



Food and Agriculture Organization
of the United Nations

Office of Evaluation

Evaluation of FAO's Role in Investment for Food and Nutrition Security, Agriculture and Rural Development

“Making more and better investments in agriculture is one of the most effective ways to reduce hunger and poverty while safeguarding the environment. The challenge is to focus the investments in areas where they can make a difference ... [to ensure] high economic and social returns and environmental sustainability.”

José Graziano da Silva, December 6th 2012.

Food and Agriculture Organization of the United Nations

Office of Evaluation (OED)

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Acknowledgments

The team of the Evaluation of FAO's Role in Investment for Food and Nutrition Security, Agriculture and Rural Development would like to extend their heartfelt thanks to the many individuals who made their time available for providing information, discussing and answering long questions.

In particular, the team benefited extensively from the generous information and feedback by FAO colleagues in Headquarters and in the decentralised offices visited. The team also greatly appreciated the openness and patience of the many government staff and development partners whom it was able to interview in the countries visited. Those in FAO headquarters and field offices and in partner institutions who took the time to answer the questionnaire survey provided us with very useful and highly appreciated information.

In Rome, the team would particularly like to express its gratitude to Ms Heather Young in the FAO Office of Evaluation, without whose ability to navigate FAO's administrative systems, patience and good humour this evaluation would never have managed to complete its task.

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List of Acronyms

AfDB	African Development Bank
AGP	Plant Production and Production Division (FAO)
AGS	Rural Infrastructure and Agro-industries Division (FAO)
AsDB	Asian Development Bank
CAADP	Comprehensive Africa Agriculture Development Program
CFS	Committee on World Food Security
CPF	Country Programming Framework (FAO)
DFID	Department for International Development (UK)
DG	Director General
EBRD	European Bank for Reconstruction and Development
ECOWAS	Economic Community of West African States
ESA	Agricultural Development Economics Division (FAO)
FDI	Foreign direct investment
FFS	Farmer field schools
FNSARD	“food and nutrition security, agriculture and rural development” (used in this report to indicate FAO’s overall area of mandate)
GAFFSP	Global Agriculture and Food Security Program
GEF	Global Environment Facility
IDB	Inter-American Development Bank
IEE	The Independent External Evaluation of FAO
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation (World Bank Group)
IFI	International finance institutions
IFPRI	International Food Policy Research Institute
IGAD	Intergovernmental Authority on Development (Horn of Africa)
IPA	Immediate Plan of Action for FAO Renewal (follow-up to the IEE)
L1, L2, L3	Organizational Results 1, 2 and 3 of Strategic Objective ‘L’
MDG	Millennium Development Goal
NEPAD	New Partnership for Africa’s Development (African Union initiative)
NGO	Non-governmental organization
OCC	Office for Corporate Communications and External Relations (FAO)
ODA	Overseas development assistance
OECD	Organization for Economic Co-operation and Development
OECD-DAC	OECD Development Assistance Committee
OED	Office of Evaluation (FAO)
OEK	Office of Knowledge Exchange (FAO)
OSP	Office of Strategy, Planning and Resources Management (FAO)
RAI	Responsible Agricultural Investment
RBM	Results-based management
RP	Regular Programme (FAO’s core budget)
SO	Strategic Objective
SOFA	State of Food and Agriculture (FAO flagship publication)
TCI	Investment Centre Division (FAO)
TCIA	TCI Africa Service
TCID	TCI Director’s Office
TCIN	TCI Near East, North Africa, Europe, Central and South Asia Service
TCIO	TCI Latin America, the Caribbean, East Asia and the Pacific Service
TCP	Technical Cooperation Programme (FAO funding mechanism)
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
UTF	Unilateral Trust Fund (FAO funding mechanism)

WB World Bank
WEF World Economic Forum
WFP World Food Programme

Executive Summary

1. Agriculture is reclaiming a central place in development. In response to recent economic and food price crises, attention to agricultural strategies, policies and investment is rising. Investment in agriculture in particular is growing quickly, in no small part, due to the increased interest and actions of the private sector.
2. New actors as well as old are engaging in new ways to meet the challenge of sustainably increasing access to food by 50% before 2050 while reducing rural poverty, seeking to banish hunger and to increase food security. New development partnerships and alliances are being formed that share common objectives.
3. FAO has a mandate to contribute to this agenda which historically gave it a position of global leadership in matters of food and agriculture. That time has passed and FAO now risks being left behind in the new world of agricultural development and investment. Nevertheless, FAO still retains an unrivalled advantage, the legacy of the skills and knowledge it commands. These skills, if fully harnessed, including in particular the special expertise of its Investment Centre Division (TCI), offer FAO the promise of a return to a pre-eminent position in support to investment for agricultural development.
4. But to make this journey FAO must take actions now to;
 - Improve operational effectiveness;
 - Expand support to investment, as demand for its services outstrips supply, by relaxing binding budgetary constraints;
 - Move investment work more effectively to the field where it can assist and guide member governments in building the skills to do better for themselves;
 - Engage more fully and more constructively with old and new actors, most especially the private sector; and above all,
 - Set for itself a clear course replete with defined results and metrics.
5. In 2007 the Independent Evaluation of FAO (the IEE) made a number of observations and suggestions regarding FAO's support for investment, not all of which were accepted by management. These observations were reinforced by several subsequent studies and evaluations. Since 2007, despite some changes, FAO's and TCI's progress on IEE and other priorities has been mixed.
6. For example, developing and implementing a clear and concise results based strategy for support to investment remains to be accomplished. Nor has FAO played a leading role (that leverages its mandate and comparative advantage) in the emergence of new and more inclusive development partnerships focussed especially on investment. Until the last month or two of 2012, it has neglected the important role now being played by the private sector. In its normative work that underpins investment in many ways it has continued as before and, with a few exceptions, essential internal partnerships have not been built. Its work in providing technical and economic advice to governments on policies and legislation that influence public and private investment and other aspects of the enabling environment has been inadequate just as, despite recent progress, its work in building country capacity to construct and implement coherent multi-sector strategies and investment plans for FNSARD. Even in its highly regarded support to the IFIs through TCI there is room for substantial improvement, not least in expanding FAO's voice.
7. In TCI capacity for policy analysis and work upstream appears not to have changed very much, although TCI's quantum of work in this area has grown somewhat. It is not clear whether this reflects staff flexibility or the greater use of specialised consultants.. A substantial effort is being made to build member country capacity in investment management, but despite its importance to countries and to FAO, TCI's capacity development work has not been supported by regular budget funds and depends instead on donor generosity.

8. Similarly, TCI has made a significant effort to increase the involvement of FAO's technical and policy divisions in its work. Despite some fine examples, usually the result of personal contacts, the overall level of joint effort has remained low. Equally disappointing, the overall level of experience of TCI staff has fallen, not increased as sought by the IEE. TCI has done more business in 2012 with fewer staff than in 2007, by drawing on its consultant pool and increasing its efficiency. But this has meant excessive travel for many staff.

9. On the other hand, TCI's budget has grown steadily – from \$21.6 million in 2007 to \$31.6 million in 2012, an increase in nominal terms of 9% a year. This reflects the response of the IFIs and FAO to increased demand for lending to agriculture in response among others to the 2008 World Development Report and the global food price crisis. Although TCI's revenue and expenditure both grew, this was not the result of the new or revised cooperative agreements sought by the IEE.

10. The overall ratings of FAO's performance with respect to the main elements comprising support to investment set out in Chapter 1 suggest that so far, and since the IEE, progress and performance have been less than fully satisfactory. Hence the actions called for above (paragraph 4). The evaluation concludes that these actions should be guided by the determined pursuit of the following results.

Result 1. *FAO leads the international community in integrating food and nutrition security, agriculture and rural development (FNSARD) goals into investment.*

Result 2. *FNSARD goals are achieved by harnessing and scaling up private sector commitment to development.*

Result 3. *A stronger and more strategic relationship with IFIs supports FAO's global goals and countries' multi-sector strategies.*

Result 4. *More and better investment in FNSARD as a result of FAO's unity of purpose and coherence of support.*

Result 5. *All countries have the capacity to undertake high quality investment planning, design and implementation.*

Result 6. *TCI remains a global centre of excellence in investment support for FNSARD, with capacities in strategy, policy and project work.*

11. This evaluation has been undertaken in the midst of a process of substantial change in FAO. It is intended to contribute constructively to that process. The evaluation's recommendations summarized below and more fully set out in Chapter 5 are to be seen in that light.

Recommendation I. In recognition of the vital role investment plays in achieving FAO's five new strategic objectives, it is recommended that **FAO develop a partnership-based corporate strategy for investment support** that sets clear goals for increased and more effective public and private investment in FNSARD, and is linked to the policy assistance strategy. To develop the strategy, FAO must partner with WFP and IFAD in Rome as well as the other IFIs, and draw on public and private sector and civil society members of the CFS. FAO must support effective investment by committing FAO to interlinked actions at the global, regional and country level to achieve more and better public and private investment.

Recommendation II. Establish **improved external strategic and operational partnerships with the private sector and the IFIs.** The growing role of the private sector justifies FAO taking steps to strengthen its interaction with the private sector (including private foundations) by engaging more effectively with the newer global public-private development partnerships concerned with FNSARD investment. This objective should be made explicit in the Investment Support Strategy (Recommendation I) and include engaging more actively in these partnerships, establishing a joint working group with the private sector (possibly through the CFS) and supporting regional platforms for dialogue on private sector investment issues.

FAO should revisit its partnerships with the IFIs to agree on future collaboration, to be followed by summit-level discussions with IFI Presidents to agree on collaboration to achieve common FNSARD goals over the next 10 years.

Recommendation III. FAO must take actions consistent with its new strategic objectives **to ensure that, with respect to investment support, it acts as “One FAO.”** These actions should include making support to investment a core function, improving internal work planning mechanisms and removing the financial and other disincentives that restrict cross-divisional work.

Recommendation IV. Capacity Development is one of the five Common Country Programming Principles of the UN system, which FAO is committed to apply. It is also included as part of both the current and the proposed FAO Strategic Frameworks – though capacity development for *investment* appears much less explicitly in the newer one. However, FAO has not fully delivered on this objective. It should now do so by expanding and improving relevant skills in TCI and other headquarters units, and working with FAORs in particular as well as other decentralised staff (e. g., out-posted TCI staff) to build up their understanding and ability in capacity development for investment.

Recommendation V. FAO must strengthen and expand TCI’s capacity to meet rapidly growing demand for investment support services. To do so TCI should:

- a) expand its core activities relating to project design and implementation support under the existing IFI cooperative agreements. Indicatively, to support IFI-funded investments of around USD 15 billion per annum by 2020, a 50% increase in FAO resources (including staff) assigned to investment support would be needed to reach the evaluation’s recommended target of 15% of the demand for collaborative work with the IFIs. Staff increase should be at a skill level commensurate with the type of advisory work to be conducted.;
- b) continue to diversify its investment support services in two major ways: by building country-level capacity for FNSARD investments (see Recommendation.IV); and increasing support for upstream planning and policy work in member countries (see also FAO’s 2012 Policy Evaluation);
- c) help to build capacity in the technical divisions to support investment, and increase collaboration with the technical divisions and the decentralised offices, including through internal staff secondments;
- d) out-post (as opposed to fully decentralize) TCI staff and base all decisions to do so on efficiency criteria: that is, there must be a demonstrated likelihood that the benefits of an out-posting will exceed its costs; and
- e) secure the resources to implement these steps by creating a multi-sourced trust fund of at least \$50-75 million over ten years.

12. The investment activities supported by FAO and its Investment Centre Division are critical to the ability of humankind to produce enough food to ensure our survival in the face of huge global challenges. Recognising this, governments, civil society and the private sector are coming together as never before to improve the lot of farmers – especially smallholders – around the world and help make their activities more productive and sustainable. To bring its long history of working with governments and international financial institutions and its potential more fully to bear on the challenges and opportunities of the next decades, FAO must be prepared to take important, and in some cases difficult, steps. It must accept the central role of support for investment in achieving its goals, and embed this throughout its organizational culture and its new strategic objectives. It must participate more fully as a partner in the bold new collaborations being undertaken by its existing partners and by new partners, including those in the private sector, to whom it must reach out. It must understand and embrace the value of aligning its activities with its strategic outcomes and using results to guide and refine its course. It must fully deploy its skills and resources to build the capacity of member governments to design and implement coherent development strategies and investment

plans. Above all, it must ensure that TCI remains a strong partner for international financial institutions, with the resources, vision and links to the rest of the organization that enable it to support sound investments in agriculture today and in future.

CHAPTER 1 THE PURPOSE AND THE CHALLENGE OF THE EVALUATION

1.1 Purpose and Scope of the Evaluation

1. Agriculture has climbed back up the development agenda. The world must provide more food and more food security to a global population that is growing as well as growing richer. This compelling need, and recently high and volatile food prices have dramatised the need for more investment in agriculture. The current economic crisis, deregulation, market liberalization and a concern with economic and environmental sustainability are all also helping to drive investment in agriculture, by farmers and by corporations. This renewed attention, led to the World Bank's World Development Report (2008) on agriculture, and FAO's State of Food and Agriculture Report (2012) on agricultural investment. National governments, international lending agencies, private corporations and donors are now spending more on agriculture after years of decline.

2. Noting these changes, FAO member countries, through the Programme Committee at its 108th session in October 2011, asked the organization to undertake a thorough review and evaluation of its past performance and its current and potential role in supporting investment. This evaluation seeks to do so.

3. The evaluation has limited its field of investigation to the support FAO does or should provide to investments by governments, international financing institutions and the corporate private sector that advance **food and nutrition security, agriculture and rural development (FNSARD** – this acronym is used throughout the report to refer to the many fields of food and agriculture which constitute FAO's mandate). Such investments – whether in smallholder agriculture, commercial farming, irrigation systems, fishing ports, forest enterprises, rural roads, government extension services, or food storage, handling or processing facilities – touch on every aspect of the food chain (see Box 1). However, for practical reasons of keeping the scope of the evaluation within manageable levels, the evaluation does not include direct investigation of issues related to on-farm investments by individual farmers, as this would involve working on a much broader canvas. Of course, a great deal of both public and private sector investment has both direct and indirect impact on the enabling environment for on-farm investment by farmers, but the analysis of FAO's contribution to direct support for on-farm investment is not the subject of this evaluation.¹

¹ It is, however, the central subject of the 2012 FAO State of Food and Agriculture report (SOFA, FAO, December 2012), which in this sense is a valuable complement to the present study.

Box 1. Agricultural Investment

Investment involves giving up something today in order to accumulate assets that generate increased income or other benefits in the future.

Farmers and farming enterprises of all kinds make investments on their farms by acquiring farm equipment and machinery, raising animals planting permanent crops, improving their land, constructing farm buildings, and so on.

Governments generally invest in research and knowledge systems, rural roads and large-scale irrigation infrastructure, and other assets that generate returns through increased productivity both in the short run and over long periods of time. As well as by governments, part of public investments may be funded by international organizations, NGOs or official development assistance.

Private companies, domestic and foreign, also invest extensively in agricultural research and development to raise the long-run productivity of agriculture. They can invest in land and supporting infrastructure and equipment for larger scale agricultural production. And they tend to dominate investment in food and commodity processing, distribution and trade.

Source: Based on “*The State of Food and Agriculture 2012: Investing in Agriculture for a better future*,” FAO Rome (December 2012).

4. This evaluation examines the role of FAO as a whole in supporting investment. Within this task, it pays special attention to the FAO Investment Centre Division (TCI)², because of the key role it plays in FAO’s support to investment and the fact that it has never been the subject of an FAO evaluation. Thus there is an ‘evaluation within an evaluation’ that looks specifically at the history, role and work of TCI. Part of FAO’s Technical Cooperation Department, TCI was created in 1964 with a mandate to help member countries prepare agricultural investment projects for funding by the International Financing Institutions (IFIs), initially the World Bank, as well as to provide technical assistance to countries to implement such projects. Over its long life, it has consistently contributed to the scope and scale of IFI lending for agricultural investment. The evaluation considers how well it has performed this role and how it should evolve in coming years.

5. The evaluation seeks to answer several questions:

- What is FAO’s current strategy? How is the strategy managed and how is it changing with regard to investment support?
- How, with respect to investment, is FAO responding to the evolving development environment? In particular, how does it respond to the emergence of some of the new and more inclusive fora and the increasing role of the private sector?
- Are the links in FAO between investment support and policy support adequate?
- With respect to investment support, what has been achieved during the post IEE years 2007-2012?
- Is the FAO Investment Centre an effective instrument in providing support to investment?
- How should FAO support investment within its global and country mandates, especially in terms of institutional capacity development for investment?
- What results should be sought and how can they be captured going forward?

6. The evaluation centres on the institutional processes – the role, organization, capacities and ways – through which FAO supports investment. Box 2 provides a definition of what “support for investment” includes, for the purposes of this evaluation.

² The terms “Investment Centre,” “Investment Centre Division” and “TCI” all refer to the same unit and are used interchangeably.

Box 2. What is meant by support for investment

This evaluation mainly assesses what FAO does to help sustain and encourage investment in agriculture and rural development by governments, international financing agencies of all kinds, private foundations and the foreign and domestic corporate private sector.

This includes FAO's actions related to:

- **providing technical and economic advice to governments** on policies and legislation that influence public and private investment and other aspects of the enabling environment;
- **helping governments to build capacity** to design and execute multi-sector, multi-partner investment strategies aligned with their own priorities and to track performance;
- contributing at global level to the **design, objectives and operation of international development partnerships** concerned with investment;
- **building platforms for all stakeholders** to engage in the constructive discussion of all aspects of FNSARD investment at country and regional levels;
- **defining and tracking the adoption of global standards** related to the safety, quality and social, economic and environmental value of investment;
- **helping to design and implement** FNSARD investments.

7. This evaluation was conducted between April and December 2012 and scrutinizes the progress of the FAO in supporting investment in the five years following the Independent External Evaluation of FAO (IEE - a two-year, overall evaluation of the entire organization delivered in 2007). When this evaluation was launched, the Strategic Framework 2010-19 was being implemented, and is the framework against which performance was assessed. However, the evaluation also considers how support can now be delivered in line with the complete revision of the Strategic Framework, which is currently being finalised. This rapidly evolving internal context is considered in more detail in the following section.

1.2 The Challenge

8. FAO stands at a critical juncture. In response to the profound challenges of climate change, population growth and changing diets, new alliances of the private sector, civil society and governments are forming to address the urgent need to increase investment in agriculture. Demand for its investment-related services is increasing. FAO's mandate should place it at the centre of many of these initiatives. Its leadership is working to move it in more strategic directions. But with the legacy of an internal culture that has been repeatedly found to tend to the risk-averse, be insufficiently flexible and somewhat insular, FAO's relevance is threatened. A new and broader consensus on development is emerging. To maximise the benefits of the services it provides to the peoples of its member states, FAO must adjust and embrace change, especially in providing support to investment.

9. FAO has a mandate to encourage and nurture cooperation among its members – national governments – and other stakeholders in its areas of responsibility in food and agriculture, to improve and increase the supply of food, levels of nutrition, and the well-being of rural populations. As part of the UN system, FAO is an inter-governmental organization that works closely with its members. Seeking – successfully – to maintain close and supportive links to member governments, it has tended to serve more as a trusted technical advisor than as a pro-active advocate, a position it has maintained over many years. As a knowledge organization, it expands and protects a global repository of information and knowledge on food and agriculture. It also acts as a global platform for countries to discuss and agree on norms, treaties and conventions. In these roles FAO is highly regarded by most of its member countries.

10. However, responding to perceptions that FAO's effectiveness was declining, real reductions in FAO's budget were imposed mainly by OECD country members from the mid-1990s until well into

the early years of this century.³ This decline in resources affected FAO's performance as a global agency. A slow though uncertain reversal of this trend is taking place now.

11. FAO's performance – and consequently its role in investment – is also shaped by its governance. The democratic arrangement of the UN, whereby each member state has one vote, ensures a voice for all, but this system has a negative impact on the speed and quality of decision-making. The 2007 Independent External Evaluation of FAO (IEE) observed that this system has allowed an autocratic management style to develop. The IEE noted that “despite the strong trends to inclusive management and leadership in today's world, FAO has developed a high tolerance for top-down and authoritarian management.”⁴ The IEE concluded that FAO was in a state of crisis, with a talented staff working in a fragmented structure with a rigid, hierarchical and centralised management system.

12. The observations of this evaluation team confirm that although change is now underway, it is so recent that the IEE's diagnoses remain relevant. Some recent external reviews of FAO⁵ have also found that the weaknesses in governance and management have not been fully overcome since the IEE, further eroding FAO's reputation as a constructive and effective global agency. In spite of continuing efforts at change since the IEE, FAO's corporate culture still shows weaknesses in its openness to the ideas from multiple sources that characterises modern knowledge and learning systems, and the willingness to embrace continuous evolutionary change that is needed in a constantly changing world. In particular, it has remained on the margins of some of the newer coalitions of countries, civil society organizations and the private sector that, out of a sense of frustration, are working around multilateral agencies to address global challenges.

13. These concerns constitute the starting point from which this evaluation proceeds. The evaluation seeks to find ways, wherever justified, in which FAO can improve and expand its work in support of agricultural investment, as part of current reforms that aim to rehabilitate its global reputation and usefulness. Setting the FAO on the right course has never been more important, because as the IEE observed: “FAO continues to provide a range of essential goods and services that no other organization can adequately provide... [and] there are continuously emerging challenges that only a global organization with the mandate and experience of FAO can address with legitimacy and authority.”⁶ It is to be hoped that the current leadership will succeed in reversing its steady decline.

1.3 Approach and Methods Used by the Evaluation

14. The evaluation's methods were designed to gain insights and capture information from the full range of stakeholders and multiple documentary sources. These included (see also the Evaluation Inception Report in Annex 6):

- **Review of documentation**, including documents from within FAO and in particular TCI, as well as documents from other agencies and institutions working in related fields.

Interviews with a wide range of key stakeholders, the most important part of the investigation. The interviews built on the findings of the documentation review, and where appropriate used a semi-structured approach to ensure that respondents addressed a common set of questions. Contact with respondents included one-on-one interviews, phone interviews, group brainstorming sessions, workshops and focus groups. Respondents included stakeholders drawn from across FAO headquarters staff⁷, stakeholders in a sample of FAO

³ During the last decades of the 20th century expenditure in the UN system as a whole was cut back, mainly under pressure from the USA. But the greatest reduction in FAO's overall budget was due to withdrawal of UNDP funding for its field programme in the mid-90s.

⁴ The Independent External Evaluation of FAO (IEE), para. 915.

⁵ For example see: DFID. Multilateral Aid Review. March 2011 and Australian Aid. Australian Multilateral Assessment. March 2012.

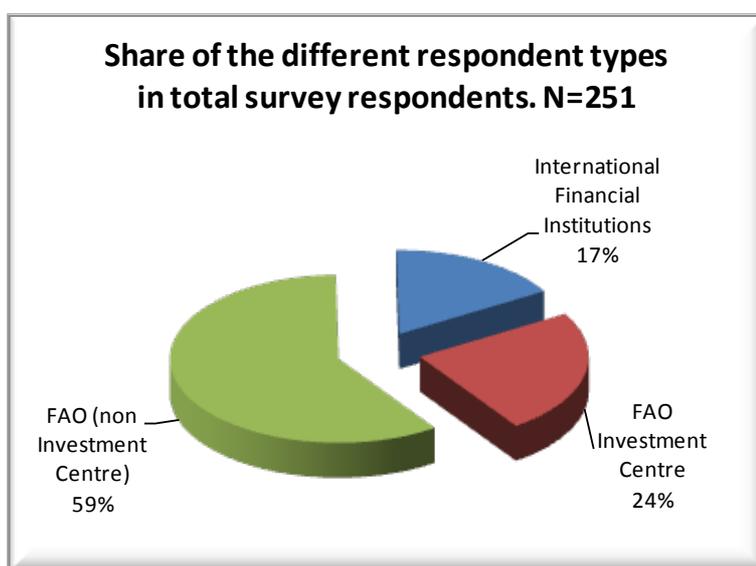
⁶ IEE, p. 3-4

⁷ TCI and most of the technical and operational divisions of the organization were covered. See Annex 8 for a list of people and institutions met.

country, sub-regional and regional offices, Permanent Representatives to FAO of member countries, key informants in partner institutions (including the World Bank, IFAD, EBRD, AfDB, AsDB, IDB, IFPRI, etc.), interlocutors from bilateral donors and representatives from the corporate private sector, as well as the in-country stakeholders detailed below. All in all the team interviewed over 450 people.

- **Stakeholder surveys**, using questionnaires designed to gather opinions from a further sample of stakeholders beyond those met in direct interviews. *Internally*, respondents included TCI professional staff and managers, FAO Headquarters staff in all relevant divisions, and FAO staff in selected country, sub-regional and regional offices. *External* respondents included staff from the IFIs (World Bank, EBRD, IFAD, etc.) who partner with FAO. Figure 1 provides a graphic breakdown of the respondents. A report on the full results is included as Annex 2.

Figure 1: Respondents to the Surveys



- **The evaluation of the FAO Investment Centre:** a detailed appraisal of the work and role of the Investment Centre (TCI). This examined key aspects of TCI performance, from senior management through human and financial resources, to publications, relations with internal and external partners, perceptions of TCI, to its fieldwork in countries.
- **Country studies and visits to Decentralised offices** were undertaken to understand how FAO's investment support services work at the country level. Because TCI country work is fragmented in both space and time, it was not easy to find a sample of countries with sufficient volume and continuity of investment support work to allow useful analysis. Accordingly, countries were chosen using criteria intended to maximise the information pay-off from each country visit (see the Inception Report, Annex 6, p. 22). The team visited twelve countries, as well as three FAO Regional Offices (one more was consulted by phone) and four sub-regional offices.⁸ During the country visits, the team met with government and public sector stakeholders, farmers' organizations, academic institutions, private sector representatives, development partners (in particular IFIs), NGOs, and FAO country staff.

⁸ The countries were Ethiopia, Tanzania, Ghana, Togo, Tunisia, Bangladesh, India, Cambodia, Philippines, Nicaragua, Ukraine and Macedonia. Regional Offices were Africa, Near East, Asia, and by phone, Europe and Central Asia. Sub-Regional offices were Addis Ababa, Tunis, Panama (interview with key staff in a neighbouring country) and Samoa. The team also visited London and Washington, D.C., to speak with key IFIs, partners and donor government representatives.

- **Discussion and workshops:** The evaluation used group methods to identify priorities, to connect the evaluation with related FAO policy and strategy exercises and to build learning opportunities into the evaluation process. Accordingly, a mid-evaluation workshop was used to test some key questions and determine the course of subsequent analysis. Before the evaluation was finalised, the team held a consultation with a broad FAO audience to test its recommendations.
- **Finalising and sharing the evaluation** The evaluation is forward-looking – formative – and intended to contribute to FAO’s process of internal change. The report will be presented at the March 2013 session of the Programme Committee, and is intended to complement the *Evaluation of FAO’s Role and Work in Food and Agriculture Policy*⁹ presented to the Committee in May 2012. Once finalised, the evaluation will be widely shared with stakeholders globally, together with the response of FAO senior management to the recommendations detailing actions to be taken. The full report along with a short summary of the key findings and recommendations will be made available publicly on the FAO evaluation website.

1.4 Structure of the Report

15. Chapter 2 explores the changing development environment in which FAO must provide support to investment and draws out some implications for the Organization, as well as reviewing the recent and ongoing reforms under FAO’s new management. Chapter 3 takes what the 2007 Independent External Evaluation of FAO (IEE) said about the FAO’s role in investment, as a baseline against which to assess progress and describes FAO’s response and actions. Chapter 4 follows and analyses these actions in more detail and provides an overall summary assessment of FAO’s performance in support of investment. Lastly, Chapter 5, drawing on the analysis of earlier chapters, sets out the evaluation’s conclusions and five recommendations to strengthen FAO’s work in supporting investment.

⁹ Evaluation of FAO’s Role and Work in Food and Agriculture Policy. FAO Rome. January 2012.

CHAPTER 2

INVESTMENT: A CHANGING EXTERNAL AND INTERNAL CONTEXT

16. This chapter examines the recent trends in international development and highlights the changing roles of important players, including the corporate private sector. It briefly reports on the growth in agricultural investment. The chapter then looks at some implications for FAO's support to investment. It concludes by presenting the recent changes taking place in FAO under the new administration which took office at the beginning of 2012. In addition, **Annex 1** extends the analysis of Section 2.1, providing a fuller review of the evolving development environment.

2.1 An Evolving Development Environment

17. In 2000, the Millennium Development Goals brought new energy and direction to the global effort to eradicate poverty and achieve sustainable and equitable development. The goals were vital and measurable, the expectations clear.

18. Over the ensuing years, a new development consensus has emerged to compete with the view that development is only a matter of simple economic growth, replacing it with a more holistic human development framework. This approach seeks to both set out these holistic goals of aid and provide the basis for measuring their effectiveness. A number of bilateral and multilateral donors and international development institutions have pledged to deliver more predictable and harmonized aid with reduced transactions costs achieved by using donor resources to support country strategies. Developing country governments pledged to improve the governance of ODA and to design and implement their own growth and poverty reduction strategies and thus help achieve the MDGs. All players agreed to measure development results. In place of the traditional construct of donor-recipient, new partnerships are based on mutual accountability and respect for country leadership.

19. As part of the Monterrey Conference on Financing for Development in 2002, the private sector was encouraged to incorporate the lessons of development into their own practices. Donor governments, the UN and other international actors now seek to make greater use of public-private partnerships. Support to governments in building their capacity to attract and manage private investment is a key aspect of this change.

20. Follow-up from the launch of the MDGs and Monterrey Declaration took the form of four High Level Fora, in Rome (2003), Paris (2005), Accra (2008)¹⁰ and Busan (2011).¹¹ The Rome Declaration addressed harmonisation of donor practices, while the Paris Declaration set out five principles for development effectiveness.¹² In Accra, commitment to managing for development results was deepened and civil society organizations were included as adherents to the aid effectiveness agenda. In Busan, the private sector and emerging economies were invited to the table. At the same time there has been a profound shift in the global economic and political balance from the OECD countries to new powers from the developing world. These powers are now donors to the rest of the developing world and they define development cooperation in terms of non-interference, non-conditionality, and project support that brings mutual benefits. Their plans and development programmes are being

¹⁰ Paris Declaration and Accra Agenda for Action Available at

<http://www.oecd.org/dac/aideffectiveness/parisdeclarationandaccraagendaforaction.htmff>

¹¹ Busan Partnership for Effective Development Cooperation. (2011). Fourth High Level Forum on Aid Effectiveness, Busan, Republic of Korea. December. Available at:

http://www.aideffectiveness.org/busanhl4/images/stories/hlf4/OUTCOME_DOCUMENT_-_FINAL_ENG.PDF

¹² The Paris Principles are as follows. **Ownership:** developing countries take a leadership role in coming up with their own national development strategies and donors respect that leadership. **Alignment:** donors match their support to developing countries with those countries' strategies, institutions and procedures. **Harmonization:** donors work together to ensure their aid is transparent and collectively effective. **Managing for results:** aid resources are managed in order to achieve the best results. **Mutual accountability:** Accountability for development results is shared by donors and developing country governments.

formulated and implemented outside the Paris Declaration and the OECD-DAC frameworks for aid effectiveness, and outside of the UN agencies.

21. At the same time, participation by multinational corporations in sustainable economic and social development is beginning to acquire new legitimacy. This is a matter of much debate in development circles and growing claims in the private sector – and both camps recognise that the impacts will be far-reaching. An important trigger is growing consumer and media pressure on global corporations to be more ethical and to be more responsive to social and environmental issues, affecting the ‘bottom line’ of those viewed as scoring poorly in these areas. Philanthropy too has been growing at double-digit rates and is playing an important intermediating role in new development partnerships between the private and public sectors. Some, especially the Bill and Melinda Gates Foundation, are also rapidly building their agriculture portfolios and contributing to global strategic thinking for FNSARD. The Gates Foundation now has a portfolio in agriculture totalling \$1.72 billion.

22. FAO’s analysis indicates that access to food needs to increase globally by at least 50% by 2050,¹³ and the recent food price crisis, the economic crises and the growing impacts of climate change have created strong incentives for change. A recent study for the Rockefeller Foundation found that agriculture is one of the top three sectors for “impact investing” in Africa and Asia.¹⁴ At the 2012 G20, a group of large corporations which calls itself the “B20” presented an ambitious programme for addressing the looming 2050 food crisis with private sector support, placing the farmer at the centre of development efforts, shifting from ‘aid’ to ‘support for entrepreneurship’¹⁵ – a theme echoed by FAO’s Director General in a December 2012 speech.

23. Some of the initiatives being set up to promote development-oriented corporate investment in agriculture are: Grow Africa,¹⁶ launched in May 2011, a platform co-ordinated by the African Union’s New Partnership for Africa’s Development (NEPAD) and the World Economic Forum; and the New Alliance for Food Security and Nutrition, a 10-year commitment by the G8 and African leaders announced in May 2012, aimed at achieving agricultural growth and lifting fifty million people out of poverty.

24. In sum, new global alliances are being formed to address the myriad dimensions of agricultural development. The public sector, north and south, is seeking to partner with the private sector and civil society groups who are now being seen as both policy stakeholders and co-deliverers of development centred investment. These changes will have a major influence on how investment will affect food security and agriculture in the future. FAO needs to be a part of these changes if it is to maintain its global role in FSNARD.

2.2 Trends in the Level of Agricultural Investment

25. Despite the importance of agricultural investment as a key determinant of development, recording the sources and extent of investment in low and middle-income countries is not easy. No single institution is able to provide a wholly reliable picture of trends or distinguish systematically between recurrent outlays and investment,¹⁷ nor is available data up-to-date. As noted earlier, the largest share by far of investment comes from farmers themselves, exceeding the amount invested by

¹³ Senior staff note that 30% waste of food puts unneeded pressure on the food system as does growing obesity thus their warning that a 50% increase is not in production, but in access. This would involve waste reduction and improved dietary habits, as well as increased agricultural production and productivity.

¹⁴ Impact investments are investments made by investors into companies, organizations, and funds with the intention of generating measurable social and environmental impact as well as a positive financial return. See Harji., K. and Jackson, E.T. *Accelerating Impact: Achievements, Challenges and What's Next in Building the Impact Investing Industry*, Rockefeller Foundation, New York, 2012.

¹⁵ B20 Task Force Recommendations: Concrete Actions for Los Cabos. Page 4. Available at: <http://b20.org/documentos/B20-Task-Force-Recommendations.pdf>

¹⁶ Information on Grow Africa available at: <http://www.weforum.org/videos/grow-africa-2012>

¹⁷ Lowder, Sarah K. and Brian Carisma. 2011. Financial resource flows to agriculture: A review of data on government expenditures, official development assistance and foreign direct investment. FAO: Rome.

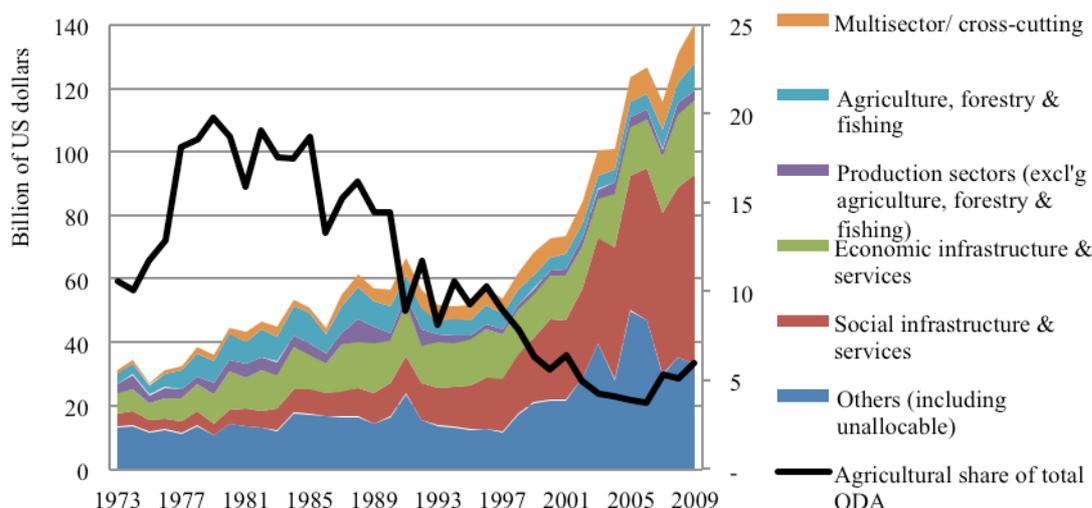
governments and domestic corporations by a ratio of more than three to one. This is followed by public investment, foreign direct investment (FDI) and official development assistance (ODA), with FDI exceeding ODA by a factor of six.¹⁸ As noted, with its focus on the work of TCI, this evaluation addresses public investment, domestic commercial investment, FDI and ODA, but not on-farm investment by small-scale farmers.

26. Globally, ODA dedicated to agriculture peaked in the 1980s and began to decline in the 1990s. The World Bank's 2008 World Development Report on Agriculture drew global attention to the fact that the percentage of ODA going to agriculture had dropped sharply, from a high of 18% in 1979 to 3.5% in 2004, or in absolute terms from about US\$8 billion in 1984 to US\$3.4 billion in 2004 (measured in 2004 dollars).¹⁹ Multilateral ODA declined more than bilateral aid, and ODA for agriculture fell more steeply in Asia than in Africa.

27. Despite starting to rise again in 2005, ODA to agriculture still remains lower overall than at its peak²⁰ (see Figures 2 and 3 below). During 2007-2009, bilateral and multilateral commitments to agriculture, broadly defined, have averaged US\$7 billion annually.²¹

28. For Sub-Saharan Africa, total ODA to agriculture increased in the 1980s, but by 2005 it had fallen back in real terms to its level in 1975.²² Today, although the share of ODA committed to the region is rising, agriculture still attracts proportionately less ODA than it represents in the overall economy of the continent, and less per person engaged in agriculture than it did in the 1980s.²³

Figure 2: ODA Commitment to all sectors & agricultural share of ODA 1973 – 2009



¹⁸ The State of Food and Agriculture 2012: Investing in Agriculture for a Better Future. FAO, Rome. December, 2012. Chapter 2. In 2009 in all sectors, FDI to low- and middle-income countries was estimated to be US\$823 billion compared to US\$133 billion for ODA. Source: Kusi Hornberger, Investment Climate Department, World Bank Group.

¹⁹ World Development Report 2008: Agriculture for Development. World Bank. Page 41.

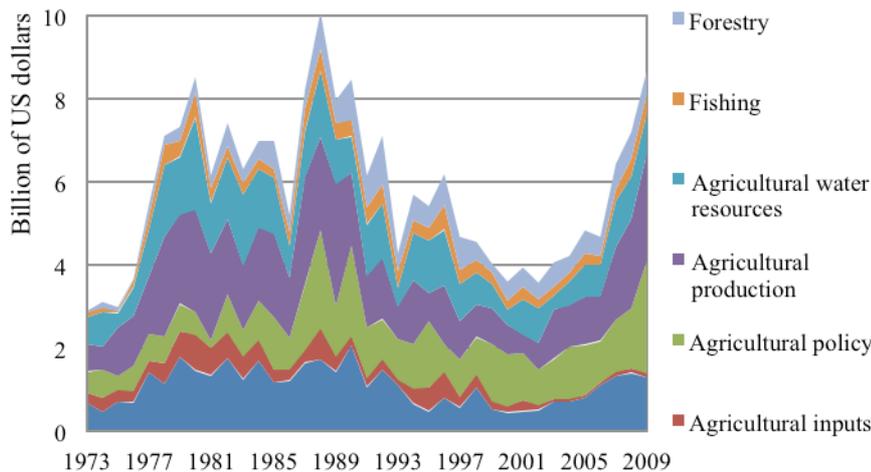
²⁰ Lowder and Carisma. Op cit. Page 7.

²¹ Lowder and Carisma. Op cit. Page 21.

²² World Development Report 2008. Op cit. Page 42.

²³ Lowder and Carisma. Op cit. Page 25.

Figure 3: ODA to Agriculture by sub-sector, 1973 to 2009



Source: Source: Lowder and Carisma

29. The proportion of government outlays invested in agriculture in low and middle-income countries fell consistently between 1980 and 2007 in all regions except Europe and Central Asia. In Sub-Saharan Africa, the proportion of government expenditure for agriculture fell from 6% in 1980 to 3.6% in 2000, and to 2.7% in 2007.²⁴ This decline took place despite the 2003 Maputo Declaration on Agriculture and Food Security in Africa that established the Comprehensive Africa Agriculture Development Programme (CAADP) and called for the annual share of government expenditure on agriculture and rural development to rise to 10% within five years. By 2010, only seven Sub-Saharan African countries claimed to have attained that target.²⁵

30. The food price crisis of 2007-2008 and the major price fluctuations in 2010-2012 provided further momentum to efforts to reverse the decline in investment in agriculture. Since 2008, ODA to agriculture has risen, and FDI has grown in step with the interest of private investors in the agriculture of developing countries. For example, the World Bank Group approved an agriculture action plan in 2009 that aimed to increase its lending for agriculture from \$4.1 billion a year in 2006-2008 to \$8.3 billion a year in 2010-2012, a level that it exceeded in 2011-2012. IFAD also expanded its operations, committing to loans and grants of \$1 billion annually for 2010-2012. Nevertheless, for all sources, gross disbursements still lag well behind commitments.²⁶ Pledges made at the 2009 G8 meeting in L'Aquila, Italy may result in further increases, but it is still unclear if these funds – US\$20 billion over three years – are truly additional or represent the reallocation of funds already committed, but still undisbursed. Furthermore, with the ongoing global financial slow-down, ODA fell by 2.7% in 2011 to a net \$133.5 billion.²⁷

31. As the previous section signalled, foreign and domestic commercial investment is becoming increasingly important to agriculture. Investors are focusing on all parts of the agricultural value chain and also seeking to secure natural resources and long-term supplies. Reliable data, however, are scarce. FDI data are available for a small number of countries, and estimates for 2007 and 2008 suggest that more than \$900 billion in FDI went to all sectors in low- and middle-income countries in each of those years. Only 0.8% of this, or \$720 million, however, went to agriculture. An unpublished

²⁴ The State of Food and Agriculture 2012. Op cit. Page 47.

²⁵ These countries are: Ethiopia, Niger, Mali, Malawi, Burkina Faso, Senegal and Guinea.

²⁶ Lowder and Carisma. Op cit. Page 23.

²⁷ Nineteen non-DAC donors report their aid to OECD-DAC (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia, Iceland, Israel, Liechtenstein, Turkey, Chinese Taipei, Thailand, Kuwait, Saudi Arabia, UAE). The BRICS (Brazil, Russia, India, China and South Africa) do not report their aid. (Piciotto: 2011)

UNCTAD data set estimates FDI to agriculture in 2006-2008 at \$3 billion annually for all countries.²⁸ Some of the apparent increase in FDI for agriculture is attributable to more countries reporting. However, FDI focused on primary production in agriculture is dwarfed by investment in the off-farm food and beverage sector.²⁹

32. Looking ahead, there are various estimates of the investment needed to feed the world, given the forecast growth in global population, higher incomes, changing dietary patterns and the challenge of climate change. FAO's own figures suggest that an additional \$83 billion will be required annually to close the gap between the average \$142 billion from all sources that low- and middle-income countries have invested each year over the last decade and what is needed by 2050. In other words, yearly investment in agriculture must increase by more than 50%.³⁰ To conclude, what limited evidence is available suggests that cumulative investment in agriculture from all sources is now growing fast and is expected to accelerate, and that the fastest growing component is private investment by international and domestic companies.

2.3 Implications for FAO and its Support for Investment

33. Based on the team's interviews and a review of FAO documents, it would appear that FAO has lagged behind some of the other development agencies in recognising and participating in the evolution of the development community and more inclusive forms of governance of agricultural development. FAO needs to gain the confidence of the new players and new alliances and to understand them well enough to manage effective strategic partnerships for the organization as a whole and for FAO's member countries.

34. One area of particular importance is acknowledging the corporate private sector as a potential source of investment for FSNARD and, more importantly, as a development partner. In recent times, FAO has defined its neutrality with respect to the private sector rather rigidly and in a manner that private sector leaders met by the team saw as unwelcoming. A senior manager in FAO stated this view clearly: "FAO should advise governments, not work directly with the private sector." Section 4.1.1 examines this particular tension in more detail.

35. During the years covered by this evaluation, FAO has generally played an observer role and remained somewhat aloof from major private sector initiatives, even though they could potentially be central to its own mission. Although FAO has provided expertise, knowledge and data, it has not, for example, been a full partner in such potentially influential initiatives as the World Economic Forum, Grow Africa or the new Global Food Safety Initiative.

36. Above all, FAO must come to see the changing landscape not as a threat but as an opportunity, and consider engaging with new partnerships as a way of expanding its work in support of investment. It needs to leverage and expand its rich knowledge base as a global asset and work with member governments to achieve both its global and local goals. And, with time, it must rebuild its reputation as a leader in all dimensions of its mandate, including especially supporting investment in agriculture.

2.4 FAO 2012: Change Under the New Administration and the New Strategic Framework

37. In January 2012, FAO's incoming Director General launched a Strategic Thinking Process to determine FAO's future strategic direction. The process includes rewriting the existing Strategic Framework 2010-19, and the preparation of a new Medium Term Plan 2014-17, as well as the Programme of Work and Budget for 2014-15 under which implementation will officially begin. It is also connected to several major changes that FAO is undertaking during the 2012-13 biennium. This

²⁸ UNCTAD, 2009. World Investment Report 2009: Transnational Corporations, Agricultural Production and Development. New York and Geneva, United Nations cited in Lowder and Carisma, 2011. Page 29.

²⁹ The State of Food and Agriculture, December 2012. Op cit. Page 34. And Lowder and Carisma. Op cit. Page 30.

³⁰ How to Feed the World in 2050. FAO High-level Expert Forum. Rome. June 2009. Pages 16-17.

evolution has presented a moving target and made this evaluation more complex, but it also demonstrates that FAO is seeking change, a process to which the evaluation's recommendations are intended to contribute.

38. The Strategic Thinking Process included consultation with an independent Strategy Experts Panel, as well as with FAO headquarters and decentralised staff, member governments and external partners. An initial round of discussions identified eight key global trends and seven “global development challenges” for FAO.³¹

39. To guide FAO in confronting these challenges, five new strategic objectives have been formulated, replacing the eleven earlier ones of the 2010-19 Framework. At the beginning of December 2012, the five strategic objectives were as outlined in Box 3.

³¹ These are described in the *Reviewed Strategic Framework and outline of the Medium Term Plan 2014-17*, p.7-9, as presented to the FAO Council meeting of 3-7 Dec. 2012: <http://www.fao.org/docrep/meeting/026/me999e.pdf>

Box 3. The five new strategic objectives (December 2012)

Strategic Objective 1: *Eradicate hunger, food insecurity and malnutrition:* The three Organizational Outcomes that FAO seeks to achieve are that member countries and their development partners will, in order to eradicate hunger, food insecurity and malnutrition: (i) make explicit political commitments and allocate resources; (ii) adopt evidence-based and inclusive governance mechanisms; and (iii) formulate, implement, monitor and evaluate policies, programmes and investments.

Strategic Objective 2: *Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner:* The four Organizational Outcomes that FAO seeks to achieve are: (i) producers and natural resource managers adopt practices for this objective; (ii) stakeholders in member countries strengthen national governance – the laws, policies and institutions that are needed to support producers in the transition to sustainable agricultural systems; (iii) stakeholders adopt and implement international governance mechanisms for this objective; and (iv) stakeholders make evidence-based decisions in the planning and management of agriculture and natural resources to support the transition to sustainable agriculture through monitoring, statistics, assessment and analyses.

Strategic Objective 3: *Reduce rural poverty:* The three Organizational Outcomes that FAO seeks to achieve are: (i) the enabling environment in member countries is improved for men and women rural small producers, family farmers, and small rural entrepreneurs to move out of poverty; (ii) the enabling environment in member countries is improved for agricultural growth to generate increased decent farm and non-farm rural employment opportunities for rural men, women and youth; and (iii) governments and their development partners formulate and implement policies and programmes that maximize positive impacts of social protection programmes on rural poverty reduction, food security and sustainable management of natural resources.

Strategic Objective 4: *Enable more inclusive and efficient agricultural and food systems at local, national and international levels:* The three Organizational Outcomes that FAO seeks to achieve are: (i) policies, regulatory frameworks and public goods enhance inclusiveness and efficiency of food and agriculture systems; (ii) enhanced public-private collaboration in addressing the challenges and risks faced by smaller and disadvantaged participants in food and agricultural systems; and (iii) international agreements and mechanisms promote inclusive and efficient markets.

Strategic Objective 5: *Increase the resilience of livelihoods to threats and crises:* The four Organizational Outcomes that FAO seeks to achieve are: (i) legal, policy and institutional systems and regulatory frameworks are enhanced for disaster and crisis risk management for agriculture, nutrition, food security and food safety; (ii) known and emerging food, nutrition and agriculture threats are identified, forecasted, analyzed, monitored and trigger appropriate decisions and actions; (iii) capacities are strengthened for prevention, as well as for impact mitigation to reduce the probability and severity of disasters and crises that threaten food and agriculture systems; and (iv) disasters and crises affecting agriculture and food systems are effectively and accountably managed, including preparedness, robust responses and effective post-crisis transitions.

Source: Summarised from *Reviewed Strategic Framework and outline of the Medium Term Plan 2014-17*, CL-145/4 - document prepared for the FAO Council session of Dec. 3-7, 2012.

40. Five working groups were formed to elaborate the proposed objectives and prepare outline action plans for their implementation. The resulting Revised Strategic Framework and Outline of the Medium Term Plan 2014-17 were presented to the FAO Council in December 2012.

41. This proposed Strategic Framework goes much further than any previous framework in emphasising FAO's role as a facilitator for the creation of enabling policy and legal environments that are needed to support and guide investment. While only one of the Organizational Outcomes under SO-1 refers specifically to investment, nearly all the actions flowing from them would result in better policies, enabling environments, facilitation and capacity building, much of which would enhance both the quality and the effectiveness of agriculture-related investment. Strategic Objective 4 in particular outlines actions that would help to enable and facilitate public-private collaboration,

unquestionably a key element of support to investment.³² And all the objectives would require investment as a means to an end if they are to be successfully delivered.

42. The new Strategic Framework also differs from its predecessors in the care it takes to avoid distinguishing among the different technical divisions of FAO, the problematic “silos” which FAO has been trying to break down. The objectives are stated as overall goals which will require varying amounts of input from different parts of FAO, with the unstated expectation that this will lead to better internal collaboration, a common understanding of intended results and a consistent approach to their achievement. At the time of writing this report how this change would be accomplished had not been described nor had budget allocation decisions intended to support cross-divisional work been made. The evaluation addresses this matter in later chapters.

43. The Strategic Thinking Process included an exercise to determine FAO’s “comparative advantages” by identifying the actions needed to address the seven global challenges and the areas where FAO has a particular skill or capacity to act effectively, resulting in a rather lengthy but useful table.³³ That table refers fourteen times to FAO’s comparative advantage in facilitating more effective investment in agriculture and rural development, based mostly on the work of TCI.

44. The newly proposed strategic objectives and intended actions are to be implemented through FAO’s seven newly identified Core Functions (see Box 4), defined as the “critical means of action to be employed by FAO to achieve results.”³⁴

Box 4. The seven new Core Functions (December 2012)

- 1) Facilitate and support countries in the development and implementation of *normative and standard setting instruments*, such as international agreements, codes of conduct, technical standards and others.
- 2) Assemble, analyse, monitor and improve access to *data and information*, in areas related to FAO’s mandate.
- 3) Facilitate, promote and support *policy dialogue* at global, regional and country levels.
- 4) Advise, and support capacity development at country and regional levels, to prepare, implement, monitor and evaluate *evidence-based policies, investments and programmes*.
- 5) Advise and support activities to assemble, disseminate and improve the uptake of *knowledge, technologies and good practices* in the areas of FAO’s mandate.
- 6) Facilitate *partnerships* for food and nutrition security, agriculture and rural development between governments, development partners, civil society and the private sector.
- 7) *Advocate and communicate* at national, regional and global levels in areas of FAO’s mandate.

45. The only core function that mentions investment directly is number 4, though number 6 includes partnerships with the private sector, and 1, 3 and 7 can also be linked to investment support work. In addition to the core functions, the Strategic Thinking Process identified two cross-cutting themes that should be present in all the work of FAO. The first is that “in order to achieve its mandate and global goals, FAO needs to address gender issues in a systematic and cross-cutting way in all its areas of work.”³⁵ The second is governance, where FAO’s role will be “to explicitly strengthen

³² And in fact, as this report was being finalised, it was announced that the Team Leader for SO-4 would be a senior staff member from the Investment Centre.

³³ This can be found on pages 10-28 of *FAO’s Attributes, Core Functions and Comparative Advantages* (<http://www.fao.org/docrep/meeting/025/md881E01.pdf>), a web annex to the Draft Reviewed Strategic Framework presented to the FAO Council at its June 2012 session.

³⁴ FAO Medium-Term Plan 2010-13, p.10

³⁵ Strategy Experts Panel Meeting September 2012, note on “Cross-cutting Theme: Gender”

relevant processes and decision-making systems – at global, regional, national and local levels.”³⁶ Interestingly, two of the seven task teams in the Strategic Thinking exercise were led by TCI staff – a sign of the high level of professionalism in the division: the team on governance and the one on Strategic Objective 4.

46. Overall, the newly proposed Strategic Framework represents a significant departure from FAO’s past approach to strategic planning. It is beyond the mandate of this evaluation to judge the overall process, but the recommendations of this report are designed to ensure that support by FAO for the rapidly growing volume of public and private investment in FNSARD plays its rightful role in helping FAO achieve its goals, and is given adequate consideration and made sufficiently explicit in the implementation of the organization’s new strategic objectives.

³⁶ Strategy Experts Panel Meeting September 2012, note on “Cross-cutting Theme: Governance”

CHAPTER 3 FAO'S ROLE IN INVESTMENT SINCE THE IEE

47. This chapter reviews what the 2007 Independent External Evaluation of FAO (IEE) said about FAO's role in investment. Commissioned by FAO member countries in 2004 and overseen by an ad-hoc committee of the FAO Council, the IEE presented its final report in June 2007.³⁷ It concentrated on the period after 1990.

48. In discussing FAO's investment work, the IEE focused almost exclusively on the Investment Centre (TCI), and this chapter therefore is also mainly about TCI. The IEE observations are then taken as a baseline against which to assess subsequent progress. Other reviews of TCI are also considered to provide further baseline information. The chapter then describes the evolution of TCI since the IEE, and its effect on the investment support activities of FAO.

3.1 What the IEE Said About Investment and the Investment Centre

49. The IEE addressed FAO as a whole but, as noted, made the FAO Investment Centre (TCI) the focus of its work on investment.³⁸ FAO signed its first Cooperative Agreement with the World Bank in 1964³⁹ (see Box 5). Despite numerous subsequent agreements with other IFIs and organizations, the World Bank remains TCI's major partner.

50. The IEE noted that despite efforts to engineer best practices, FAO's inability to make its technical knowledge more widely known to IFIs and to member countries through TCI was a major weakness, just like its inability to learn from its exposure to the work of the IFIs. The IEE attributed these deficiencies, in part, to inadequate collaboration between TCI and the rest of FAO, reflected in the low level of participation of staff from other divisions of FAO in the work of TCI under its Cooperative Programmes. The IEE also made special reference to FAO's decentralisation, which it said was not working well, and was weak, fragmented, high in costs and low in benefits.

³⁷ In agreeing in November 2004 to launch an Independent External Evaluation of FAO, the Council stated: "*The evaluation aims at strengthening and improving FAO, taking into consideration FAO's performance in conducting its mandate.... The Evaluation would consider all aspects of FAO's work, institutional structure and decision processes, including its role within the international system. It could also be a resource for the review of the Strategic Framework.*" Report of the Independent External Evaluation of the Food and Agriculture Organization of the United Nations (FAO). Rome. June 2007. Page 47. The IEE report can be found at: <ftp://ftp.fao.org/docrep/fao/meeting/012/k0827e02.pdf>

³⁸ TCI has also been subjected to several earlier reviews – one of which was for the IEE. These earlier reviews are summarised in the Inception Report for this evaluation (Annex 6).

³⁹ *Memorandum of Understanding with respect to working arrangements between the Food and Agriculture Organization of the United Nations and the International Bank for Reconstruction and Development and the International Development Association*. April 2, 1964. This document can be found in Annex 5.

Box 5. Origin and Purpose of the Investment Centre

The agreement which set up the FAO-World Bank Cooperative Programme that created TCI in 1964 was entered upon by the two institutions following the decision that* “...now that the Bank intends to put more emphasis than hitherto on schemes for the improvement of agricultural production, which are of equal concern to FAO, ...cooperation will have to be intensified.” The two institutions agreed:

“to cooperate in assisting countries of common membership in the identification and preparation of agricultural projects of types which fall within the framework of the economic development objectives and general policies of the Bank and FAO and which the Bank is willing to consider for financing.”

The agreement provided for FAO to offer “technical assistance required for the implementation of Bank-financed projects.” The staff of the unit was to be “a team of specialized personnel of high caliber within the FAO Secretariat that can devote itself continuously to this work.” The result was the creation of one of FAO’s largest divisions, TCI, which has seen its structure and functions evolve with time, including the negotiation of several more Cooperative Agreements with other IFIs – though the one with the World Bank remains the largest by far.

In its review of TCI, the IEE noted** that its original purpose was to make FAO technical capacities available for investment design so that:

- a) FAO member countries would have increased access to agricultural development funding;
- b) the IFIs would have access to high-quality expertise to assist their clients (developing countries) to make sound investment proposals; and
- c) FAO would be able, through its input to large-scale IFI projects, to scale up the impact of its technical knowledge and experience.

This statement of purpose still corresponds to one part of the work of the Investment Centre (although the evaluation observed that the third of these objectives has not been achieved to a significant degree), but since the IEE the purpose has been significantly expanded to include the three Organizational Results under Strategic Objective L, as described in Section 3.1 below.

* From the original “Memorandum of Understanding with Respect to Working Arrangements Between the FAO of the UN and the IBRD and IDA” Rome, 1964. (see the full document in Annex 5)

** IEE, p.98

51. The IEE drew a number of conclusions about TCI’s performance.⁴⁰ In a world where food production was inadequate to meet the demands of increasing population and income growth, the IEE observed that demand for TCI services was stagnant and its income was falling. It lacked a critical mass of staff in some areas, was devoid of staff in others, including several new areas of potential growth, and showed evidence of declining staff quality.⁴¹ The following paragraphs outline IEE’s findings of special relevance to this evaluation.

- a) The nature of TCI’s work had changed significantly. Its original mandate was to formulate entire projects, which involved fielding full-service TCI teams. By the time of the IEE, however, this approach had all but disappeared, especially for World Bank work. The role of TCI had changed to one of providing individual members for missions led by the IFIs themselves.
- b) TCI staff was well qualified overall, but there were shortages of some skills.⁴² Some IFIs felt staff quality had declined, which they attributed in part to FAO’s recruitment policies based on geographic quotas. The number of external consultants employed by TCI had increased sharply since the early 1990s, which the IEE inferred was the result of TCI’s incentive to provide staff weeks as cheaply as possible, overlooking perhaps that TCI staff must be paid whether they have billable work or not.

⁴⁰ IEE op cit. Much of this section is based on IEE paragraphs 355 to 366.

⁴¹ IEE. Op cit. Page 99.

⁴² Between 1996 and 2006 the number of regular posts in TCI declined from 85 to 69.

- c) As TCI's contribution to IFI teams changed from whole teams to individual members it became increasingly hard to control and assess the quality of FAO's contributions. Using World Bank evaluation data, the IEE was unable to find a significant difference in quality between FAO's contributions to World Bank work and those of their own staff or other consultants.⁴³
- d) Although the level of TCI services to the IFIs was satisfactory, demand for TCI services and its role in providing team leaders was static. This was largely attributed to the sharp decline in official development assistance (ODA) to agriculture.
- e) The IEE noted that reduced demand for TCI services was also related to growth in demand for newer skills such as value addition, agribusiness, food product value chains, trade development and private sector finance. TCI also lacked staff with the sector and sub-sector policy knowledge needed to contribute to poverty reduction strategies, budget support and sector-wide approaches, all areas of growth.
- f) The IEE concluded that TCI's work was relevant, but there was no evidence that it had expanded IFIs' investment in borrowing countries more than other sources of support would have. Member countries saw FAO as more neutral than IFI staff, although the increasing use of single TCI specialists (staff or consultants) in IFI missions reduced its influence on project design, caused a loss of FAO identity and diminished its role as a development partner.
- g) With respect to the World Bank, considered by FAO's technical staff to be its "single most important partner," the IEE said FAO should seek more systematic relations in support of agriculture and rural development in order to perform its "global role as agricultural knowledge broker."⁴⁴ While the IEE recognised several valuable links between FAO and the World Bank, including collaboration on the 2008 World Development Report on Agriculture, it also pointed to the power asymmetries between FAO and the World Bank when decisions about common initiatives had to be made and, in the view of some WB Country Directors, the "high cost, complicated administrative procedures and perceived declining quality of FAO expertise."⁴⁵

52. In sum, the IEE concluded that the avenues provided by the cooperative agreements that linked FAO to the IFIs, notably the World Bank and IFAD, were historically important but their usefulness was declining. It recommended that if TCI was to continue to function effectively, it should:⁴⁶

- **Redefine its strategy** within the new aid environment where member countries determine their own priorities, approaches and plans, by forming new partnerships with other IFIs, securing long-term extra-budgetary support and ensuring an integrated approach between TCI and other parts of FAO that delivers more of FAO to its partners via TCI.
- **Build even stronger collaboration** with the World Bank, IFAD and the AfDB based not only on technical and policy-level inputs but also on expertise that links country-focused partnerships to the potential for IFI lending.
- **Ensure its capacity** to provide high quality inputs for investment in emerging dimensions of FNSARD such as value addition, and "in upstream policy work which will require FAO to recruit senior personnel with the requisite expertise."⁴⁷

⁴³ Because the World Bank has abolished the Quality Assurance Group which assessed the quality at entry of investment projects, this evaluation has been unable to update this finding.

⁴⁴ IEE. Op cit. Page 208.

⁴⁵ IEE. Op cit. Page 209.

⁴⁶ IEE. Recommendation 3.7

⁴⁷ IEE. Op cit. Paragraph 614.

3.1.1 The IEE Leads to the FAO Strategic Framework 2010-19

53. Reacting to the IEE, FAO formulated an Immediate Plan of Action (IPA) for FAO Reform early in 2009. It incorporated a new Strategic Framework (2010-2019) centred on **three Global Goals**:

- 1) *Reduction of hunger and malnutrition;*
- 2) *Elimination of poverty through economic and social progress; and*
- 3) *Sustainable management and utilisation of natural resources.*

54. FAO was to contribute to achieving these three goals over a decade through eleven strategic objectives and two functional objectives (see Box 6). The IPA identified necessary organizational changes for implementation as well as timetabling and budgetary changes. It set out how eleven new strategic objectives, together with Core Functions, Functional Objectives and Organizational Results, would frame FAO's ability to achieve its Global Goals. A year later, the FAO Conference adopted the Strategic Framework 2010-2019.

55. In 2011, before the arrival of the present DG, senior management undertook a series of studies⁴⁸ to review progress in strategic change and record lessons learned. Although the IPA had launched an intense process of introspection and planning, these studies found that compared to the recommendations of the IEE, the results have been modest. Existing silos remained in force, not because FAO did not want a more multi-disciplinary approach, but because institutional incentives, including budget mechanisms, did not support cross-divisional work and most results were measured at the activity level. Achieving more holistic, cross-institutional changes such as better internal knowledge-sharing, professional links and partnerships proved harder than expected. The design of the Strategic Framework, in fact, seems to have worked against this cross-divisional integration, since it generally followed the organizational structure of FAO, assigning one strategic objective to each major institutional unit.

56. A number of areas of improvement were identified by the studies, including increasing FAO's impact at the country level by using resources more effectively, and making the best use of technical knowledge by breaking down internal silos and promoting collaboration across disciplines.⁴⁹

57. The modest outcomes of the IPA are now being addressed mainly through the new Director General's Strategic Thinking Process described in the previous chapter. However, the eleven strategic objectives set out in Box 6 will continue to guide FAO until the 2014-15 Programme of Work and Budget begins implementation in January 2014.

58. The current eleven SOs pay explicit attention to public and private investment in the form of a dedicated strategic objective (SO-L – see the next section). Such well-delineated attention is lacking in the five newly proposed strategic objectives, which choose to view investment as a cross-cutting means, not an end – a position with which this evaluation agrees. Nevertheless, the role that investment must play in helping to deliver the new SOs could be made explicit, perhaps by including it more explicitly as one of FAO's core functions (see Recommendation I). More importantly, however, the evaluation finds an important need for renewed strategic thinking and planning for FAO's continuing and future role in support of investment, an issue analysed in Chapter 5.

⁴⁸ These included the "MANNET Report" cited earlier, the audit report by John Mathieson (2011): "Assessment of the effectiveness of the overall design and implementation strategy for RBM, including the RBM system"; and a Results Based Management Taskforce in the Regional Office for Africa, led by the Regional Representative.

⁴⁹ JM 2011.3/2 Process for the Review of the Strategic Framework and Preparation for the Medium Term Plan 2014-17, Hundred and Ninth (Special) Session of the Programme Committee and Hundred and Forty-First Session of the Finance Committee. (Rome, 3/7/11) Page 3.

Box 6. FAO Objectives from the 2010-19 Strategic Framework

Strategic:

- A Sustainable intensification of crop production
- B Increased sustainable livestock production
- C Sustainable management and use of fisheries and aquaculture resources
- D Improved quality and safety of foods at all stages of the food chain
- E Sustainable management of forests and trees
- F Sustainable management of land, water, and genetic resources and improved responses to global environmental challenges affecting food and agriculture
- G Enabling environment for markets to improve livelihoods and rural development
- H Improved food security and better nutrition
- I Improved preparedness for, and effective response to, food and agricultural threats and emergencies
- K Gender equity in access to resources, good, services and decision-making in rural areas
- L Increased and more effective public and private investment in agriculture and rural development

Functional:

- X Effective Collaboration with member states and stakeholders
- Y Efficient and effective administration

Note: Even though X and Y are functional, not strategic, objectives, they are listed with them to signal the importance to development effectiveness of collaboration and organizational capacity.

3.1.2 Strategic Objective L: The 'Investment Objective'

59. While the IEE focused only on TCI in its analysis of investment, the IPA process led further, and (reportedly under the impetus of the Director General at the time) dedicated one full Strategic Objective out of the eleven only to investment support. Strategic Objective 'L' was designed mainly around the work of TCI, but not exclusively: it called on a much wider participation from around the technical divisions of FAO to support governments and the private sector in making investments that would promote FAO's three global objectives.

60. FAO was to seek to achieve Strategic Objective L (SO-L) – “**Increased and more effective public and private investment in agriculture and rural development**” – through implementation of three Organizational Results:

- **Organizational Result L1:** Greater inclusion of food and sustainable agriculture and rural development investment strategies and policies into national and regional development plans and frameworks;
- **Organizational Result L2:** Improved public and private sector organizations' capacity to plan, implement and enhance the sustainability of food and agriculture and rural development investment operations; and
- **Organizational Result L3:** Quality-assured public and private sector investment programmes in line with national priorities and requirements, developed and financed.

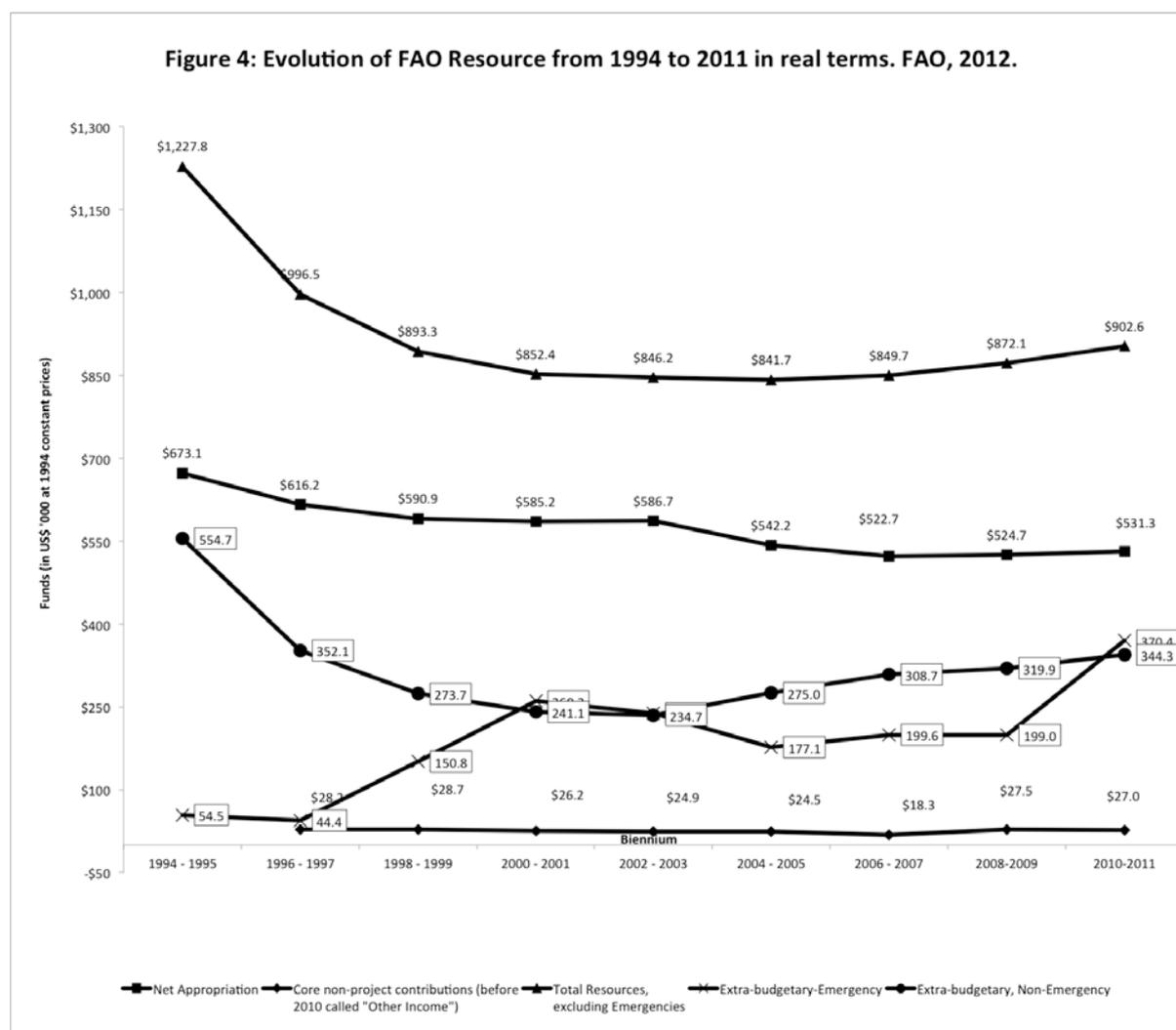
61. SO-L represented a significant change in emphasis for FAO's investment support work through TCI, through placing much greater emphasis on the policy/strategic level of investment support and on capacity development for investment, which had not been explicitly part of TCI's strategy before that. This was in contrast to TCI's main line of work: support for investment projects funded by the IFIs. This change reflected the key observation of the IEE, that the two greatest priorities for members from FAO were policy support and capacity development.

62. This new direction was then embedded in the Draft Strategy for FAO Support to Investment, prepared by TCI in consultation with its stakeholders during 2008-09, which underlined the

reorientation of TCI’s work to put stronger emphasis on ‘upstream’ (policy-level) work, country ownership, capacity development and on the centrality of food security and hunger reduction in investment support work.

3.1.3 Resources for Investment Support After the IEE

63. The IEE indicated that FAO’s financial resources, excluding funding for emergencies, had fallen steadily in real terms from \$1.2 billion for the biennium 1994-1995 to \$842 million for 2004-2005 (in 1994 dollars).⁵⁰ Since then, this decline has been turned around, and by 2010-2011 FAO’s total financial resources (still in 1994 dollars) had risen to \$902.6 million, an increase of 7.2% in total or about 1.0% a year, though virtually all of the increase came in the biennium following the IEE (see Figure 4 below).



Source: Office of Strategy, Planning and Resource Management (OSP)

64. With regard to resources for investment support, the only data indicating resources allocated to this work is found in TCI. Because it is not distinguished as a budget category outside of TCI and Strategic Objective L (which is mainly TCI-funded), it has not proved possible to clearly identify the totality of FAO resources – financial or human – devoted to support for investment. Section 3.2.1 below provides more detail on TCI resources. However, based on a review of the financial records and interviews with FAO staff, the evaluation team came to the conclusion that due to its focus on the investment work of TCI, the IEE brought little real change to the way in which FAO’s technical

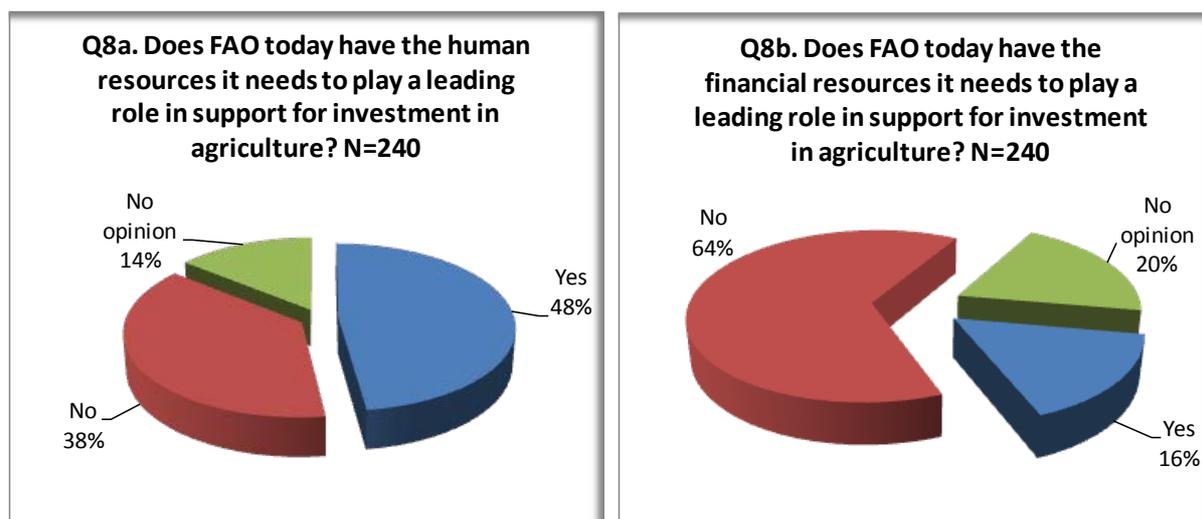
⁵⁰ IEE. Op cit. Page 271.

divisions view and fund work on investment support. Certainly, the proportion of TCI’s work in support of IFI-funded investments which is carried out by technical division (non-TCI) staff has remained virtually constant at 5-6% since before the IEE. Other forms of collaboration and interaction have increased, but it is impossible to put a figure to these contributions. In addition, no more than about 3% of FAO projects could be defined as investment support projects (see section 4.2.6 below).

65. In the survey conducted by the evaluation, respondents were asked whether they judged that FAO had sufficient human and financial resources to play a leading role in investment support. Figure 5 below shows that about half of them (48%) felt that FAO had the human resources it needs. However, a breakdown of this result shows that the majority of TCI staff (65%), more aware than others of investment support needs, did not think this to be so. Most respondents (64%) agreed that FAO lacked the financial resources needed for this role. (see Figure 6 below).

Figure 5: Human resources for investment support

Figure 6: Financial resources for investment support



3.2 Evolution of the Investment Centre since the IEE

66. TCI figures prominently in the Management Response to the IEE,⁵¹ where direct reference is made to the recommendations concerning investment work. In the section on Recommendations for Early Action of the Response, FAO agreed to undertake several actions with regard to investment support. The first was to develop an organizational strategy for investment support, which this evaluation found was only partly done, and which is the subject of its own Recommendation I (see Ch. 5). Management also pledged to review its agreements with the IFIs to ensure they fit with the new strategy, and to seek other sources of funding for TCI, such as donor funds, to provide more country support. This has been done to some extent, but the present evaluation believes that there is need for more innovative and substantive mechanisms to increase TCI resources (see Ch. 5, Rec. V). Finally, Management suggested it would strengthen the ‘upstream’ work of TCI on support for investment strategies and related policy. Again, as discussed in section 3.2.2 below, this evaluation found that this ‘upstream’ work has been strengthened, but not sufficiently, and argues that this area of activity should be further consolidated and expanded.

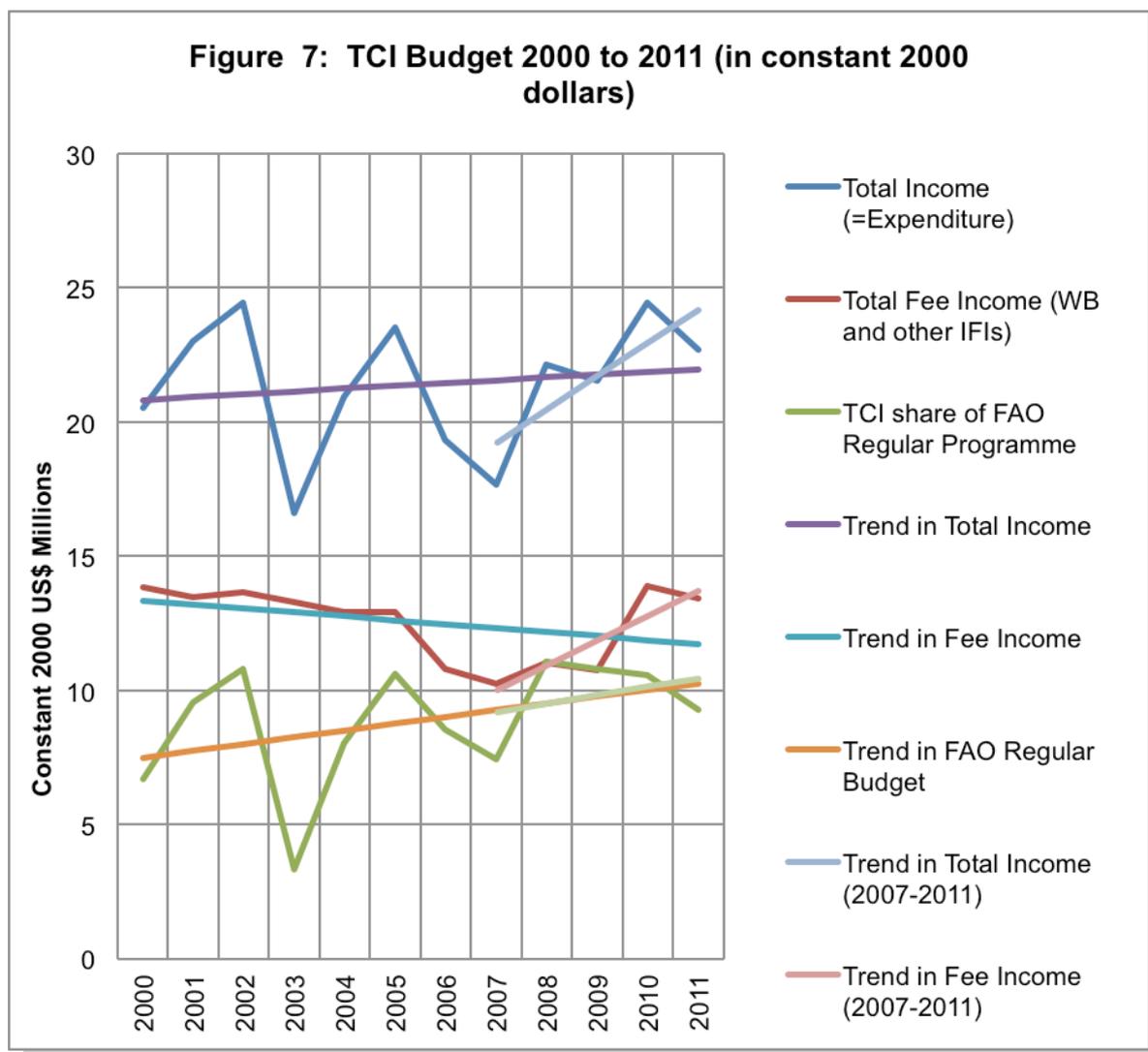
67. As the institutional leader for SO-L and its three Organizational Results, TCI has remained at the forefront of FAO’s support to investment. TCI also contributes on a much smaller scale to six of the other ten strategic objectives; and ten or more other units in FAO contribute to SO-L, though again, on a small scale compared to TCI.

⁵¹ Management Response “In Principle” to the IEE, Rome, November 2007. p. 9. FAO Conference document C 2007/7 B: <http://ftp.fao.org/docrep/fao/meeting/012/k0970e.pdf>

68. As described in this chapter and in section 4.3.1.1, soon after the IEE, TCI developed a strategy for support to investment for FAO as whole (July 2009). Although it remained a draft and was never officially operationalised, it has continued to inform TCI's actions. The document is a statement of a wide breadth, matching country needs with FAO comparative advantages, and building up to a detailed elaboration of Strategic Objective L and its three Organizational Results, using the format developed by FAO. This falls within a traditional approach of presenting strategy and objectives in a narrative format, and identifying indicators that mainly track outputs or first-level results. It cannot be called, however, a strategy document that makes choices based on an analysis of options or one that provides clear metrics to gauge larger outcomes. The 'results-based management' (RBM) approach which FAO is working hard to adopt puts clear and concrete results with measurable objectives (metrics) at the centre of strategic planning, and makes them the basis for productive partnerships based on mutual accountability.

3.2.1 TCI Resources

69. In line with the exhortation of the IEE, TCI's overall real income since 2007 has increased from about \$17 million to \$23 million in 2011 (in 2000 dollars), reflecting substantial recent growth in fees (see Fig. 7 below), a reversal of the long-term trend. The contribution from FAO's regular budget has also increased, and at a slightly faster rate than TCI's total income. In 2011 its income was just below \$33 million in current dollars. In addition, TCI has obtained extra-budgetary funds from bi-lateral donors in recent years, which had not been a part of its business model in the past (see section 3.2.5 below).



Source: FAO Oracle data warehouse 2012

70. In the years before the IEE, regular staff posts had declined, falling from 85 in 1996 to 69 in 2006 (of which 18 vacant posts), with much of the shortfall being made up by greater use of consultants. The total number of posts (regular posts and temporary posts) has since recovered, reaching 102 in 2012, of which 21 unfilled posts. Sections 4.3.9 - 4.3.12 analyse TCI staffing issues as well as the use of outside consultants in more detail. Staff numbers are detailed in Annex 4.

3.2.2 *The Move to More Upstream Work*

71. As noted, the IEE recommended a shift in the balance of TCI activities upstream toward more policy and sector work, but despite support in FAO and in the IFIs for movement in this direction it has not yet been fully realised. Over a long period, a trend towards more sector studies can be discerned, increasing from 22% in 1992-96 to 35% today, with a corresponding decline in resources allocated to traditional project work. But, between 2007 and 2011, staff time allocated to “sector studies” remained fairly constant at around 35%, with the balance allocated to project preparation, appraisal and implementation support (mainly project supervision). Time devoted to capacity development was not recorded by TCI at the time of the IEE.

72. An area of major upstream activity by TCI has been support to the Comprehensive Africa Agriculture Development Program (CAADP) and the preparation of its country investment plans and Country Compacts. These and similar activities in Asia assist countries in preparing to bid for grants from the Global Agriculture and Food Security Program (GAFSP). By 2012, FAO had provided support to regional organizations in both West Africa and the Horn of Africa (ECOWAS and IGAD)

and supported completion of CAADP Country Compacts together with Country Investment Plans in 25 countries, and Compacts alone in another six. This has been an area of significant achievement for TCI, however it is built on a different business model from the cooperative agreements with the IFIs and is largely financed by trust funds. Work is ongoing on Country Compacts in five more countries and has been requested by an additional five. FAO support to proposals to the GASFP resulted in new grants to several countries in Africa and Asia⁵² in the first three rounds, worth \$242 million out of the GASFP total of \$481 million for those rounds.

3.2.3 Capacity Development

73. ‘Capacity Development’ is one of the five Common Country Programming Principles of the UN system, which FAO is committed to apply. It is also a specific Organizational Result sought under SO-L and a ‘core function’ of both the 2010-2019 Strategic Framework and the one currently being finalised for launch in 2014 (though capacity development for *investment* appears much less explicitly in the newer one). In TCI, it is now under the responsibility of a dedicated – though small – unit. The evaluation team reviewed data which indicates that 72% of TCI staff worked on capacity development at least once in 2010-2011, including significant work under CAADP and GASFP support activities. A recent example highlighted by TCI is a German-funded CAADP Capacity Development Project for Investment and Policy, which is seeking to fill widespread investment planning capacity gaps in CAADP countries. This support was acknowledged by the leader of the CAADP team at the African Union.⁵³ Another example visited by the team is the capacity development component of the Integrated Agricultural Productivity Project in Bangladesh, part of the programme funded by the GASFP grant.

74. TCI has carried out three client satisfaction assessments of FAO-provided support for capacity development. The most recent of these in nine countries showed a 75% rate of client satisfaction. However, in 2010-2011 TCI allocated only 14% of its total staff time to capacity development, somewhat below the 20% target under SO-L. None of it was supported by FAO’s regular budget, leaving this Organizational Result as an unfunded mandate.⁵⁴ Country visits by the evaluation team confirmed that in many countries, especially the lower income ones, there is still a general lack of capacity in planning, designing and managing FNSARD investment projects as well as in setting up effective M&E systems and RBM in sector planning and investment programmes.

3.2.4 Skills mix and seniority

75. As Table 1 shows, the skills composition of TCI staff changed little between 2006 and 2011. While there was no decisive shift in TCI’s skills mix in favour of policy and sector work, the largest group is that of economists, most likely to have policy skills. Over the same period, staff seniority declined somewhat, in part due to the reduction of D1 posts due to an FAO ‘delayering’ policy. While P1-P4 posts increased, P5 posts remained constant, causing a lowering of the proportion of senior posts. This is contrary to the IEE recommendation for more experienced staff able to work effectively upstream in consultation with governments, but it was also caused in part by another IEE recommendation on delayering. Again, Sections 4.3.9 - 4.3.12 discuss these trends and their implications in more depth, and staff numbers are detailed in Annex 4.

⁵² Ethiopia, Rwanda, Sierra Leone and Togo in Africa and Bangladesh, Cambodia and Mongolia in Asia.

⁵³ “Behind the (CAADP) investment plans is (a) growing capacity and ability to reform planning and working models, including growing entrenchment of mechanisms, systems and tools for accountability.” – Martin Bawalya, CAADP Team Leader.

⁵⁴ TCI time allocation to capacity development has only been recorded since 2010.

Table 1: Composition of TCI Staffing by Specialisation (excl. admin/management)

Specialisation	2006		2011	
	No.	%	No.	%
Agricultural economists & economists	42	49	39	45
Agriculture and Livestock Specialists	10	12	17	20
Irrigation, rural infrastructure, land and water engineers	8	10	9	10
Environment, natural resources, forestry and fisheries	13	15	10	11
Rural finance, marketing, institutions	4	5	7	8
Rural sociology	6	7	3	4
Communications	2	2	2	3
Total	85	100	87	100

3.2.5 *External Partnerships.*

76. The IEE endorsed TCI's partnerships with the IFIs (a view echoed by 85% of relevant respondents in this evaluation's survey) and recommended that TCI expand and diversify its partnerships, including building stronger relations with the IFIs and with individual countries. Implementation has been mixed. A new cooperative agreement was reached with the IDB in 2009, although this has generated only a small amount of work so far (fewer than 100 TCI staff-weeks out of over 4000 in total). There has been little or no activity under a 2008 agreement made with the Eurasian Development Bank and Kazagro, a Kazakhstan financial institution. The agreement with the AsDB should be reviewed with the partner in order to make it operational once again. New IFI agreements are in the offing; one with the International Finance Corporation of the World Bank Group (IFC) was concluded in December 2012.

77. Additionally, TCI has been notably successful in mobilising extra-budgetary resources, building new 'partnerships' (as recipient of trust funds) with a number of bilateral donors (Italy, Spain, Germany, and others). These arrangements have enabled it to undertake more upstream and, in particular, capacity development work, for example that related to investment planning in Africa under CAADP, as mentioned above in section 3.2.2. This funding also enables it to work directly with country partnerships rather than only through IFI funded activities. Trust-funded work has increased almost ten-fold since 2007, but still comprises less than 10% of total staff weeks deployed by TCI.

78. The World Bank remains TCI's largest partner by far. It accounted for 54% of staff weeks over 2007-11, a share that had hardly changed over the previous 20 years. Expanding IFAD and trust fund work during 2011, however, saw the World Bank share dip below 50% for the first time. Nevertheless, TCI's reputation in the Bank has never been higher, reflecting in part the Bank's own shrinking levels of agricultural staffing, its rapidly rising FNSARD lending and the value for money of TCI's inputs. Informed respondents in the Bank uniformly claimed that delivery of its FNSARD lending targets now depends on TCI, as well as the technical knowledge embedded elsewhere in FAO. Several examples of how these resources can be used to mutual advantage were cited, of which the most frequently praised was the cooperation between FAO and the Bank on land tenure issues (see Box 7).

79. The vast majority of TCI's work relates to public investments financed by the IFIs. The main exception to this rule is the partnership with the EBRD, an IFI that lends only to the private sector. The International Finance Corporation (IFC) operates in similar way. In the case of the EBRD, TCI undertakes policy and sector work and is not involved in specific lending operations. There are few (if any) instances where TCI has engaged directly with the private sector, although in some public investment projects there are cost-sharing arrangements with the private sector (for example through matching grant schemes), risk-sharing arrangements with commercial banks (such as loan guarantee

schemes), and public-private partnerships. This is an area where new approaches and partnerships are needed.

Box 7. Land Tenure: Successful collaboration between FAO and the World Bank

The partnering of the FAO Land Tenure Team with the World Bank provides a very positive example of FAO cross-institutional support to investment. The Bank is the biggest global financier of land administration systems, but lacks the specialist capacity to implement this work. FAO has these skills. The arrangement is that the World Bank guarantees a demand for at least two additional staff provided by the FAO team on fixed-term contracts, with 70:30 cost-sharing. This work has focused thus far on Eastern Europe and Central Asia, as a follow-up to the collapse of the Soviet Union, and to a lesser extent on Sub-Saharan Africa.

TCI nurtured and facilitated this very productive relationship. It has grown steadily, underpinned by the excellence of the team's work. Between 2006 and 2010, 21 (40%) of the 50 projects undertaken by the team were for the World Bank. The partnership greatly expanded the team's work and leveraged significant investment resources: a total of \$1.2 billion, of which \$872 million was financed by the Bank. In the OED's evaluation of this work, member countries, the World Bank and the FAO team rated it highly, despite some concerns about the limited geographical focus and possible compromise of FAO's "neutrality" through association with the Bank.

80. The goal of TCI's partnership with the EBRD, which dates from 1994, is to provide agribusiness and policy expertise to help improve policy and legal aspects of the enabling environment through work on investment identification, due diligence, market surveys, and sector and sub-sector analysis. Up to 2012, a total of \$740 million had been mobilised from an array of donors, plus \$1.12 billion from EBRD itself, to finance thirty-two agribusiness support activities.⁵⁵ The annual volume of business is rising sharply. Most of these support activities have been provided by TCI. The agreement has been extended six times, most recently in February 2010. To further this relationship, an "EastAgri Network" has been established by EBRD and the World Bank to promote technical cooperation and is now managed by FAO.⁵⁶ As noted in section 4.3.1, EBRD evaluated the partnership in 2011 and rated it an overall success,⁵⁷ highlighting that its focus and strategic orientation should be strengthened and that it should be subject to an independent evaluation in the future.

81. Although the EBRD partnership has grown steadily, it too accounts for less than 10% of TCI's total staff weeks with IFIs. However, it has significance beyond its size because it represents new business with a private-sector orientation. Building, on experience with the EBRD the new agreement with the IFC should lead to FAO engagement with private sector investment globally rather than just regionally.

82. TCI also has cooperative agreements with the Asian Development Bank (AsDB) and the African Development Bank (AfDB). These agreements both went through a dramatic decline between the 1990s and the present. AsDb was a major regional lender to agriculture in the past, mostly in infrastructure, but is only recently returning to agricultural lending after a long period where it focused elsewhere. TCI support went from 260 staff weeks a year in the 1990s to virtually no work at all in the period 2007-11. However, the evaluation encountered some continuing dissatisfaction at AsDB relating to perceptions of TCI's performance in the 1990s. AfDB, on the other hand, went

⁵⁵ According to the TCI website at <http://www.fao.org/investment/ourpartners/en/>

⁵⁶ The EastAgri Network is a consultative group of IFIs, bilateral donors and private sector parties with an interest in investing in agribusiness in transition countries. Its objectives are: (i) to share best practices and lessons learned among agricultural and agribusiness investors in the region; and (ii) to promote more coordinated IFI/donor interventions.

⁵⁷ EBRD Evaluation Department (January 2011): Operation Performance Evaluation Review: FAO Framework Agreements: Regional

from around 417 staff-weeks a year in the 1990s to an average of thirty-seven staff weeks a year in 2007-11, but mainly due to a change in the Bank's procurement rules (also true for AsDB) that now ban single sourcing. The banks can engage TCI only if it wins competitive bids alongside commercial service providers (often national consultants) and, if selected, complies with the banks' financial reporting and auditing procedures. Both institutions however, have few agricultural staff, making it difficult to deliver expanding agricultural lending programmes, and they recognise the advantages of working with TCI. Hence, this evaluation concludes that their agreements with FAO should be revisited and revived. High-level discussions between FAO's leadership and the leaders of the largest regional IFIs are required to put these potentially important relationships back on track.

83. The partnership with IFAD, currently the most active of the IFI partners other than the World Bank, has a bumpy history. During the 1990s, TCI supplied about 500 staff-weeks a year of support to IFAD. Owing mainly to IFAD concerns about quality, this declined to a low of 280 staff-weeks in 2009. Efforts by both parties to revive the partnership have seen activity more than triple to 912 staff-weeks in 2011, amounting to 17% of TCI's annual delivery. There is potential to further expand and strengthen this partnership, given the proximity of the two institutions and the low share of IFAD's consultancy budget spent on TCI services - around 10%. One route to expansion is to use country-specific agreements between TCI and IFAD of the type currently being piloted in Cambodia and Nepal.⁵⁸ These provide a framework for collaboration based on an understanding between the IFAD Country Programme Manager and the TCI person responsible for that country, but do not include a commitment to a specific amount of work for an agreed fee. Discussions are also underway to develop a new agreement under which TCI would assist IFAD in managing its portfolio of "problem projects."

3.2.6 TCI Influence on IFI Investments in FNSARD

84. TCI still works mainly through its various agreements with its IFI partners (see Box 8). As noted earlier, however, the nature of its work has changed over time, affecting its relationships with partners and its influence. For example, only about half of TCI-provided staff weeks for the World Bank now go to project preparation, the remainder going to project implementation, project completion reporting and sector work. This shift reflects both IFI demands and TCI's difficulties in engaging FAO's technical staff for extended periods. As noted already, TCI's input into IFI projects overall has dwindled from full teams in the past to often just a single staff member or consultant now. This has, in turn, reduced its influence over the design and technical content of projects. Although there is now more potential for TCI to influence national policies through work at the sector level, this is difficult because FAO is one voice amongst many, is under-resourced and does not currently have a pre-eminent position in the provision of policy advice. Restoring teamwork to FAO's collaboration with IFIs and raising FAO's influence within IFI partnerships at a time when demand for agricultural investment is growing fast are issues that this evaluation considers to be of key importance, and are addressed by Recommendation II.

⁵⁸ IFAD and FAO (September 2011): Towards a Strategic Collaboration Between FAO Investment Centre and IFAD Country Programmes: A Framework for Country-Based Collaboration in Cambodia and Nepal.

Box 8. Cost-sharing under Cooperative Agreements

Payments for TCI services are governed by a number of cooperative agreements with IFIs, the oldest and most important of which is the FAO-World Bank Cooperative Programme. There are more than 20 agreements varying in scope and nature, but they can be grouped into three categories as follows:

The World Bank Cooperative Programme (CP): In 2012, TCI's work for the Bank is charged at \$6,500 per staff week, excluding travel and per diem, regardless of the level or grade of the staff member or consultant. The current ceiling for the Programme is \$13 million a year (equivalent to 2,000 staff weeks). The billing rates and ceiling are reviewed every year or two. The current cost-sharing arrangement is 75% WB, 25% FAO; in the beginning in 1964 it was 50% each.

The EBRD Framework Agreement: Work undertaken with the EBRD is billed at agreed rates based on a cost-sharing formula of 70% EBRD, 30% FAO. Fees are \$745 per calendar day for staff at level P5 and above, and \$585 for other staff. Travel and per diem expenses are charged at cost. Each assignment is costed on a lump-sum basis using the following formula: ((No. of days x fee rate) + travel + per diem x 0.7). The fee rates are reviewed every two years, and the agreement allows the cost-sharing percentages to vary. The agreement has been in place since 1994 and was last revised in 2010. It is also subject to a financial ceiling which is reviewed from time to time.

Other IFIs: Cooperative agreements with other IFIs include similar arrangements. The fee rates are the same as those for the EBRD agreement, but costs are shared 67:33. There is no pre-commitment to engage TCI for specified amounts of work, and assignments are arranged case-by-case between the IFI task manager and the relevant TCI service

85. All of the agreements between FAO and the IFIs have both strengths and weaknesses. The Cooperative Agreement with the World Bank is the oldest of the agreements and together with the agreements with EBRD and IFAD currently guide almost three-quarters of all work undertaken by TCI. FAO's agreement with the World Bank is well understood, clear-cut and highly operational but over time FAO's influence in this partnership has been reduced. FAO's Cooperative Agreement with IFAD, in place since 1977, is the most open-ended and has potential to grow provided FAO satisfies the needs of IFAD's Country Programme Managers (task managers) who decide if, when and how the agreement is applied. Country-specific cooperation agreements are being piloted in Nepal and Cambodia and others are being explored. The Framework Agreement with EBRD, in place since 1994, provides EBRD with complementary resources in agriculture that it does not possess and enables FAO to influence private sector FNSARD in Eastern Europe and Central Asia, and in the near future, North Africa.

3.2.7 The Problem of Disincentives to Internal Partnerships.

86. TCI has taken a number of steps to create more and stronger partnerships with other divisions of FAO, as outlined in Box 9. There are many good examples. Notable among them are joint work on nutrition in 2011 and 2012 for capacity development in Africa and guidance for mainstreaming nutrition in agriculture investment plans, and significant internal support for Global Environment Facility (GEF) projects to be implemented by member countries that earn substantial revenues for FAO (see Box 10). However, despite these efforts, the number of non-TCI staff-weeks billed (five to six percent of the total) has hardly changed since the IEE, nor have the underlying obstacles to progress been addressed. While billed weeks is an incomplete measure of TCI collaboration with technical departments, it is nonetheless indicative of the widely recognised problem of TCI independence from the rest of FAO.

Box 9. TCI's efforts to forge internal partnerships

In an effort to increase partnerships with the technical departments, TCI has:

- developed a strategy on collaboration;
- held “Investment Days” to inform other parts of FAO of what TCI does;
- subsidised seconded (shared) staff to other divisions (examples include for work on land tenure and avian influenza);
- held joint seminars and technical meetings;
- invited technical departments to provide seminars to TCI staff; and
- participated heavily in strategic planning exercises and inter-departmental working groups.

87. Although technical staff may be interested in opportunities to work across divisions or the stimulus of working through TCI to influence IFIs, much of the work that does take place is *ad hoc* and idiosyncratic, taking place through personal connections or individual initiative. This reflects the general absence or weakness of institutional incentives to encourage greater cross divisional work. On the contrary there are some notable disincentives in the case of TCI. These fall into three main groups: financial, structural and cultural.

Box 10. The Global Environment Facility (GEF): A Special Partnership

FAO's GEF* unit was transferred to TCI in 2008 and despite heavy competition for funds, the complexity of GEF procedures and the smallness of FAO's GEF team it has developed a substantial portfolio of GEF-financed projects on behalf of member countries. This success is based on the effective blending of technical expertise from across FAO with, lately, TCI's project design skills, to produce innovative, responsive and bankable projects.

By the end of 2007 the volume of GEF grants mobilized by FAO for implementation by its members was \$12.1 million** that, in turn, had leveraged an additional \$16.4 million. Since 2007 and the change of status of FAO to become a GEF implementing agency, the volume of grants mobilized has grown to \$237.0 million which by November 2012 had leveraged an additional \$870.0 million in indicative co-financing and earned FAO agency fees of \$23 million. Collaboration with technical divisions is very high, as they are the ones providing the technical assistance to GEF projects. In recent years, TCI has also gotten more closely involved in GEF project design.

* Global Environment Facility Funds secured and approved by the GEF Council

** Funds secured and approved by the GEF Council

3.2.7.1 Financial.

88. Cross-divisional reimbursement rates are an issue which has been both positive and negative for TCI. There are a number of special internal FAO arrangements under which divisions can engage staff from other divisions or charge for services provided to them, of which some are specific to TCI:

- For activities funded under the Regular Programme the cross-billing rate is the lowest, at \$470 a day for all staff grades. Field work is charged by the calendar day (seven days per week) and headquarters work by the working day (five days per week). The \$470 daily rate

also applies to staff of other divisions engaged by TCI to work under the World Bank CP agreement.

- For other (non-WB) work with IFI co-funding, the rates are \$585 per calendar day for P1-P4 and \$745 for P5 and above. This is roughly equivalent to rates for trust fund work given below.
- Work on Technical Cooperation Projects is charged at \$559 per calendar day for all staff grades.
- The cross-billing rates for activities financed by trust funds are calculated according to a schedule that includes staff grade and location, with one rate for headquarters work and different rates for each of FAO's four regions. The trust fund rates are higher than the other cross-billing rates, though they are calculated on working days only. For example, the P5 rate is \$1,073 a day for headquarters (equivalent to \$766/day for a seven-day week) and between \$979 and \$1,250 a day for the regions.

89. The arrangements with the World Bank CP are clearly a disincentive to the lending divisions, because they not only lose staff temporarily, but they can earn higher rates from seconding staff to other types of work and from their own project work. On the TCI side, since these are all co-funded activities, TCI must support a share of the actual cost incurred out of its own regular programme budget.

3.2.7.2 Structural.

90. The structural obstacles begin with FAO's silos that the new strategic objectives seek to circumvent and a resulting lack of formal partnership mechanisms within FAO. Until now, divisional work plans have been constructed in isolation, almost entirely without shared objectives or shared priorities. This has been exacerbated by the shrinking size of most technical divisions that has reduced the size of the professional talent pool available for work with or without TCI.

91. This chronic weakness is exacerbated by TCI's need to respond quickly to external demands for help when FAO staff in other divisions are already committed to their own assignments and deliverables. The World Bank's demand for TCI services is planned, mainly on an annual basis, but while the total is firmly guaranteed, there are only general indications of how many staff weeks are needed by region and sector and when they are to be delivered. Other IFIs make demands on TCI as they arise, although this is changing under some of the newer agreements. Many FAO staff say that the inability to plan TCI-related work well in advance, the need to be on mission for extended periods, and the high opportunity cost to their divisions all make cross-support unattractive.

3.2.7.3 Cultural.

92. TCI work for IFIs is typically highly focused, contractually defined and tightly time-bound, and delivery of operational products must fit IFI formats. Tasks are distinct activities with no link to a wider technical work programme. Many non-TCI staff note that this is not the way they work, or that their knowledge and skills cannot be successfully applied within the "straightjacket of an IFI investment project." Others note that in areas where there are substantive disagreements on project direction or content, FAO has little opportunity to influence IFI thinking. These differences in culture lead to TCI perceptions that other FAO staff are "too academic," "soft" or "have no sense of the bottom line," and to perceptions in the technical divisions that TCI staff are "arrogant," "too demanding," unaware of the ways of working and constraints facing staff in the technical divisions, and insensitive to concerns that IFIs can be unresponsive even to good science.

93. Collectively these constraints conspire to greatly limit the quantum of cross support between the technical divisions and TCI. In sum, the internal market for cross-support is weakened by these constraints and by the oft-cited general lack of a sense of common purpose in FAO. The net effect is that until these constraints are addressed, reduced or eliminated the internal cross-support market will continue to operate at a low level equilibrium where neither party is fulfilled or satisfied and increasing demand is not met by increasing supply.

3.3 In Summary

94. Despite some changes, FAO and TCI have not made all the progress that the IEE said was essential, whether in reformulating strategy, building stronger partnerships both internally and externally or expanding its upstream work. Meanwhile, as Chapter 2 explained, the global development context for investment continued to change greatly.

95. This chapter and the one before it have discussed the context surrounding and within FAO and TCI up to the launch of this evaluation. It is appropriate now to turn to the evaluation's analysis, and subsequently, its recommendations.

CHAPTER 4

FAO AND INVESTMENT: A PERFORMANCE ASSESSMENT

4.1 Introduction: the Elements of Policy Support

96. This chapter examines FAO's performance in supporting investment in the years after the IEE and particularly since FAO formulated its Immediate Plan of Action for FAO Reform (IPA) in 2009 little more than a year after the IEE was delivered. The chapter is guided by the elements comprising support for investment defined in Box 2 of Chapter 1. These elements are repeated below.

- **providing technical and economic advice to governments** on policies and legislation that influence public and private investment and other aspects of the enabling environment;
- **helping governments to build capacity** to design and execute multi-sector, multi-partner investment strategies aligned with their own priorities and to track performance;
- contributing at global level to the **design, objectives and operation of international development partnerships** concerned with investment;
- **building platforms for all stakeholders** to engage in the constructive discussion of all aspects of FNSARD investment at country and regional levels;
- **defining and tracking the adoption of global standards** related to the safety, quality and social, economic and environmental value of investment;
- **helping to design and implement** FNSARD investments.

97. Broadly and under several headings the chapter examines actions related to the above criteria that FAO has taken and with what effect. The aims are to assess the extent to which the progress identified in Chapter 3 has been further developed, to evaluate that performance and recalling the changing development context outlined in Chapter 2, identify those gaps that remain to be filled.

4.2 FAO's support for investment outside TCI

4.2.1 *Relations with the Global Corporate Private Sector*

98. As discussed in Chapter 3, FAO is still in need of a sound organizational strategy for support to investment. As was recognised in the 2009 draft strategy for investment support and the 2012 revision, such a strategy should be framed in terms of partnerships: partnerships where results are shared and no single player can claim all the credit. The evaluation team was repeatedly told of FAO's reputation as a neutral and honest broker with the ability to bring often disputatious parties together in fora where discussion and dialogue hold sway and where global public goods in the form of complex international agreements, conventions and standards are framed and agreed. Meetings of this kind whether programmed regularly or *ad hoc* are an important and highly valued part of FAO's contribution to development. However, a detailed examination of their outcomes is beyond the scope of this evaluation. But as recorded in Chapter 2, FAO has been absent or on the fringes of a number of recent global public-private partnership agreements and alliances that have a direct bearing on investment in FNSARD. And in particular it has neglected (or avoided) the private sector, both the big multinational corporate enterprises that span the global agricultural arena and the smaller private companies that are the key to increasing value added and jobs in FAO's member countries.

99. As discussed in Chapter 2 and in Annex 1, the beneficial mobilisation of private capital for international development has been on the global agenda since the 2002 Monterrey Declaration on Development Funding. The 2009 L'Aquila Statement committed the G8 and several other nations and agencies to reversing the decline in ODA for agriculture, and to encouraging new investment,

including through public-private partnerships.⁵⁹ The GASFP contains both public and private sector windows with \$150 million already dedicated to private sector investment. In 2012, the roll-out of the New Alliance for Food Security at the Camp David Summit gave further impetus to the role of the private sector in Africa's quest for food security, and included private sector commitments of \$3 billion⁶⁰ in countries such as Ethiopia, Tanzania and Ghana.⁶¹

100. Multinational private sector investors met by the team pointed out that investing in lower income countries had several potential long-term benefits for them and that they are moving quickly to secure supplies of primary products and the natural resources – notably land and water – that they need to expand production, as well as to gain a foothold in potential new markets. Discussions with private sector representatives (including those who attended the Committee on World Food Security meeting at FAO in October 2012) as well as with FAO management reveals that FAO has at times been both confrontational on this matter and reluctant to address it publicly. Trust has clearly been lacking on both sides. The private sector criticises FAO for too much talk, too little action and too many false starts. On the other hand, corporate agribusiness is viewed with suspicion in some corners of FAO, where “corporate social responsibility” is seen as window dressing and “sustainability” as a slogan, not an integral part of business. If trust is to be built, it will require more open communication of the type that took place at the CFS meeting. Although there are of course differences between the two types of institutions, FAO can also draw some lessons from the IFIs that have successfully engaged with the private sector.

101. The evaluation's private sector interlocutors were quick to recognise FAO's important role in dealing with technical standards and regulatory issues of importance to investment, but argued that FAO must also accept the private sector as a legitimate partner in developing and implementing such standards. It seems clear that FAO needs to find effective ways of communicating and developing better working relations with the private sector, most importantly at country level. Productive links to the private sector could become a corporate objective for field offices, although this will pose an additional capacity challenge.⁶²

102. Some in the corporate private sector now see a fresh opportunity to build trust with FAO under the leadership of the new Director General, and some influential corporate leaders believe that there is a need to air existing differences of opinion and create a solid new start. In FAO the reluctance to engage with the private sector may be diminishing, with clearer statements of FAO's support for large-scale private sector investment.⁶³

103. The team was surprised to observe, however, that there was no explicit link to investment in FAO's draft Strategy for Partnership with the Private Sector.⁶⁴ If expanding investment from *all* sources, public and private, is to be an institutionally-accepted, motivating force, then it must become an essential component of FAO's private sector principles and strategy.

104. And, as part of its role in the growth of global investment in FNSARD, FAO must take a larger and more proactive role in supporting governments to harness the growing power of corporate agribusiness.⁶⁵ It should do so by facilitating dialogue at the global and regional levels, and working with governments and the donor community to provide the technical input needed to create effective spaces for private sector investment, including both incentives and regulation. Working alone, with

⁵⁹ L'Aquila – Joint Statement on Global Food Security. July 10, 2009. Page 5.

⁶⁰ Many commentators have pointed out that this very large sum represents intention not investment, and that half of it (\$1.5 billion) has been promised by a single fertiliser company.

⁶¹ Key Facts: The New Alliance for Food Security and Nutrition. May 18, 2012. USAID.

⁶² Administratively, FAO has a partnership unit that combines relations with the private sector and those with civil society, even though they are likely to be in opposition at times. This may not be a problem if FAO's team deals diplomatically with these parties. But the evaluation team's interactions with this unit led to the conclusion that very much still needs to be done in this direction.

⁶³ E.g., Suma Chakrabati and Jose Graziano da Silva. Hungry for Investment. September 6, 2012, The Wall Street Journal; and Private Sector is Key to Tackle Hunger. FAO Media Centre. September 13, 2012.

⁶⁴ See FAO Strategy on Partnerships with the Private Sector (Draft). Rome. October 12, 2011.

⁶⁵ For example foreign direct investment in large-scale land developments (“land grabbing”), especially in Africa, has become a topic of international debate because of the associated social and environmental risks. This is not a new subject, but one where FAO has chosen, at least publicly, to remain on the margins.

member governments, or through public-private partnerships, FAO can help to integrate private investment within country strategies and government investment plans. The jointly sponsored Asian Development Bank and FAO East Asia Regional conference in 2010 that brought together several hundred private sector enterprises and relevant public officials is a good example of what can be done.

105. Several interviewees from the corporate private sector noted that to them, working with FAO could be a valuable way to build stable bridges to governments in low- and middle-income countries where FAO has great legitimacy. Private sector investment, although growing, is inhibited by risk and insecurity, and investors believe FAO can help reduce these risks by working with governments and themselves to create a well-regulated, enabling environment.

106. Of course engagement with the private sector has risks, most notably for FAO's independence and reputation. But it also has rewards for member countries (and indirectly for FAO) when private sector investments pay off. These rewards, in a business environment that encourages more and higher quality investment in FNSARD and agribusiness, can include greater food production, availability and nutrition, increased entrepreneurship that can create jobs and make markets more efficient, and greater attention to food quality and safety. To promote these ends, FAO will need to use its technical knowledge, its convening power and its close relationships with member countries to support creation of enabling environments, country-by-country, that make private sector participation in FNSARD a win-win proposition.

4.2.2 As a Knowledge Provider: the 2012 SOFA

107. FAO supports investment in agriculture most directly through TCI and its relations with governments and IFIs. But FAO also contributes to investment indirectly, most notably through its knowledge products and support for work with others, including the private sector. In December 2012 FAO released its flagship report on the State of Food and Agriculture (SOFA), which for 2012 is focused wholly on investment.⁶⁶ This is a landmark assessment of the vital role of investment in FNSARD. It points out that the largest source of investment in smallholder agriculture is farmers themselves. Their decisions are most directly influenced by the investment climate in which they operate. *Inter alia*, the SOFA explains that the public sector, including FAO, has a key role to play in creating and maintaining a positive climate for investment.

108. The SOFA report notes that FAO, along with the World Bank, IFAD and UNCTAD, contributed significantly to the 2009 Principles for Responsible Agricultural Investment that respect rights, livelihoods and resources (see Box 11). These principles, which are currently undergoing an inclusive process of discussion and ratification before being presented to the CFS for adoption, cover a broad range of issues, including respect for land and resource rights, food security, transparency, good governance, and social and environmental sustainability. They are meant to guide both public and private agricultural investment.

⁶⁶ The State of Food and Agriculture 2012: Investing in Agriculture for a Better Future. December 2012.

Box 11. Principles of *Responsible Agricultural Investment* (RAI)

- **Principle 1:** Existing rights to land and associated natural resources are recognized and respected.
- **Principle 2:** Investments do not jeopardize food security but rather strengthen it.
- **Principle 3:** Processes relating to investment in agriculture are transparent, monitored, and ensure accountability by all stakeholders, within a proper business, legal, and regulatory environment.
- **Principle 4:** All those materially affected are consulted, and agreements from consultations are recorded and enforced.
- **Principle 5:** Investors ensure that projects respect the rule of law, reflect industry best practice, are viable economically, and result in durable shared value.
- **Principle 6:** Investments generate desirable social and distributional impacts and do not increase vulnerability.
- **Principle 7:** Environmental impacts of a project are quantified and measures taken to encourage sustainable resource use, while minimizing the risk/magnitude of negative impacts and mitigating them.

109. The SOFA also makes clear that some business models for corporate investment in agriculture are not beneficial to smallholder farmers.⁶⁷ This may be one reason that FAO, with its reputation for fairness, now seems willing to play an active role in helping member countries to manage the growth of private capital in agriculture for the benefit of their farmers.

4.2.3 As a Provider of Technical Expertise for Investment

110. The different technical divisions of FAO support investment to varying degrees in their work with countries providing technical advice and support. Some interesting examples encountered during the team's investigation are given below. However the overall impression after interviewing dozens of staff from all parts of FAO was that the work on investment was generally very *ad-hoc* and supported neither by a clear strategy nor by specific skills.

111. The Forestry Department is regularly asked by member countries for advice and support on investment for sustainable forest management. When it comes promoting an enabling environment for investments, the Forestry Department's understanding of forest governance, institutions and forest management in different countries is often crucial for investment decisions. The Department has a rapidly growing portfolio of GEF investment projects (nearly half of FAO's GEF total) to which it provides technical support. It conducts country capacity building workshops for the development of multi-sector and multi-partner financing strategies for the forestry sector, and it supports national platforms for mobilisation of domestic and donor investment. The Department also provides, when possible, technical support to TCI when TCI lacks the technical capacity to reply to a request for assistance.

112. Work by the Nutrition and Consumer Protection Division (AGN) on mainstreaming nutrition in agriculture investment plans is another example of technical input from a specialised division contributing, in this case, to the investment support work of TCI. This is also an example of TCI's efforts to build better collaboration with technical divisions. It includes training of TCI staff on nutrition concerns in planning investments, support to CAADP work, development of guidelines, and involvement of investment officers from TCI in the preparation of the recent FAO Nutrition Strategy.

113. A further recent example, though related to collaboration between the Plant Production and Protection Division (AGP) and TCI on one particular project, is shown in Box 12 below.

⁶⁷ SOFA 2012. December, 2012. op cit. Page 99.

114. Other divisions, in particular the Rural Infrastructure and Agro-Industries Division (AGS)⁶⁸ and the Agricultural Development Economics Division (ESA) also do quite a bit of work very closely related to investment support. In the case of AGS, it has been the most active participant in Strategic Objective L after TCI, as well as working in areas (infrastructure, rural finance, agroindustry) which are heavily concerned with investment. In the case of ESA, which works on policy support, the 2012 Policy Evaluation found that it does not link its policy work enough to investment. ESA was also involved in the collaboration between TCI and AGN on integrating nutrition concerns in investment support.

Box 12. Plant Production and Protection Division (AGP) and TCI joint support for an EBRD cotton project

The EBRD approached FAO to design and implement a project introducing the principles of the Better Cotton Initiative (BCI), a global public-private partnership promoting best farming practices, using a multi-stakeholder approach in Tajikistan.

In January 2012, TCI and AGP formulated a project for sustainable cotton production intensification in Tajikistan in line with the BCI. Two AGP technical officers participated in the mission organized and launched by TCI. The objective of the project is to promote sustainable intensification of cotton production, including social, economic and environmental aspects, by small cotton growers in Tajikistan through the introduction of the farmer field schools (FFS). An existing EBRD client in Tajikistan was ready to provide a link to the Better Cotton market.

AGP technical officers participated in the round table discussions with TCI, ESA, EBRD, and its private sector clients in May 2012. AGP officers brought extensive knowledge of FFS design and implementation, BCI production principles and criteria as well as technical constraints for the cotton sector development in Tajikistan. The project proposal of USD 3.1 million is currently under consideration by EBRD. AGP staff noted that TCI had maintained an inclusive and participatory approach in the development of this project.

4.2.4 *FAO's Normative and Global Work.*

115. A great deal of FAO's work is on standards, norms and international instruments (for example, phytosanitary rules, genetic resources, food standards, pesticide disposal and responsible fisheries), and on global public goods (such as statistics, work on environment and climate change, information systems for trans-boundary animal diseases, forest resource assessments and analysis of trade in agricultural products). This work is vital because it creates the background against which investors – small or large, public or private – make their decisions. FAO plays the key role of neutral convenor, secretariat, and in some cases advocate. In some areas of its mandate, it is a global regulator, developing and applying standards. In total, more than fifty binding instruments and about fifteen non-binding ones, covering a wide range of topics and substantive sectors, fall under its responsibility. Further, FAO headquarters' work on global policy issues in FNSARD is unequalled (cf. the 2012 Evaluation of FAO's Role and Work in Food and Agriculture Policy), and is used by governments in developing investment strategies.

116. There is a weak link, however, between FAO's global-level work and its country-level policy assistance, and on investment support. Its global work on norms and standards or policy, should be used more actively in its country programmes, to support better and more responsible investment. For this to happen, country officers have to be up-to-date and well-informed on a multitude of instruments, and familiar with headquarters staff so as to know who to ask for support. The reality, however, is that country offices are often staffed with people who have never worked in headquarters

⁶⁸ At the time of writing, AGS is about to get a new director who is currently a Senior Advisor in the Investment Centre. This should greatly consolidate the working relationship between these two divisions.

and have trouble navigating the complex organization of FAO. As a result, the positive influence that FAO's global work could and should have on its country-level support to investment is rarely achieved.

117. Similarly, for FAO's normative work to influence international investments, for example by the IFIs, closer and more extensive cross support is needed between FAO's technical divisions and TCI. Nor should this interaction be viewed as a one-way street – from technical divisions to TCI and the IFIs – but as a two way highway with TCI in particular contributing to the reverse flow.

4.2.5 Policy Advice and Investment Support.

118. Policy implementation nearly always implies public investments. FAO is a major provider of FNSARD policy support to its members (with varying levels of success and impact, as analysed in the 2012 Policy Evaluation), but analysis of the investment consequences of this support is very rarely done, outside of the Investment Centre. FAO's usual locus of action at country level, the Ministry of Agriculture, relies on the Ministry of Finance to provide it with the funds needed to invest in implementing its policies and strategies. Ministries of Finance are likely to base their decisions on an analysis of costs and benefits – potential financial and social returns – and alternative scenarios (as well as the current political imperatives). The evaluation team confirmed the Policy Evaluation finding that the analysis of investment costs of alternative policy options is rarely undertaken in FAO, other than by the Investment Centre in the context of its work with the IFIs.

119. FAO policy documents, projects, global policy meetings and publications, and guidelines were found unlikely to include a thorough and useful (or even any) financial analysis of the outcome of implementing a given policy. Especially with regard to policy advice and support at country level, usefulness can be greatly undermined by the absence of such analysis. Donors, with DFID and USAID in the lead, are becoming more insistent on seeing an analysis of 'value for money' before considering an intervention for funding, and others seem likely to follow.

120. Some direct collaboration does take place between TCI and the policy units in technical departments, and in particular with ESA, the Agricultural Development Economics Division. For example, as discussed in more detail elsewhere in this report, TCI's input has been, key to the success of FAO's support to the CAADP country agriculture sector policy documents, provided by the Policy Assistance Support Service (TCSP) which had to develop implementation and investment plans to qualify for GAFSP grants. There is a significant presence of FAO policy staff at the TCI "Investment Days" – a week-long event each year – where the topic is investment.

121. But there is clearly room for a greatly strengthened interaction between the Investment Centre and the policy units in FAO: ESA but also the policy units for livestock, fisheries, forestry, etc., and most importantly, the regional and sub-regional decentralised offices. The provision of information and advice about investment support to FAO Country Representatives, whose role is to a significant extent one of policy advisor to government, would greatly strengthen their capacity to provide effective assistance to host governments.

122. The 2012 Policy Evaluation recommended the preparation of an FAO Policy Support Strategy, which this evaluation team was told has not yet been started. That strategy should be coupled with a strategy for investment support (see Recommendation I), as these two aspects of FAO's support to its members should be very closely linked. This would also provide an opportunity for TCI to deepen its links to the policy units across the Organization.

4.2.6 The FAO Country Programming Framework.

123. FAO's renewed Country Programming Framework (CPF) process is intended to create the linkage between country development goals and FAO's own strategy. Leveraging technical resources at the sub-regional, regional and headquarters levels, the CPF process examines FNSARD priorities in

a country's national strategy – which FAO can help develop, if necessary – and seeks to align FAO's support with the country's own goals and FAO's Strategic Framework.

124. Based on the interviews with stakeholders in the countries visited as well as in Rome, the evaluation team concludes CPFs are the logical entry point for FAO support to investment at country level, which is in line with agency policy. All of FAO's work in countries is now intended to be included under the CPF, and the cross-cutting activity of support to investment should form part of the design and of the implementation of the whole of FAO's country programme. Strong support will need to be provided to FAO country offices by TCI (which has considered as much in its draft revised strategy document), but also by the Technical Divisions in their specialised fields. It remains to be seen how the CPFs will conjugate FAO's five new strategic objectives with individual country strategies and priorities. Nonetheless, the CPFs will be the mechanism of choice for identifying gaps in country capacities that FAO can contribute to filling, in line with its own priority areas. Early CPFs encountered during the country visits were still unclear as to how these different sets of priorities could be best combined, and, where they were not in agreement, tended to favour national priorities over FAO's.

125. In the countries visited by the evaluation (as is the case in many countries), FAO is generally a member of the government-led or donor-led agriculture sector working groups, where its close, longstanding relationships with ministries of agriculture and its neutrality often give it an important facilitating role. These groups offer broad guidance to agriculture and rural development (sometimes but not always based on good policy analysis), so there are real advantages to having skilled and active field staff able to participate. The CPF mechanism should be used to clarify the contributions FAO can make to these groups, as in many countries FAO plays an active role disproportionate to its financial weight. For example, among countries visited by this evaluation, this was the case in Ethiopia and Bangladesh. However, the level of participation is highly variable and depends on the staff and skills available.

126. The CPF process, still at an early stage, could clearly help to determine desired results of investment support, both in country and organizationally. Moreover, it also holds the potential to encourage more coherent thinking within governments and together with their donors about FNSARD investment right across the sector.

4.2.7 The FAO Field Programme and Decentralised Offices

127. Through its headquarters and decentralised structures, FAO manages, implements and monitors the Field Programme, a portfolio of projects at the country, regional and global level. The total size of this portfolio for the biennium 2008-2009 was \$1.2 billion or \$600 million a year.⁶⁹ About 9% of this comes from FAO's regular budget through the small Technical Cooperation Programme (TCP) projects. The remainder of the portfolio is financed from extra-budgetary sources (also referred to as 'voluntary contributions') and comprises emergency (45.5%) and non-emergency (44.7%) funding, mainly in the form of donor-funded, FAO-executed projects, as well as a growing number of FAO projects funded by the recipient country itself, known as Unilateral Trust Funds, or UTFs.

128. During visits to decentralised and country offices and in discussions at headquarters, the evaluation team found that the portfolio of non-emergency projects, worth about \$245 million annually, does not appear to be guided by an overarching strategy, but instead is mainly driven by professional interests of staff members and technical units and by government requests (recipient or donor), which in turn are also often driven as much by special interests as by national strategy.

129. Much of FAO's field programme is related to policy advice and to capacity-building in one or another area of FNSARD. However, a thorough search through FAO's project and technical assistance databases failed to uncover any discernible or deliberate focus on support for investment:

⁶⁹ Programme Implementation Report 2008/09

the analysis⁷⁰ showed that worldwide, between 2007 and 2011, only about 3% of the field programme budget was allocated to projects focused on investment. A more in-depth analysis of FAO field activities in the twelve countries visited for this evaluation confirmed the same 3% share for investment on average.

130. Other than the occasional exception of an officer with a personal interest in investment, the team found that in the regional, sub-regional and country offices, there was virtually no capacity or interest in providing the support to investment that is key to FAO having a positive impact on FNSARD. The only work that clearly relates to investment is that of the decentralised investment officers, discussed in section 4.3.2 below.

131. In discussions at country level, the evaluation found that, at present at least, FAO is missing an important opportunity to use its local actions to drive forward a more strategic, systematic, country and partner-based contribution to investment support. A more systematic approach to country level work through the CPF process may change this outcome, on condition that the importance of providing direct support to investment becomes embedded in the system. A substantial part of FAO's portfolio of projects should increasingly be guided by, and seek specific results in, helping public sector agencies build investment related country capacity, most especially how to construct, implement and monitor cross-sectoral FNSARD investment strategies.

4.3 Performance of the Investment Centre Division

132. Investigations during this evaluation show that TCI faces a number of challenges:

- the lack of human resources needed to satisfy the demand for its services;
- uncertainties about how it will align with the new strategic objectives;
- the need to strengthen the focus on capacity building work, both externally (in countries) and internally (in FAO);
- the challenge of managing the decentralisation process;
- the perceived decline in the quality of its work and related issues of capacity and seniority;
- serious financial constraints; and
- a continuing difficulty in leveraging the extensive knowledge and expertise embedded in other parts of the organization.

133. Nonetheless, TCI was found to have made some progress in some areas such as

- increasing the attention to gender in its work,
- maintaining its professional stature with key IFI partners,
- shifting more of its work upstream,
- developing skills and a programme of capacity development activities,
- maintaining and strengthening old partnerships and forging some new ones
- strengthening internal collaboration and finally beginning to wear down years of prejudice.

134. This section first reviews what some recent reviews and evaluations have had to say about TCI, and then explores in more depth some of the key strengths and difficulties of TCI in providing an optimal service. Where appropriate, the section makes some suggestions about what could be done to improve performance, in anticipation of the recommendations in Chapter 5.

⁷⁰ The analysis tracked key words (Investment, Invest and Investing in English, French, Spanish and Portuguese) in project titles, objectives and major activity, as well as tracking SO-L labeled projects. In the case of the twelve case-study countries, the tracking result was double checked project by project to avoid misinterpretation and omissions.

4.3.1 Recent Reviews of the Investment Centre

4.3.1.1 The 2009 TCI Self-Assessment and Draft Strategy, and 2012 Update

135. Addressing the findings of the IEE, TCI in 2009 developed a draft strategy based on a self-assessment.⁷¹ This involved extensive consultations with governments, FAO Country Representatives (FAORs), FAO technical divisions, IFIs and other partners. The strategy aligned TCI's organization and functions to FAO's Strategic Objective L (SO-L), which calls for "increased and more effective public and private investment in agriculture and rural development" and aims to improve investment outcomes by bringing the expertise of FAO's technical departments to bear on its work.

136. TCI considers its own comparative advantages to include:

- Capacity to draw on a wide range of technical expertise, knowledge, tools and institutional memory from FAO's technical divisions;
- Capacity to act as a neutral facilitator between governments, funding agencies, farmer organizations, civil society and the private sector;
- A multi-disciplinary staff, experienced in policy and strategy formulation, investment planning and project design, with strong regional and country experience and a flexible, disciplined and responsive approach.

137. Building on these, TCI seeks to improve its work with:

- A stronger, more integrated country focus through, for example, CAADP compacts and Country Investment Plans, country-based collaboration (such as between TCI and IFAD in Cambodia and Nepal) and strengthened support to crisis areas such as the Horn of Africa;
- New partnerships in emerging and transitional economies, such as with the EBRD in Europe and North Africa and the IFC, with an increase in upstream work and stronger links with the private sector;
- Closer collaboration with FAO technical departments, more support to field offices, and greater focus on knowledge-sharing and learning through quality reviews, dissemination of knowledge products and participation in thematic groups;
- A renewed emphasis on sustained and sustainable capacity development; and
- Strengthened quality through feedback from partners and stronger financial and budget management.

138. TCI's strategy was **revised in 2012**⁷² as part of FAO's Strategic Thinking Process. The 2012 revision was carried out by TCI staff without repeating the wide consultations of the first round, and focuses on FAO's five new strategic objectives, which are listed in Box 3 of Chapter 2 and are still being finalised at the time of writing. The challenge for TCI now is to deliver these aims through closer internal cooperation across FAO's technical divisions in an alignment with the five new objectives. This is a challenge to be confronted in the context of FAO's increased attention to country support (and hence decentralization) and the Director General's special concern with the eradication of hunger. TCI's 2012 Revision continues to use the three original Organizational Results of the 2010 Strategic Framework, while fitting them into the cross-cutting role that investment support should have under the new Framework. It argues for a rational approach to the proposed further decentralisation of TCI, suggests much greater internal collaboration, stronger partnerships, active involvement in the CPF process and greater engagement with FAORs, greater integration with policy work, focus on capacity development, support to donors' aid harmonisation, and then at the end, almost as an afterthought, engagement with civil society and the private sector.

139. Other than its inadequate treatment of the private sector, this proposed strategy matches the conclusions and recommendations of this evaluation quite closely. The hope is that with the impetus

⁷¹ TCI (July 2009) FAO Support to Investment: Draft Strategy

⁷² TCI (June 2012) Strategy Revision to Address TCI's Role in FAO Support to Investment.

of the evaluation and with a refined and finalised strategy, TCI and FAO will be able to move ahead with a faster and more determined implementation of the strategy.

4.3.1.2 *The 2011 Evaluation of the EBRD/FAO Framework Agreement.*

140. In 2011, EBRD evaluated the FAO Framework Agreement⁷³ under which TCI provides services to it. The evaluation was positive, judging the agreement to have been successful. Key findings were as follows:

- TCI provides significant efficiency gains for the EBRD, with the cost of TCI's work relative to lending volume very small, at 0.2%;
- Assignments average five or six a year, but have increased sharply since 2006;
- The twenty-four TCI tasks reviewed (from a total of seventy-four) contributed to forty-five investments amounting to about \$790 million; and
- A number of activities concern policy initiatives which were not directly related to investments and in some cases protected the EBRD from investment risks and errors.

4.3.1.3 *The 2012 FAO Policy Evaluation.*

141. An evaluation conducted in 2011 by FAO's independent Office of Evaluation (OED) of "FAO's Role and Work in Food and Agriculture Policy" concluded that FAO enjoys unmatched levels of trust, access to governments and technical knowledge, making it "better suited than any other organization to help developing countries identify, adopt and implement the policies that address hunger, poverty and sustainability."⁷⁴ The policy evaluation noted favourably TCI's work that supported the IFIs, especially the World Bank, by for example helping to develop country investment plans for the agricultural sector under a number of programmes and funding facilities. Nevertheless, it also says that FAO does not play a leading role in policy support at the country level and that TCI's good work was often not recognised as coming from FAO, partly because TCI failed to leverage the expertise of staff in FAO's technical and policy units, relying instead on the heavy use of consultants.

142. The evaluation emphasises that sound policies and sound investments are closely linked. In the case of country investment plans, for example, solid analysis of the financial, social and environmental costs, benefits and options are essential. Unfortunately, outside TCI, FAO's capacity for this kind of work was "remarkably absent."⁷⁵ The evaluation argued that as a result, FAO had had little success convincing ministries of finance and donors to fund investments in agriculture. Attributing this in part to "...insufficient interaction between policies, investment and technical knowledge," the evaluation also concluded that "links between TCI and other units in the regions and at headquarters continue to be relatively weak."⁷⁶

4.3.2 **Decentralisation and TCI**

143. Many IFIs and other donors have significantly decentralised their operations in recent years, which has helped achieve both greater sensitivity to local needs and greater coordination between development partners, among themselves and with national stakeholders. This coordination often takes the form of in-country working groups that, *inter alia*, plan and coordinate FNSARD investment strategies in country and to maintain close links to governments and the private sector. In June 2012, FAO's Council adopted decentralisation as one of the five pillars of the Director-General's priorities.

144. This evaluation has looked carefully at the role decentralisation should play in supporting investment. Having field offices with professional staff close to partners and key stakeholders has

⁷³ EBRD Evaluation Department (January 2011): Operation Performance Evaluation Review: FAO Framework Agreements: Regional

⁷⁴ Evaluation of FAO's Role and Work in Food and Agriculture Policy. 2012. FAO, OED. Rome. Page xi

⁷⁵ Ibid page 76

⁷⁶ Ibid page 76

obvious benefits for FAO, but not all functions are best performed through a decentralised structure. Moreover, *ceteris paribus*, decentralisation usually raises operating costs: very conservative estimates made by the team based on data from TCI put the cost of locating senior professional staff in field offices at 11% to 16% higher than having them in Rome.

145. The 2012 evaluation of FAO's policy work, discussing some key principles of decentralisation,⁷⁷ pointedly underlined the tenet that "form follows function" and one size does *not* fit all. For example, staff with highly specialised skills are best not decentralised, but broader-gauge staff who can respond to diverse local demands may be better used when decentralised. Decentralisation can provide real benefits when a situation is quickly changing following a crisis, but it should never put the core work and capacities of the organization at risk.⁷⁸ Accountability for decentralisation works best when fiscal, administrative and political elements of the process are fully aligned and there is a sound policy of rotating staff. It is often the case, however, that financial decentralisation lags behind administrative devolution.⁷⁹

146. In 2011 and 2012, FAO moved aggressively to increase decentralisation, guided by the overarching idea of getting closer to its country membership. Overall, in the case of TCI, it was reported to the team that about one third of its staff are expected to be posted outside of Rome.⁸⁰ A broad assessment of FAO's push to decentralise is beyond the mandate of this evaluation, but its impact on TCI's ability to do its work is of central interest.

147. Traditionally, TCI has been a Rome-based division. Following the IEE, it was asked to post eleven of its ninety investment officers to the field (not counting its fifteen vacant positions). Of the eleven staff in field offices, nine are "decentralised," one is "assigned" to a regional office and one is "assigned" as a liaison officer with the World Bank. Both types of officers are paid 40% from the Regular Programme and 60% through billings, but:

- Decentralised officers work largely under the authority and the supervision of the Regional/Sub-regional Offices where they are located, except for a fairly small share (30%) of their work that TCI provides directly; and
- Officers 'assigned to the field' remain under TCI management and focus on TCI work, but are expected to put about 20% of their time at the disposal of the decentralised office hosting them, as compensation for their office accommodation and other host provided services.

148. In its evaluation of decentralisation including several visits to regional and sub-regional offices, this team found the value of some decentralised investment officers to be modest – limited partly by their own weaknesses, partly due to lack of clearly focused management, and partly by their lack of knowledge of FAO as a whole, since several had been hired regionally rather than being sent from Rome. The IFIs maintain that "it is easier to interact with central teams and TCI staff are of less value if limited to one country or sub-region, or if associated with the office of one or another IFI at country level."⁸¹ Among the IFI staff consulted by this evaluation, none favoured further decentralising TCI. Nevertheless, TCI has recently been directed to decentralise a further thirteen professional staff, a move that, unless carefully managed, is likely to reduce TCI's capacity and effectiveness as well as increase its costs.

149. At the local intersection of decentralisation and investment, the biggest gap in FAO's field capacity – and also its biggest opportunity – is in FNSARD policy analysis, investment strategy and the development of common understandings about expected results. FAO has a unique ability to contribute to multi-sector, sector and sub-sector policy, strategy and expected results alongside government, funding partners and civil society. Together with capacity development, this is more

⁷⁷ Evaluation of FAO's Role and Work in Food and Agriculture Policy. OED. January 2012, page 94, and Independent Evaluation of FAO's Decentralization. 2004. OED, paragraph 31.

⁷⁸ IEE. Op cit. Paragraph 909.

⁷⁹ Independent Evaluation of FAO's Decentralization. 2004. OED.

⁸⁰ It has been very difficult to get reliable and final staff figures which agree on the number of Regular Programme posts, vacant posts, project posts, decentralised posts. This could be either 22 out of 75 RP posts, or out of 65 RP posts, according to the two most reliable sources, and not counting the 9 currently decentralised posts.

⁸¹ Ibid. Paragraph 163.

relevant to field offices today than the decentralisation of “downstream” work on specific investments as typically performed by TCI.

150. Therefore, after extensive discussions at all levels in FAO both in Rome and in the field, the team believes that in further decentralising TCI, management must make well considered and informed decisions regarding **who** to send **where**, **when** and for **how long**. Well made decisions considering these factors have the potential to add value. Conversely, again, ill-considered decentralisation will raise costs and reduce productivity and effectiveness. Also, given TCI’s unusual business model, “out-posting” is greatly preferable to full decentralisation. Well planned rotations between HQ and the field would be another means to increase effectiveness, maintain professional standards and help to build capacity for investment support among staff outside of Rome.

4.3.3 Capacity Development: Innovative Results Monitoring

151. The team has considered the fact that capacity development work under Strategic Objective L, in spite of it being a key core function of FAO (as noted above, one of the two most important functions of FAO according to the IEE, along with policy support), has functioned for the past three years with no Regular Programme allocation. All the funding has had to be raised from extrabudgetary sources. The programme has had considerable success in raising such funds (from Germany, the European Union, GAFSP, FAO’s multidonor fund, etc.), but it remains underfunded to achieve its aims, i.e., to account for 20% of the work of TCI. The new TCI strategy gives great importance to capacity development, and should be supported by Regular Programme funding in the 2014-15 budget. This evaluation would strongly favour that outcome.

152. That being said, while countries and partners recognize that FAO contributes to capacity development for investment, team interviews in the field, with few exceptions, indicated that this work still has limited effect. Interventions are not strategic, approaches are fragmented and project based. Results of the evaluation survey analysis indicate mixed opinions on the effectiveness of this work (see Figure 8). At the same time, capacity development is the area of TCI work that the survey revealed to be most in demand (see Figure 9). In particular, countries and partners recognize that capacity development should address upstream investment – policy dialogue and strategic planning – an area of opportunity for FAO. But, despite the various trust fund-financed activities on capacity development, both the budget and the culture of TCI’s work remains strongly tilted towards investment project support.

153. The training programme has benefited from close interaction with the Office for Knowledge Exchange (OEK), where the specialist skills for capacity development are housed in FAO. In addition to the amount of training that has taken place, one important aspect of the capacity development work of TCI has been the programme’s efforts, with OEK support, at developing an effective results monitoring system. Measuring results (not outputs) of capacity development has always been difficult, and TCI has conducted surveys to assess whether trainees felt the training had benefitted their work and has been working on more innovative tools to measure country satisfaction and a ‘usefulness score.’ The team was not able to review all of these tools as some are still being developed and tested, this level of measurement stands out as a particularly ambitious effort, especially given that the quality of monitoring across the Strategic Framework is still so weak.

Figure 8: Appreciation of Capacity Development Services by TCI

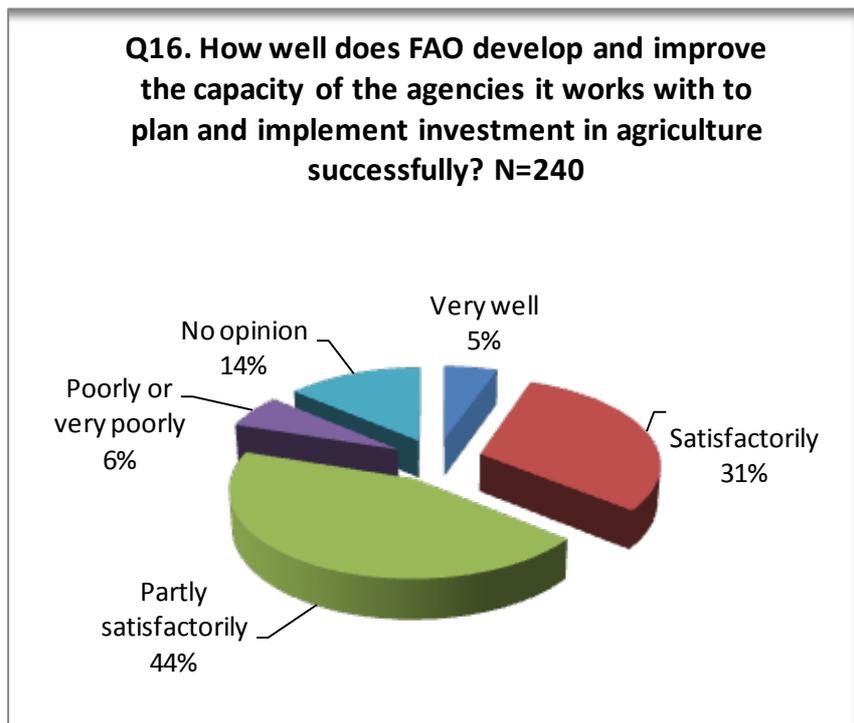
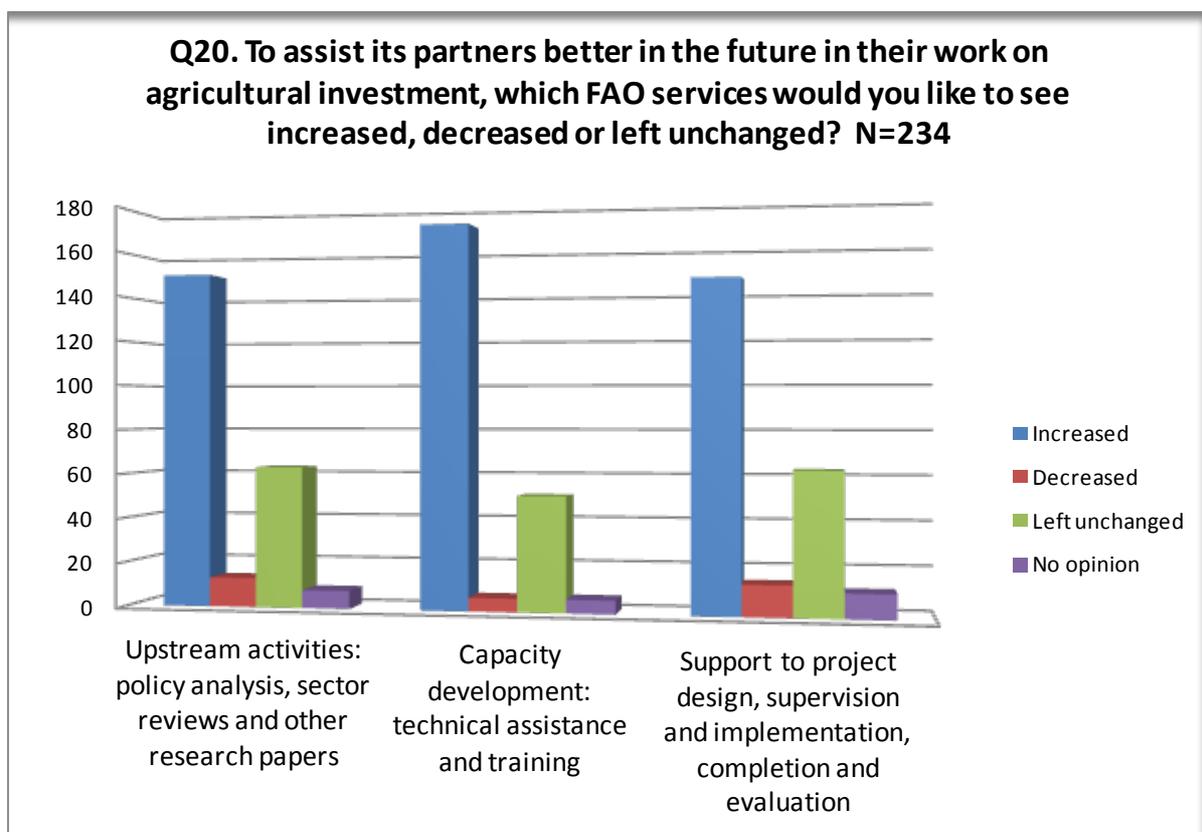


Figure 9: Request for support under L1, L2 and L3



4.3.4 Quality of Work.

154. In its interviews with IFI partners and country stakeholders, the team encountered a wide range of opinions as to the quality of TCI's work. In the twelve countries the evaluation team visited there was generally a reasonable degree of satisfaction (in some cases very high, e.g., on TCI supported projects), but a feeling in some cases that the calibre of TCI staff and consultants was falling. Among IFI partners, opinions ranged from extremely positive (World Bank and EBRD), to mixed (IFAD), to quite negative (AsDB). These differences are mainly explained by the specific histories of each of these relationships. In the case of IFAD, for example, for many years (when TCI was organised according to clients), IFAD staff felt, probably rightly, that TCI was assigning the best people to the World Bank services, and IFAD was receiving second-tier staff and consultants. There is also a widely held view amongst almost all stakeholders that underuse by TCI of the resources in FAO's technical divisions limits the quality of its work.

155. Maintaining quality has also become increasingly difficult with the declining seniority of TCI staff, in particular the falling number of P5 and D level staff who previously provided systematic peer review and mentoring support to TCI staff and to consultants. Noting that quality is a real challenge, TCI introduced a formal quality control system in 2010. This system involves assessing the risks of each assignment up front, so that riskier tasks get more support and mentoring. However, a review of the system in November 2011 found that it had not been fully institutionalised, with only 61% of assignments assessed, of which 84% were given the lowest risk ranking and only 0.5% the highest. There is clearly room for improvement.

4.3.5 Gender and Investment.

156. That men and women should be treated equally is now well established in societies that respect human rights. Ensuring that both genders can contribute to progress to the best of their abilities enriches society as a whole, and gender equity in investment is an important means to that end.

157. Shortly after the IEE was accepted, FAO launched a new policy for gender that was soon followed by a new Gender and Development Plan of Action for 2008-2013. Under the latter, TCI committed to six actions:

- include gender considerations in all TCI-led tasks under the World Bank Cooperative Programme;
- embed gender issues in all TCI projects and studies prepared for IFAD;
- address gender dimensions in all TCI projects prepared for regional, sub-regional and bilateral institutions;
- sensitise all TCI mission leaders and ensure they address gender issues;
- revise guidelines on sociological analysis in investment project design to incorporate gender analysis; and
- significantly increase the number of female professionals working in TCI.

158. To act on these commitments, a baseline report using 2007 data and including performance targets was prepared by TCI's gender focal points⁸² (responsible staff). This was followed up in 2008-2009 and 2010-2011.^{83,84} The results show that TCI has made progress with respect to raising its capacity and the quality of its products. The 2007 baseline indicated that 52% of TCI's products were inadequate with respect to gender but by 2010 this had fallen to 33%.

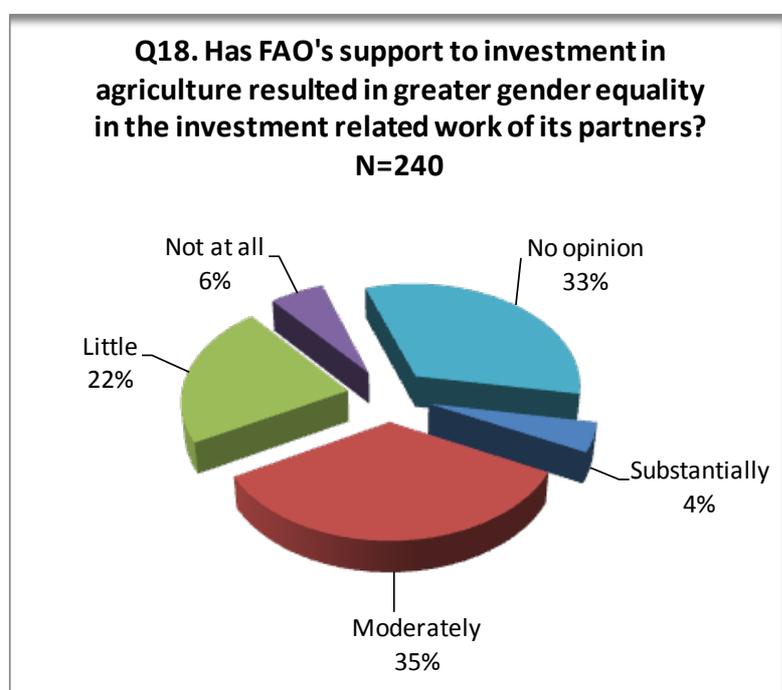
⁸² Baseline Report: Gender Mainstreaming in the Investment Centre Division's (TCI's) work. May 2009.

⁸³ Biennial Review 2008-2009: Gender Mainstreaming in the Investment Centre Division's (TCI's) work.

⁸⁴ Biennial Review 2010-2011: Gender Mainstreaming in the Investment Centre Division's (TCI's) work. Draft.

159. The draft report for the last biennium indicates some slippage, however, with the number of inadequate products increasing to 42%, despite a substantial effort by TCI's gender focal points. There are several reasons for this. First, not all TCI's partners are equally committed to gender equity, with some highly committed (IFAD) and others less so (EBRD). But all are improving.⁸⁵ The World Bank continues to be deficient, with only 51% of products rated as adequate, despite a four-decade history of raising the profile of gender equity. Second, some sub-sectors provide greater challenges in promoting gender equity, including some new areas such as agri-business and value chain development. Third, not all regions are equally responsive on gender: for example TCIN, which serves Eastern Europe, Central Asia and the Caucasus, still had 60% of its outputs rated inadequate in 2011. But this is a region where TCI work is expanding, especially in private sector development where support for gender development has traditionally been low. As TCI's work in private sector development is expected to grow rapidly, this will be a drag on progress unless new ways are found to influence conduct. Nor does the evaluation survey provide much comfort (see Fig. 10 below). Only about a third of respondents (35%) declared that FAO's support to investment in agriculture had contributed moderately to achieving greater gender equality in the investment related work of its partners. And, the high rate of respondents with no opinion (33%) probably signals uncertainty perhaps because the integration of gender issues into investment plans is still a work in progress.

Figure 10 – Gender impact of investment support



160. TCI has approached its work in support of gender equality with great seriousness and effort. Because of its role as a contributor to work mainly led by IFIs, however, and its limited leverage over the content of investment project designs, its success is measured by the quality of its human resources and their outputs - documents that seek to guide investment decisions. Neither of these is a measure of outcomes – such as improved access to technology, inputs and credit by women farmers, a more equal distribution of property rights and incomes between men and women, improved productivity and profitability of agriculture on farms managed by women, or women's enhanced contribution to food security. In addition, even the best designed programme or project can have little impact where gender equality is not broadly accepted as a vital development issue and strong cultural impediments to gender equality continue to exist – conditions still found in the agriculture sector in many of FAO's member countries.

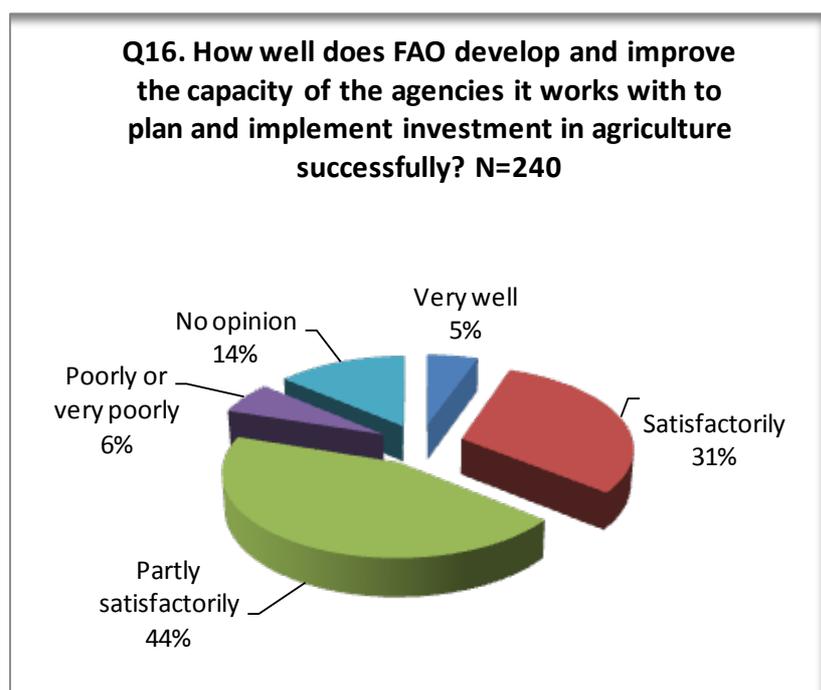
⁸⁵ TCI can probably claim some credit here. The "gender sensitivity" of products they have worked on jointly with the IFIs is improving.

4.3.6 External Partnerships: a Stronger Role for FAO

161. Chapter 3 discussed TCI's new and improving partnerships, which together with older ones have undoubtedly helped FAO to support growing lending by the IFIs – estimated by TCI at \$62 billion in 163 countries since the CP started nearly 50 years ago. The extent to which FAO's work, however, has increased lending over what the IFIs would have done without TCI is unknown (except for the special case of TCI's GEF unit). Nevertheless, TCI's main IFI partners – the World Bank, EBRD and IFAD – freely recognise that nowadays they cannot deliver their lending programmes without help from TCI. Figure 11 below gives an idea of how survey respondents view the impact that TCI can have on the IFIs. Overall, 81% feel that FAO does have some impact, though only 36% rate it 'satisfactorily' or 'very well.'

162. Among TCI's main partners, the World Bank has consistently accounted for 50-60% of TCI work since 2007. IFAD is the second most important partner, with activity more than tripling to 17% in the last three years. EBRD work has also grown consistently over the last five years, though it is still at about 10% of TCI work. Finally, as noted earlier, the amount of activity financed by trust funds has increased almost ten-fold since 2007, but still accounts for only about 10% of TCI income. Geographically, Africa and Asia are the two main regions, together accounting for 53% of staff-weeks, with Asian work, once very large, again on an upward trend.

Figure 11 – FAO impact on IFIs



163. As the IEE noted and this evaluation confirms, the quality of FAO's professional contribution to its partnership with the World Bank is at least as good as that of the Bank's own staff or any similarly-priced market alternative. The Bank should thus be (and, according to some of the evaluation's interlocutors at the Bank, would be) willing to pay 100% of the cost of the services it obtains from TCI.⁸⁶ Further, because TCI understands World Bank procedures and processes at least as well as its competitors, if not better, and because FAO has a very long and trusted relationship with the Bank, as well as with many countries, it could in principle seek a premium price for its work. If

⁸⁶ One or two observers argued that FAO is currently in the driving seat as none of its IFI partners have adequate internal capacity to deliver current, let alone the anticipated, volumes of FNSARD lending.

this were so, FAO's services to the World Bank would be subject to a strict market test. It would also, of course, render the relationship between the Bank and FAO a strictly commercial one, of principal and client. This would no doubt be in keeping with modern times, but far from the vision of 1964 and inconsistent with FAO's ethos. FAO including TCI is, and considers itself to be, a partner of the IFIs with a very different status from a private consultant. TCI management therefore clearly rejects the idea of seeking full reimbursement. It might also provoke the World Bank into reconsidering its use of TCI and going directly to the open market consultant pool.

164. An alternative arrangement, and one closer to what FAO would like, would have the Bank work with FAO not in a principal-client relationship but in a true partnership. FAO would not simply contribute to Bank-led missions but would share on an equal basis the responsibility for designing and implementing investment work.⁸⁷ To achieve this, FAO would have to ensure that its professional contributions are always of the highest calibre, are drawn from all relevant parts of the organization and are delivered according to an agreed timetable. Working this way, FAO would be able to ensure that its development principles and priorities are fully taken into account and that all the resources of the organization are applied to each task. Such equality of enterprise should be matched by an equality of funding. FAO would thus raise its cost-sharing contribution to 50%. While this may seem like a high figure, had such an arrangement been in force in 2011 for example it would have increased FAO's annual contribution from \$3.9 to about \$6.5 million, an increase of only \$2.6 million. This was the arrangement in the original Cooperative Agreement with the World Bank.

165. In such an arrangement, FAO's higher share would be justified on the grounds that it provides a public good and that it is acting (more extensively than it does now) on behalf of its member countries – lending even greater legitimacy to its roles in project design and implementation and allowing members to share in the cost of their own capacity development. This arrangement could also be considered for other TCI partners.

4.3.7 *Internal Partnerships.*

166. There have been repeated calls for TCI to make better use of the resources of FAO's technical departments so that it can respond to the growing demand for investment services, ensure that FAO's large body of normative work gets applied, and scale up the successes of smaller FAO projects.

167. As a result of the financial, structural and cultural obstacles outlined in Chapter 3, the outcomes of trying to build partnerships internally have been idiosyncratic and sometimes a cause of friction within FAO. There is certainly a big difference of opinion (between TCI and the technical departments) on how well TCI uses the resources of the technical departments (see Figure 12). This friction imposes hidden, but substantial, real costs on FAO's overall contribution to supporting investment. Without the right institutional incentives, this is unlikely to change. Less than a quarter of FAO respondents in the evaluation's survey thought that the knowledge and expertise of FAO's technical divisions was used well or very well in support of investment, but interestingly, nearly 40% of the IFI respondents felt they were getting good access to FAO expertise (see Figure 13).

⁸⁷ Task leadership is unlikely to be shared even if FAO were a more equal partner on account of the greater (financial) strength of the IFIs. Nevertheless, a bigger say in project design and implementation would allow much greater opportunity for FAO to introduce its knowledge, perspectives and values as well as to gain in influence.

Figure 12 Drawing on the Technical Depts.

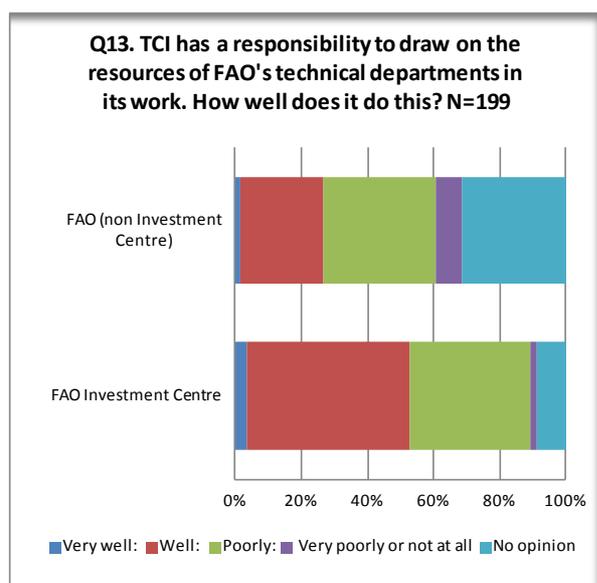
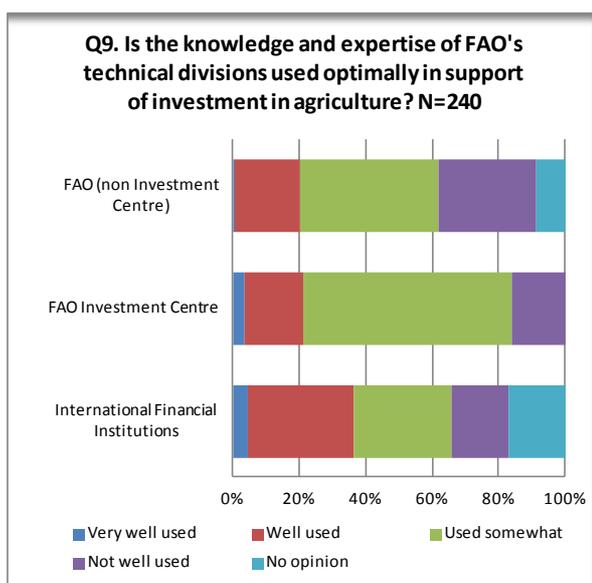


Figure 13: Using FAO expertise



168. Nevertheless, there have been several successful partnerships between TCI and other divisions: see section 4.2.2 above, and Box 13 below. Moreover, the evaluation finds that TCI provides FAO as a whole with an essential door to the world of investment. Many staff said that, without TCI, key external assignments simply would not happen, and they would lack the opportunities and resources to make a meaningful impact on the IFIs.

Box 13. Examples of internal cooperation

Several good examples were found of solid cooperation with TCI, often supporting World Bank advisory and analytical work or lending. See also section 4.2.2 above.

TCI has worked with

- the Forestry Department (FO) on a national forestry strategy for Liberia;
- the Plant Production and Protection Division (AGP) to support the World Bank seed sector development in Afghanistan;
- Rural Infrastructure and Agroindustries Division (AGS) on a number of issues related to agribusiness and finance;
- the Agricultural Development Economics Division (ESA) on policies, public expenditures and incentives to producers in Africa under the Monitoring African Food and Agricultural Policies project (MAFAP);
- Emergency Operations and Rehabilitation Division (TCE) on routine needs assessments, transitions from emergencies to development and accelerated rebuilding on the ground, for example after Haiti's 2010 earthquake, where TCI links to the World Bank accelerated FAO's support.

Other examples concerned FAO's own agenda, such as with

- the Rural Infrastructure and Agroindustries Division (AGS) on market development
- the Statistics Division (ESS) to support preparation of FAO's Statistical Yearbook and studies on food price volatility.

169. In 2007-2011, TCI used 1,245 staff-weeks supplied by FAO's technical divisions (about 6% of its total billed staff-weeks, including consultants) and 10% of the staff-weeks worked by all FAO staff. The annual total number of staff-weeks from the technical divisions used by TCI has been fairly stable over the past few years, despite repeated calls for TCI to make more use of technical staff. In some parts of FAO, there is close collaboration with TCI, but in others, where opinions of TCI remain negative and even hostile, there is little collaboration.

170. The persistence of the "silos" and other impediments described in Chapter 3, that constrain internal collaboration, reflects many factors, starting with the lack of a shared vision, shared strategy and shared outcomes in FAO as a whole. These shortcomings may be ameliorated, and even removed, when FAO's new Strategic Framework is implemented in 2014.

4.3.8 The Implications of the New Strategic Framework

171. As noted in Section 2.4, FAO's five new strategic objectives have the potential to change FAO's silo driven behaviour. There is an expectation that the budget, or at least the regular programme budget, will be allocated among the objectives rather than to specific departments and divisions. To get budgetary resources, units within FAO would then have to align their work programmes with the strategic objectives regardless of the organizational structure.⁸⁸ For this to happen, it seems likely that barriers to internal resource transfer would have to be removed or reduced or a new budget allocation mechanism designed. It is unclear, however, how this would affect TCI, or even if TCI would continue to receive a regular programme allocation or be required to earn all its income from external sources. This evaluation, however, is of the view that TCI's business model and partnerships with the IFIs should be retained, and strengthened with a greater FAO contribution (section 4.3.6 above). It has been proven to be effective and remains a powerful instrument with which FAO can continue to exert global influence.

172. However, the implication of the five new strategic objectives goes much further than that. As one senior interviewee pointed out, the nature of each of the five new SOs has implications for where (what regions) TCI will focus its work, how it will collaborate across divisions in house, how it will manage relations with its partners (the IFIs for example), and generally how it does its work, including selecting new staff, assigning tasks to existing staff, and more.

173. Work under the new strategy is planned to become much more country driven, and the assumption is that countries will begin to come forward to ask for FAO support under the new SOs. TCI will need to find ways (if it is to work according to FAO priorities rather than IFI priorities) to bring its IFI partners on board to focus on the areas identified by the five objectives. TCI's skill set may not be fully adapted to these new requests, which will have implications for the way it uses and hires staff. It will also have implications for the people in TCI's partner institutions with whom it interacts. Achieving "zero hunger" implies working with people not only in agriculture, but in health, social protection, or elsewhere. This will have to be part of the high level dialogue which this evaluation recommends (Recommendation II) that FAO should undertake with the IFIs.

4.3.9 The case for expansion.

174. An analysis of data from the TCI management information system shows that TCI staff spend an inordinate amount of their available time on project-related work, much of it involving extensive travel.

175. Nominally, the underlying data would suggest that only about 54% of staff time was actually billed to one of FAO's partners. However, two factors distort the picture:

⁸⁸ When Africa staff were offered the opportunity to work in multidisciplinary results oriented teams, they were enthusiastic to do so as were their HQ counterparts.

- The data do not make allowance for the fact that most TCID staff and the service chiefs are mainly engaged in non-billable management and administration work; and
- Not all project-related work is billed: As noted in Box 14, TCI has paid the full cost of more than 20% of the services it delivered to partners in recent years.

176. Taking these factors into account, this evaluation's analysis suggests that more than 90% of the available time of TCI staff is spent on project-related work. This is a very high level. A more normal workload would be about 80%. TCI is at full capacity and, in the eyes of some, overloaded.

177. This heavy demand on TCI staff time occurs despite the substantial use of outside consultants. At 46%, the recent short-term average use of consultants outlined in Box 14 scarcely differed from the long-term share of 48%. Consultants' share of total staff-weeks has been relatively stable, except in 2002-06 when severe depletion of TCI staff resources caused it to peak at 54%. Some twenty consultants work with TCI on a regular and nearly full-time basis and are treated as an extension of the permanent staff, and a larger group do less frequent assignments.

178. The use of consultants is beneficial to some degree. It gives TCI flexibility and is cost-effective. TCI cannot maintain permanent staff for every discipline, so some specialised skills must be hired in as and when needed. Since fees paid to consultants are generally below the staff-week fee rates charged to partners, use of consultants generates more revenue for TCI.

Box 14. Breakdown of TCI 'Billable Staff Weeks'

Between 2007 and 2011, TCI's project work averaged 4,430 staff-weeks a year, including the time of both consultants and staff. On average, about 48% of staff-weeks are provided by TCI staff, 46% by consultants and 6% by FAO staff from outside TCI.

Over the last three years, total staff-weeks devoted to projects rose by 35% as TCI staff numbers recovered from their low point in 2007-09 and the level of IFI activity increased.

Over the five years since the IEE, 82% of project work was recorded as billable. That percentage slipped a little over the last three years, reaching 78% in 2011.

Source: TCI management information system

179. Some partners, however, consider TCI's fees too low to attract high-calibre consultants. They are certainly lower than the rates paid by IFIs and bilateral agencies. And the perceived decline in the quality of some of TCI's work discussed below may be partly attributable to an inability to control and mentor the quality of work done by consultants. Overall, the extensive use of consultants bolsters the argument that the number of TCI permanent staff has been allowed to become too small, especially in the context of rapidly growing demand for investment support services. The problem is likely to escalate, clearly justifying expansion.

4.3.10 *Skills Mix and Seniority.*

180. Agricultural economists and financial analysts are heavily represented in TCI (see Table 1, section 3.2.4), and most staff can work in two or more languages. TCI's skill mix is evolving, and this should be accelerated as both upstream and downstream work expands and the emphasis on capacity building grows.

181. However, there are several indications that the quality of TCI staff has declined over the last five years. First, the level of seniority has fallen. Between 2007 and 2012 the number of senior posts

(P5 and above) declined from 48% of the total to 38%, whilst the number of junior posts (P1, P2 and P3) rose from 14% to 22% (see also Annex 4). The number of D-level positions, following a “delaying” policy mentioned above, across all of FAO since 2006, has declined and two of these are currently vacant. All of the P1s and P2s and about half the P3s are project posts, which are non-permanent. Second, the IFIs consulted during the course of the evaluation generally considered that the capacity of TCI’s existing staff had declined along with that of FAO in general.

4.3.11 Capacity.

182. As Chapter 3 reported, TCI is a global resource whose capacity has been restored to the level of the years before the IEE. But current staff strength is unable to meet demand from existing IFI partners as their lending expands rapidly. And, this takes no account of IFI lending by new partners such as the International Finance Corporation (IFC). It is unlikely that the IFIs will be able to satisfy their needs from their own resources. For example, since 2000, the number of staff in the World Bank’s Agriculture and Rural Development family has fallen from about 435 to about 250. There have also been precipitous declines in the AsDB and the AfDB. Similarly, the capacity of most consulting firms waned with the decline in agricultural sector ODA that Chapter 2 touched on. Fortunately, TCI as well as the IFIs, bilateral agencies and governments can draw on a large cohort of freelance consultants with skills similar to those of TCI staff. But the skills of the current consultant corps will be progressively outmoded over the next several years. And in any event many will retire during that time.

183. Important questions have to do with the future level of global demand for investment skills, and what share of that demand TCI (and FAO more generally) will be able to provide. Conservatively, IFI lending for FNSARD is expected to double to \$15 billion annually⁸⁹ over the next five or six years. Table 2 provides an estimate of the human resources required to support an IFI investment pipeline of that magnitude. Using realistic assumptions,⁹⁰ this would require a professional cohort of around 726 well-qualified professionals to deliver the investment project work, supporting policy and sector analysis, SWAPs and budget support. TCI’s current workforce could satisfy only about 10% of this demand. Although the IFIs will likely respond by rebuilding their own FNSARD capacity, this will undoubtedly lag the rate of increase in lending. Thus, unless TCI expands to meet the increasing demand from IFIs, the capacity gap will widen, with negative consequences for the quality⁹¹ of investment, and possibly even the quantity.

Table 2: Estimated Global Staffing Requirements to Support Increased FNSARD Investment

Annual investment lending likely to be approved	\$15 billion
Percent to projects (rest 50/50 to SWAPs and budget support)	67%
Average project cost	\$100 million
Average project life	7 years
Staff weeks per professional for project work	25 weeks
Project Work	
No of preparation missions	100
No of appraisal missions	100
No of supervision missions (2/year)	1,400
No of mid-term reviews	100
No of project completion reports	100
Staff weeks required	

⁸⁹ Evaluation estimate using expected levels of lending as reported by the main IFIs.

⁹⁰ These assumptions are: (i) two thirds of the funding goes to projects (with the remainder to budget support and SWAPs in equal amounts; (ii) the average project cost is \$100 million over seven years; and (iii) each professional commits 25 weeks per year to project cycle activity including preparation, appraisal, supervision, mid-term reviews and project completion reports; as well as about 17 weeks to upstream work and capacity building.

⁹¹ According to the World Bank there is some circumstantial evidence that the quality of lending operations is suffering as internal resources are stretched more and more.

Policy and sector work (10 weeks/project)	1,000
Preparation missions (35 weeks/mission)	3,500
Appraisal missions (20 weeks/mission)	2,000
Supervision missions (5 weeks/mission)	7,000
Mid-term reviews (7 weeks/mission)	700
Project completion reports (10 weeks/mission)	1,000
Total staff weeks for project work	15,200
SWAPs and Budget Support	
Design and supervision of SWAPs (40 weeks/\$100m)	1,980
Design and supervision of budget support (20 weeks/\$100m)	990
Total staff weeks for SWAPs and budget support	2,970
Total staff weeks for projects, SWAPs and budget support	18,170
Total staff years for projects, SWAPs and budget support	726

184. The evaluation concludes that FAO resources assigned to investment support should be expanded so that FAO has the capacity to meet about 15% of the IFI demand for support in the coming decade. Assuming no changes in fee rates or TCI's regular programme budget the expansion in staff would create a cumulative *funding gap of \$50-75 million* (in constant dollars) over the next ten years, or about \$60-90 million in current dollars. There are a number of ways in which this funding gap could be financed.⁹² . Changing the cost sharing formulae from around 70:30 on average to, say, 80:20 would have a similar effect. However, as described above, this would move the nature of TCI's relationship away from the idea of an equal partnership and towards a largely commercial (principal and client) relationship and is not recommended.

185. Increasing the number of billable weeks per staff member is not considered feasible or desirable given prevailing heavy workloads. There is probably some room for efficiency gains by streamlining procedures (this should be part of FAO-wide reforms), but overhead costs are already quite low, so possible gains are limited. A modest increase, as in recent years, in the regular programme budget is desirable, but FAO's highly constrained resource envelope makes a substantial increase unlikely in the near future.

186. In sum, *TCI must expand* to satisfy the expected demand for traditional project cycle work and to deliver more upstream work and capacity building as well as to engage more staff with newer skills in private sector development, agribusiness and value chains.

187. Several factors make it difficult, however, for TCI to maintain, let alone increase, its staff. FAO's regular programme budget shows little elasticity. In addition, the heavy demands of travel and mission deadlines in TCI, combined with limited promotion opportunities, causes some experienced staff to look outside FAO – to the IFIs in particular – for career advancement.

4.3.12 Organization of TCI.

188. The current organizational structure of TCI (see Box 15) has been in place since 2009. Previously there were five regional services, each with a D-level Service Chief, corresponding to the decentralised structure of FAO as a whole: Africa, Asia and the Pacific, Latin America and the Caribbean, Near East (including North Africa) and Europe (including Central Asia). The consolidation from five to three regional services was driven by falling staff numbers and managerial streamlining (reduction of D1 staff). An even earlier organization had TCI divided into services by the

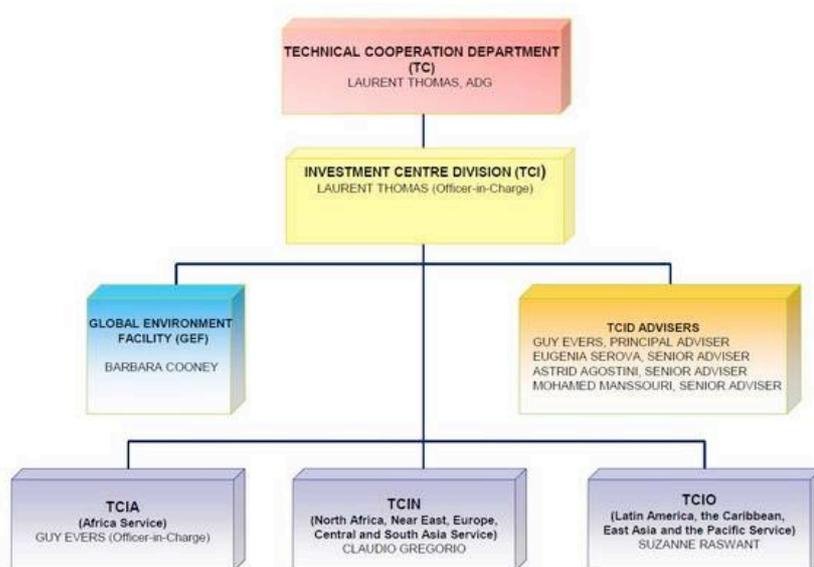
⁹² Internal efficiencies, including clearer priority setting, greater selectivity (doing more by doing less) and budgetary adjustments will also save money. In particular the 20% of project work that is currently un-billed should be trimmed back. Although, such savings would be valuable, they would far from close the gap.

institutions it was working with: three services for the World Bank Cooperative Programme and two

Box 15. Organization of TCI

TCI is a Division of the FAO Technical Cooperation (TC) Department. TCI is currently organized into four sections headed by TCID, the Office of the Director, and three regional sections, known as services. There is also a small and very active Global Environment Facility (GEF) Unit, currently housed in TCI but which operates somewhat independently of the rest of the Centre. Staff numbers are roughly equal in the three regional services. Individuals are assigned to one service but are encouraged to work with other services on specific assignments where their expertise is relevant. On average the amount of time contributed outside of a staff member's 'home' service is about 15%. The regional services, each headed by a Service Chief at D-1 level, include:

- TCIA: Africa Service (29 posts, 2 vacant)
- TCIN: Near East, North Africa, Europe, Central and South Asia Service (27 posts, 2 vacant)
- TCIO: Latin America, the Caribbean, East Asia and the Pacific Service (22 posts, 4 vacant)



more dividing between them the Investment Support Programme with the other IFIs.

189. Given the new directions and changes proposed by this evaluation (see Chapter 5) and FAO's ongoing decentralisation, it is appropriate to re-consider the organization of TCI. The current arrangements group some very different and geographically separated regions under one service (e.g., the Caribbean and East Asia or Europe and South Asia), which makes these services difficult to manage, and increases the amount of travel required. More importantly, TCI's structure is not congruent with that of the organization as a whole, complicates decentralisation⁹³ and exaggerates the difference between TCI and the rest of FAO. A return to five regional services, aligned with FAO's regions is justified as TCI expands (see Chapter 5 Recommendation V) in response to growing demand for its services. This should be accompanied by selective "out-posting" of staff from each regional service to the corresponding Regional or Sub-Regional Offices. This organizational structure would result in the Asia-Pacific and Africa services being considerably larger than the other three, possibly with about two thirds of the total TCA staff complement. But this would not be managerially insuperable.

⁹³ For example the outposted TCIN staff member in the Asia-Pacific Regional Office is assigned to work in South Asia, but not East Asia, although both regions fall under the mandate of the Regional Office.

190. Other organizational options include alignment with the regional structure of the World Bank, or the even older arrangement of alignment with TCI's key IFI partners. The first of these is not likely to be efficient as the World Bank regions are somewhat different from FAO's regions and it is more important, according to the "one FAO" principle, for TCI to align with its own organization than that of its major partner. A return to the older arrangement of the World Bank Cooperative Programme plus other IFIs is likely to prove unstable as new partnerships are forged and existing ones strengthened.

4.4 A Summary Performance Assessment

191. This evaluation finds that progress on important priorities has been mixed. For example, FAO has not played the leading role it should (that leverages its mandate and comparative advantage) in the emergence of new development partnerships and, until recently, it has neglected the important role now being played by the private sector. In its normative work that underpins investment in many ways it has continued as before and essential internal partnerships have not been built. Its work in **providing technical and economic advice to governments** on policies and legislation that influence public and private investment and other aspects of the enabling environment has been only partially satisfactory, just as, despite recent progress, has its work in building country capacity to construct and implement multi-sector strategies and investment plans. Even in its highly regarded support to the IFIs there is room for substantial improvement, not least in expanding FAO's voice.

192. In TCI capacity for policy analysis and work upstream appears not to have changed very much, although TCI's quantum of work in this area has grown somewhat. It is not clear whether this reflects staff flexibility or the choice of consultants employed. A significant effort is being made to address the need to build member country capacity, but despite its importance, measurement of this activity began only in 2010, three years after the IEE, and it has remained totally dependent on extrabudgetary funding.

193. Similarly, TCI has made a significant effort to increase the involvement of FAO's technical and policy divisions in its work. Despite some fine examples, usually between individuals, the overall level of joint effort has nonetheless remained low. Disappointingly, the overall level of experience of TCI staff has fallen, not strengthened as sought by the IEE, as P5s have been replaced by P3s and D-level positions remain unfilled: TCI has done more business in 2012 with fewer staff than in 2007, by drawing on its consultant pool and increasing efficiency. But this has meant significant hardship excessive travel for staff.

194. On the other hand, TCI's budget has grown steadily – from \$21.6 million in 2007 to \$31.6 million in 2012, an increase in nominal terms of 9% a year. This shows that FAO and IFIs responded well to the need to increase lending for agriculture in response among others to the 2008 World Development Report and global food price crisis that followed. Although TCI's revenue and expenditure both grew, however, this was not the result of new or revised cooperative agreements sought by the IEE.

195. The definition of support to investment in Box 2 of Chapter 1 (repeated at the opening of this chapter) provides a useful template with which to capture the evaluation team's overall performance assessment. These overall ratings of FAO's performance with respect to the main elements comprising support to investment suggest that so far, and since the IEE, progress and performance have been less than fully satisfactory. There is substantial scope for improvement – the subject of Chapter 5.

Table 3. FAO's Support to Investment: Summary Performance Ratings

Performance Criteria	Assessments	Rating
Providing technical and economic advice to governments on policies and legislation that influence public and private investment and other aspects of the enabling environment	At the global level significant, at the country level less so, with few exception, e.g., Bangladesh. Work in decentralised offices generally poor. TCI's work at the country level generally satisfactory and growing, but insufficient to meet demand.	Partly Satisfactory
Helping governments to build capacity to design and execute multi-sector, multi-partner investment strategies aligned with their own priorities and to track performance	TCI's capacity development work expanding but constrained by resources; impact at country level still limited. Weak cross support on policy capacity development between TCI and the policy units in other departments and divisions. Multi-sectoral links (beyond MinAgri) and results measurement still weak, though work is being done.	Partly Satisfactory
Contributing to the design, objectives and operation of international development partnerships concerned with investment	FAO lags behind in terms of playing a constructive, and ideally a leading, role in the evolving global public-private partnerships and platforms affecting FNSARD investment.	Unsatisfactory
Building platforms for all stakeholders to engage in the constructive discussion of all aspects of FNSARD investment at country and regional levels	Traditionally a strong area in FAO's work, though not in investment. The major exception is the work on CAADP in Africa and GAFSP elsewhere, as well as work with EBRD (EastAgri). Limited engagement with the private sector a major shortcoming.	Partly Satisfactory
Defining, disseminating and tracking the adoption of global standards related to the safety, quality and social, economic and environmental value of investment	A strong performance by FAO as whole, although many others, especially civil society, now play a role. Still room for improvement especially in internal cross-support.	Satisfactory
Helping to design and implement FNSARD investments	With regard to IFI-supported investments, the core work of TCI, it is growing and very well regarded. But it is also at risk owing to under-capacity and some internal shortcomings. Needs to be widened beyond IFI-funded investment.	Satisfactory

CHAPTER 5

FAO'S ROLE IN SUPPORTING INVESTMENT: CONCLUSIONS AND RECOMMENDATIONS

196. This evaluation has been undertaken in the midst of a process of substantial change in FAO. It is intended to contribute constructively to that process. The analysis of earlier chapters and the findings and recommendations of this one seek to contribute to FAO's evolution by outlining an enhanced role for its work in supporting investment. The chapter proceeds by briefly recapping the story so far. It then makes and explains five recommendations (with corresponding results) that constitute essential actions for FAO if it is to reclaim a leadership role in supporting agricultural investment. Lastly, the chapter offers some remarks on a results framework for investment support.

5.1 The Challenge Revisited

197. When dealing with investment in food security and agriculture, the logic runs from research and analysis to policy and strategy; from policy and strategy to investment; via well-managed implementation to measured results and feedback; and hence back to revised policies and strategies. As also analysed in the recent Policy Evaluation,⁹⁴ FAO has a unique role in this dynamic process based in its several advantages: its global mandate; its capacity to collect, create and share knowledge; the high levels of trust it enjoys among member governments; and its ability to bring global and regional players together as and when needed.

198. Despite these advantages, FAO is failing to act as effectively as it should. In the eyes of many, including the World Bank, FAO and TCI within it have responded well to the IEE. However, FAO must now gear up to support IFI lending estimated to reach some \$15 billion a year before 2020, and to do so in a world where old and new players are forming new partnerships and undertaking more and more agricultural investment.

199. FAO has knowledge and convening power, but it lacks financial resources. Evidence noted in Chapter 2 and the Appendix suggests that other organizations and global networks are eclipsing its effectiveness as a convenor. Later chapters have explored internal constraints, highlighted the need for its existing resources to be used as efficiently as possible, stressed the need for more resources and for more and better partnerships. How should FAO move to address these external and internal challenges?

200. With regard to investment support, FAO has two primary sources of strength: the *organizational* strength that comes from the effective use of all of its human resources; and, the *operational* strength that comes from partnerships with others, especially those with complementary abilities and financial resources for investment. FAO must capitalize on these strengths by:

- crafting a clear results based strategy for its support to investment;
- playing a stronger external role in investment based partnerships;
- working internally as one and for a common purpose;
- supporting development of country capacity to plan, frame and manage investment; and
- expanding its partnerships with IFIs in support of investment;

⁹⁴ Evaluation of FAO's Role in Food and Agriculture Policy (January 2012), OED, FAO, Rome, Chapter 1. Available at <http://www.fao.org/docrep/meeting/025/mC983E.pdf>

5.2 A Corporate Strategy for Support to Investment

201. With regard to investment support, the view from the majority of the evaluation's interlocutors working for governments, agriculture entities, donors, IFIs and the corporate sector was that there was vacuum in the global leadership of the changes necessary to fully embody current FNSARD goals into investment plans and implementation. Some of these commentators look to FAO to regain its role in leading the global agriculture system, and the new Strategic Framework with its five high-level objectives will go some way towards that. FAO's 2012 SOFA calls upon governments, international organizations, civil society and corporate investors to ensure that large-scale investments in agriculture, like the acquisition of land by private companies and sovereign investment funds, are transparent, accountable, socially beneficial and environmentally sustainable.⁹⁵ Many referred to the need for support to governments in coordinating investment at the country level in order to ensure that public and private investment is synergetic and well focussed on the need to increase access to food by 50% by 2050 while simultaneously addressing the challenges of reducing poverty, slowing climate change and increasing environmental sustainability.

202. The recent evaluation of implementation of the Paris Declaration points to a lack of country capacity to translate country poverty and development strategies into coherent (cross-government) operational strategies and plans in those ministries charged with delivering them. The evaluation's country visits confirmed that there is generally only weak (sometimes no) alignment between national, sector and project plans. Nor is there much evidence of recursive lesson learning and feedback loops. Alignment is largely seen as a compliance exercise and monitoring and evaluation frameworks rarely contribute to government databases and typically last only for the implementation phase of a project or programme. Some donors (e.g., the Gates Foundation) are looking for a global scorecard to act much like the MDGs in motivating and measuring progress for those investing in the agriculture and associated sectors.

203. FAO, mainly through TCI, has provided investment guidance to several African countries through support to CAADP, and to other countries to support access to GAFSP, by playing a more holistic facilitating role, and by working with multiple stakeholders to achieve collective outcomes. Demand for TCI services at the project level outstrips TC resources. The Committee for World Food Security (CFS) is gaining momentum and becoming the meeting place for addressing the challenges to equitable and sustainable agriculture by bringing all parties to the table. The Responsible Agriculture Investment (RAI) guidelines are an important step in framing the values that must lead the international community in responsible investment. The foundation for FAO to regain its leadership role has been laid.

204. However, FAO's new strategic framework is not yet sufficiently explicit with regard to support to investment. Support to investment is no longer a specific strategic objective, nor does it emerge clearly as a "core function". The management levers of clear goals, metrics and coordinating mechanisms were still being developed at time of writing. As an integral part of filling these gaps and in recognition of the vital role investment plays in achieving FAO's five new strategic objectives, FAO will need to develop a *partnership-based corporate investment support strategy that sets clear goals and metrics for increased and more effective public and private investment in FNSARD*. TCI's 2009 strategy for investment support and its 2012 update have gone some of the way towards this, and should be used as a starting point for the development of the strategy recommended here. To develop the strategy, FAO must partner with WFP and IFAD in Rome, as well as the other IFIs, and fully include public sector, private sector and civil society representatives, perhaps by drawing on the membership of the CFS.

Recommendation I: Develop an FAO Strategy for Support to Investment

Result: *FAO leads the international community in integrating FNSARD development goals into investment*

⁹⁵ FAO Website December 7, 2012

205. This recommendation sits above the following four: recommendations II-V give specifics on change that will need to be considered within this overall investment support strategy. The development of the strategy should include but not be limited to:

1. Taking FAO's new Strategic Framework as the strategy's overall agenda, and identifying metrics that will **motivate, guide and inform investors to help in achieving FAO's five strategic objectives**.
2. **Linking closely to FAO's policy support activities** at country, regional and global levels (and to the Policy Support Strategy now being planned by ES Department) in order to ensure a continuum of advice and support from policy through investment to implementation.
3. Committing FAO to interlinked actions at the global, regional and country level to **achieve more and better public and private investment** aligned to country-driven multi-sector strategies (including through support to FAO's CPF process in countries).
4. Committing FAO to **develop country capacities** for evidence-based alignment of FNSARD investment (public and private) with these country strategies.
5. Mapping **FAO in-house capacity** and providing a strategy for filling gaps through recruitment, training or partnerships, to deliver effective investment policy, promotion and facilitation.

5.3 Stronger external partnerships for FNSARD investment

206. FAO's 2012 revised Strategic Framework identifies the formation of partnerships for FNSARD as a core function.⁹⁶ A meaningful institutional partnership exists when two or more organizations commit to working together on a subject of mutual concern, develop a shared sense of purpose and an agenda, and take joint action towards agreed targets. Through partnerships, FAO can expand its reach, leverage and resources, making it operationally stronger than when it acts alone. The concept of shared outcomes is emerging in the new development environment discussed in Chapter 2 and the Appendix. This explicitly recognizes that development success is a matter of shared goals, endeavour and impact. There are many types of partnerships which are important to strengthen support to investment (such as those with academic and research institutions, civil society organizations, training centres, etc.), and as noted throughout the report, the evaluation strongly encourages FAO to further develop existing partnerships for investment support and to continue identifying new ones. Within these, the evaluation is particularly concerned by the need for FAO to strengthen two areas of external partnership: with the private sector, and with the IFIs.

5.3.1 *The private sector.*

207. FAO has had a long relationship with the private sector and in 2000 published principles and guidelines for cooperation.⁹⁷ That document was prompted by the decline in ODA evident at the time, the need for new sources of finance for development, and FAO's potential role as a broker to facilitate the movement of private capital into FNSARD in low and middle-income countries. However, in the decade that followed FAO did not come to embrace the private sector – nor did the private sector come to embrace FAO. As outlined in Chapter 4, FAO's views on private sector partnership have recently begun to evolve quickly, led in part by the Director General and prompted by private sector initiatives such as the B20 and the movement of other agencies and organizations into this arena. FAO, however, still has work to do.

⁹⁶ Outline of the Reviewed Strategic Framework. FAO Council, Rome. June 11-15, 2012. Page 18.

⁹⁷ Principles and Guidelines for FAO Cooperation with the Private Sector. 2000. FAO, Rome.

208. If FAO and the private sector are to work together well, there is a need for both sides to have on their respective teams people who understand “the other side.” The private sector has recruited ex-FAO staff, but FAO seems to have few staff with enough private sector experience to bridge the divide. There is space for a “private sector working group” where the two sides interact. This, at least, would solve the question of “who speaks for whom?”

209. This evaluation finds that FAO’s latest draft principles and strategy for work with the private sector fail to address investment. Moreover, while they appear to be comprehensive,⁹⁸ they are bland. This shortcoming must be addressed and FAO should engage more fully and constructively with the private sector.

210. Thereafter, FAO must move quickly to engage substantively on the full range of issues around private sector activity. Many of these lie outside the scope of this evaluation, but investment does not. FAO has created a unit that is not yet equipped to grapple with the volume and complexity of this charge. At a minimum, the skill base of its partnership and private sector team needs to be enriched and a process of collaboration with TCI initiated. TCI too must broaden its internal and external links concerning the private sector, as well as expand its private sector work with relevant IFIs.

5.3.2 Partnerships with IFIs.

211. The IEE recommended that FAO review its cooperative agreements with the IFIs and develop new ones with other multilateral and bilateral agencies. There has been some progress in this direction, as outlined in Chapter 3. At the same time, relations with the regional development banks, which have been difficult in the past, are being revisited as the banks, especially the AsDB, is again considering lending for agriculture.

212. Given its strengths and the coming challenges, FAO has the opportunity to:

- make better use its knowledge, values and priorities to increase its influence on IFI investment;
- make a similar effort to garner dedicated support for FAO and an expanded TCI through cooperative agreements with new partners;⁹⁹ and
- increase its capacity for expanded investment planning and implementation through ODA and the private sector.

213. The cooperative agreement between FAO and the World Bank has remained almost completely unchanged since 1964. Almost all of this evaluation’s interlocutors in FAO and the World Bank believe that reopening this agreement would be risky, perhaps damaging. The view is widely held that putting this agreement on the table for discussion would almost inevitably lead to it being re-configured in ways that would jeopardise the current imperfect, but highly productive relationship. Perhaps the greatest fear is that FAO, in an effort to cut costs, would reduce its contribution to the partnership, leading the World Bank to use fewer FAO services at a time when more needs to be done.

214. Nevertheless, as Chapter 4 argued, there is a good case for rethinking this partnership (as well as those with other IFIs) with a view to restoring the original, but short-lived, arrangement of a 50:50 split in cost-sharing. Agreeing and reinvigorating its partnership with the World Bank along these lines is a task that cannot, of course, be unilaterally decided. For the time being then, the existing cost-sharing agreement with the World Bank should be maintained.

215. Nonetheless, the basis of the partnership between FAO and the World Bank needs to be reviewed to define its strategic purpose in a changing development world. Subsequently, similar reviews of the agreements with other IFIs would be undertaken.

⁹⁸ FAO Strategy on Partnerships with the Private Sector. Rome. October 2011.
http://www.fao.org/tc/private/principles_en.asp 2012

⁹⁹ Expansion of this kind would have to be dovetailed with other changes proposed later in this chapter.

216. Key steps in these reviews would include:

- Comprehensively reviewing the purpose of partnership between FAO and the IFI, without reopening the existing agreement;
- Involving senior staff of both organizations and addressing the practicalities of defining and operating a full and well-balanced partnership;
- From FAO's perspective, focusing on FAO as a whole and determining how to make best use of its comparative advantages in the partnership;
- Taking fully into account the realities of the current aid environment; and
- Consulting with member countries that are big users of the partnership services as well as appropriate representatives of the private sector.

217. The findings of the review with the World Bank should provide the agenda for a discussion between FAO and the Bank at the highest level to agree how they should collaborate over the next ten years to help ensure that the global investment needs of FNSARD will be met. The review would also provide a model(s) for partnership with other IFIs, bilateral agencies and possibly the private sector and lead to new or revised cooperative agreements.

218. All the reviews should recognize both the need to expand FNSARD investment and to better support capacity development in member countries. The goal of the latter is to equip members to take increasing professional and technical responsibility for their own investment policies, strategies and plans – a step that the IFIs and other donors would support.

Recommendation II: Strengthen external partnerships to better support investment for FNSARD, in particular with the corporate private sector and with IFIs.

Result 1: *FNSARD goals achieved by harnessing and scaling up private sector commitment to development.*

219. FAO should strengthen its interaction with the private sector (including private foundations) by:

1. **Engaging more effectively with the newer global public-private development partnerships** concerned with FNSARD investment (see Chapter 2 and Annex 1). This should be an explicit objective in the Investment Support Strategy in Recommendation I above, and should include:
 - a. Engaging more actively in these partnerships to contribute FAO's knowledge and learning from their new approaches to innovative multiparty partnership techniques.
 - b. Consideration of a joint working group with the private sector, for example through the CFS, ESA or OCC.¹⁰⁰
2. **Supporting regional and national platforms** for dialogue on private sector investment issues; and
3. Helping national governments to **improve the enabling environment for private investment** consistent with their FNSARD goals.

Result 2: *A stronger and more strategic relationship with IFIs supports FAO's global goals and countries' multi-sector strategies.*

220. **FAO should undertake a joint strategic review of its partnership with each IFI:**

¹⁰⁰ Office for Corporate Communications and External Relations (the one responsible for private sector and civil-society partnerships)

1. Each FAO/IFI relationship should be jointly reviewed to agree on future collaboration; and
2. FAO should hold **summit-level discussions with IFI Presidents** to agree on collaboration to achieve common FNSARD goals for the next 10 years.

5.4 “One FAO”: Unifying FAO’s work to support investment.

221. In recognising that investment is an essential means to achieve all of FAO’s FNSARD ends, FAO should commit to supporting investment as an organizational priority. For that to happen, FAO must expand its capacity to support investment and act as one organization. Without growth in FAO’s capacity to support investment the challenge of doubling annual investment in agriculture will not be achieved; without acting as one, the full resources of FAO cannot be brought to bear in the institutions and fora that provide resources and guide their use.

222. Today, despite numerous individual efforts on all sides to overcome the legacy of the past, on the investment front FAO still works mainly in two parts – “TCI” and “not-TCI.” TCI is a bridge that links FAO to IFIs and other investors but fails to draw in sufficiently other parts of FAO. “Not-TCI,” however, plays a vital role through setting norms and standards, building knowledge and undertaking many other activities that support a better climate and direction for responsible agricultural investment. It also houses an important stock of skills and experience for policy and sector analysis and development that is working sub-optimally with respect to the global growth in investment. Unfortunately, this role is not as highly valued as it might be and, in some areas, it remains underdeveloped. Nor is it yet mobilised as it should be through FAO’s strengthening field offices. As a result, the organization fails to capitalise on FAO’s full knowledge and expertise, and to deliver it through a country-focused programme.

223. The mechanisms needed to deliver “One FAO” include:

- creating a shared vision for FAO as a whole with recognition that support to investment is a core function in support of the five new Strategic Objectives;
- agreeing a results framework (cf. Recommendation 1) with concrete, measureable objectives – “metrics” – and supporting management processes that unify the organization and encourage cross-organizational activity by aligning resources with intended results;
- sharply improving FAO’s internal marketplace for human resources by improved human resource planning and by creating positive incentives for cooperation across divisional lines; and
- Monitoring the use of FAO’s human and financial resources in support of shared results concerning the quantity and quality of investment support.

224. FAO has been working towards some of these aims. It is replacing its eleven former Strategic Objectives that reinforced the “silo” mentality with five new thematic objectives. It is striving to improve its focus on results. Removal of financial and professional disincentives to cross-divisional work is under consideration. But more should be done. For each new Strategic Objective, concrete targets and indicators and aligned budgets are needed. Transparent management of each SO is essential to guide institution-wide action combined with an management information system that tracks both resources applied to investment – for policy work, capacity development and investment projects – and the results achieved.

Recommendation III: Strengthen cross-divisional action, working as "One FAO," in support of FNSARD investment

Result: *More and better investment in FNSARD as a result of FAO's unity of purpose and coherence of support.*

225. FAO should take the following actions:

1. **Include support to investment more explicitly in the Core Functions**, clearly linked to policy support, to ensure that all of FAO delivers on the Investment Support Strategy; and
2. **Make relationships between TCI and technical divisions more productive** by working as “One FAO” in support for investment, among others by:
 - Improving internal work planning mechanisms to facilitate inter-divisional work; and
 - Removing financial and other disincentives that hinder inter-divisional work.

5.5 Capacity development for investment.

226. As stated in Chapter 3, ‘Capacity Development’ is one of the five Common Country Programming Principles of the UN system, which FAO is committed to apply. It is also included as part of both the current and the proposed FAO Strategic Frameworks – though capacity development for *investment* appears much less explicitly in the newer one.¹⁰¹ Country visits by the evaluation team and results of the survey analysis indicate that countries and partners recognize that FAO contributes to capacity development for investment, but with limited effect. Interventions are not strategic, approaches are fragmented and project based. At headquarters, FAO has all but lost its specialised skills in *institutional* capacity development. There is, however, wide agreement that FAO should expand and upgrade its work in this area. In particular, countries and partners recognize that capacity development should address upstream work – policy dialogue and strategic planning for investment in FNSARD. This subject remains an important area of opportunity for FAO notwithstanding recent work by TCI under Strategic Objective L. In its capacity development work TCI has been handicapped by a lack of FAO Regular Programme financing and has relied on trust funds to deliver a fundamental part of its mandate..

227. There is little doubt that there is significant demand for FAO to beneficially expand and deepen its work in capacity development for investment. This opportunity should be seized as FAO strengthens its CPF process and further decentralizes staff.

Recommendation IV: Strengthen work on increasing country capacity in all aspects of the investment cycle in FNSARD

Result: *All countries have the capacity to undertake high quality investment planning, design and implementation.*

228. FAO (and TCI in particular) must deliver to countries more and better services that **develop the institutional and technical capacity to support all phases of the investment cycle**.

229. FAO must strengthen its ability to do this mainly by:

- a) re-creating, expanding and improving skills of relevant FAO units, including TCI, in **strengthening institutional capacities as well as developing individual capacities for investment**.
- b) In this, TCI should have the ability to act as a principal source of internal capacity development for other FAO units, for which it would be advantageous to have a dedicated Investment Support Capacity Development Team within the division;

¹⁰¹ Capacity development is also one of the three Organizational Results sought under Strategic Objective L. It is cited in Core Function ‘e’ of FAO’s Strategic Framework 2010-2019 as well as being part of Core Function ‘5’ in the proposed revised Strategic Framework.

- c) **allocating resources, including regular programme resources, commensurate with the importance** of capacity development as a major component of FAO’s investment support to member countries;
- d) expanding and strengthening **internal collaboration with OEK** as FAO’s main source of capacity development methods and approaches;
- e) **working especially with FAORs as well as other decentralised staff** (e.g., the sub-regional investment officers) to build up their understanding and ability in capacity development for investment.

5.6 Strengthen TCI

230. The growing volume of investment in FNSARD is increasing global demand for investment support services. TCI’s human resources are a unique global asset and represent the largest group of agricultural investment specialists in the world outside the World Bank¹⁰². However, the World Bank and other IFIs freely admit that they no longer have the capacity to deal with the projected level of agricultural investment, let alone help governments manage the rapid growth of domestic and foreign private investment.

231. Hence, this evaluation finds that if FAO is to expand its delivery of investment services to its member countries and to the IFIs and meet TCI’s goals of increasing its upstream policy-related work and in country capacity-building there is no feasible alternative but to expand TCI and to diversify its investment support services within FAO’s overall policy of increasing decentralisation.

232. This implies that TCI should grow from its current 105 professional positions (75 regular plus 30 project posts) to around 155 positions – an increase of 50 positions over the current level – over the next five to seven years; with the first step being to fill the 15 vacant positions. The increased number of posts could be paid for from FAO Regular budget resources or from the proposed ‘multi-source’ trust fund (see below). This would take place while the IFIs themselves are expanding their capacity to support agricultural investments, further underscoring the importance of TCI’s role in capacity-building in its developing member countries. It would also require better use of FAO technical department resources, as well as an expansion in the use of experienced consultants. This would entail stronger quality assurance procedures in TCI and closer alignment of fee rates with those offered by the IFIs and bilateral donors.

233. In addition to expanding TCI’s workforce, the nature of its investment support activities should further evolve towards “upstream” work, mainly FNSARD policy and sector work, in conjunction with increased emphasis on in-country capacity development for investment. Such work contributes to FAO’s analytical and knowledge base. Carried out by staff with country-specific knowledge, it helps FAO build a reliable picture of FNSARD systems and hence provides a starting point for discussions with government about FAO’s role. Studies may involve public expenditure reviews and investment planning frameworks and may help define the policy, institutional and investment needs of a sector or sub-sector – all of which represent the ingredients of investment decisions. Work of this nature would also provide a strong support for the Country Programming Framework (CPF) and influence the work of FAO’s partners.

234. To respond to the growing demand for investment in FNSARD, it is essential for TCI to increase its capacity for high-quality policy and sector work. This will require increasing the size of the Division and directly strengthening its policy and sector capacity. Additional staff would help to satisfy the pressing need to increase FAO’s and hence TCI’s ability to deliver policy advice and sector work to member countries through work in country and with the IFIs. It would advance TCI’s quest to

¹⁰² This statement may substantially exaggerate the World Bank’s capacity in the technical and policy dimensions of FNSARD investment. In the Bank’s fiscal year 2011-12, the agriculture sector core group (AGR) reported that the Bank’s total staff strength in agriculture and rural development was 250. However, only one third of these staff were technical specialists and agricultural policy economists, the rest being generalists dealing with management, administration, safeguard policies and other cross-cutting matters.

work more closely with other policy staff in FAO and would also help with the immediate expansion of TCI, thereby making a start on the substantial growth target recommended above

Recommendation V: Expand and strengthen the role of TCI in supporting FNSARD investment

Result: *TCI remains a global centre of excellence in investment support for FNSARD, with capacities in strategy, policy and project work.*

235. FAO must strengthen and expand TCI's capacity to meet rapidly growing demand for investment support services.

236. To do this:

1. **TCI should expand its core activities relating to project design and implementation support** under the existing IFI cooperative agreements. Indicatively, to support IFI-funded investments of around USD 15 billion per annum by 2020, a 50% increase in FAO resources (including staff) assigned to investment support would be needed to reach the evaluation's recommended target of 15% of the demand for collaborative work with the IFIs. Staff increase should be at a skill level commensurate with the type of advisory work to be conducted.
2. TCI should continue to diversify its investment support services to member countries in two major ways:
 - a. **developing country-level capacity** for FNSARD investments (see Recommendation IV); and
 - b. **increasing support for upstream planning and policy work** (see the 2012 Policy Evaluation).
3. Support for investment by FAO should be broadened by **developing capacity in the technical divisions, and increased collaboration** between TCI, the technical divisions and the decentralised offices, including through staff rotation.
4. The resources to implement this recommendation should be secured through **creation of a multi-sourced trust fund**, which would seek contributions from IFI grant funds, the private sector (including private foundations) and bilateral donors. The funding requirement is estimated to be at least USD 50-75 million over ten years.
5. **Decentralisation of TCI's staff should be based on selective field assignments** (as opposed to full decentralization) and the numbers and location of staff assigned to the field (including the recent decision to decentralise 13 additional TCI staff) must be determined by management using efficiency as the sole criterion: that is, there must be a demonstrable likelihood that the benefits of an out-posting would exceed its costs.

5.7 Towards a Results Framework for Investment Support

237. Modern strategic thinking emphasises that management practices and partnerships based on shared objectives and expected results, together with clear and transparent metrics, are essential to development effectiveness, donor coordination, country ownership and investor confidence. Many of FAO's partners have now fully embraced a systemic results perspective and are moving forward with other global partners and framing joint strategies aimed at producing solid and shared results. FAO risks being left behind.

238. At several junctures in this evaluation the lack of a clear results-based strategy in FAO has been noted. It is not appropriate for evaluators to do the strategic thinking of an organization or to set indicators in advance of a strategy. What is important is that FAO develops for itself a strategy that supports and measures its performance across the full spectrum of its goals (cf. Recommendation 1).

239. However, as a small contribution to that task, this penultimate section of the report outlines some possibilities for consideration in developing and implementing a clear, results-focussed strategy for FAO’s support to investment. The entire process should be undertaken in close consultation with all partners, both old and new, with a view to securing a common view of what is to be done, how it is to be achieved and how progress is to be measured.

240. A strategy for investment support should first define what is meant by investment support. The definition used in Chapter 1 of this evaluation could serve as a starting point. Next, the theory of change should be laid out. Thence, for each defined activity a precise set of outcomes should be specified together with intermediate outcomes wherever appropriate. Lastly, one or more measures of success (metrics) should be determined. Some possible outcomes and metrics for each activity comprising support for investment as defined by this evaluation are offered in Table 4.

241. Table 4 provides an example a of results framework that could be used to support a transformation of FAO with respect to investment. However, the use of such a framework, like support to investment itself, will only be maximized when FAO’s larger Strategic Framework and its results framework are finalized.

Table 4. Possible Elements of a Results Framework for Investment Support

Mandated Activities	Outcomes	Metrics
<ul style="list-style-type: none"> ▪ With FAO support, governments design and execute FNSARD investment plans and strategies aligned with their own priorities. 	<ul style="list-style-type: none"> ▪ Governments use FAO services to develop evidence-based FNSARD strategies and investment plans fully aligned with all relevant government priorities. 	<ul style="list-style-type: none"> ▪ Number and distribution of countries where FAO has supported sector strategy preparation ▪ % of governments that implement evidence-based strategies, achieve progress on desired results from interventions and have adapted institutions based on evidence to achieve better results.
<ul style="list-style-type: none"> ▪ FAO technical and economic advice on matters of FNSARD policy and legislation improve investment climate in countries 	<ul style="list-style-type: none"> ▪ Adoption of specific sector policy and legislative changes by governments 	<ul style="list-style-type: none"> ▪ Documented improvements in results from sector policy and legislative changes wholly or partly attributable to FAO advice
<ul style="list-style-type: none"> ▪ FAO support to global and Regional/National platforms (new and old) to engage all stakeholders in the constructive development of all aspects of FNSARD investment 	<ul style="list-style-type: none"> ▪ FAO knowledge support is used by G8, G20, and WEF platforms. ▪ New and old platforms are used by FAO to form alliances for agriculture investment aligned with national strategies and coherent across countries. 	<ul style="list-style-type: none"> ▪ Quality and depth of FAO participation in G8, G20 and WEF platforms. ▪ Measurement of FAO Strategic Objectives results show greater change in regions and countries where FAO has contributed to platforms and partnerships
<ul style="list-style-type: none"> ▪ Adoption of FAO global standards and guidelines related to the safety, social, economic and environmental value of investment 	<ul style="list-style-type: none"> ▪ Adoption and implementation by governments, the private sector and civil society organizations of FAO standards and guidelines 	<ul style="list-style-type: none"> ▪ Progress with a system of transparent scorecards measuring adoption ▪ Scorecards indexed to a global productivity target used by G20 and others to maintain progress

<ul style="list-style-type: none"> ▪ Design and implementation of agricultural investments by TCI to increase investment effectiveness of IFI support/lending. 	<ul style="list-style-type: none"> ▪ IFIs' demand for FAO services continues to increase together with equity in partnerships 	<ul style="list-style-type: none"> ▪ Increase in IFI lending attributable to FAO assistance ▪ rising project quality ratings in FAO assisted projects and increases in investment volume.
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242. The larger results framework would need to show the contribution of support for investment to ultimate impact, that is the eradication of hunger and welfare gains delivered to farmers, agriculture producers and others targeted by FAO's five new SOs, which Table 4 does not do. Nor does it touch on changes in FAO's international reputation with respect to investment support, but that too should be the subject of a separate metric or measurement. Hence the suggested outcomes might be regarded as intermediate ones. Nevertheless, a strategy and results for FAO's work in support of investment that is constructed jointly with its partners, who should also share in and contribute to the assessment of results, would greatly help guide FAO in working on investment as well as contribute to FAO's larger strategy.

243. Lastly, FAO should also take steps to learn how its support for investment compares to what others do. For example, TCI should continue to run its stakeholder survey perhaps asking for comparative ratings relative to other organizations that also advise on agriculture policy and investment decisions. IFPRI could be an important comparator for benchmarking FAO policy advice.

5.8 In Conclusion

244. The investment activities supported by FAO and its Investment Centre Division are critical to the ability of humankind to produce enough food to ensure our survival in the face of huge global challenges. Recognising this, governments, civil society and the private sector are coming together as never before to improve the lot of farmers – especially smallholders – around the world and help make their activities more productive and sustainable. To bring its long history of working with governments and international financing institutions and its potential more fully to bear on the challenges and opportunities of the next decades, FAO must be prepared to take important, and in some cases difficult, steps. It must accept the central role of support for investment in achieving its goals, and embed this throughout its organizational culture and its new strategic objectives. It must participate more fully as a partner in the bold new collaborations being undertaken by its existing partners and by new partners, including those in the private sector, to whom it must reach out. It must understand and embrace the value of aligning its activities with its strategic outcomes and using results to guide and refine its course. It must fully deploy its skills and resources to build the capacity of member governments to design and implement coherent development strategies and investment plans. Above all, it must ensure that TCI remains a strong partner for international financial institutions, with the resources, vision and links to the rest of the organization that enable it to support sound investments in agriculture today and in future.