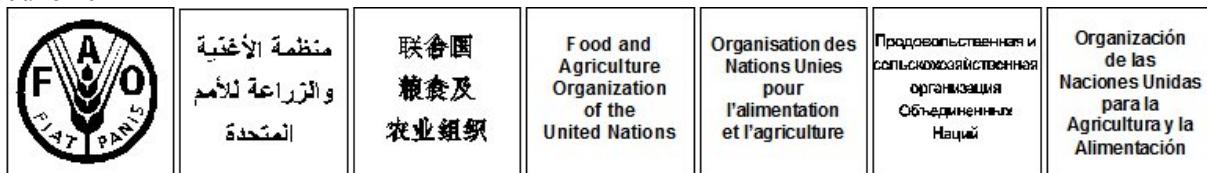


June 2011

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# CONFERENCE

## Thirty-seventh Session

Rome, 25 June - 2 July 2011

Statement by the Director-General

*Mr. Chairperson of the Conference,*

*Mr. Independent Chairperson of the Council,*

*Distinguished Ministers,*

*Honourable Ambassadors and Permanent Representatives,*

*Excellencies, Ladies and Gentlemen,*

First of all, let me welcome all of you to Rome, and especially those who have flown from far away from around the globe to take part in the work of the Thirty-seventh Session of the FAO Conference which is of vital importance to the future of our Organization.

During the last few years, FAO has lived through some of the most exciting times. More recently, it has had to face several challenges and heightened activity on different fronts, with the dual task of dealing with emergency situations and longer-term food security issues, while at the same time undergoing one of the most profound and comprehensive reforms in the history of the whole United Nations system. Was the Organization well prepared to deal with all those challenges in an efficient and effective way, especially in a context of global food, financial and economic crises?

That is why I chose to focus my last speech for the FAO Conference today not on the programmes and activities in the framework of the external environment as I did at earlier meetings, but rather on the reforms and changes that have taken place within the Organization during my tenure as Director-General in our collective effort to make it more efficient and effective in serving its Members and accomplishing its mandate.

### **(Director-General Vision and FAO in 1994)**

I had the privilege of starting my duty as Director-General of FAO on 1st January 1994. The programme that I proposed and which was approved by the Council in June of the same year became the basis for my actions. Its objective was to transform the Organization, not only in response to the

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changing global context in a post cold war era, but also to implement changes in the internal working environment with a view to put it in a better position for helping Member Nations and the global community to realize the vital goal of universal food security.

The Organization needed to overcome centralized procedures and modernize management methods. My objective was to align and streamline its structure with its priorities. A large proportion of FAO staff based at headquarters needed to be closer to field activities. Office and communication technologies and new approaches to managing human resources had to be modernized. Information systems scattered on different platforms and disconnected databases needed to be integrated. Moreover, the planning process of a two-year budget cycle and a four-year Medium-Term Plan had to be placed in a long-term strategic vision.

It was clear to me at the time that FAO had also to face a new environment – political changes, transformation of the international economic system, declining aid flows to agriculture, liberalization of agricultural trade, growing pressure on natural resources, emergence of new actors on the development scene, increasing number of food emergencies and revolutionary innovation technologies in the fields of communication and information.

I engaged right away in a comprehensive and consultative rethinking exercise to review the priorities, assess the structure and evaluate the working practices of the Organization in order to enable it to fulfil its mandate and become an international agricultural centre of excellence that facilitates access to knowledge worldwide.

Following a detailed review by a headquarters and a field transition teams, FAO's programmes and actions were refocused on the central theme of 'food security' and preventive action against transboundary pests and diseases of animals and plants. This was coupled with a plan for better corporate governance. Its objective was to decentralize operations, streamline administrative and financial procedures, improve planning and budgeting, modernize information and communication systems, improve audit arrangements, while continuously striving for increased savings and efficiency gains through reduced cost of inputs, process improvements and better cost recovery measures.

These elements constituted the pillars of the needed reform and were incorporated in the process initiated back in 1994, developed further in 2005 and now embedded in the Immediate Plan of Action for FAO Renewal, following the independent external review of the Organization.

### **(The FAO of today)**

Today we have a different Organization compared to eighteen years ago. It is more horizontal, flatter and less hierachal with a structure that is results-based and more aligned with the set objectives. Managers, both at headquarters and in decentralized offices, work with greater delegation of authority and responsibility and stronger accountability.

The organizational structure at headquarters has been changed to improve the coherence of FAO departments and enhance multidisciplinary work in key areas as knowledge management and capacity building, but also to meet the challenges of climate change, bioenergy and nutrition. Scattered units have been regrouped for a more effective clustering of responsibilities. Regular Programme support staff at headquarters has declined by 54 percent. Director level staff worldwide have declined from 261 to a mere 118. A new headquarters structure was also put in place in January 2010, with a view to ensuring manageable spans of control, reducing potential 'silo' effects, and introducing flexible and delayed management methods at lower levels.

The first *Strategic Framework* was approved by the Conference in 1999, establishing a longer-term perspective for FAO's work and guiding the Organization's mission and vision as well as its strategic objectives. The Medium-Term Plan defines the objectives and outputs to ensure coherence with the two-year time frame Programme of Work and Budget

With the Immediate Plan of Action (IPA), a new results-based framework has been put in place starting in 2010. It allows the design of programmes and the adoption of processes for priority setting and resource management. The focus is not only on what FAO does, but also on the impact of its

activities. The new *Strategic Framework 2010-2019* articulates the Organization's vision and global goals set by its Members. The exercise has led to choices in areas of work to emphasize and de-emphasize during the coming biennium.

Today the Organization operates with more streamlined administrative and financial processes and better planning, budgeting and accountability methods. The replacement of old internally developed financial and human resources systems FINSYS, PERSYS and PLANSYS by the Oracle Enterprise Resource Planning software has radically changed the way FAO does business, overcoming the limited and restrictive information system it experienced in the early 1990s. The first component, covering the financial stream, was implemented in 1999, while the second component dealing with human resources management and payroll became operational in 2007. This new integrated system has significantly improved control over transaction flows and, through new management tools, enhanced the Organization's reporting capabilities. As a result, business processes have benefited in terms of efficiency, timeliness and costs. It has also enabled a more effective management of human resources, aligning it more closely with organizational goals.

In 2007, a Shared Service Centre comprising a base in Budapest and two hubs in Bangkok and Santiago was created as part of the ongoing effort to reduce administrative costs and achieve efficiency gains. This move allowed the Organization to consolidate, streamline and standardize a number of "back-office" administrative transactions to lower-cost locations, thereby achieving increased savings. In this context, we consider as essential a further consolidation of the three hubs into one global single centre.

With the implementation in 2010 of the Performance Management System (PEMS), FAO has been able to provide an improved and more comprehensive appraisal of staff performance while enhancing accountability and productivity across the Organization. PEMS also creates an "accountability link" between organizational results and individual staff performance – a significant tangible benefit impacting across the Organization and supporting it in managing for results.

Today we have a decentralized Organization, acting more in proximity to the needs of member countries and making better use of local capacities. An office to support the decentralization process and ensure intended results was created in 1994. Initially, five sub-regional offices with multidisciplinary teams were established to serve clusters of countries, resulting in an 81 percent increase in the number of decentralized professional posts. Now FAO has a total of 13 sub-regional offices and multidisciplinary teams, endowed with a mix of skills to match the needs of covered countries. This has resulted in a more balanced staff distribution between headquarters and the field. Between 1994 and 2011, regular budget staff in the professional category based in headquarters decreased by 26 percent while it increased by 20 percent in decentralized offices. As a result, the ratio of professional staff in the field to those at headquarters, excluding National Professional Officers, rose from 21 percent to 34 percent during the same period.

Moreover, the role of country offices has evolved from predominantly liaison functions to planning and carrying out the activities of the Organization at the country level. Duties for field project operations have been gradually transferred to decentralized offices, and local links have been reinforced with the recruitment of high quality national staff at much lower costs compared to same level international staff.

The overall decentralization effort accelerated significantly, thanks to the additional resources made available by Member Nations. Key actions already completed include: the involvement of the regional offices in decision-making on policy and programme matters; the transfer to regional offices of the supervision of country-based Technical Officers and FAO Representatives; the management of non-emergency TCP resources in the region; and the increased delegation of authority in the areas of procurement and human resources.

Other ongoing actions include full integration of decentralized staff in the results-based management system; a review of skills-mix in regional and subregional offices, increased staff training to better respond to new functions and evolving needs of member countries and increase use of modern

Information Technology systems. The cumulative impact of all these actions is contributing in a major way to FAO “functioning as one”, with a more cohesive and integrated corporate workforce .

A clear demonstration of the growth in the decentralized network is evidenced by the fact that these offices now disburse almost 600 million USD annually, which is a 190 percent increase from 2004. As these offices need the necessary tools and access to corporate systems to deliver effectively, FAO, along with the rest of the UN system, has a major project to implement International Public Sector Accounting Standards – called IPSAS, to ensure compliance with recognized and independent financial reporting standards and best practices required by Members and donors. We are using the IPSAS project to introduce new operational and financial processes across the whole Organization.

The Organization is now well equipped with modern office and information technologies throughout the house, allowing staff to work more efficiently and effectively. Already by 1999, e-mail services were extended to all regional, sub-regional, liaison and country offices. Today, all offices have full internet access, and video-conferencing facilities have been installed in over 50 countries. This has greatly facilitated the exchange of information throughout the Organization and resulted in major improvements in the volume and quality of inter-office communication, as well as reduction in the time needed to address critical issues. It has also led to a more mobile workforce, facilitating FAO's response to emergencies and enabling rapid mobilization of staff at peak demand periods.

Today we also have an Organization with good corporate governance and more independent internal control process. To better reflect the new vision for the internal oversight function and strengthen it, the Internal Audit Office became in 1997 the Office of the Inspector-General and its mandate was strengthened. In 2000, a Charter for the Office was developed, consolidating the various elements and statements of the internal audit regime to serve as a tool that is relevant, up-to-date and independent in the Organization.

In 2003, an Audit Committee composed of five internal and two external members was created to serve as an advisory panel to both the Director-General and the Office of the Inspector-General. A decision was subsequently taken to have only external members in the Committee, as of 2008. FAO has therefore also achieved a better command over the implementation of audit recommendations. The Office of the Director-General has set the example with the introduction of a double signature by the administrative and finance officer and by the Assistant Director-General for administration and finance for all payments made by the Office of the Director-General. Its operations have been audited by the Office of the Inspector General 180 times since 1994 and the reports reviewed during 70 meetings of the ODG Financial Position Committee.

FAO has also successfully performed its fiduciary responsibility in the management of more than a billion USD of investment holdings, both the short-term funds entrusted to FAO by donors to be spent on projects, and the long-term funds set aside over many years to help fund the staff-related after-service liabilities. The strategic asset allocation of the investment portfolios was re-organized in 2004 by asset type and currency composition, and new benchmarks were introduced to better reflect a prudential risk profile. These actions helped the Organization come through the global financial crisis of 2008-09 in a better shape than many of our peer organizations. With guidance from the external advisory committee of investment involving experts from world-renowned institutions, FAO continues to adjust its investment mandates to keep pace with the higher inflow of voluntary contributions. It continues to see positive performance on the holdings and remains focused on ensuring the safety of these assets.

Today, we have an organization with a strong financial position. Through the 1990's and up to 2007, FAO suffered cash shortages due to unpaid contributions of Members to the Regular Programme, and was obliged to borrow up to 104 million USD of loans from banks to pay for its operations expenses. Today I am happy to report that FAO has a regular programme cash position of more than 180 million USD. Our extra-budgetary resources from donors, held in account for spending on projects, have reached nearly 900 million USD.

Your Excellencies, Ladies and Gentlemen,

### **(Geographic and gender representations)**

As part of its vision as a global technical organization, FAO was fully aware of the critical need to have a workforce, reflecting both geographic and gender diversity. Thus, measures have been taken to increase the number of staff members from non- and under-represented countries as well as the proportion of women in professional and higher level positions.

Today, while the number of Member Nations has increased from 169 in 1994 to 191, there are 41 countries non-represented, compared to 53 countries in 1994. Inversely, the number of over-represented countries declined from 64 to only 8. As a result, the percentage of nationals from over-represented countries on professional posts included in the PWB has decreased from 51 percent in January 1994 to 18 percent in May 2011. During the same period, the proportion of women in professional, director and senior management positions has risen from 16 percent to 34 percent.

In addition, significant progress has been made in finalizing the draft of the Human Resources Strategic Action Plan on gender balance. It has been revised to the newly approved UN target of 50% in late 2010. Also, departmental and office geographic and gender targets for 2011 have been set in a corporate effort to meet the overall Medium-Term Plan targets.

*Mr. Chairperson of the Conference,*

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### **(Savings and efficiency gains)**

Let me now give you some figures to better illustrate the tangible efficiency gains and the magnitude of benefits that have resulted from the reforms. Our mutual effort, Management and Member Nations, was recognized by the IEE, noting, and I quote: *“The Organization and its Members can be credited with recognizing the importance of attaining efficiency savings in FAO administration and technical programmes in order to maximize scarce budgetary resources for technical work.”*

The successive rounds of reforms have yielded total savings in the amount of 111.9 million USD annually since 1994, broken down in the following categories:

- Achieving lower costs of inputs, for a total of 29.7 million USD per annum;
- Streamlining of administrative and operational support processes, totalling 34.2 million USD per annum;
- Delayering of posts, amounting to some 20.2 million USD per annum;
- Progressively adjusting the human resource input mix, totalling 13.2 million USD per annum;
- Increasing the funding base of the Programme of Work through improved cost recovery of extra-budgetary services, yielding 14.6 million USD per annum.

All these figures have been confirmed by the Finance Committee.

These savings and efficiency gains were achieved despite the difficult financial environment faced by the Organization. From 1994 to 2010, FAO's regular programme resources declined by 21 percent, with total resources including voluntary contributions, but not those related to emergency assistance, dropped by a whole 26 percent. This has significantly impacted on the Organization's capacity to finance needed changes and on its workforce. The total number of staff employed by FAO declined from 5,560 in 1994 to 3,750 employees under all sources of funds as at May 2011 – that is a 33 percent decrease. Yes it was not easy, but we did it with a reduction of 53 percent in the number of director level posts in the Organization. But we had a consultative and transparent process involving all staff associations in the exercise. In the three or four major reductions in the number of posts, socially-sound solutions were always found in consultation with staff representative bodies to make

the necessary streamlining without a single staff member ever being forced to leave the Organization against his or her will.

In addition, the Organization is responsible for the security of staff members at Headquarters and personnel in more than 110 countries. It also receives thousands of visitors every year. Moreover, in 2005 FAO accepted the responsibility of Designated Officer for the United Nations for Italy. As a result, it is required to protect over 6,400 UN staff members, their families and consultants/subscribers in Italy, as well as the assets and premises of the 27 agencies for whom they work. In line with increased security concerns, the regular programme budget allocated to security has increased to meet these needs.

*Your Excellencies, Ladies and Gentlemen,*

### **(Programme of Work and Budget 2012-13)**

Let us now talk about the budget.

We are at a crossroads on the path to a more effective and efficient Organization that delivers results for Members. This Conference will not only provide guidance on the way forward on implementing FAO renewal but it has also the responsibility of deciding the level of resources for the next biennium in the Programme of Work and Budget 2012-13.

Just 18 months ago, the Conference approved a new, results-oriented ten-year Strategic Framework and four-year Medium Term Plan to guide the work of the Organization. The Conference in 2009 also provided a vote of confidence in the direction FAO is taking, by approving a budget level for 2010-11 that has allowed us to fully implement the programme of work, including the package of reforms under the IPA. Our partners have echoed this confidence by providing 25 percent more in voluntary contributions than we had estimated for this biennium, enhancing therefore the impact of our work particularly in the helping to countries deal rapidly with the effect of food price volatility.

#### *[What we do]*

My proposal for the next biennium is evolutionary, not revolutionary. It adheres faithfully to the results frameworks in the Medium Term Plan 2010-13, yet it seeks to make improvements. For example, we have listened carefully to the views of the Regional Conferences and Technical Committees on priorities for the work of the Organization. In doing so, we have identified areas of emphasis and de-emphasis within our Medium Term Plan to better focus the work of the Organization. Members and the Secretariat recognize that there is room for improvement in setting priorities, as we learn from experience. Above all, we aim to deliver measurable results on the ground, bringing to bear FAO's global mandate at country level, especially through high quality policy advice, information, capacity development and technical services.

#### *[How we operate]*

I have always been conscious of the need for fiscal discipline in public expenditure. Our record in finding nearly 224 million USD per biennium in sustainable efficiency gains over the past 18 years speaks for itself. Some of these gains have been ploughed back into the technical work of the Organization, while others have been used to offset the effects of budget reductions over several biennia.

In preparing proposals for the next biennium, I have personally insisted that further efficiency gains be found in our administrative expenditures, heeding the call by the UN Secretary-General to do more with less. Therefore, in the proposed PWB issued three months ago, I have identified 26.5 million USD in new efficiency gains for 2012-13 under the regular budget. These efficiency gains, together with the reinstated 10.4 million USD in one-time fortuitous savings, have been reprogrammed in three ways. First, 10.6 million USD in savings arising from IPA actions has been reallocated to fund the recurrent cost of ongoing IPA projects. Second, 10.4 million USD have been reallocated to strengthen FAO's work in key mechanisms such as the renewed CFS and the IPPC; on multidisciplinary approaches to address issues of water, nutrition and food insecurity; and to increase the capacity of our information and communication technology connectivity with decentralized offices. And finally, 15.9

million USD have been retained for technical and operational units to strengthen the implementation of their programmes.

I would be remiss if I did not highlight that a portion of these efficiency gains could be in jeopardy. The proposal to consolidate back-office transaction processing at the global Shared Service Centre in Budapest will generate nearly 2 million USD in recurring efficiency savings. This is a well considered proposition and I am sincerely concerned about the difficulty to reach a consensus on this proposal. If this reform is not decided, 2 million USD in additional resources would have to be added to the contributions of Member Nations for 2012-13.

I also note that the Conference will consider the recommendation of the Council to increase the budget of the Office of Evaluation by 1 million USD. If this proposal is confirmed, the source of funding will need to be identified.

*[Budget level]*

In proposing the budget level to achieve the programme of work, I am keenly aware of the need to minimize the impact on Members' assessments in this period of difficult economic and financial conditions. Thus the proposed net budgetary appropriation of 1,046.9 million USD reflects the guidance of the technical committees and governing bodies with a 4.6 percent increase arising from two fiscal matters.

First, I have restored the 10.4 million USD of resources that were removed from the budget for 2010-11 by the Conference in 2009 as a one-time fortuitous saving. It was a decision of the Council. The resulting increase has been slightly offset by a 1.8 million USD decrease in the cost of the IPA, which is fully funded from the net appropriation.

Second, the estimated cost increases to maintain purchasing power are now estimated at 37.8 million USD. This is a decrease of 10.2 million USD from the amount estimated in February and published in the proposed PWB in March. The update of the estimate is based on new information that became available at the end of April, primarily arising from decisions of the International Civil Service Commission that are expected to have a downward impact on the future cost of personnel services. Additional information has been provided to the Conference on this matter.

I appreciate the commitment of Members to protect our programmes, and I acknowledge the need for flexibility to deliver programmes while continuing to exercise fiscal discipline. I am committed to finding further savings to offset the impact of cost increases on the budget level for the 2012-13 biennium, while protecting the substantive programmes. I have identified five areas where we will pursue further efficiency savings, by: reviewing and reducing the proposed post establishment; reducing the volume of duty travel; rationalizing the preparation of information products; improving the recovery of costs associated with extra-budgetary activities; and seeking opportunities for covering some of our budgeted activities covered by core voluntary contributions under the integrated budget. It is encouraging that Members have held constructive discussions in this regard, facilitated by the good office of the Independent Chair of the Council with support from the Secretariat, and I look forward to the outcome of your deliberations.

For the first time, we will have opportunity to adjust the Programme of Work and Budget proposals after the Conference to accommodate your decisions and guidance. I look forward to working with you in the coming days to agree on a budget level that will allow us to fully implement the proposed programme of work, making every effort to do so in the most efficient and effective manner.

**(Closing remarks)**

*Your Excellencies, Ladies and Gentlemen,*

I have concentrated today on the reforms introduced since 1994. But reform is a continuous process through which FAO adapts to the changing external environment in which it operates. Reforms can only be successful with the full and active support of staff, and I have been very fortunate in having the full and undivided support of staff throughout the reform process. I took an opportunity earlier this year to gauge the understanding of, and support for, reform from our staff worldwide when I launched

an Employee Survey. This gave us very valuable feedback from staff who indicated that more than 50% are deriving benefit from the major actions undertaken under the IPA reform, and this is very encouraging. Employees also gave us feedback in areas where we need to improve, and Management will be working with staff to develop actions to address all the concerns.

I must express appreciation and admiration for the deep commitment and constant support of staff members to a renewed and modern organization. The extent of their sacrifice and giving, as well as that of their families, has not been quantified and may never be known. Most staff members have been impacted by the reforms, and despite the uncertainty and stress associated with profound changes, they have remained enthusiastic.

At the end of my term in December 2011, the Organization has a solid foundation from which the challenges faced by the new millennium can be addressed in a more efficient and more effective way. The reforms carried out since 1994 have produced definite priorities, a more flexible structure, decentralized operations, modernized management and streamlined procedures, while fostering bonds among Member Nations, staff and partners. I have myself seen the benefits of renewal. I have noted streamlined decision making through delegations of authority. In my recent travels I have witnessed first-hand more effective country offices, better trained and connected technologically, and more able to establish strategic engagement with government institutions and development partners through improved knowledge sharing across FAO.

It's true that I will leave the Organization in which I spent a significant part of my life with at times some frustration, but also with a lot of satisfaction I must say. The vision I had eighteen years ago is close to reality. I can see it. I can already feel it in many countries in particular in Africa now achieving food security. Today we have a transformed and renewed FAO that is leaner, more focused and fitter for the 21st Century. An FAO in which Members, Management and staff all work closely together as one team for the single goal of eradicating hunger and extreme poverty from the world.

Actions over the next 18 months will cap the reform process, and I am sure that my successor, Mr. José Graziano da Silva, who you elected yesterday, will build from the hard work we have tirelessly carried over those long years in our strive to make the hopes of the founding fathers of FAO come true. I trust that he will continue with the reform, bringing the implementation of IPA to a successful conclusion.

Lastly, I want to say that the FAO we have today is the product of our joint concerted efforts. I would like to thank all Member Nations for their confidence and continuous support all these years, without which we would not have been able to be where we are today. And naturally, I should express my sincere gratitude to the host country, Italy, for its great hospitality.

I should also like to thank my wife and my family for the patience despite my long hours at the service of FAO and many travels to Member Nations. I am grateful for their great support during the different terms of office.

I thank you for your kind attention and wish you every success in covering the rich agenda that is before you this week.