribution and marketing; and 7. better information on agriculture, nutrition, forestry and fisheries. The Committees agree that these seven development objectives are consonant with the purposes given in the Preamble and that their relevance to Article I of the Constitution can hardly be disputed.

2.7 The multitude of sub-objectives underlying ongoing sub-programmes and activities reflects the breadth, diversity and variability of the needs expressed by Member Nations, and the turnover in activities, from one biennium to the next, is considerable. In this connection, the key question is whether these activities and the sub-objectives they aim at achieving are indeed in keeping with the Organization's purposes and objectives and respond to its functions as laid down in its mandate. The Committees are satisfied that the sub-objectives pursued by these many activities are in conformity with these objectives and with the mandate.

2.8 The Committees entirely share the view that for efficiency, effectiveness and impact, FAO must carefully choose its programmes and activities. They recognize that the objective needs and justifiable requests of Member Nations by far exceed the possibilities of the programme.

b) FAO's Roles or Functions

2.9 Bearing in mind the three major roles which FAO is assigned under its Constitution, the Committees acknowledge that:

- (a) the first, that of assembling information on food and agriculture is exclusive to FAO and they feel that FAO plays a unique role in this field;
- (b) in the second, that of promoting (encouraging and, where appropriate, recommending) action in all its spheres of activity in order to improve agriculture and boost food production in the Organization's Member Nations, FAO most often has the central or leadership role. FAO's function as an international forum comes under this category, its role here being as unique as it is in the field of information. But there are fields where FAO's competence is shared with other institutions. (In particular, this occurs in research, with CGIAR, and in the area of international policy and commodity agreements, with GATT and UNCTAD);
- (c) the third essential role, that of providing the technical assistance requested by Member Nations, is intertwined with the other two. Through its field operations the Organization translates into action its own purposes and objectives; manifests its presence and its support to governments; plays an effective catalytic role in stimulating governments' development undertakings and maintains, at the same time, the relevance of its own programmes. Finally, the Committees agree that because of the Organization's neutral and non-political character, its role in this sphere goes well beyond the relatively modest volume of technical assistance which it brings to governments.

The Committees recognize that these roles are crucial for development where it is needed most.

2.10 The Committees have reviewed the activities that the Organization carries out under each of these headings and their assessment is that, within the limits of the resources at its disposal, FAO fulfils the functions assigned to it by the Constitution.

2.11 To conclude this review of FAO's objectives and roles, the Committees support the seven development objectives of the Organization. They endorse the Organization's three major roles which, it has been stressed, fully complement each other. There are some differences of opinion, however, as to the relative proportions to be given to these different roles. The majority of members are convinced that technical assistance, including TCP which is crucial to the interests of many member countries, must be stepped up. Some members feel that special emphasis should be given to the Organization's other two functions since they are unique to FAO. In relation to technical assistance, these members feel that this role is important and should continue, with emphasis on quality and with full account being taken of FAO's comparative advantage relative to other agencies.

2.12 However, important new needs have emerged, and the Committees have considered proposals for strengthening FAO's roles; among these, the Committees have examined more closely the following requests for strengthening FAO's roles: as a global information centre; in policy advice and formulation; in the promotion of research and extension; in technical assistance; in the promotion of the new international economic order; and in a number of other areas.

1. Role of FAO as a Global Information Centre on Agriculture and Nutrition

2.13 The Committees recognize that FAO has gained wide recognition as the world centre for agricultural information and analysis; FAO can be rightly proud of its reputation and can look ahead to continuing to fulfil this unique role and providing an extremely useful service for Member Nations. Since the quality of the information collected depends largely on the data provided by Member Nations, FAO should make every effort to assist some of these Nations to improve the quality of the data gathered. FAO's analysis, processing, interpretation and dissemination services, which are appreciated by Member Nations, have not been questioned.

2.14 The Committees welcome the establishment of the World Agricultural Information Centre (WAICENT), comprising a statistical data base (FAOSTAT) and a reference data base (FAOREF), whereby users can have direct access to a larger quantity of more coherent information.

2. FAO's Policy Role

2.15 The Committees recall that FAO has carried out a large number of agricultural policy studies at global (five large-scale studies), regional, sub-regional (six studies) and country (several dozen studies) levels. In so doing it has mobilized multidisciplinary teams and collaborated with other UN agencies and institutions and Member Nations. The Committees urge the Organization to continue along these lines.

2.16 The Committees recognize that FAO should play a more important role in advising Member Nations on or formulating, at their request, policies and strategies which strengthen agriculture and rural development, thereby providing a framework for obtaining sustained production increases, alleviating poverty, ensuring food security, and permitting a judicious choice of corresponding development projects and programmes. The Least Developed Countries (LDCs) are the countries most in need of this. The Committees have been informed that, because of the negative impact which structural adjustment plans can have on poor, under-nourished populations, requests for this type of assistance from such countries are tending to increase.

2.17 Thus, the Committees recognize that FAO policy advice should play an active role in structural adjustment and rural development projects and programmes. FAO should further develop institutional relationships with the World Bank and UNDP which take into account particular country conditions and individual roles of the UN institutions, so that it is able to participate in World Bank Consultative Groups and UNDP Round Tables when the countries concerned so desire (cf. Chapter 3).

2.18 The Committees feel that FAO is well qualified to offer advice on and formulate sub-sectoral policies (crop cultivation, livestock, fisheries, forestry), as is demonstrated by its role in the design and implementation of the Tropical Forestry Action Plan. Where sectoral and food security policies and their relationships with global policy and plans are concerned, FAO can respond to some requests by making use of all the means at its disposal; the Committees have been informed that the Organization is presently participating in half a dozen such studies, and note that the average cost of a country policy study is US\$ 400,000. FAO could also draw on the macro-economic data and information of the World Bank, the IMF and other institutions in establishing its own sectoral and sub-sectoral analyses, as well as studies on agricultural and food products, national price systems and subsidies.

2.19 In so far as internal organizational arrangements to cope with a real increase in requests for national policy studies are concerned, the Committees accept that the decision is within the prerogative of the Director-General, who will take appropriate action as and when necessary.

2.20 The Committees have reached the conclusion that any structural adjustment or development programme should take into account the agriculture sector, its policies, problems and future prospects. They thus consider it appropriate for FAO to make its views known when it sees scope for improvements in policies that bear on government objectives to which they are contributing. With the above points in mind the Committees consider that FAO's involvement in policy-oriented studies will lead to more productive results only if: (1) the study is initiated at the request of the recipient government; (2) coordination is maintained with other institutions (especially the World Bank and the IMF); (3) the participation of FAO is assured in the fora where the findings and recommendations of the study are discussed; (4) there is monitoring of the follow up actions taken; and (5) every effort is made to build up the institutional capacity of member countries in policy analysis, and that FAO's involvement begins at the earliest possible stage of the process.

3. Role of FAO in Research and Transfer of Technology

2.21 The Committees wish to stress the importance of research for agricultural development and the need for FAO to continue to support it and share in its development, in cooperation with the CGIAR system, in order to derive the greatest possible benefit for developing countries in general, and the most underprivileged countries and the most deprived producers, in particular.

2.22 The experts have put forward the idea that part of the surge in grain production in the 1970s was unsustainable, and that the available stock of unused new agricultural technology is thinner than it was 15 years ago. The Committees are of the view that the positive contribution of research to the future growth of agriculture cannot be overlooked. Quite apart from possible new developments, there is still considerable scope in many countries for expanding output by propagating existing technologies in areas which have not fully benefited in the past, providing the right policies are in place. The Committees also consider that it would be justified to search for and place at the service of agricultural development all possible sources of technology. With the Green Revolution and the progress in moderately developed Asian and Latin American countries, technologies and genetic resources from other parts of the world have been improved and have become a factor of modernization accessible throughout the world. If this trend continues, agriculture in the twenty-first century could draw more extensively on technological and genetic reserves from everywhere in the world, to improve them and then transfer them wherever they could be beneficial.

2.23 Furthermore, the review of the food and agriculture situation and its future evolution in the most underprivileged areas and among the most deprived producers, who constitute one of FAO's most pre-eminent concerns, has shown that such producers, among their many disadvantages, have little access to current modern technologies. It was also pointed out that a number of regions possessed huge stocks of indigenous technology, appropriate to very varied milieux and suitable for a wide range of development levels (production and processing tools and equipment, energy sources, genetic resources, agricultural and water resource management technology, erosion control methods accessible to small farmers); all these deserve to be studied, modernized and transferred to other developing regions, in particular through TCDC. The same is true of agricultural systems from different parts of the world, which provide solutions that are sustainable and susceptible of improvement, and which could be transferred. FAO, which has done much to conserve and assure free availability of genetic resources, would be in a position to support research on these technologies and farming systems, in cooperation with CGIAR. In particular, research efforts on certain subsistence crops (sorghum, millet, roots, tubers and plantains) should be stepped up.

2.24 Biotechnology has promising applications in a large number of fields, but results are still uncertain. In this area, FAO could take account of developments in biotechnology when predicting trends and providing advice on policy and legislation; encourage the International Agricultural Research Centres (IARCs) to make greater use of biotechnology in research on behalf of the developing countries; monitor findings and identify and publicize promising avenues of research for those countries; encourage TCDC and the participation of countries in biotechnology networks; ensure that biotechnology questions are widely discussed by specialist groups, including those of Codex Alimentarius and those dealing with specific commodities; and promote means of discouraging moves to restrict developing countries' access to biotechnology.

4. Role of FAO in Technical Assistance

2.25 FAO's field operations will be dealt with in Chapter 3. Without going into detail on this question, the Committees recall that the experts of Group II confirm that FAO's field operations have proved to be a vital instrument for making available to governments the worldwide development experience accumulated by FAO; that FAO's performance in field operations compares favourably with that of the other UN agencies; that these operations assist in the practical application at the field level of the results of technical and analytical work done by FAO and other agencies; that field projects serve as the essential vehicle for applying in the field the policies and recommendations made by FAO's Governing Bodies and, conversely, act as channels of information and feedback on ideas emanating from the field; specifically regarding trust funds, the experts consider that there is a need for a set of broad priorities. The experts also feel that FAO's Governing Bodies should play a greater role in providing guidance for field operations.

2.26 The other group of experts, recognizing the importance of FAO's technical assistance role, emphasizes the critical importance of the balance between its Field and Regular Programmes. It cautions that in the absence of the Regular Programme resources keeping pace with increases in extra-budgetary resources, the quality of FAO's technical assistance may be affected. The group concludes that FAO should continue to fulfil this role but that it must be "done better and in full cognizance of FAO's comparative advantage vis-à-vis other agencies". To that end, the group is of the view that in the context of current budgetary constraints, the Organization should draw up guidelines to select projects financed by extra-budgetary resources and considers that this may lead to fewer but better funded projects.

2.27 The Committees share the views of the two groups of experts, and on this basis consider it desirable that the choice of field programmes be guided by consistency with the Organization's mandate, its objectives and priorities as established by the membership; it is also important to retain enough flexibility so as to be able to adapt to the diversity of situations and needs of Member Nations; in the final analysis, each request should be examined according to its specific merits, in order to take advantage of the varied sources of funding.

2.28 The Committees in general also consider that FAO should take fully into account the relative advantages it has vis-à-vis other institutions. As regards the specialized agencies and programmes of the UN system, it is important to avoid, as much as possible, overlapping of activities (cf. Chapter 4). Moreover, they recognize that other governmental, intergovernmental and non-governmental organizations exist, with spheres of competence which overlap totally or partially with that of FAO. Some of these institutions do not have the same purpose and objectives as FAO. In this connection, they recall that, because of the persistence of a situation of inadequate production, of undernutrition and absolute poverty of most of the population in low- and medium-income countries, the experts of Group II conclude that development assistance is vital to strengthen the peasant economy and other rural activities for the benefit of small or marginal farmers. They agree that FAO must assume its technical assistance role and place all its experience and advantages at the service of those field operations falling within its sphere of competence and in line with its objectives.

2.29 On the other hand, some members believe that it is in the interest of the international community that there be as little overlap of activities among UN specialized agencies as possible. The FAO, in order to serve its membership best, should focus its resources on those areas of technical assistance where it has a clear competitive advantage.

5. Role of FAO in the New International Economic Order (NIEO)

2.30 Resolution 6/87 calls for a review of the question bearing in mind the need to promote the establishment of a new international economic order in areas falling within FAO's sphere of competence, in accordance with Resolution 3/75 of the Eighteenth Conference in 1975.

2.31 The Committees were informed that of the eight broad subjects falling within the NIEO's framework, FAO plays the leading role within the UN system, in the fields of food production (including inputs, machinery and equipment, storage and primary processing) and agricultural research (in cooperation with CGIAR), including genetic resources, dissemination of information and technology transfer. In other fields, it shares responsibility with other UN institutions: UNCTAD and GATT in agricultural trade; UNEP and WHO in the fields of environment and health hazards.

2.32 Well before 1974, FAO had already launched a series of initiatives which have since been included in the NIEO and since then, FAO has assisted in the establishment of the NIEO, inter alia through: 1. the programme of work on International Agricultural Adjustment, launched in 1970; 2. the International Undertaking on World Food Security proposed by the Director-General in 1974; 3. other initiatives related to basic agricultural products, in cooperation with UNCTAD; 4. the Comprehensive Programme for the Development and Management of Fisheries in Exclusive Economic Zones; 5. numerous activities within the framework and in follow-up to WCARRD; 6. the International Code of Conduct for Distribution and Use of Pesticides; 7. the Tropical Forestry Action Plan; and 8. the International Undertaking on Plant Genetic Resources, etc..

2.33 The Committees share the view that FAO's support for the NIEO has been steadfast, pragmatic and practical. By the very nature of things, many aspects of its mandate are also basic to the establishment of NIEO. One of its important instrumentalities is the support it provides for TCDC arrangements in disciplines falling within its sphere of competence and for the establishment of institutional networks. FAO has made significant efforts in this regard. The Committees are aware that 50 percent of the experts employed in the field come from developing countries, which favours the development of technology transfer in many directions and boosts the experience of developing countries' experts and the circulation of information.

2.34 The Committees agree that FAO should be able to strengthen certain activities relating to ECDC and to support regional or sub-regional economic coordination or integration. Agreements reached on commodities, trade policies, food and agriculture management training also fall within the scope of ECDC.

6. Other Forms of Strengthening

- Sustainable Development and Environment

2.35 The Committees agree that FAO should actively promote sustainable development in all its sectors of competence. They agree that some new activities in this area should be developed, but underline the need to keep in view FAO's major objective of increasing food and agricultural production in developing countries. They consider that FAO's role is to assist developing countries to improve their resources and use them in a sustainable fashion to meet the needs of their populations and future generations, and they recommend that a broadened and constructive concept, along these lines, be followed. The new activities proposed by the experts are extensive: methodology of environmental accounting; impact assessment; incorporating environmental criteria in field project design; strategies for sustainable agriculture in areas with different resource endowments and the choice of appropriate technologies; study of relationships between agricultural growth and sustainability; cost-effective methods of preserving genetic stock; environmental protection through afforestation and utilization on a sustained basis of natural woody vegetation. The Committees stress the importance, in this connection, of efforts to prevent pollution of water resources and ensure protection of fisheries resources. The Committees also agree that there should be closer interaction among various FAO sub-programmes related wholly or partially to sustainability and environmental protection.

- WCARRD, Women and Youth

2.36 Group II also recommended that FAO accord priority in its field operations to assisting developing countries to alleviate rural poverty. Renewed efforts should be made to promote implementation of the WCARRD Programme of Action. Group II also underlines that additional priority should be given to assistance for integrated rural development programmes focusing on women. By the same token, Group I considers that FAO should extend its attention to rural development more broadly and to a variety of agriculture and non-agriculture linkages.

2.37 The Committees agree with these recommendations and observe that while it is, in fact, necessary to make a particular effort to benefit women, the same is true for youth. In effect, the two problems are linked. In many countries, the exodus of youth in search of employment increases even more the work which women have to do in food production, as also in taking care of the household, children and the aged. It is necessary to facilitate retention of young farmers in rural areas through creation of employment in agriculture and in other sectors such as industry, crafts and services.

- International Trade

2.38 The Committees consider that the Organization should play as active a role as possible in the area of international trade. The Committees recommend that FAO provide positive assistance to developing countries in their negotiations in GATT, and speak out against protectionist measures and other practices which hinder trade of products, especially those adversely affecting developing countries and discouraging producers in these countries.

B. Strategies and Long-term Plans

a) Strategies

2.39 In FAO's planning and budgetary process the establishment of the biennial Programme of Work and Budget (PWB) is of prime importance, both constitutionally and in practice, and it is useful to begin by briefly recalling what it contains.

2.40 The PWB is, first and foremost, a biennial programme of budgeted activities which, in 1988-89 distributed approximately US\$ 500 million from the Regular Budget among programme elements organized into sub-programmes, programmes and major programmes. It also contains analyses of situations and outlook, and outlines of long-term strategies by major programme, medium-term objectives by programme, as a framework for quantified biennial action plans broken down to the level of programme elements, the smallest item of activity and budget which is described, quantified and justified in the document.

2.41 In the experts' view, FAO needs a long-term strategy to guide its medium-term activities as well as the elaboration of the biennial PWB. Such a strategy could be based on the findings and conclusions of "Agriculture: Towards 2000" and of other FAO global and regional studies, the quality of which is recognized.

2.42 The Director-General has pointed out to the Committees that FAO participates in the preparation of the chapter of the UN International Development Strategy (IDS) relating to food and agriculture, and that he will submit this strategy to the Council and Conference.

2.43 The experts stress that the Organization's global strategy needs to be complemented by its regional strategies and they indicate that special studies prepared by FAO, such as African Agriculture: The Next 25 Years and the Plans of Action for Africa and Latin America and the Caribbean contain all the necessary elements. The Committees wish to recall that the regional studies and programmes provided in Annex I of the PWB also contain essential elements for the purpose.

2.44 Finally, the Committees point out that FAO relies on its special action programmes and plans to mobilize extra-budgetary resources for technical assistance projects and programmes requested by Member Nations. These are medium- or long-term programmes which focus on and give practical expression to the Organization's sub-sectoral and technical strategies. They mobilize, for their own benefit, the administrative and technical support that the Regular Programme offers. The special action programmes and plans are consistent with the Organization's main priorities and constitute in fact long-term strategies relating to both the Regular Programme and the field programmes.

2.45 The Committees agree that the chapter prepared for the IDS covering the food and agriculture sector should be considered as the Organization's strategy; they consider, however, that FAO's resources cannot be forecast in the long term and that the future effects of its activities on the global agricultural system are difficult to assess in quantitative terms.

b) Review of Strategies

2.46 The Committees note the experts' proposal that studies on regional strategies and action plans should be updated. They however wish to point out that this would require the provision of resources proportional to the degree of strengthening required. They also recognize the usefulness of a periodic re-assessment of FAO global and regional strategies, but they wish to stress that the decision to proceed with such re-assessments lies with the Conference or the Regional Conferences, depending on which body adopted the strategy.

2.47 The Committees note the experts' view regarding WCARRD. The experts feel that the WCARRD strategy and programme of action helped to focus international attention on the problems of agrarian reform and rural development and promote the idea of integrated rural development; however in trying to cover a wide range of objectives and to encompass the concerns of diverse shades of opinion through more than 100 proposed actions which were not always practical, it has failed to achieve all its aims. The Committees agree that now, ten years later, a balance-sheet of the follow-up action to WCARRD should be drawn up. This evaluation could be carried out by consultants under the auspices of the ACC Task Force on Rural Development. The Director-General proposes to carry out this review in close collaboration with the five intergovernmental consultations FAO is organizing to review the progress achieved since 1979, the findings of which are expected to be presented to the Conference in 1991. The Committees support this group of recommendations.

c) Medium-term Plan

2.48 The Committees have studied the relative merits of a medium-term plan comprising proposals for the level and distribution of Regular Budget resources over a six-year period. Such a plan would have merit if it enabled the Organization to know, several years in advance, the resources on which it could count in order to formulate its programme budgets and plan associated material and human resource investments. Member Nations would also benefit from knowing, in advance, the budgetary levels involved.

2.49 A large majority of Committee members feel that such medium-term forecasts would be beneficial only if the Organization's Member Nations were prepared to give a firm commitment as to the size of the three successive budgets. Some members feel that even without this the exercise would be useful, since it would show the direction the Organization intends to take. Other members would support provisional or indicative budget commitments, given that a separate procedure is followed for approval of the Regular Budget each biennium. The Committees consider that extra-budgetary resources could hardly be forecast beyond the first biennium.

2.50 The Committees are convinced that a review of a long-term strategy and of a medium-term plan would simplify the Governing Bodies' debates on the Organization's strategies, roles and priorities. Were the Organization to adopt a long-term strategy and a medium-term plan, the biennial FWBs would be established and examined in the light of these and could be streamlined as a result. Thus, the FWB would appear more clearly as a stage in the implementation of these strategies and of the medium-term plan of the Organization. Finally, the Committees recommend re-introduction of a medium-term plan covering three biennia, and if possible including a provisional indication of resources by programme.

d) Programme of Work and Budget and Priorities

2.51 In any case, the PWB is already a stage in the planning and budgeting process, conforming to the broad lines of the medium-term work programme, as determined by current strategies. Except in the case of a major reorientation of strategies or a significant change in the budget level, the primary purpose of the PWB is to ensure the continuity of the programmes and the resources allocated to them.

2.52 The PWB must also be able to deal with unexpected difficulties, such as a sudden worsening of the drought in the Sahel, a locust outbreak, etc.. FAO has been able to take the necessary action on a number of occasions. A PWB can only accommodate such situations by slowing down or postponing implementation of approved programmes. The Committees recognize in this connection the need for a certain measure of flexibility in PWB implementation. If an emergency situation is not resolved during the biennium in progress, steps must be taken to strengthen ongoing measures and provide for new activities in the following budget.

2.53 The Committees recognize that through the establishment of such priorities, most of which have a medium-term life span, ongoing activities are expanded and new activities are developed and become part, from one biennium to the next, of the Organization's programme structure. The setting of priorities and the role they play are important aspects of the planning and budgeting process. The Committees hold the view that in a situation of expanding needs and budgetary constraints, greater attention must be paid to priorities and their impact on activities.

2.54 The Committees recall that the establishment of a priority is the result of a long process of discussion in sectoral or technical committees, in regional committees and conferences, in the Finance and Programme Committees, in the Council and in the Conference. Furthermore, specialized consultative bodies also contribute to priority setting, and it is also influenced by other intergovernmental assemblies, notably those of the United Nations. Throughout this process, Member Nations may express their views and verify: 1. the nature of the problems to be resolved and the objectives to be pursued; 2. the part that FAO will be able to play in resolving them, bearing in mind its technical capacities, its mandate and that of its partners; and 3. the nature of activities to be strengthened or created as a result. Finally, when this process is completed, the selected priorities will be set out in the PWB together with details of and justifications for any programme changes which may be necessary as a result. During this process, FAO Member Nations and Governing Bodies could usefully bear in mind the guidelines put forward by the experts:

- articulation and justification of the problem to be addressed by FAO;
- evidence of FAO's comparative advantage in the problem/sector to which priority is given;
- benefit of the priority activity to a broad segment of FAO's membership;
- compatibility of the priority activity with the recognized roles of FAO;
- complementarity with other priorities.

2.55 The Committees note that the experts, who studied the whole process in detail, feel that the Secretariat takes full account of the results of this process when establishing the FWB within the limits of the resources available to it. The Committees generally conclude that FAO's normal practice of priority-setting is adequate and that it allows for Member Nations to be consulted as they should be, and in good time, separately in each region, and collectively in technical committees and in the Governing Bodies.

2.56 The Committees recognize that priorities may very well concern an objective, function, means of action or target; they could, for instance, relate to one of FAO's purposes (the elimination of hunger), major objectives (natural resource preservation and improvement), special objectives (eradication of rinderpest), major function (technical assistance), particular function (improving research), geographical targets (Africa and, within Africa, the Sahel), social targets (women, young people, rural poor), or means of action (ECDC, TCDC,). For this reason it is difficult to compare them with each other. Furthermore, their selection may have been the result of a compromise or a reconciliation of conflicting interests. The experts are of the opinion that the ranking of priorities would rest on arbitrary criteria. The Committees feel that a straightforward ranking of priorities would be very difficult, given their very different nature and the wide range of issues and interests that are involved. They conclude that any attempted ranking of such diverse priorities would be unlikely to gain universal acceptance or contribute significantly to decision making. Nevertheless, the Committees are conscious that budgetary pressures and unexpected crises in specific areas can lead to the need for adjustments.

e) Special Action Programmes

2.57 The Special Action Programmes are a means of coordinating the content and orientations of Regular Programme and field activities. At present, FAO is implementing 14 Special Action Programmes; ten fall within the major programme for Agriculture and two each in Fisheries and Forestry. Some have emerged from World Conferences (such as WCARRD), others from recommendations and decisions emanating from FAO's Governing Bodies in response to new priorities, while still others are connected with the global strategies adopted by the Conference (e.g. FSAS and World Food Security). Finally, some are related to a particular technical field (e.g. PFL, SIDP and the Fertilizer Programme). The Special Action Programmes are key components of the mechanism of technical assistance provided by FAO and of the donors channelling their aid through the Organization. Each Special Action Programme acts as a focus for mobilization of extra-budgetary funds for field projects. Regular Budget resources are used to promote and coordinate these programmes and provide the necessary means of action for planning, formulation, monitoring and evaluation. Over the years, special action programmes have attracted large quantities of extra-budgetary resources, especially within the framework of the FAO/Government Cooperative Programme.

2.58 Generally speaking, the validity of FAO's strategies, action plans and Special Action Programmes approved by the Governing Bodies is recognized. The latter are often at the centre of international debates and play an essential role in drawing attention to the interdependence of the different parts of the world's agricultural system and the need for concerted action. To be useful, FAO's strategies must lead to action plans and activities which have an important catalytic effect.

2.59 The Committees feel that among the reasons for the success of the Tropical forestry Action Plan (TFAP) are that preliminary studies were well carried out and Member Nations and public opinion were kept informed; the objectives of the plan are well-defined and accepted by all parties concerned; it has been designed so as to, on the one hand, mobilize the necessary resources, and on the other hand to enable the countries concerned to participate; it focuses on practical achievements; it provides a useful and effective mechanism to coordinate and mobilize the parties concerned. The Committees concluded that the TFAP is a good action plan model giving practical effect to a well-prepared strategy which deserves large-scale support.

2.60 The Group II experts recommend that steps should be taken to examine the possibility of setting up new Special Action Programmes. The Director-General has suggested that the Governing Bodies may be able, in the medium term, to envisage the launching of a small number of new Special Action Programmes in areas to which the international community assigns top priority and which Trust Fund donors and potential recipients consider particularly important. The Committees support all these proposals.

f) The Format of the FWB

2.61 The Committees support the experts' view that the present format of the FWB is detailed and well-conceived and permits a fruitful dialogue between the Governing Bodies and the Secretariat. The Committees agree that every effort should continue to be made to keep the format responsive to the needs of the member countries, keeping in view the requirements of cost-effectiveness and manageability.

2.62 The Committees also support the view that the FWB should indicate as well as possible the linkages between sub-programmes, on the one hand, and priorities and objectives on the other, as well as the contributions of various programmes and sub-programmes to the different themes approved by the Governing Bodies. The Committees however, like the experts, wish to warn against providing a surfeit of information, which would make the content of the document more difficult to assimilate without clarifying or facilitating the debate among Member Nations on essential questions.

2.63 The Committees considered the question of the reform of the programme budget process at their First Special Joint Session, in May 1988. After an in-depth review of the steps already undertaken in this regard in the United Nations and other UN agencies, as well as the debate on the matter at the Twenty-fourth Session of the FAO Conference, the Committees decided:

- a) To request the Director-General to prepare a brief document of about five pages indicating the budget level he intended to use in the preparation of the Programme of Work and Budget 1990-91, together with the main activities to be undertaken;
- b) This Outline of the Programme of Work and Budget 1990-91 would be made available to the members of the Committees two weeks prior to the joint session which would be convened in January 1989 to give early consideration to the document prepared by the Director-General;
- c) The joint session would make recommendations for the Director-General's consideration on the level of the budget and the main activities of the Programme for 1990-91.

The Director-General indicated his readiness to comply with the above request. At its Ninety-fourth Session in November 1988, the Council approved, on an experimental basis, the proposal put forth by the two Committees for preparation of the Programme of Work and Budget 1990-91. It has accordingly been implemented in 1989. The Committees are of the view that this process was useful in preparing the 1990-91 Programme of Work and Budget and should be continued, at least for another biennium, so that its value can be judged over a longer time period. In addition, the Committees express the hope that measures such as this will have a positive influence on normalization of the Organization's financial situation.

2.64 Recommendations

The Committees convey to the Council and the Conference the following recommendations, taking into account the reservations expressed in the pertinent paragraphs.

- Objectives and Roles

Experience has demonstrated the relevance and validity of the Preamble and Article I of FAO's Constitution, which define its roles and objectives, with respect to the situation and trends in food and agriculture. The Committees recognize that the activities of the Organization and the objectives it pursues are in conformity with its mandate and that it amply fulfils, within the limits of its means, the three major roles of information, promotion and technical assistance which are assigned to it, and they confirm the validity of these (cf. 2.2-2.11).

Finally, the Committees underline the importance of the requests for strengthening of FAO's role which have been expressed during the Review, and in general they consider them justified considering the situation and foreseeable trends: as a world information centre, in the area of policy, in research and technology, in technical assistance, in the new international economic order, in the field of environment, in the implementation of WCARRD, in particular for women and youth, and in the area of international trade;

- (i) The Committees recommend that means be sought to ensure the necessary strengthening in order to face future challenges (cf. 2.12-2.38).
- (ii) The Committees recommend that FAO actively promote sustainable development aimed not only at conserving natural resources, but at improving them with a view to their rational exploitation for the benefit of agricultural and rural development, particularly in developing countries. To this end, the Committees also recommend a series of new activities designed to take greater account of the concept of sustainable development (cf. 2.35).
- (iii) The Committees recommend that all the necessary attention be given to technologies, genetic resources and appropriate farming systems from all over the world, with a view to improving, transferring and promoting them, in particular through TCDC, in order to maximize their impact on agricultural development (cf. 2.23).

- (iv) The Committees recommend that FAO provide positive assistance to developing countries in their negotiations in GATT, and speak out against protectionist measures and other practices which hinder trade of products, especially those adversely affecting developing countries and discouraging producers in these countries (cf. 2.38).

- Strategies

- (v) The Committees recommend that the chapter on food and agriculture prepared for the IDS, and subsequently reviewed and approved by FAO's Governing Bodies, be adopted as the Organization's long-term strategy. The chapter in question would reflect the main findings and conclusions of "Agriculture: Toward 2000" and would synthesize FAO's regional and sub-sectoral strategies (cf. 2.41 and 2.45).
- (vi) The Committees recommend that an evaluation be carried out of the results of WCARRD, to determine what FAO and other institutions in the UN system can each do to reinvigorate those parts of the programme of action which merit this. The study should be decided upon in agreement with the other UN agencies and Member Nations concerned. Use could be made of consultants under the auspices of the ACC Task Force and in liaison with the five intergovernmental consultations organized by FAO to review progress since 1979 (cf. 2.47). They also recommend pursuit of efforts on behalf of women in rural development, and increased efforts to assist young farmers and to create non-farm employment (cf. 2.37).

- Medium-term Plan

- (vii) The Committees recommend re-introduction of a medium-term plan covering three biennia, and if possible including provisional indication of resources by programme. This plan should be based on FAO's long-term strategy as defined above and on the medium-term objectives and broad lines of work involved in each programme in the FWB (cf. 2.48-2.50).

- Priorities and the FWB

- (viii) The Committees recommend that all necessary attention be paid to the process of and criteria for priority setting, and in particular they recommend that the following guidelines be borne in mind:
 - articulation and justification of the problem to be addressed by FAO;
 - evidence of FAO's comparative advantage in the problem/sector to which priority is given;
 - benefit of the priority activity to a broad segment of FAO's membership;
 - compatibility of the priority activity with the recognized roles of FAO;
 - complementarity with other priorities (cf. 2.54).

They also recommend that the PWB highlight as well as possible the links between sub-programmes, priorities and objectives, as well as the contribution of each of the programmes and sub-programmes to the different themes approved by the Governing Bodies (cf. 2.62).

- (ix) The Committees recommend that the programme budget process implemented on an experimental basis for the preparation of the 1990-91 Programme of Work and Budget be continued for at least another biennium, so that its value can be judged over a longer time period (cf. 2.63).

- Special Action Programmes

- (x) The Committees recommend that a small number of new Special Action Programmes be established covering areas considered to be of high priority, so as to focus and mobilize Trust Funds for projects and programmes of particular interest to Member Nations (cf. 2.60).

Chapter 3: FAO Field Operations

A. Significance of FAO's Field Operations

3.1 FAO provides administrative and technical support for a large number of projects, the financing of which, from UNDP (about half), from other UN and multilateral funds and from governments, will represent some US\$ 650 million of extra-budgetary expenditure in 1988-89, or more than the Regular Budget. The Regular Budget provides full financing for the TCP, amounting in 1988-89 to 12.8 percent of the total budget or just over US\$ 63 million. It was clear to the experts, however, that for the governments, the importance of FAO's field operations extends well beyond their value in terms of the relatively small share of the total flow of aid which they represent. They consider FAO to be an essential, non-political and neutral partner in their development undertakings. It is through its field operations that FAO gives concrete expression to its aims and objectives and makes its presence and impact felt in the countries. Indeed its usefulness is measured in terms of field operation results in developing countries.

a) Linkages between Field Operations and the Regular Programme

3.2 Project support activities comprise both administrative and technical tasks. Generally speaking, administrative support tasks (recruitment of experts and consultants, contracts, purchases, travel, etc.) are carried out by the operations divisions and the administrative services. Technical support includes project preparation (identification, formulation), by the Development Department, project and programme implementation (establishing profiles and choosing experts, consultants, sub-contractors and providing technical materials and advice) by the technical services and, finally, monitoring and evaluation by the Evaluation Service.

3.3 Support for field operations is therefore a complex task, closely linked with the Regular Programme. The relationship between the two programmes, however, is not merely structural and functional. As the experts indicate, technical support to field operations involves the practical application of the results of the technical and analytical work done by FAO and provides, in return, data and feedback on experience and ideas emanating from the field, enabling the Regular Programme to keep up to date. The Committees wish to stress, therefore, that field operations provide the means whereby FAO can acquire unique development experience worldwide and serve as the essential tool through which this experience is made available to Member Nations. By making its technical and conceptual capacities available to the field in this way, the Regular Programme maintains its capacity to respond to countries' real needs and can adapt to changing priorities and development methods.

3.4 For constitutional reasons and to enable FAO to make the fullest use of and maintain its capacities at their highest level, the Organization's field operations are fully justified and both groups of experts draw attention to the important role FAO must play in technical assistance. But, looking beyond these considerations, there is a more fundamental justification for fully utilizing the Organization's capacity to provide assistance. It is, as the Group II experts clearly show, because of the enduring state of absolute poverty and undernutrition in which more than 1,000 million persons, mainly in the rural areas of the developing countries live that a whole series of measures must be drawn up and development programmes and field operations undertaken to help the developing countries alleviate

rural poverty, increase food production and provide greater access to food. The Group I experts recall that the spheres of competence of many other government and intergovernmental institutions and other bodies overlap those of FAO either wholly or partly. Bearing all these points in mind, the Committees feel that if FAO is to fulfil its mandate it must assume its technical assistance role fully and, insofar as its resources allow and in keeping with its purposes and objectives, make its experience available to field operations.

b) Fuller Utilization of FAO's Capacities

3.5 It is the Group II experts' view that the specialized agencies of the UN system are finding it increasingly difficult to play their role as lead agency and coordinator in their sphere of competence. It is increasingly frequent to find UNDP, the World Bank and other financing institutions leaving them out of meetings with governments (even the technical preparation stage of such meetings); indeed, according to the experts, they are merely considered as executing agencies. Despite having defended its prerogatives well, FAO has been no exception to this rule. Group I experts lay particular stress on the fact that the support cost reimbursement FAO receives from UNDP is inadequate (13 percent against a real cost of some 20 percent), and this has a negative effect on the quality of the service rendered and, in the longer term, on the Organization's capacities. Furthermore, UNDP assigns a growing share of its projects to other institutions and implements some of them itself, with the result that apart from a slight recovery in 1988 FAO's share in UNDP-financed projects has continued to decline.

3.6 The Committees are convinced that all these factors are already inhibiting the Organization from playing its appropriate role and will prevent it from facing new requirements in the future. It may be asked - to say with concern is putting it mildly - what will be the realism and effectiveness of agricultural and rural development projects and programmes, identified and formulated on a strictly economic and financial basis, without taking account of the advice of FAO, the leading agency, on the technical, agro-ecological and social conditions particular to the agricultural sector in so many countries.

3.7 To conclude, the Committees welcome the experts' recommendations, which echo the many similar calls by the Committees themselves and the Director-General, that FAO be fully recognized as the lead agency for sectoral and sub-sectoral studies in its field of competence and be closely associated, when the countries concerned so desire, with the process of preparation and holding of multilateral coordination meetings such as UNDP Round Tables and World Bank Consultative Groups, as well as with UNDP-sponsored National Technical Cooperation Assessment Programmes. The Committees also feel that mutual understanding and rapport between the UN agencies should be strengthened.

c) Role of the Investment Centre

3.8 The purpose of the Investment Centre is to help developing countries to formulate investment projects intended to attract capital resources from the multilateral financing institutions. The Committees are pleased that the experts recognize the excellence of the Centre's working methods and performance. The role of the Investment Centre is very important: to date, about 745 Investment Centre-assisted projects have been financed, involving total investments of some US\$ 34,000 million. The Investment

Centre is financed through two funding arrangements: the FAO/WB Cooperative Programme and the Investment Support Programme, which works with a variety of multilateral institutions, such as IFAD, the regional banks and UNCDF. The work accomplished through these two arrangements deserves the strongest support of Member Nations.

3.9 The Committees however note that the future of the FAO/WB Cooperative Programme has been studied and that World Bank funding has again been extended by two years. The Committees recommend that this programme be continued and strengthened, drawing on the Centre's experience and on the quality of its services, in order to increase investment flows to the agricultural sector.

B. Growing Complexity of Field Operations

3.10 Shortly after its founding and in accordance with paragraph 3 of Article 1 of its Constitution, FAO began, as early as 1946, to respond to requests for technical assistance by providing consultant missions and experts' services. Over the years, this form of cooperation has become broader, more structured and more complex due to the multidisciplinary nature of the Organization's operations, their large size and geographical spread and the variety of funding sources. Integrated development projects and global programmes requiring wide international cooperation, the promotion of ECDC/TCDC and international networking of "centres of excellence" are good examples of this. The experts have moreover recommended that efforts already under way to combine technical, financial and food aid be stepped up. Furthermore, new administrative modalities have emerged as other forms of assistance comprising highly specialized short-term missions developed and project execution began to involve more local experts and even the governments themselves.

3.11 The higher costs and increased workload resulting from this growing complexity and these new modalities for project implementation have recently come up against limitations on financial and human resources which are affecting the extent and quality of the administrative and technical support provided by the Organization.

a) Quality of Field Operations Support

3.12 Whilst acknowledging the quality of FAO's field activities, the Committees draw attention to a number of weaknesses which could affect them: the uneven quality of project identification and formulation; delayed project implementation due to slow recruitment, equipment procurement and delivery procedures; and insufficient technical support. FAO is aware of these problems and is trying to overcome them within the limits of its means. A number of factors are, however, beyond the Organization's control. Project implementation depends to some extent on governments' ability to meet their obligations (counterpart staff, recurrent costs) and can be seriously hampered by the slow administrative procedures in countries.

3.13 Furthermore, the gradual worsening of conditions of employment within the UN system, to which the Director-General has referred on numerous occasions, means that FAO is finding it increasingly difficult to recruit the high-level experts it needs. These are problems which Member Nations will have to address on a system-wide basis.

b) Computerization

3.14 The Committees have been informed of the recent measures taken by FAO to improve its services, involving closer monitoring of field operations at every stage of the project cycle. The introduction of PERSYS and FINSYS should improve project administrative and financial management; the Committees have also been informed by the Director-General that a comprehensive computerized project information and monitoring system (PROSYS), which would permit increased efficiency in technical support, accelerated supply of inputs, and monitoring, is under review. The Committees agree with the experts' view that a relatively modest investment in computerization is fully justified and should be given the highest priority, including through mobilization of extra-budgetary resources if necessary. The Committees are nevertheless aware that until a satisfactory solution is found to the problem of inadequate resources and staff, these necessary measures will not suffice to improve project formulation and technical support to any significant degree.

c) The Problem of Staff and Financial Resources

3.15 At present, FAO is not usually reimbursed the costs incurred in project formulation. Furthermore, support cost reimbursements by UNDP and trust fund donors fail, by a wide margin, to cover the actual costs incurred in execution. The difference is covered by a de facto subsidy from the Regular Budget for extra-budgetary activities, the cost of which was estimated at over US\$ 20 million in 1987. The Committees trust that the ongoing discussions within the UN system on new support cost sharing arrangements with UNDP will lead to equitable solutions.

3.16 Furthermore, with its present technical staff FAO cannot provide adequate technical support for projects. The Committees note that professional staffing levels for the Regular Programme are lower than those approved by the 1975 Conference. The number of posts in Headquarters divisions has remained practically unchanged for about ten years. The situation has, of course, been aggravated by the financial difficulties experienced in recent years which has resulted in a freeze on the filling of vacancies whilst, as has been seen, the Organization's task has grown in magnitude and complexity.

3.17 The result is that the workload of FAO's staff is too often excessive: each country project officer in the Agricultural Operations Division must handle some 40 projects on average; officers working in the technical divisions must provide support for some 20 projects in addition to carrying out their normal duties and contributing to the preparation of new projects. Thus, the quality of the technical support given to projects is sometimes not up to the mark; officers often only have time to offer routine comments lacking in technical substance. Their field missions are infrequent and sometimes non-existent.

3.18 The Committees feel that FAO's capacity to provide adequate technical and administrative support should be fully restored. In the short term, the Committees consider that additional CPOs and extra technical backstopping staff should be assigned as an immediate ameliorative measure. Some members underlined, however, that this would have to be done in the context of available resources and other priorities. Most members however did not deem it appropriate to make such a pre-judgement at this stage on the need for extra-budgetary resources. In the longer term, the Committees

agree that arrangements will have to be set up keeping in view the outcome of the management review, the effects of further introduction of management methods, such as computerization, increased delegation/devolution of powers and functions to project staff/FAOs/Regional Offices and the final shape of "successor arrangements" for UNDP support costs.

3.19 The Committees agree that government execution of projects should be increased, but they are mindful of the financial cost that may result from this. The Committees are also of the view that FAO should step up its efforts to provide training for national personnel in project formulation, management and evaluation with a view to strengthening countries' capacities in project implementation. The same is true of the suggestion that FAO staff be given the opportunity to update their knowledge and skills periodically.

C. Trust Funds

3.20 The following are the three basic types of trust funds, which have become increasingly important in recent years: 1) the FAO/Government Cooperative Programme, through which a donor entrusts FAO with the execution of development projects in recipient countries; 2) Unilateral Trust Funds, through which a Member Nation entrusts FAO with funds for the execution of projects on its territory; and 3) the Associate Professional Officers programme, which enables FAO to employ young people from developed countries in its field projects.

3.21 The Committees recognize that Trust Funds play a major role as a source of financing for field activities, supplementing UNDP and TCP and, whilst they would like to see these resources increased, they share the experts' wish that a certain balance between the various modes of financing be maintained. They nevertheless look forward to maximum financing from multilateral sources such as UNDP, the World Bank and regional banks, as well as from the different development funds. The Committees also stress the need to ensure that trust funds retain their multilateral character so that FAO may preserve its independence.

a) Trust Funds, Priorities and Choice of Projects (cf. Chapter 2)

3.22 The Committees note that more than two thirds of all trust funds are currently channelled to sectors to which FAO's Governing Bodies assign priority, especially through Special Action Programmes. This concordance is particularly close with programmes such as the Tropical Forestry Action Plan, Food Security Assistance and Seed Improvement and Development. Such links make it possible to focus field operations in a coherent manner, towards the Organization's medium-term objectives.

3.23 FAO receives many more requests for projects than its budget and extra-budgetary resources allow it to implement. Some members of the Committees have therefore suggested that FAO become more selective and encourage governments and bilateral programmes to give preference to the implementation of field activities which meet the priorities set by FAO's Governing Bodies (e.g. Special Action Programmes) or comply with the general policy orientations established by the United Nations system for matters such as environmental protection and the integration of women in development. These members are concerned that FAO's available technical support capabilities should not be stretched beyond the level at which they can cope effectively. Most members do not share this concern, and while

stressing the need for FAO to take suitable measures to expand its technical support capabilities, have pointed out that these general orientations and Special Action Programmes cannot meet all the Member Nations' requirements and it is therefore also essential to be able to respond effectively to specific requests of governments and to take advantage of all financing opportunities. The Committees in general consider that in the final analysis each request for or offer of assistance should be considered on its own merits and that field activities must continue to be flexible enough to take account of the diversity of situations prevailing in Member Nations, their stage of development and the type of assistance they request and require, as already mentioned in para. 2.27.

3.24 The experts have recommended indicative planning in order to establish priorities for programmes financed through trust funds, in keeping with the Organization's medium-term objectives. The Committees are aware of the usefulness of channelling a large proportion of trust funds to meet these objectives and feel that this recommendation may best be fulfilled through Special Action Programmes and plans of action such as TFAP. Establishing a small number of Special Action Programmes in fields to which the International Community assigns top priority, as suggested by the Director-General, would be the best way of focusing the attention of donors and recipients on the Organization's objectives.

b) Identification/Formulation Facility and Special Financing Mechanism

3.25 The Committees examined the proposal to establish a new project and programme identification and formulation facility for investment and technical cooperation. Such a service would initially draw on the experience gained by the Investment Centre and would provide donors with projects designed on the basis of the objectives and priorities referred to above. This facility would be financed through a mechanism whereby the sums needed to cover the cost incurred in preliminary studies would be drawn "automatically" from the budgets of approved projects and programmes. For this, a fund would have to be set up to finance costs incurred in project preparation, which would be reimbursed by donor-approved projects. This fund would be replenished from extra-budgetary resources, when necessary, to cover costs incurred for projects which have not found financing. The Committees share the view of both the Director-General and the experts that this is an excellent recommendation. The establishment of this facility and the financing mechanism involved would help improve the quality of field programmes, strengthen the Organization's technical assistance capacity and channel financing towards its objectives and plans of action. Similar working procedures which have already been put in place for certain trust funds and for the TFAP are clear examples of this.

3.26 The Committees therefore recommend that the Secretariat contact the donors who finance FAO's extra-budgetary activities in order to work out a suitable general framework. One member reserved his position on this recommendation.

c) Standardizing Procedures

3.27 The Committees recommend that steps be taken to obtain donor agreement on standardizing project formats, reporting, evaluating and auditing procedures. They have been informed that the Secretariat has already begun to take the necessary steps, with a view to harmonizing project document formats and procedures with those used by UNDP.

D. Technical Cooperation Programme

3.28 The Technical Cooperation Programme was set up in 1976 under the Regular Programme and provides a rapid and flexible response to unforeseen requests for short-term, small-scale assistance, i.e., to cope with emergencies, promote technical cooperation among developing countries, provide technical training or formulate policy advice. It may also provide bridging assistance between projects as well as between different sources of financing and act as a catalyst for large technical assistance and investment programmes and projects. It is governed by strict criteria laid down by FAO's Governing Bodies and its interventions cannot, by their very nature, be programmed in advance.

3.29 The Committees have taken note that governments much appreciate the flexible and quick manner in which TCP funds are made available to them. Programme criteria and modes of intervention have been shown to be adequate. The Committees recommend that TCP be maintained in its present form as a vital element in FAO's field operations.

3.30 Most members have stressed that funds allocated to TCP are inadequate to meet requests and that the Programme's share of the Organization's budget should, in the future, gradually be increased. Some members, however, have doubts that such an increase is justified, given the likely continuing limits to FAO's overall resources.

3.31 The Committees note the experts' view that resources allocated to the TCP are clearly inadequate to meet the requests of governments, and that it would be desirable for FAO to have a greater availability of funds, through trust funds or otherwise, possibly administered through TCP, for being spent flexibly. They also note the opinion of the experts that some of the activities taken up under the TCP, with better planning by governments, could possibly be included in the programmes funded by UNDP or other donors.

3.32 Finally, the Committees agree that, bearing in mind the Director-General's comments on the subject, the Secretariat should contact donors to determine whether they would be prepared to provide additional contributions on a voluntary basis, either to TCP or through trust funds.

E. Role of Country Offices

3.33 The experts have recommended strengthening the Country Offices rather than the Regional Offices, while recognizing that the latter are a necessary part of FAO's structure. The Committees in general support this view although the majority of members stress the importance of the Regional Offices for their regions. Seventy-four FAO Country Representatives, covering over one hundred countries, exercise a wide range of functions which come within the province of both the Regular Programme and field activities; in brief, they are responsible for: 1) ensuring liaison between Headquarters and the countries, providing and collecting information and making the Organization's services available to the national authorities; 2) maintaining an ongoing dialogue with government authorities and local representatives of multilateral and bilateral aid organizations in matters relating to agricultural policy, strategies and priorities, and acting as advisors in this area; and 3) providing assistance for the identification, evaluation, development, implementation and monitoring of programmes and projects, including emergency projects.

3.34 The Committees have been informed that the Country Offices do not generally have the resources to fulfil their functions effectively. Staffing levels and equipment have been kept to a minimum while the complexity and volume of administrative work have continued to increase; the growing trend toward project implementation by national coordinators without assistance from international administrative personnel and direct project execution by governments have considerably increased the workload of these offices whilst, as mentioned above, Headquarters' support has become increasingly insufficient. The Representations have therefore tended to concentrate on field projects rather than on policy development with governments. Under the circumstances, the Committees feel that priority should be given to strengthening these Offices so that they may be better prepared to: 1) formulate policy advice both for governments and aid organizations; and 2) provide support for field activities.

3.35 The Committees are of the view that the trend toward decentralization to country level of the functions and responsibilities involved in administrative support for field projects should continue and that steps should be taken to compensate for lack of resources: by using telecommunications equipment, jointly with UNDP and other UN institutions; by equipping the Offices and by appointing new programme officers to the large countries.

3.36 The Committees suggest that decentralization of technical support in fields of particular concern to one region or sub-region be undertaken on an experimental basis; competent technical staff would then be assigned to a better equipped Office and would provide technical assistance to projects in surrounding countries.

3.37 The Committees support these suggestions to decentralize technical and administrative support, provided that such steps are taken within the limits imposed by the Organization's rules and by the need for administrative and financial control; they nevertheless feel that such measures could never be fully effective unless a solution to the overall problem of inadequate administrative and technical resources is found. The Committees consider that for the time being, it would be wise to proceed only where it is feasible and efficient to do so. In the final analysis, the decision on the matter is within the prerogatives of the Director-General.

F. Review of Field Operations by the Governing Bodies

3.38 During the Twenty-fourth Session of the Conference, the wish was expressed in several quarters that FAO's Governing Bodies should take greater interest in field operations so as to give them the desired impetus and orientation. The experts studied the question in detail and the Committees have examined the different possible solutions.

3.39 According to present arrangements, every odd numbered year the Governing Bodies review the Reviews of the Regular Programme, which deals with the implementation of the FWB, and of the Field Programmes. At the same time, the examination of the FWB provides them with details concerning the resources allocated to field programme support and related extra-budgetary resources. The general Conference gives Member Nations the opportunity to discuss the Organization's general development assistance policy and the regional conferences give the countries of the region the opportunity to make their priorities and requirements known.

3.40 These arrangements are substantial; the Committees nevertheless feel that they do not give Member Nations the opportunity to hold sufficiently in-depth and systematic discussions on the major aspects of and policies relating to field operations; their view is that the time has come to take steps to facilitate more frequent dialogue between Member Nations so that, in line with the experts' recommendation, they may "regularly monitor FAO's field operations, discuss general policy orientations and review FAO's relations with other UN and funding agencies to promote mutual understanding and to strengthen the relationship between the Regular Programme and field operations".

3.41 With this in mind, the Committees have envisaged several options; inter alia they considered the possibility of entrusting the review of field programme orientation and content to a committee especially established for the purpose, but the majority recognizes that this would lead to a duplication of procedures and of the work of the Governing Bodies without either establishing clearly the link between the Regular Programme and the field programmes, or strengthening it.

3.42 The Committees tend to support the experts' proposal which, insofar as questions regarding Field Programme content and links between this and the Regular Programme are concerned, could lead to the following arrangements:

- (a) the Committees on Agriculture, Forestry, Fisheries and Food Security would include in their agendas items concerning the field operations falling within their spheres of competence;
- (b) the Secretariat would synthesize their conclusions and recommendations which would be examined in joint sessions of the Finance and Programme Committees, whose reports would then be submitted to the Council;
- (c) in sessions following the joint meetings, the Council would include in its agenda questions relating to field programme policies and orientations, including relations with financing sources and other sources of external aid;
- (d) the current practice whereby the Conference reviews field operations would be maintained.

3.43 This arrangement would require no amendment to the Basic Texts and would not add significantly to costs; it would, however, provide the means whereby an in-depth review of field operations could be carried out by the bodies already competent to review the Regular Programme, which would be able to recognize and strengthen the links between the two programmes.

G. Inspection of Field Operations

3.44 The Committees have considered the experts' recommendation to establish two or three posts of inspector in the Office of the Director-General, to strengthen monitoring and inspection of field operations with stress to be laid on project management and organizational matters.

3.45 The Committees have been informed that mechanisms already exist to examine field project management and organization. These include annual tripartite reviews, evaluations during the course of implementation or final evaluations and auditing missions; the Director-General considers that it would be preferable to strengthen the Evaluation Service rather than establish a separate unit to deal with field inspection.

3.46 The Committees recommend that the task of strengthening field inspection should be added to those of the Evaluation Service, which is itself in the Office of the Director-General. Some members would have favoured an inspection unit independent of the Organization, with the reports being made available to donors and recipient governments on request. The inspection unit's responsibilities could include carrying out reviews of management and organizational aspects of FAO projects. It could assist the operational and technical units concerned to improve their own field project monitoring. It could also carry out ad hoc missions and identify measures for project improvement. Finally, it could prepare inspection reports for submission to the Director-General, and through him to the Governing Bodies.

H. Non-Governmental Organizations

3.47 The Committees stress the active and growing role played by NGOs, whose resources, according to the experts, exceed those of the whole of the United Nations system, particularly when it comes to the fight against poverty among the most deprived rural populations. The Committees welcome the cooperation which has developed over the years between FAO and the NGOs, both national and international, notably through the Freedom from Hunger Campaign/Action for Development. They feel that this cooperation should be strengthened and, in this perspective, recommend that the Secretariat review the administrative and financial procedures governing relations between FAO and the NGOs, and welcome the Director-General's proposal that such a review be carried out in 1990 and the report submitted to the Programme and Finance Committees and the Council.

I. Recommendations

3.48 The review of field operations has permitted identification of a certain number of measures designed to strengthen their effectiveness for the benefit of the Member Nations, as well as their coherence and conformity with the general orientations set by the Governing Bodies and their function as a catalyst for and purveyor of assistance, as prescribed in paragraph 2(b) of Resolution 6/87 adopted by Twenty-fourth Conference. These measures are the subject of the recommendations below.

3.49 This review has shown that at the request of Member Nations, the Organization fulfils the technical assistance functions assigned to it under Article 1, para. 3 of its Constitution by making full use of its administrative and technical capacities (presently diminished by budget restrictions and inadequate extra-budgetary financing for support activities), even though the costs incurred and the number and complexity of the tasks involved have continued to rise. Thus, even though the quality of project support is as good as that provided by other United Nations institutions, it has nevertheless been affected by the budgetary constraints and the situation is all the more serious since requirements and requests for assistance are growing. Furthermore, it is through technical assistance that FAO contributes most directly "to the efforts of member countries and people to eliminate hunger, malnutrition and poverty" (R. 6/87, para. 2.a).

3.50 Given such difficult circumstances, it is essential to: 1. make it possible for the Governing Bodies to monitor the orientations and operations of the Field Programme regularly and also strengthen the links between Field Programmes and the Regular Programme; 2. protect and streng-

then the Organization's administrative and technical capacities, where possible, to enable it to cope effectively with increased requirements in the coming years; and 3. find ways and means to streamline project support tasks and make them more effective.

3.51 Concerning measures to enable the Governing Bodies to review field operations more closely and to strengthen the links between these and the Regular Programme, the Committees recommend that:

- (i) The content and the orientation of field programmes be reviewed regularly in the technical committees, in joint sessions of the Programme and Finance Committees and in the Council (cf. 3.42);
- (ii) administrative questions and questions concerning relations with financing agencies and other sources of external assistance be reviewed regularly by the Council;
- (iii) the Conference continue to review field operations;
- (iv) a field inspection unit be established reinforcing the Evaluation Service and focusing mainly on project management and organization (cf. 3.44 to 3.45).

3.52 In an attempt to protect and strengthen the Organization's support capacities, the Committees recommend that:

- (v) additional project officers be appointed as an immediate ameliorative measure and that technical backstopping staff be increased (cf. 3.18);
- (vi) donors be contacted with a view to establishing an appropriate general framework for a special extra-budgetary financing mechanism serving a strengthened project identification/formulation facility drawing initially on the experience of the Investment Centre. One member reserved his position on this recommendation (cf. 3.26);
- (vii) TCP continue in its present form as a vital element in FAO's field operations and donors also be contacted with a view to obtaining additional voluntary contributions, either for TCP itself or to be administered along the same lines (cf. 3.29 and 3.32);
- (viii) steps be taken to strengthen the FAO/World Bank Cooperative Programme, drawing fully on the recognized competence of the Investment Centre, in order to increase investment flows to the agricultural sector (cf. 3.9);
- (ix) present administrative and financial procedures guiding FAO's cooperation with NGOs be reviewed with a view to strengthening that cooperation (cf. 3.47);

3.53 Insofar as ways and means of strengthening and improving the effectiveness of the administrative and technical support services are concerned, some of these do not depend solely on FAO, and the mode of application of others falls within the prerogatives of the Director-General. The review nevertheless has shown the desirability of certain improvements. The Committees therefore recommend that ways be found to:

- (x) decentralize administrative support tasks to the FAORs, provided that the Representations have the means to carry them out and where such a step can improve the services rendered, but bearing in mind the need to abide by the Organization's rules governing administrative and financial control (cf. 3.35);
- (xi) enlarge and equip the Representations in order to strengthen their administrative support functions and their role as interlocutors with governments and other institutions on matters relating to agricultural policy and agricultural and rural development programmes (cf. 3.34 and 3.35);
- (xii) standardize project procedures and documents for projects financed through trust funds (cf. 3.27);
- (xiii) develop computerized management systems for use in administration as well as in field programme monitoring (cf. 3.14);
- (xiv) encourage increased government participation in project execution, and provide more training for national personnel in project identification, formulation, management and monitoring and evaluation (cf. 3.19);

3.54 Finally, the Committees wish to put forward a general recommendation:

- (xv) that, on the basis of its comparative advantage and its experience, FAO be recognized as the lead agency and coordinator for sectoral and sub-sectoral reviews in its field of competence and that it be fully associated in the process of preparation and holding of multilateral coordination meetings such as UNDP Round Tables and World Bank Consultative Groups as well as with UNDP-sponsored national technical cooperation assessment programmes so that it can provide its essential technical contribution; and that mutual understanding and rapport among the UN agencies be strengthened (cf. 3.7).

Chapter 4: FAO in the International System

4.1 Para. 2(d) of Resolution 6/87 enjoins the Committees to "... examine the working relationship between the Organization and other organs, organizations and bodies of the UN system and international financing institutions, including the activities of the Field Programme, so as to avoid duplication of work, ensure complementarity and promote the most effective support possible by FAO for country priorities".

4.2 The Committees believe that in addition to its near-universality of membership, FAO maintains in its sphere a certain number of unique advantages: the widest and most solid information bases in the field of food and agriculture; the close involvement of the Regular Programme in the field programmes, and the resulting effect of mutual reinforcement; the breadth of its mandate, the multinational and multidisciplinary character of the Secretariat, as well as its access to specialized commissions and technical working groups.

4.3 FAO interacts with 25 agencies of the UN system, with which it has more than 200 formal and informal cooperative agreements. The Organization has created joint divisions with IAEA and the World Bank, as well as with four of the five UN regional economic and social commissions. It works in close collaboration and has joint programmes with several UN Agencies on certain major topics of common interest such as nutrition, environment, rural development, agricultural education and agricultural industries. Cooperation between FAO and the rest of the UN system is thus extensive and, in some areas, intensive. The experts have found that in general this cooperation was rather good, but that in some cases there is room for improvement.

4.4 Based on this assessment, the Committees have come to the conclusion that FAO's relationship can be judged as satisfactory with the United Nations itself, ILO, WHO, IFAD, IAEA, GATT, UNCTAD and UNFPA. While relationships with the World Bank are already considerable, there seems to be scope for strengthening them and expanding the areas of cooperation. Having identified questions which have arisen with six organizations of the UN system (UNEP, UNICEF, WFC, UNDP, UNIDO and WFP), the Committees make some proposals below aimed at improving relations between FAO and these organizations.

4.5 The FAO/World Bank Cooperative Programme (CP) is the principal area of collaboration between the two organizations. Established in 1964, the CP is funded 75 percent by the Bank and 25 percent by FAO, and has functioned to the satisfaction of both parties. Any doubts about the immediate future of the CP have been laid to rest by a recent assurance received from the World Bank.

4.6 Outside the framework of the CP, FAO cooperation with the World Bank has been intermittent. The experts have proposed that it be strengthened. They have highlighted, in particular, the usefulness of increased interaction between FAO and the World Bank in sector and sub-sector studies, policy advice at the national level, the execution of World Bank-funded technical assistance projects, and participation by FAO in the World Bank Consultative Groups, especially in the preparatory and follow-up stages. To this effect, the experts have suggested periodic consultations between FAO and the World Bank at senior management level. The Director-General has advised the Committees that preliminary steps were already taken in

1986. In the light of the proposal of the experts, and the two Committees' discussion, he has approached the World Bank with a view to moving ahead with an arrangement of this type. The Bank has answered positively. The Committees fully support this initiative.

4.7 UNEP: While FAO and UNEP have cooperated closely for a long time in certain areas, the experts found examples of avoidable overlap and duplication of activities. These may be attributed to UNEP's lack of familiarity with FAO's programmes, and its tendency to move away from joint programming as practised in the past. The Committees endorse the experts' recommendation that consultations be held between FAO and UNEP with a view to harmonizing work programmes, and to reviving the practice of joint programming.

4.8 UNICEF: Here again, the experts found some overlapping of activities, notably at the field level, although cooperation is satisfactory in other areas. The Committees recommend that necessary steps be taken to strengthen collaboration at the country level between FAORs and UNICEF representatives.

4.9 WFC: The experts identify only one problem of overlap. It concerns food security policy work at the national level. The Committees recommend that the senior staff of each organization make an effort to work out a solution to this issue.

4.10 UNDP

- (a) The experts have raised several problems concerning the relationship between UNDP and FAO. Other specialized agencies experience analogous problems, which include primarily direct project execution by UNDP, the use of non-UN agencies for project implementation, reimbursement of support costs at a level below actual expenditure, and the exclusion of FAO from the Round Tables organized by UNDP.
- (b) Moreover, the Committees were informed of some new developments since the completion of the experts' work. In a recent report to the Governing Council UNDP and World Development by the Year 2000, it has been proposed that UNDP become a "full-service development institution", retaining and consulting the specialized agencies as and when thought necessary, but essentially managing operational activities itself with recipient governments. After the discussions at the Governing Council, no final decision has yet been taken.
- (c) In agreement with the experts, and without being able to enter into the technical details, the Committees recommend that the senior staff of the two organizations meet at least once a year to resolve outstanding problems. The Director-General has accepted this recommendation, and in fact UNDP has already taken an initiative in this direction. The Committees underline that it would be advisable to reinforce contacts between the UNDP Resident Representatives and the FAORs in countries, in order to resolve any problems which arise on the spot.
- (d) The issue of the level of reimbursement of support costs, which affects all executing agencies, is at present under study by an expert group appointed by the UNDP Governing Council. It is hoped that the problem will be resolved.

4.11 UNIDO

- (a) The experts have identified several difficulties in the application of the 1969 agreement between FAO and UNIDO. Indeed UNIDO has committed itself to a range of activities which are within the mandate of FAO under the 1969 agreement (including rural small-scale agro- and fish processing plants, farm hand tools manufacturing, fishing boat design and construction, production of animal vaccine, work on biotechnology related to food and agriculture, and pesticides). The experts have recommended that FAO pursue with UNIDO at the highest level the possible creation of a Joint FAO/UNIDO Division for Agro-Industrial Development.
- (b) The Committees are not opposed to the creation of a Joint FAO/UNIDO Division. However, they feel that first priority should be given to an effort to bring about the effective functioning of the 1969 agreement.

4.12 WFP: The World Food Programme, a joint programme of FAO and the United Nations, is charged with providing food aid. This aid falls within the wider framework of food policy and food security, with which FAO is charged under the direction of the Committee on Food Security, a subsidiary organ of the Council. Recently, WFP has undertaken independent studies on food policies. The experts have recommended that WFP rely more on the services of FAO, which has proved its competence in the area of policy analysis, and that it have greater recourse to FAO's technical cooperation projects to place food aid at the service of development. The experts also suggest that WFP make greater use of FAO's Global Information and Early Warning System. In the light of overlapping in the area of food aid policies, the Committees urge WFP and FAO to strengthen their cooperation for timely and effective provision of food aid, and that overlapping be avoided.

4.13 In conclusion of their discussion on inter-agency relations, the Committees:

- (i) recall that cooperation is a two-way street. To improve relations between two institutions, it is advisable that each of the two parties come part of the way. As far as FAO is concerned, the Committees welcome the assurances given, in this connection by the Director-General on behalf of himself and his colleagues. The Committees are confident that equal goodwill will be found among all institutions, and that closer working relationships can be established;
- (ii) must point out that cooperation among UN Agencies generally reflects the attitudes which Member Nations adopt in the Governing Bodies of the organizations concerned. Frequently, Member Nations support contradictory views on the same subject in different fora. By harmonizing their own positions, Member Nations would contribute to harmonizing and coordinating work in the system as a whole.

4.14 Recommendations

- (i) World Bank - The Committees support the experts' proposal and the Director-General's initiative to establish periodic consultations between ~~FAO~~ and the World Bank, in order to reinforce cooperation between the two institutions in the area of sectoral and sub-sectoral studies, advice and formulation of policies (cf. 4.6).

- (ii) UNEP - The Committees recommend that consultations between FAO and UNEP be started again as soon as possible in order to harmonize work programmes and reinstitute the system of joint programming (cf. 4.7).
- (iii) UNICEF - The Committees recommend that necessary steps be taken to strengthen collaboration at the country level between FAORs and UNICEF representatives (cf. 4.8).
- (iv) WFC - The Committees recommend that senior officials of FAO and WFC try to resolve the problem of overlapping of activities in the area of national food security policies (cf. 4.9).
- (v) UNDP - The Committees recommend that senior officials of FAO and UNDP meet at least once a year to resolve outstanding problems and that consultations between UNDP Resident Representatives and FAO Representatives in the developing countries be reinforced in order to resolve issues on the spot (cf. 4.10).
- (vi) UNIDO - The Committees recommend that high-level consultations be undertaken between FAO and UNIDO in order to ensure first of all the effective functioning of the 1969 agreement, and in order to study the possibility of creating an FAO/UNIDO Division of Agro-Industrial Development (cf. 4.11).
- (vii) WFP - The Committees recommend that cooperation between FAO and WFP be reinforced, and that overlapping be avoided (cf. 4.12).

Chapter 5: The Resource Dimension

5.1 The Committees accept and support the view of the experts that FAO "has demonstrated innovations in its work and has been responsive to changing world events and emerging needs at global and regional levels", and that it "remains a solid and dynamic institution". The Committees conclude that there is scope for strengthening some areas of the Organization's work. The Committees' proposals in this regard are set forth in the recommendation sections of Chapters 2 and 3.

5.2 The Committees also point out that lately the Organization has faced severe cash flow problems with debilitating effects on the size and quality of its programmes. They recommend that all Member Nations resolve this financial stringency by honouring their financial obligations on time and by finding a solution for the payment of arrears.

5.3 The Committees agree that the review has shown that the strengthening of the Organization's activities is desirable in several areas and that there will be more and more requests for FAO's assistance in the future. The cost of implementing the Committees' recommendations has been assessed preliminarily by the Secretariat, at US\$ 20 million for the first biennium (cf. Annex II). Several solutions may be envisaged, alone or in combination, to finance this strengthening:

- (i) finance the recommendations, or at least those considered most urgent, through a special supplementary appropriation for the 1990-91 biennium;
- (ii) if needed, request the Director-General to make programme adjustments to the extent possible;
- (iii) seek extra-budgetary resources for those activities which do not form part of the Regular Programme, but which are likely to interest potential donors;
- (iv) for future biennia, envisage augmenting Regular Budget resources to permit implementation of the recommendations, possibly in a phased manner.

5.4 A few members are of the opinion that the availability of additional resources would very likely continue to be limited, and even under the very best of circumstances, uncertain. They thus feel that the main focus, when considering the resources needed for taking up any of the activities aimed at strengthening the Organization, would have to be on reallocation of priorities.

5.5 These members are of the view that it is vital for FAO to establish guidelines for the selection of Regular Programme priorities and to ensure that field operations are carried out with more emphasis on quality and with full cognizance of FAO's comparative advantage vis-à-vis other agencies and institutions. Ultimately, the ability of the Organization to fulfil its mandate will depend, in the view of these members, on extending available resources to meet its most pressing demands as cost effectively as possible.

5.6 Most members are of the view that though the liquidity situation continues to be difficult, it is not possible to accept a pre-judgement on the resource scenario of the future. They feel that all alternatives in para. 5.3 would need to be fully explored in mobilizing FAO's requirements for further funds but that in the final analysis, the desirability of additional resources can hardly be contested if the Organization is to retain its vitality and continue to fulfil its mandate as a technical-cum-development agency of excellence. The majority of the Committees fully endorse the conclusions of the experts regarding the need for additional resources, particularly in the context of the anticipated increase in demands for FAO's services.

5.7 The Committees wish to stress, in conclusion, that FAO continues to be a solid and dynamic institution which merits the confidence of its Member Nations.

Annex I: Situation and Trends
in World Food and Agriculture

1. This document was prepared by the Chairman of the Programme Committee and is annexed as a background reference document. It was not discussed in detail, or adopted, by the Committees. It is based on Secretariat publications such as "Agriculture: Toward 2000" and on document SJS 1/4, specially prepared for the review, as well as on the experts' contributions, and views expressed in the Committees.

A. The Situation

2. The experts first stress the importance of the agricultural sector. Crop and livestock farming, fisheries and forestry and, to a certain extent, processing and distribution of their products as well as food, all fall within FAO's sphere of competence. While taking into account the overall increase in population, it must be stressed that since industrialized society began, the agricultural sector has been an endless source of labour for industry, trade and services and of population for the towns. Now, at the end of the 20th Century, agriculture still directly provides a livelihood for more than 50 percent of the world population and 60 percent of the population in the developing countries. Because of agriculture's extensive territorial coverage and its importance both economically and demographically, the significance of the role it can play in keeping overall economic balance or in causing serious imbalances, including in the areas of employment and the environment, cannot be underestimated. The fortunes of the agricultural sector can underpin or undermine global prosperity.

3. Disparities between rich and poor continue to widen: at one extreme, modern commercial production is passing through a critical period because surpluses remain unsold or do not find adequate commercial outlets; at the other extreme, half the world's population is short of food and lacks purchasing power because its technology, production levels and income are insufficient. This has resulted in a significant decline in effective demand, limiting opportunities for profitable investment and restraining growth in all sectors of the world economy. It must be stressed that, in most countries, the proportion of national income the agricultural population receives for its services is well below what it should be, given that population's size in relation to total population. There is no doubt that the resulting lack of purchasing power, from which about half the world's population suffers, is a major factor in overall economic instability.

4. It must furthermore be stressed that the requirements which the food and agricultural sector is called upon to fulfil are rather unique, in that they are, for the most part, essential requirements, and have to be satisfied at least to a minimal degree. Consequently, responding to these food requirements and ensuring self-sufficiency and basic food supplies is a major moral, social and political obligation, which, if neglected for any length of time, necessarily becomes a source of political instability and unrest.

5. It may be noted, as the experts point out, that there are considerable difficulties to be overcome in the three fields falling wholly or partly within FAO's ambit, agricultural and agro-industrial economy and employment, food, and the environment, and the situation may even be described as critical. It is however, a rather contradictory situation.

On the one hand, the agricultural production capacity of the developed countries and the production capacity of certain segments of the developing countries' agriculture are expanding to the point where more is being produced than effective world demand can absorb and, on the other, the greater part of the agricultural sector in most developing countries is having increasing difficulty meeting the food and monetary income requirements of rapidly expanding populations.

B. Trends

6. The Group II experts note that according to FAO's projections, food supplies in 94 low-income countries will continue to provide little more than 2,000 calories per person per day and, by the end of the century, some 530 million people will consume fewer than 1,520 calories per day - and these are average figures: food consumption in the rural areas, where most of the poor live, is therefore likely to be even lower. Group I notes that according to "Agriculture: Toward 2000", between now and the end of the century, at the global level, agricultural output will be able to meet a foreseeable increase in effective demand of the order of 2 percent annually: around 1 percent in the developed countries where population and per caput consumption seems to be reaching a ceiling and 3 percent in developing countries where, despite some slowing down, population growth rates will continue to be high, as will per caput food consumption among the sectors of the population whose incomes are rising. Even though production may continue to meet effective demand, the problem of inadequate food production and undernutrition in the poorest countries and among the poorest populations remains. Developing countries' needs will continue to widely exceed their effective demand, which could therefore increase considerably if the problem of poverty were to be even partially solved.

7. The Group I experts feel that the Secretariat's forecasts are rather too optimistic; they are of the view that the stock of technology available for the years to come has virtually been exhausted; that it will take a further 15 years to develop and implement new technology; that arable land reserves are becoming scarce; that some cultivated land is deteriorating and water tables are being drawn down. All these are factors which restrict production growth, even though there may be unexpected sharp rises in demand in China, the USSR and Eastern-bloc countries. According to this line of thinking, highly productive modern agriculture could hardly continue to progress at the same speed in the developed countries where it is already widely spread; in the future it would be necessary therefore to count on production increases in the developing countries, where there is still room for technical progress. It may be thought, however, that modern technology might progress very little in underprivileged areas and among deprived farming populations in developing countries, especially in the least developed countries, where it is virtually unknown. Progress would be made primarily in certain less disadvantaged sectors of the moderately developed countries.

8. The experts' work on the subject may therefore be judged positively, and the following four conclusions may be drawn: 1. steps must be taken to cope with a market that is likely to be tighter than expected; 2. the impoverished and under-nourished section of the world's rural and agricultural populations, lacking purchasing power, are in danger of continuing to be deprived of modern technology and agricultural development, their effective demand will remain low and the risk is that the situation could worsen and spread; 3. it will be as necessary as ever to provide development assistance to alleviate rural poverty, increase food production and

allow greater access to food; and 4. the reserves of conventional technology, which are becoming thinner, could be inadequate to permit rapid expansion of production, and that it would be necessary to undertake research in other directions. In attempting to determine "how FAO could make the most effective contribution to the efforts of member countries and people to eliminate hunger, malnutrition and poverty" (6/87, 2.a), during the debate several factors likely to lead to worsening agricultural and rural poverty were cited, and some of these certainly deserve to be stressed.

9. The first is worsening terms of trade. Rapid modernization of commercial agriculture in recent decades has led to a sudden rise in productivity, while prices of agricultural goods have fallen sharply in real terms and terms of trade have deteriorated (cereal prices declined in real terms by more than 40 percent in 30 years). The same declining trend may exist for highly mechanized crops such as wheat, maize, rice, protein- and oil-rich grains and cotton and for most animal products (meat, milk, eggs and wool); it exists, but to a lesser degree in the long term for the slightly mechanized sectors (coffee and cocoa) and for those sectors where the free market accounts for only a small share of total trade (sugar).

10. As a result, a large part of the agricultural population of developing countries, lacking technology, competitiveness and income and being unable to invest, cannot keep pace with the modernization process. The most impoverished cannot cope with declining farm prices and worsening terms of trade. In an attempt to escape undernutrition, the poorest farmers are forced to draw on the last-remaining agro-biological reserves, thereby degrading the land they cultivate; but in the end their efforts are destined to fail and they are condemned to hunger if they remain on the land and unemployment and poverty if they move to the under-equipped and under-industrialized outskirts of the urban centres. Furthermore, for these people faced with such a critical situation, the smallest climatic or biological accident assumes the dimensions of a natural catastrophe.

11. Furthermore, it should be recalled that the process of adjusting supply to effective demand is neither perfect nor rapid; it involves a series of wide fluctuations. Phases of surplus production alternate with phases of relative scarcity. When there are surpluses, prices fall, subsidized exports at unbeatable prices flood the market, farmers reduce land areas given over to crop cultivation, non-competitive producers are edged out and the weakest are ruined. The result of all this is that production declines and a few years later the situation is reversed: demand exceeds supply; stocks dwindle and relative shortages set in. At times like these prices rise, poor countries and poor people lacking foreign currency and purchasing power are forced to cut back on food purchases, food aid is reduced and undernutrition spreads once more; the most competitive farmers in developed countries, who are often subsidized, take advantage of the situation to invest and step up their production and market share and, a few years later, there are surpluses once again.

12. Attention should therefore be drawn to the fact that low prices and "dumping" act as a brake on production, help to push out poor farmers, above all in the developing countries, and ruin the weakest among them, while high prices make it difficult for poor, already-indebted countries and impoverished people, lacking foreign currency and purchasing power, to obtain food supplies. Under these circumstances, it may be considered that: 1. trading practices such as dumping should be discontinued; 2. efforts to obtain agreements to control price fluctuations should be

stepped up; and 3. poor countries have the legitimate right to protect themselves from the harmful effects of price fluctuations and of harmful trading practices by taking whatever steps they consider necessary to defend their food security, i.e. by protecting their subsistence food production sector and by providing support for their farmers and rural poor, within the limits of the means at their disposal and the assistance they may receive for the purpose.

13. The question of food security cannot be approached without taking account of the state of food dependence and heavy indebtedness of most developing countries; it must be stressed that food commodities (cereals, roots, bulbs, tubers, plantains, soybean, peas, beans, groundnuts and other pulses and oilseeds) cannot be dealt with in the same way as non-essentials and that as long as poor countries and underprivileged populations continue to lack the purchasing power and foreign currency necessary to enable them to obtain food supplies in all circumstances (even when prices are high), achieving food security will necessarily mean attaining the highest possible degree of food self-sufficiency.

14. However, protection and assistance for the development of the subsistence food production sectors of the poorest countries must not result in underprivileged countries and poor farmers being prevented from participating in the international division of labour. It is only when and to the extent that they have been able to restore and develop satisfactory production conditions that they will be able both to improve their own diets and to obtain a marketable surplus large enough to allow them to draw on the slim comparative advantages of their land. And it is then they will need a favourable environment (supplies, transport and marketing facilities, technical support, credit, etc.) and the most remunerative prices possible. This will often have to mean the lifting of taxes on agricultural exports, which hold down producer prices, and the adjusting of export prices, in order to ensure the regular and adequate incomes they need for investment and development purposes.

15. Poor countries and producers could participate more in the international division of labour if the international environment were more favourable and if the market presented fewer risks. To this end, one may consider, as do the experts, that the reduction of protectionist measures, taken by countries with considerable purchasing power to the detriment of agricultural products from developing countries is essential. Such measures limit the markets available to developing country producers, depress prices and incomes, reduce or wipe out investment margins and slow down development. Finally, on the subject of rural depopulation, it must be stressed that this is aggravated by agricultural and rural poverty. In many developing countries, strong, healthy men (young men in particular) leave their villages in search of jobs and income, leaving their wives and children and the elderly behind them. The result of this is a further weakening of crop production capacity, an increase in the women's workload and in malnutrition and failure to maintain agricultural infrastructures and soil fertility. This is just one reason why rural development activities must especially focus on women and on young farmers, who must be given assistance to establish themselves. The experts likewise stress the need to create jobs in all sectors of activity in the rural areas, especially in agriculture-related industries, cottage industries and services.

16. As the experts note, direct development assistance interventions for agriculture and rural development will be even more necessary in coming years than in the past. Such interventions will have to focus on raising agricultural and food production and the incomes and consumption levels of the most deprived rural people, usually located in the most underprivileged areas of the least developed countries, as well as on landless peasants in over-populated areas and in areas where cultivable land is inequitably distributed. They must, above all, make it possible for the people to purchase tools and appropriate inputs, and include the real improvement of production conditions and infrastructures, so that they can increase production and overcome the drawbacks of their environment. The marginal status and weakness of these farmers are not only due to lack of tools and technology but often to a deteriorating environment resulting from natural causes or from the farmers' inability to respect good husbandry practices and maintain irrigation facilities. Development assistance interventions should therefore often include activities designed to improve physical production conditions and infrastructure in which as many better nourished and more suitably equipped people as possible can participate. The experts of Group II recommend that, as a general rule, technology requiring a large labour force and a small volume of capital be used in an attempt to stabilize output and increase productivity.

17. If these interventions were to take account of food requirements and ways of achieving a better nutritional balance, they could, at least at first, be made more useful for the poorest and most undernourished groups.

18. It is the experts' view that food aid which, when misused, discourages developing country producers, can play a useful role in development interventions and policies. In order to avoid food distribution having a negative effect on local production, and except in emergencies or other exceptional cases, food aid programmes should draw when possible on local and regional resources. They should also create additional domestic food demand at least proportional to the volume of food distributed. They should therefore focus on under-nourished groups and be linked to supplementary employment programmes (food for work) and programmes designed to restore and improve local production capacities.

19. Whilst top priority should be given to agricultural development, development assistance interventions should also include non-agricultural activities within a broader rural development concept aimed at giving the most deprived groups greater access to land, markets, credit, training, information and jobs, including non-farm jobs and, finally, to an adequate well-balanced diet - all these being things they totally or partly lack. The 1979 World Conference on Agrarian Reform and Rural Development (WCARRD) strengthened FAO's mandate in this field. Now, ten years later, it is time to carry out a critical assessment of WCARRD's action and see how FAO and other UN agencies can, each in its respective field, give new impetus to the parts of the action programme which deserve to be revived. (cf. Chapter 2).

20. To conclude this initial analysis, one may consider that emergency food aid and additional development assistance will continue to be necessary for a long time to come, but that the way to find a suitable and lasting solution to the problem of poverty, undernutrition and inadequate consumption of all other goods and services lies in agricultural and rural development for the benefit of the most deprived populations of the most underprivileged areas of the least developed countries. It goes without saying that not only is it in the interest of poor countries and poor

populations to restore food and agricultural production and effective demand among all population groups but, considering the multiplier effects of improved production, together with resulting increased demand, it is also in the interest of all sectors of the world economy and all sectors of the world population, even the most well-to-do, and would be a good way of boosting world economic expansion. The developed countries therefore stand to gain by using all the means at their disposal to help the developing countries achieve these objectives. These are the still valid reasons for renewing and strengthening the consensus which prevailed when FAO was founded and its major objectives set.

C. An Open Debate: Division of Labour in Global Agriculture, Trade Policies and Food Security

21. After the debates, there was an exchange of views with the rapporteurs of the two groups of experts regarding agricultural trade policies currently under negotiation in other UN bodies (GATT, UNCTAD, etc.), the terms of which are as follows:

- (a) in order to permit a more fairly-balanced distribution of agricultural production and income and more equitable food consumption, two types of policies were proposed;
- (b) the first, a free trade policy, would involve abolishing all taxes and subsidies on imports and exports and all types of direct or indirect assistance and subsidies for investment and agricultural production, including public-funded research and extension. This would result in agriculture in each area developing according to its natural tendencies and, finally, to a division of labour involving an ideal distribution of production based on the "comparative advantages" of the producer areas participating in the market. It must be noted that the improvement of transport and trading facilities and the end of the colonial system have already contributed to a development of this kind, but it has come up against protectionist and price support policies of one type or another and, at times of production surpluses, export subsidies, particularly by the developed countries which can afford them. Several questions were posed regarding this policy: would the sharp fluctuations, through which the balance between market supply and effective demand is achieved and which is deadly for marginal farmers, not worsen? Do not many poorer areas have, in fact, more comparative disadvantages than true advantages? Can we seriously consider depriving the developing countries' food production and subsistence agriculture of all means of protection and public funding for research, training, extension, investment and development?
- (c) the second option, "market sharing", would involve negotiating and fixing quotas and fair delivery prices for each producer country (or group of countries) based on local production conditions and costs, and sufficient to give farmers reasonable remuneration and keep them on the land. It is the experts' view that such a policy, very favourable to the least developed countries, could readily be envisaged as long as present imbalances persist (and this could be for several decades), but that it would be difficult to negotiate and implement.

22. In the end, the debate on this subject was not settled. The following conclusions could be retained: try, through negotiation, to scale down protectionist and support measures as well as some of the unfair trading practices used by developed countries, if such measures and practices hinder agricultural development in the developing countries and increase rural poverty; try to put an end to price fluctuations which are harmful to marginal producers; to indebted countries lacking foreign exchange, and to poor consumers; protect and support basic food production and impoverished farmers by providing as much development assistance as possible in order to offset the natural, material and technical hardships from which they so greatly suffer; grant sufficient priority to basic food production so that poor countries and poor consumers may reach a degree of food self-sufficiency sufficient to protect them from price rises and food shortages and thus achieve the minimum level of food security to which each individual is entitled; take steps, as soon as improved environmental conditions and the use of tools and new farming techniques allow, to obtain a marketable surplus and to use this surplus to participate as advantageously as possible, in the international division of labour; consider agricultural development part and parcel of integrated rural development and focus adequate attention on women, youth and job-creating non-farm activities. It is therefore greatly to be hoped that FAO will continue, in keeping with its objectives, to act and speak out in favour of all these measures, using all the means and fora at its disposal.

D. Livestock

23. It was considered surprising that so little attention is paid to livestock in the reports, since it is a very important sub-sector, not only for what it contributes quantitatively and qualitatively to food and nutritional balance, but also as an important means of agricultural development.

24. In most countries, when incomes rise, consumption of animal products increases more quickly than that of basic plant products. In high income countries, rise in demand for animal products is small; it is sharper in middle-income countries and the trend could become more marked in coming years. But, since increases in demand for animal products is most often met through the development of modern livestock farms, which require large quantities of primary plant products (grain, cassava, soybean cake), the conversion coefficient of which is high, replacing plant products by animal products does not reduce demand for basic plant products. On the contrary, demand for plant products increases and this, too, can help tighten the cereal and protein-rich grain market.

25. In the developing countries, livestock raising is the only means of subsistence of the pastoral people of the steppes, prairies and savannas; when combined with crop farming, livestock raising provides draught animal power, transport and inexpensive fertilizer for tens of millions of farmers who will not, for a long time to come, have access to farm machinery. Sustainable production systems combining crop and livestock farming could constitute a satisfactory alternative to shifting, manual cultivation in savannas and degraded tropical forests, as well as in some pastoral systems that are losing momentum.

26. Developing countries need considerable assistance to be able to acquire the skills and appropriate material and technical resources they need in order to improve animal nutrition, health and genetic resources, make rational use of their pastoral resources and develop sustainable crop and livestock farming systems. The broad lines of FAO's livestock programme point the way.

E. Fisheries

27. The experts show that as a result of full exploitation, or even overfishing, food fish catches are reaching their maximum level, while increase in demand, due to income and population growth, could be of the order of 20 percent by the end of the century, which would lead to a continued rise in the prices of preferred species. The policy response must therefore be in the direction of much more effective management and more rational exploitation of marine and inland water fishery resources, better use of the resources after capture and, finally, increased emphasis on aquaculture development.

28. The orientations of the World Conference on Fisheries Management and Development of June-July 1984, which were reaffirmed in 1987, may therefore be supported. The developing countries need assistance to acquire the skills and material and technical means they need to exploit rationally a larger share of world resources, and special attention should be focused on small-scale coastal and inland water fishermen and on aquaculture.

F. Forestry

29. Without any doubt, the most serious problem facing this sub-sector is the deforestation of tropical forests, where over 11.5 million hectares are destroyed every year and less than 2 million hectares are planted, and where there is a need for quadrupling present investments. The causes of this deforestation are: overexploitation of firewood, uncontrolled exploitation of high quality tropical timber reserves, land clearance for large-scale agricultural development, cash crop plantations and cattle ranches.

30. Finally, more particularly for the slash and burn (shifting) cultivators especially in Africa and Latin America, but sometimes in South East Asia and the Pacific Islands, the tropical forests represent the land they cultivate and a reserve of arable land. As a general rule, after two or three years of crop cultivation, the forest farmers suspend cultivation for 15 to 30 years to allow the land to regain its fertility. However, as the population expands, the fallow period gets shorter, natural reforestation can no longer occur and bush fires finish turning the forest into a savanna. A replacement for forest cultivation systems which have run their course and savanna systems which are in difficulty will have to be found: combined crop/livestock farming; lowland development for rice and other irrigated crops, vegetable gardens, aquaculture; tree crop systems in association with rainfed and irrigated farming, with livestock and with aquaculture, and other mixed cropping systems. But these new sustainable and appropriate cropping systems require more tools and larger resources than those available to the intertropical forest and savanna farmers whose only tools are the hoe and the machete. Destruction of these forests by burning contributes (15 percent) to increasing the concentration of carbon dioxide in the atmosphere and to promoting the greenhouse effect; the Committees were nevertheless informed that these phenomena were due mainly to the burning of fossil fuels.

31. In countries in which land clearance and the expansion of crop and livestock farming, to the detriment of the forest, reached their limits centuries ago, methods of forest conservation, management and sustained development have been perfected and applied by public and private sector foresters which may be useful in developing countries. The historical process of deforestation has thus been arrested long ago, and a kind of

reverse trend is now becoming evident in temperate developing countries, due to natural reforestation or re-planting of land no longer used for crops and grazing. However, the over-exploitation of forest resources in the boreal forest (taiga), which has practically ceased in Europe, continues in other regions of the world, and the threat posed by "acid rain" to the forests in industrialized regions is very alarming.

32. The gravity of tropical deforestation and its implications for the sustained development of tropical countries prompted the Committee on Forest Development in the Tropics to approve the Tropical Forestry Action Plan (TFAP) in 1985. The TFAP's aims were approved by the Twenty-third Session of the FAO Conference and FAO successfully fulfils its role as chief coordinator of this action plan, which represents the "core" of the Forestry major programme.

33. Finally, the developing countries need considerable assistance to be able to combat the degradation of their forest heritage and obtain the greatest possible benefit from the resource and particular attention should be focused, as is already the case in FAO, on the role forestry can play in rural development.

G. Agricultural Development and Ecological Risks

34. It appears necessary to review and try to unify the different positions on this subject. Agriculture is the sector with the most extensive territorial coverage (land and water taken together) and the one most capable of destroying natural biomasses and ecosystems on the one hand, and restoring cultivated biomasses and ecosystems on the other. It can likewise destroy or perpetuate its activities in a given place; it can also aggravate or correct negative environmental changes brought about by activities in other sectors. Finally, it plays a significant role in rural life and landscapes.

35. The World Commission on Environment and Development drew attention to the urgency of these problems, and indicated priorities for coordinated United Nations action in this field. It is clear that these difficulties are growing and it may be recalled that FAO has already done much to promote environmental preservation and husbandry of natural resources.

36. Modern agriculture has an important share of the responsibility for this crisis: inopportune use of mechanization, excessive use of mineral fertilizers, particularly nitrogens, of pesticides and of other chemical products, an exaggerated concentration of livestock farms using confinement methods, and of the effluent from these farms, are abuses which can lead to erosion (Dust Bowl) and land, water and food pollution. Overly-concentrated polluting industries also play their part: smoke, smog and "acid rain", radioactive fallout, liquid effluents, increasing concentration of carbon dioxide and the greenhouse effect, chloro-fluorocarbon emissions and the destruction of the ozone layer are already capable of affecting or threatening the health of mankind and of living organisms in general. In the developing countries it is because material and technical resources are lacking and in order to respond to rapidly growing needs that subsistence agriculture over-exploits pastoral resources and the forest cover, causes erosion, exhausts soil fertility and neglects agricultural and water resource management. In overpopulated areas and in areas where land is not fairly distributed, landless farmers are forced to cultivate steeply sloping and easily erodable marginal land and destroy the still wooded strips bordering agricultural land.

37. The environmental crisis is therefore not independent of world economic, and food and agricultural distortions and imbalances, but rather the expression and consequence of such distortions and imbalances: on the one hand, an excess of means, and abuse in the use of them; on the other, insufficient means and over-exploitation and exhaustion of resources bequeathed by the past. In the very long term, the solution to the crisis will involve restoring the balance of the economy, and of agricultural production and food consumption. In the medium term, ways will have to be found to limit the damage to the environment and, where possible, avoid irreversible destruction, which would first affect the people living in the degraded areas; the victim in the long term, however, would be humanity as a whole. Moreover, as a result of increasing needs, pressure on the environment will tend to grow.

38. Consequently, it may be considered that FAO should play a more active role in this field, and FAO's priority to sustainable development may be supported; however this should not be interpreted as a way of diverting the Organization's resources away from food production development, since the most serious ecological disaster is, first and foremost, that which directly affects human beings, in other words, poverty and undernutrition.

39. In view of the fact that poor people often live in areas which are either underprivileged, seriously degraded or suffering from inadequate maintenance and bad land and water management, FAO should maintain a dynamic and constructive concept of resource management for agricultural and rural development. In concrete terms that would mean designing (in all areas where environmental problems of any kind whatever are factors limiting production and leading to poverty) agricultural and rural development projects with an environment improvement component to permit not only sustainable, but expanding food and agricultural production development.

40. The environmental battle can be won by providing these populations not only with adequate technical means to enable them to produce enough food for their day-to-day survival, but also with strengthened resources and means to allow them to devote a greater proportion of their efforts to increasing the production capacity of the lands they cultivate, but it is clear that such a supplementary effort to promote sustainable development will of necessity be more costly.

Annex II: Possible Cost of Implementation of Committees' Recommendations
based on the estimates presented by the Director-General
in document SJS 4/2

(US\$ at 1989 costs)

<u>Recommendation by Committees (para. reference)</u>	<u>Initial (first biennium)</u>	<u>Recurrent (second biennium)</u>
2.64 (iv)	30,000	30,000
2.64 (vi)	240,000	-
2.64 (ii)	900,000	900,000
2.64 (i)	4,000,000	4,000,000
3.54 (xv)	150,000	150,000
2.64 (i)	50,000	50,000
2.64 (i)	200,000	200,000
3.53 (xi)	2,000,000	2,000,000
2.64 (vii)	600,000	600,000
3.51 (i) and (ii)	200,000	200,000
3.51 (iv)	680,000	680,000
2.64 (i)	220,000	220,000
3.53 (xiv)	1,100,000	1,100,000
2.64 (i)	1,600,000	1,600,000
3.52 (vi)	1,000,000	-
3.53 (xiii)	1,730,000	1,270,000
3.52 (v)	2,600,000	2,600,000
3.53 (xi)	800,000	240,000
3.53 (xi)	2,250,000	2,250,000
Total:	20,350,000	18,090,000

N.B. During their concluding discussions, the Committees requested that the table of estimated costs of the experts' recommendations, as presented in document SJS 4/2, be modified to eliminate those recommendations of the experts which the Committees had not taken up, in any form, in their own report.

The table above was prepared on this basis, showing the costings of the remaining recommendations with cross references to the relevant paragraphs in the Committees' report. No recalculation could be made, due to the time pressure, to take account of differences between the recommendations as formulated by the Committees and those originally made by the experts.

PART II

FAO MANAGEMENT REVIEW

1. Introduction

1.1 The Committees expressed their appreciation of the Director-General's initiative in commissioning the reports of the Management Consultants, which had not been called for under Conference Resolution 6/87, and his decision to provide the reports and submit his comments and recommendations thereon to the Committees. The Committees received the Executive Summaries as submitted by the management consultants in the official languages; the full reports were also made available in the original language only because of the timing and the high cost of translation.

1.2 The reports covered:

- Printing Systems
- Computer Facilities
- Accounting Policies and Procedures
- Treasury Operations
- Maintenance and Security Services
- Personnel Services

1.3 The Committees noted the recommendations in these reports together with the preliminary and supplementary comments of the Director-General and were satisfied with the line of action.

2. General

2.1 The Committees expressed satisfaction with the methodology used in the selection of the management consultants and for opening the Organization and its administration to an objective and thorough review.

2.2 They welcomed the comprehensive information and analysis contained in the reports. As regards the contents and the specific areas identified in the executive summaries for study, they noted that to a large extent these areas reflected the original ideas of the Director-General on current situations and problems. They also noted that, as regards the recommendations, while for some - in particular in the field of Printing operations - early consideration would be desirable, many other recommendations were for consideration in the medium and longer term, and those of a conceptual character - particularly under the study of accounting matters and the study of personnel policy and procedures - called for many more studies. Some involved rather complex technical issues requiring careful analysis which would best be carried out in future sessions of the Finance Committee.

2.3 The Committees agreed that the feasibility and desirability of carrying out internally many of the further studies recommended by the Management Consultants would need to be closely examined. However, the cost and burden of these studies and the likelihood of feasible solutions in the foreseeable future would need to be kept in view. It was also agreed that the option of using external consultants in this exercise was not excluded.

2.4 The Committees appreciated the very helpful general comments, reactions, and the supplementary information and views of the Director-General. Bearing in mind the constitutional responsibility of the Director-General for the management of the Organization, and the importance

of his advice in judging the desirability, feasibility and cost of implementing these recommendations, the Committees welcomed his intention to provide further information and views to them. They underlined that they anticipated that the Finance Committee would be fully involved in this process as appropriate both in relation to further consideration of these proposals and the monitoring of progress in their implementation.

2.5 The following sections summarize the discussion of the main points in the various individual reports.

3. Printing Systems

3.1 The Committees noted that the key printing machines were very expensive to run and that the Organization's needs could now be met more satisfactorily and economically mainly by the adoption of modern photocopying and duplicating machines for internal work and the greater use of outside commercial printing. This would however involve purchase of new equipment, some reorganization, and a number of staff becoming available for reassignment.

3.2 They recognized the need for the Director-General to perform further analysis of this important subject and noted that an internal feasibility study of the proposal was underway.

4. Computer Facilities

4.1 The Committees took note of the consultants' conclusion that the Organization retain in-house responsibility for operational management of computer systems and services. The Committees expressed interest and asked questions about a number of detailed issues, including the state of medium and long-term EDP plans, the present state of WAICENT, the possibilities for further office automation, including communication with the FAORs, and the extensive use of microcomputers.

4.2 The Committees were pleased to note the Director-General's intention to pursue a number of these issues as soon as possible such as establishment of a unit within AFC for information systems planning and support and intensification of in-house training. In relation to those recommendations that have a longer-term character or may involve additional costs they agreed that the Organization should submit them to further study and report as appropriate in due course to the Finance Committee.

5. Accounting Policies and Procedures

5.1 The Committees noted that the consultants' report, which had focused on budgetary controls, monitoring expenditures, delegation of authority (mainly as regards the MSUs), current accounting procedures, FINSYS, and external reporting, was one of the more technical and complex of the reports, but that it recognized the dedication of management and professional staff and had not revealed any shortcomings in the accounts.

5.2 The Committees noted the Director-General's preliminary and supplementary comments on budgetary control and monitoring of expenditure, current accounting systems, and the impact of FINSYS. Some differing views were expressed on the possible implications of full or partial accrual accounting and disclosure of contingent liabilities. In this connection, it was recognized that these and other matters required much deeper analysis as to their implications and feasibility, including possible increased

staff requirements and other costs, and that some of these matters should be pursued in greater detail as resources would permit so that the Director-General could report on the results during future meetings of the Finance Committee. The Committees welcomed the intention of the Director-General to pursue these matters, in some cases immediately and in others as and when resources permit.

6. Treasury Operations

6.1 The Committees welcomed the favourable and supportive views of the consultants on the current structure and operations of the Treasury and the dedication and efficiency of its staff. They noted that the main thrust of the report related to possible improvements in handling foreign exchange exposures, further delegation of investment decisions, and stronger controls, particularly as regards bank reconciliations.

6.2 The Committees noted the preliminary and supplementary views of the Director-General on such matters as manuals, cash and investment management, internal dealing procedures, banking arrangements, security and insurance coverage, the maintenance of the present system of assessing contributions in US dollars, and the timing of a review of FINSYS/PERSYS. Differing views were expressed on the need for increasing the frequency of bank reconciliations. Comments were expressed concerning the alternatives suggested by the consultant regarding the setting of the dollar/lire budget rate and/or forward purchases of lire. Comments were also made regarding whether or not there was a need for any change in current practices. The Committees also looked forward to consideration of the further views of the Director-General on this matter in due course.

7. Maintenance and Security

7.1 The Committees agreed with the Director-General that the subjects covered were very detailed and technical matters on internal management. They took note of the Director-General's preliminary and supplementary conclusions that envisaged the need for further clarification and careful consideration over a period of time. They noted that action had been started on several recommendations that would not involve significant additional costs.

8. Personnel Services

8.1 The Committees noted that the consultants' work in the area of personnel was broad and conceptual in nature. Overall, the Committees noted that this work would contribute to improving the personnel area. It was further noted that the consultants' report included comments with regard to the constraints the Organization operates under in carrying out the personnel functions, such as the rules and regulations set forth by the International Civil Service Commission as part of the UN Common System.

8.2 The Committees recognized that a number of the recommendations included studies to be performed by the Organization. In that the review was of a conceptual nature, the Director-General's preliminary and supplementary comments indicated the need for further consideration as to which studies might be valuable to the Organization if they were to be performed.

