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Agriculture
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the
United
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Organisation
des
Nations
Unies
pour
l'alimentation
et
l'agriculture

Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación

COUNCIL

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Independent External Evaluation of FAO (IEE)

Report of the Council Committee for the Independent External Evaluation of FAO (CC-IEE) to the 132nd Session of the Council

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Introduction

1. The Council Committee for the IEE (CC-IEE) was established by the 129th Session of the Council in November 2005 and endorsed by the Conference at its 33rd Session later that month. Its terms of reference¹ state that the CC-IEE:

“will provide overall oversight for the management and operation of the evaluation, including on financial matters and adherence to standards of quality and independence. It will ensure that the terms of reference are adhered to in a timely manner, with quality and independence of process and outputs and within budget. Drawing on the advice of the quality assurance advisers, Committee comments on findings and recommendations will thus be restricted to quality assurance, i.e. that the findings and recommendations are analysis and evidence based.”

2. This report of the CC-IEE on the progress of the evaluation covers the period since the 131st Session of the Council, i.e. December 2006-May 2007. The report was considered at the CC-IEE at its meeting on 4 May 2007 and addresses:

- the progress of the IEE;
- the financial situation of the IEE;
- the IEE core team paper on emerging issues; and
- possible future lines of action in considering the Draft and Final Reports of the IEE.

Progress of the IEE

3. The Committee expressed its condolences to the team leader, Mr. Christoffersen, on the untimely death of his wife. Despite this, Mr. Christoffersen had continued to lead the team and the evaluation had remained fully on schedule. As welcomed by the 131st Session of the Council, Mr. Bezanson had also continued to contribute to the evaluation as a member of the core team.

4. The Committee received advice from its quality assurance advisers (Mrs. Chinery-Hesse and Mr. van den Berg) and is satisfied that the evaluation is being undertaken in line with the terms of reference and to appropriate quality standards.

5. During the period, the team has completed its basic fact finding and initiated its overall analysis, beginning with the issue in April of the Emerging Issues paper (see below). This fact finding has included:

- a) an extensive review of written materials from multiple sources;
- b) visits to 43 countries (of which 34 were developing) and the European Commission;
- c) visits to 29 FAO offices;
- d) structured and semi-structured interviews and focus groups involving over 2,500 individuals;
- e) analysis of the responses of 2,650 informants to 10 separate questionnaires, each with different purposes;
- f) assessments of the effectiveness of almost all major FAO technical programme activities; and
- g) reviews and a synthesis of the majority of previous corporate-level evaluation reports and many individual project evaluations and auto-evaluations.

Further information on the work of the IEE can be found on the Evaluation website <http://www.fao.org/pbe/pbee/en/index.html>.

¹ CL 129/10 para 18.

IEE Financial and Budgetary Situation

6. The extent of contributions to the revised IEE budget of US\$ 4,663,000 has been kept under continuous review by the CC-IEE which established a special working group of the Bureau for this purpose. At its meeting on 13 February 2007, the CC-IEE Bureau considered the shortfall on deposits against pledges. It noted that it is not possible under FAO rules to commit funds not covered by deposits and it was not clear that all deposits would come into the IEE trust fund account in a timely way. The Bureau thus requested FAO to establish a separate trust fund which would function as an IEE Reserve Fund. This account would only be used to cover commitments and expenditures to the limit of the IEE existing total budget.

7. It has not proved necessary to operationalise this arrangement and the budget and contribution situation as of 15 May 2007 is broadly satisfactory, with pledges covering the entire budget and some US\$ 210,000 shortfall remaining to be deposited with FAO. Detail is provided in Annex I. Particularly appreciated have been the developing country contributions, including some from the Least Developed Countries.

Emerging Issues Paper – IEE Core Team

8. The CC-IEE received the paper of the IEE core team on emerging issues at its meeting on 4 May 2007 (attached as Annex II). The Committee noted that its terms of reference were to assure the quality of the evaluation process and it had not therefore discussed the substantive content of the paper. Several members brought to the attention of the CC-IEE considerations which they would wish to see taken into account in the IEE evaluation final report. Discussion took place of the several references in the Emerging Issues paper to the resource constraints on FAO but members agreed that, as with other aspects of the substance of the paper, it fell outside the terms of reference of the CC-IEE to comment.

9. The CC-IEE appreciated that, as stated in the Preamble (paragraph 2), the Emerging Issues paper “is a brief summary of some of the main issues that are emerging from the evaluation, subject to modification as a result of further analysis”. It agreed with the evaluation team that the “emerging issues” are tentative and subject to adjustment and revision as a result of ongoing analysis. It was well understood that the Emerging Issues paper was not intended to be an evaluation report; it did not present evidence or any statistical supporting materials; it did not reflect final conclusions; and it contained no recommendations. The paper can thus in no way substitute for the discussion which will follow the first draft of the IEE final report in July 2007 which will include draft conclusions and recommendations.

In Conclusion

10. The CC-IEE considered that the IEE should continue to proceed in line with its terms of reference as approved by the Council and Conference. It invites the Council to join it in expressing its appreciation to the evaluation team for its continued work including the Emerging Issues paper which presented preliminary ideas arising from the work undertaken so far.

11. It was clear that policy discussion on the findings and recommendations of the IEE and on how to proceed would take place in the Friends of the Chair and in the Council and Conference in the November 2007 Sessions. The Friends of the Chair, supported as appropriate by the Secretariat, will be essential in preparing for those Council and Conference sessions. The Representatives of the IEE Core Team emphasised that both prior to and following the issue of the draft final report, they would welcome opportunities to engage in informal exchanges of views with members both as individuals and in groups. It was agreed that occasions should be programmed for this, especially with the regional groups. The CC-IEE underlined the importance of this and members were encouraged to make any views they had on issues directly to the IEE core team, and in particular to the team leader, Mr. Christoffersen. In the light of this, a seminar was held which provided the opportunity for all FAO Members and representatives of the IEE

Core Team to exchange views in an open and informal manner on the emerging issues facing FAO as an Organization and expectations members had of the IEE Final Report.

12. The further timetable for the IEE is currently as follows:
- a) 19 July: Open seminar on the same lines as that in May to provide the opportunity for the IEE Core Team to present to all FAO members the draft final report of the IEE (prior to its translation). Interpretation will be provided;
 - b) 30 August: CC-IEE - Receipt of draft final report of the IEE, followed immediately by an informal seminar to discuss the draft with representatives of the evaluation core team;
 - c) 31 August: Meeting of Friends of the Chair;
 - d) 19 October: CC-IEE - Receipt of final report of the IEE;
 - e) Late October: CC-IEE finalization of the CC-IEE report to the 133rd session of the Council; and
 - f) 14-24 November: 133rd Session of the Council and 34th Session of the Conference.
13. The CC-IEE discussed the possibility that the Council may wish to consider the next steps it would envisage in considering and reaching decisions by the membership in the Council and Conference on the findings and recommendations of the IEE. Such steps, to be decided by the Council for flexible application in the light of developments, could include:
- a) reaffirming the role of the Friends of the Chair in preparing for decisions by the Council and Conference and inviting its Independent Chairperson to convene the Friends of the Chair in August of this year for preliminary discussion of the draft final report of the IEE;
 - b) requesting the Director-General to provide his response in principle to the final report of the IEE to the Friends of the Chair, the 133rd Session of the Council and the 34th Session of the Conference in November 2007, recognising that preparation of a detailed implementation plan for any follow-up decided by the Conference would only be possible subsequent to the November 2007 Conference session.
14. Further to this, guidance by the Council could also be helpful on expectations for the coverage and process for the Programme of Work and Budget for 2008-09 with respect to any follow-up to the IEE which may be decided by the Governing Bodies at their November 2007 sessions. A special session of the Conference in 2008 could decide on any changes required in the Programme of Work and Budget. If such decisions were to be delegated by the Conference to a special or ordinary session of the Council in 2008, budgetary provision for follow-up would need to be included in the 2007 Conference decision. The Council may thus wish to consider recommending a continuation of an appropriate Governing Body mechanism, such as the Friends of the Chair in the first part of 2008 to elaborate on any follow-up agreed to the IEE. It may also wish to consider recommending to the Conference that a special session of either the Conference or of the Council be convened in mid 2008 to consider:
- a) management proposals for implementation in the light of decisions by the 2007 Conference; and
 - b) any further action suggested by Friends of the Chair or other appropriate Governing Body mechanisms.

ANNEX I: IEE FINANCIAL SITUATION

Funding Situation 25 May 2007 (US\$)				
Contributing Country	ISWG	Contributions to IEE		
		Receipts	Pledge	Total
AUSTRALIA	50.000.00	80.000.00		80.000.00
AUSTRIA		5.000.00		5.000.00
BELGIUM		63.751.51		63.751.51
BRAZIL	The Government of Brazil is covering the full costs of the Chair.			
BURKINA FASO		4.498.18		4.498.18
CANADA	23.179.25	358.701.49		358.701.49
CYPRUS		5.000.00		5.000.00
DENMARK		128.165.36		128.165.36
ESTONIA		26.142.72		26.142.72
FINLAND	20.000.00	247.929.82		247.929.82
FRANCE		120.000.00		120.000.00
GERMANY		507.587.00		507.587.00
GREECE		65.000.00		65.000.00
ICELAND		10.000.00		10.000.00
INDIA	9.990.00	49.990.00		49.990.00
IRELAND		92.529.08		92.529.08
ITALY	100.000.00	200.000.00		200.000.00
JAPAN		308.531.00		308.531.00
KOREA (Rep)		100.000.00		100.000.00
LITHUANIA		19.048.46		19.048.46
LUXEMBOURG		19.989.00		19.989.00
MAURITIUS		4.982.07		4.982.07
NEPAL			1.000.00	1.000.00
NETHERLANDS	18.025.43	360.000.00		360.000.00
NEW ZEALAND	19.975.00	39.950.00		39.950.00
NORWAY	19.409.00	200.000.00		200.000.00
PERU		5.000.00		5.000.00
QATAR			100.000.00	100.000.00
SAUDI ARABIA	20.000.00			
SPAIN		110.000.00		110.000.00
SWEDEN	31.520.50	138.018.99		138.018.99
SWITZERLAND	43.489.31	130.000.00		130.000.00
TANZANIA		4.798.00		4.798.00
UK	26.055.00	508.516.20		508.516.20
USA	25.000.00	625.000.00		625.000.00
Carry-over from ISWG		40.000.00		40.000.00
Total	406.643.49	4.578.128.88	101.000.00	4.679.128.88
Shortfall on budgetary requirement of IEE US\$ 4,663,000				
with current receipts				-84,871.12

ANNEX II: EMERGING ISSUES PAPER OF THE IEE

I. Preamble

1. In presenting this Emerging Issues paper, the IEE team expresses its appreciation to all the members of FAO and to the staff of the Organization who extended every courtesy and support throughout this exercise and who were always forthcoming with information, experiences and assessments, both at headquarters and in the many country visits undertaken.

2. This paper is intended to both provide members and FAO management with a sense of the direction in which the IEE analysis is leading and to provide a basis for deeper dialogue between the IEE Team, on the one hand, and the FAO members and management, on the other. The emerging issues that follow must, however, be taken as tentative, as they are subject to adjustment and revision as a result of ongoing analysis. It is important to underscore what this paper is not. It is not a report on the evaluation. It does not reflect final conclusions and it contains no recommendations. It does not present evidence or any statistical supporting materials. The paper may also contain some factual errors. These will naturally be corrected in preparing the IEE report. It can in no way substitute for the discussion which will follow the first draft of the IEE report which will include draft conclusions and recommendations. To be clear as to what this paper is, therefore: it is a brief summary of some of the main issues that are emerging from the evaluation, subject to modification as a result of further analysis.

3. The call for the IEE underscored the exceptionally challenging nature of the undertaking in the following terms:

The evaluation aims at strengthening and improving FAO, taking into consideration FAO's performance in conducting its mandate. In doing this, the evaluation process represents FAO's contribution to the overall efforts of the international community to strengthen the UN system through appropriate reform. 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 Framework².

4. Thus, the IEE is required to provide much more than a conventional examination of the performance of an organization against its objectives. It is charged by the terms of reference approved by the Conference to chart a new way forward for FAO, to address the strategic implications of a dramatically changed context for development efforts, of changed global needs, of reform efforts already under way and of future trends. Many of the difficulties and challenges facing FAO also confront the entire United Nations system. Many, however, are unique to FAO. The task of the IEE is made more daunting by the lack of an overall review of FAO since 1989 and by the absence of a comprehensive, independent external evaluation during the entire six-decade history of the Organization.

5. The IEE team has sought to respond to all these challenges. Since the launch of the IEE approximately one year ago the IEE has conducted:

- an extensive review of written materials from multiple sources;
- field visits to 34 countries, including 25 FAO offices, four liaison offices, nine OECD capitals and the European Commission;
- structured and semi-structured interviews and focus groups involving over 2 500 individuals;
- analysis of the responses of 2 650 informants to ten separate questionnaires, each with different purposes;
- assessments of the effectiveness of almost all major FAO technical programme activities; and

² CL 127/REP para 113

- reviews and a synthesis of the majority of previous corporate-level evaluation reports and many individual project evaluations and auto-evaluations.

6. The paper begins with a summary of shifts in the external context in which FAO operates (Section II). It then summarises emerging issues in FAO's technical strengths, relevance and effectiveness (Sections III and IV). Section V discusses some of the constraints FAO's organizational structure imposes upon its efficiency and effectiveness and Section VI the issues of programming and budgeting and how these relate to management and governance. Several of the many issues of finance, management and administration are considered in Section VII, while Section VIII deals with governance. Finally, Section IX presents some concluding remarks, including the risks attached to premature reactions pending the detailed analysis and presentation of supporting evidence, which will form the support for conclusions and recommendations in the final report.

7. All of this has furnished the IEE with a vast wealth of material. The evidence base for the evaluation is now largely complete. The Core Team is now in the process of analysing this material, verifying and validating hypotheses and working to ensure that it takes into account the interdependent character of many of the subjects being addressed.

II. The Context: Dramatic Shifts, Multiple Demands, New Actors and Greatly Increased Uncertainties

8. FAO has been challenged over the past six decades to respond to ever increasing changes in the context within which it works and to an array of new demands. FAO's original purpose was defined in simple and straightforward terms. It was essentially to work with governments to increase global food production from 25 percent to 100 percent in less than 15 years. At the time, FAO was not only the lead organization; it was, for all practical purposes, *sui generis* - the only organization of its kind.

9. Over the ensuing decades, FAO's terrain expanded to include concerns about international codes and standards, intellectual property, poverty and rural development, and a range of issues related to the environment including conservation, climate change and the sustainability of a variety of natural resources. Moreover, the virtual explosion of international agencies concerned in one way or the other with agriculture that has taken place means that FAO now operates in a very crowded field. Agricultural research as an international public good now resides unquestionably with the CGIAR³; the number, size and impact of NGOs working in agriculture, food security and environment has expanded exponentially; and the private sector has become a driver of changes in the global food and agricultural system.

10. These changes confront FAO with a range of new challenges while many of the old challenges still remain unresolved. FAO is now challenged to address the global issues of food and agriculture while at the same time building local capacities. FAO is expected to exercise regional and global leadership through unifying international development efforts while at the same time taking into full account the myriad of differing, if not conflicting, interests, viewpoints, and priorities of its constituents. It is expected to seek out and function effectively in partnership with governments, decentralised authorities, the private sector, bilateral and other multilateral agencies and NGOs, and to do so at grassroots, national and transnational levels. It is instructed to decentralise and increase operational strengths "on the ground" while demonstrating increased savings in administrative costs.

11. At the same time, the basic architecture of international development cooperation has been undergoing a major and rapid transformation, including the development agencies of the United Nations. There are now new donors such as the Bill and Melinda Gates Foundation and China. Some of the larger, international NGOs are now more influential than many established

³ Consultative Group for International Agricultural Research.

agencies, including bilateral donors. Bilateral donors have established new organizations such as the Global Fund to fight AIDS, TB and Malaria, the GAVI Alliance and PEPFAR⁴. They have also changed funding policies towards many traditional multilateral organizations, shifting a substantial part of their funding support from core contributions to extra-budgetary contributions, and insisting on levels of overhead charges from international organizations that are often far lower than the levels applied to their own domestic institutions engaged in international work. For many multilateral organizations, including FAO, these shifts have reduced the predictability and levels of funding, while at the same time increasing the influence and conditions of funders on particular programmes.

12. The IEE was asked to pay attention to reform efforts in other parts of the UN system. It has noted that the General Assembly TCPR⁵ Resolution 59-250 of 17 August 2005 stressed that the purpose of reforms in the UN system is to make it “more efficient and effective in its support to developing countries to achieve the internationally agreed development goals” and that it urges management in UN agencies “to adopt harmonization and simplification measures with a view to achieving a significant reduction in the administrative and procedural burden on the organizations and their national partners that derives from the preparation and implementation of operational activities.” More recently a number of proposals for UN reforms have been presented in the report of the UN Secretary-General’s High Level Panel on System-wide Coherence, under the leadership of the Prime Ministers of Mozambique, Norway and Pakistan (9 November 2006). One of the major focal areas in that report concerned efforts to make the ‘country focus’ more effective and efficient in UN operational activities, including poverty reduction. Several of the FAO Director-General’s reform proposals are also designed to address these issues and FAO has fully involved itself in the development of the “One UN” Pilot Country exercises.

13. In the face of all these changes and reform efforts, and with FAO’s financial resources having declined steadily in real terms for over a decade, the IEE has sought to address the questions of: Where does FAO fit today? What should be its response? What is its comparative advantage and what should be its strategic priorities?

14. Much has changed and continues to change. Many of the basic challenges to FAO, however, have not changed. Extreme poverty remains the daily reality for more than one billion people. Hunger and malnutrition affect some 852 million people, and more than a quarter of all children under the age of five in developing countries are malnourished. The number of people in Asia living on less than US\$ 1 per day dropped by nearly a quarter between 1990 and 2001, but in sub-Saharan Africa and South Asia the numbers of hungry people have actually increased. The average income of the extremely poor declined in sub-Saharan Africa between 1990 and 2002. Both the UNDP Human Development Report of 2005 and the World Bank’s World Development Report of 2006 conclude that without major additional efforts the first Millennium Development Goal (MDG) - reduction in poverty and hunger - will not be met. FAO’s SOFI⁶ has drawn similar conclusions with respect to hunger.

15. Poverty in poor countries is still largely a rural issue. Fully 75 percent of the poor live in rural areas where most are dependent in some way on agriculture. Of these, women remain among the most active producers of food for household consumption while also being the most vulnerable and marginalised. Even in poor countries that have achieved rapid economic growth and reduced poverty, the rural areas continue to be zones of relative stagnation and severe deprivation. Globalization and the liberalization of local and regional markets have resulted in new market opportunities for some, but have led to new threats and uncertainties for others, particularly the poorest. In parts of sub-Saharan Africa, the HIV/AIDS epidemic is cutting swathes through rural communities and undermining local economies.

⁴ The President’s Emergency Plan for AIDS Relief.

⁵ Triennial Comprehensive Policy Review of Operational Activities for Development of the United Nations System.

⁶ State of Food Insecurity in the World.

16. Taken together, these factors underscore the need for a global organization to provide an authoritative, objective, respected, and politically neutral international platform in which these central issues can be examined and decisions taken for collective action. They also underscore the need for targeted technical cooperation to strengthen capacities, develop policies and overcome the impacts of emergencies. In this connection, no other global organization matches FAO's comprehensive mandate for food, agriculture, forestry and fisheries.

17. It is in this context that this evaluation is undertaken.

III. Taking Stock: Strengths, Relevance and Effectiveness

18. The assessments and views collected for this evaluation bring out that FAO produces a range of products and services that are highly valued. For some of these there are simply no alternative sources of supply. A small minority does not agree with this view and has argued that "if FAO were to disappear tomorrow, no one would notice". The IEE assessment concurs with the broad international consensus that the FAO is needed and that for many of its activities there is no institutional alternative. Indeed, the vast amounts of evidence examined by the IEE lead it to the view that "if FAO were to disappear tomorrow, the global community would need to reinvent very substantial parts of it". Many of the important technical areas where FAO appears to hold a strong comparative advantage, however, are operating today in a crisis mode. The results of this evaluation also suggest that there are other products and services in which FAO is falling short of expectations. The reasons for this vary. In some cases, it is due to the absence of solid priorities, strategies and/or adequate resources. In others, it results from alternative sources of supply. The underlying causes, consequences and implications of this situation will be covered in the evaluation report and are not addressed in this paper.

19. **Knowledge Management:** Founded primarily as a technical, rather than a financing organization, FAO has been a knowledge organization from its inception. The global mandate of FAO directs it to generate, mobilize and disseminate knowledge relevant to sound stewardship in agriculture, forestry and fisheries. In these specific areas, FAO has always been involved with "knowledge management" (KM), a modern term for the assembly, production, processing, organization and distribution of information and knowledge. FAO's top leadership and its staff are strongly committed to applying the principles of KM and the management has recently established a special unit for this. The performance, however, seems hampered by a combination of resource constraints, insufficiently clear and limited priorities and the strong compartmentalization between disciplines and organizational units – the often referred to "silo" nature of the organization. Its role as the global hub for knowledge management in the fields of agriculture and natural resources does not mean that FAO should produce or control all such knowledge, but rather that it must serve as the organizer, negotiator, convenor and partner in knowledge systems to ensure the availability of relevant knowledge as a global public good. Although FAO has established a range of important partnerships in this regard, it is likely to need more specific strategies and priorities, including those required in advocacy and resource mobilization, if it is to fulfil this role effectively. The IEE expects to offer some guidance on this matter.

20. **Treaties and Conventions:** FAO has a comparative advantage in facilitating international agreements in the areas of agriculture and food and in certain aspects of natural resources management. Examples of key international agreements in food safety and plant health, which also underpin international trade, include the Codex Alimentarius and the International Plant Protection Convention (IPPC). These have been developed and are serviced through FAO. Furthermore, FAO has also been a major player in the architecture for plant and recently animal genetic resources and in agreements to limit the risks associated with pesticides. In natural resources management and the handling of pesticides there are an increasing number of alternative suppliers, but FAO's comparative advantage remains unquestionable in its ability to combine protective measures with food safety and agricultural production systems and to involve producers and agriculture ministries as stakeholders. This evaluation agrees with the findings of

FAO's own evaluations that FAO risks weakening or indeed even losing this comparative advantage unless this area of activity is assigned higher priority and increased support. FAO also has a potential comparative advantage in contributing to capacity building in developing countries related to various international agreements, but this would require increased resources as well as new programme instruments.

21. **Advocacy and Communication:** FAO's role in many areas of advocacy is viewed as controversial by some member countries. This is not surprising. There is always tension in multilateral organizations in representing the diverse views of the membership and the requirements of responsible advocacy. FAO, however, is the only organization that can provide a neutral forum for an informed debate on issues of food and agriculture, fisheries, forestry, and natural resources. In this regard, it also has a global mandate for advocacy and communication. The World Food Summits were successful advocacy initiatives and were instrumental in the recognition of hunger in MDG 1. FAO played an important role in maintaining a focus on food and agriculture throughout the 1990s, when international development priorities shifted to a major focus on the social sectors and to donor funding flowing largely in support of those sectors. FAO's efforts in this regard were reflected in developing country initiatives, such as the Maputo Declaration of African Presidents to devote no less than ten percent of their budgets to agriculture. The improved range and depth of FAO publications on the State of: food and agriculture, forestry, fisheries, trade and food insecurity have become reference and policy documents of importance. In some other areas, FAO advocacy has been less successful in establishing this link. For example, the IEE agrees with FAO's own evaluation that the TeleFood approach has succeeded in linking fund mobilization for projects and advocacy in only a few countries.

22. **Policy:** In general terms, many member countries assign highest priority to FAO assistance on policy issues. In addition to its work on the state of food and agriculture, discussed elsewhere, FAO makes important contributions in supporting developing countries in understanding the implications of positions in trade negotiations and in implementing agreements such as those of the Uruguay round. Members view FAO as neutral in a way that other actors are not, both in its role as a policy forum and in supporting member countries to develop policies. In the past, the strength of FAO in legal matters provided a valuable complement to economic work, but this important area in which FAO has held a distinct comparative advantage is now falling below critical mass. Key discussions on food and agricultural policy have increasingly taken place outside FAO (e.g. the Millennium Project). In addition, economic and trade policy work have not yet been integrated effectively.

23. **Statistics and Databases:** All global statistics, and most global and regional projections and analyses for food and agriculture derive from FAO data. Global statistics have the characteristics of global public goods, being both non-excludable and non-rivalous. FAO statistics are used by a very broad range of actors worldwide as evidenced by the number of web-site visits and downloads. However, this evaluation has found evidence that user satisfaction, both within and outside FAO, is low and users are critical of timeliness and quality. The same users assert, however, that there are no alternative sources of supply. Global statistics depend on two factors: (i) national capacities to gather high quality statistics that conform to agreed standards and norms; and (ii) core capabilities within FAO for the required analysis, research, technical interpretation and synthesis. While both developed and developing countries agree on the critical importance of good statistics, this evaluation has found that both national and FAO capacities have been seriously weakened in recent years in part because unlike other areas, FAO's global statistics functions have not been a significant beneficiary of extra-budgetary funds.

24. Likewise, global information bases on food security and early warning, forest resources and soil and land resources, to name but a few, are widely used and relied on, but have not received the necessary resources to improve or in some cases even to maintain the quality of the information they once were able to provide.

25. A major strength and comparative advantage of FAO is in comprehensive food information systems. FAO is the repository of the world's single most comprehensive information system on all aspects of food, including the time-series data that provide the essential foundations for the tracking of changes, new risks and emerging threats. Yet, this undisputed institutional comparative advantage is currently weakening as a consequence of both budgetary restrictions and a general absence of strategy. A further factor is that World Food Programme (WFP) capacities in food forecasting are rapidly expanding. To the extent that such capacity is advanced further by WFP in collaboration and cooperation with FAO, this development holds significant promise as a global public good. To the extent that the WFP effort supplants the traditional comparative advantage of FAO, it will prove to have been costly and wasteful. At present, the trend appears to be towards the emergence of parallel systems and this should be a matter for serious international concern.

26. **Food Security and Nutrition:** In spite of its wide remit and broadly based activities related to food security, FAO's work in this field has come to be associated with its Special Programme for Food Security. This is misleading, as FAO also provides a range of essential services, including its early warning systems, its statistical databases on food production and vulnerability, and work in extending its normative work to country level. FAO's work on nutrition, *per se*, has however become limited in scope and impact at both the strategic and country levels. This does not diminish the central importance of FAO in the integration of nutrition with food standards (a role it is already playing) or the potential to integrate nutrition issues into all other aspects of FAO's work on food security as a cross-cutting issue. The IEE expects to address the strategic choices and implications arising from this situation in its final report.

27. **Fisheries:** FAO continues to be the only global forum and institution addressing all aspects of fisheries. It has worked well with other institutions such as the UN on law of the sea and the IMO on coastal aquaculture and marine ecosystems as well as with the CGIAR's "World Fish". The Code of Conduct on Responsible Fisheries has set a world benchmark and the fisheries statistics are a valuable and unique product, although there are concerns about the quality and validity of the data used. As a result of declining financial resources, however, FAO's work in fisheries is now very thinly spread. Moreover, there is no strategic framework that addresses the likely big fisheries issues over the next decade or that explores FAO's role in these. In addition, FAO's current financial and human resources do not permit adequate attention to either the implications of global warming on fisheries or to the issues of poverty and food security associated with declining stocks, access to common resources and the rise of aquaculture.

28. **Forestry:** In the early 1990s, FAO had become quite isolated from international political processes in spite of its acknowledged technical expertise. Since then, with the stronger strategic orientation, the Forestry Department has moved into the mainstream and FAO has re-established a leadership role in certain aspects of the international forestry dialogue. In spite of the arrival of other important actors in forestry, FAO remains the only global source of comprehensive technical expertise and the only source of comprehensive data. FAO's technical leadership in global forestry has, in fact, been increasing.

29. **Animal Diseases, Public Health and Pest Management:** Among the various sub-sectors of agriculture, the livestock sector has been growing most rapidly. This is due to increased population, urbanization and changing consumption habits leading to more intensive production, and the associated growing risks of transmission of animal diseases to human populations. FAO was at the forefront, in collaboration with OIE⁷, of the near-total eradication of rinderpest, one of the most devastating transborder livestock diseases in South Asia and Sub-Saharan Africa. More recently, following serious initial difficulties and defects, FAO is now one of the lead players in the control of Avian Influenza. It has also been developing a promising capacity building programme on food safety, which is essential to the successful implementation

⁷ Organisation Mondiale de la Santé Animale (World Organisation for Animal Health).

world-wide of restrictions on the use of animal residues in feed. Desert locust plagues have been steadily better forecast, contained and stopped. The entire area of animal diseases and pest containment is a strong FAO comparative advantage, but there is also reason for concern that the Organization's core capabilities in this area are eroding and may not keep pace with the required critical mass to address imminent dangers and risks.

30. **Gender:** FAO's planning of gender mainstreaming through the Gender Plan of Action, ability to trace gender-related outputs in the Programme of Work and Budget and regular reporting to Conference compare favourably with several other agencies. There is evidence of significant progress in some technical areas, such as emergencies, nutrition, livestock and aspects of crop protection. However, like many other agencies, FAO has struggled to find an effective balance in making strategic connections. It has also experienced difficulties in translating plans into practical action, going beyond short-term outputs to monitoring outcomes and delivering the sustained support to staff necessary for the change process and ensuring that the necessary resources are allocated.

31. **Research and Education:** FAO is not today a significant or even an important player in agricultural research, this role having migrated principally to the CGIAR (in the public domain) and more recently to the private sector. The establishment of the CGIAR in 1972 has, however, not resolved or even addressed the fast-evolving crisis arising from the lack of a critical minimum mass of scientists in absolute terms and a growing divide in the agricultural science knowledge in Africa relative to the rest of the world in general and to other developing areas in particular. In the 1960s, 70s and 80s, Africa was generally considered to be on track to produce the cadre of higher level scientists and technicians needed to meet the food and agricultural needs of the continent. This assumption has proven erroneous and the "human capital divide" in agricultural sciences is greater than it was three decades ago. Africa is falling further and further behind in the promises of a special African 'green revolution'.

32. Historically, FAO played a central role in helping to build and strengthen endogenous agricultural science capabilities in Africa. Since the 1980s, FAO support to agricultural higher education has declined to the point where it is now negligible. Yet no other entity – whether national, regional or international – has filled the gap. Building national agricultural research capacities involves not only the generation of new knowledge but also the capacities to mobilise, assimilate, apply and adapt it. The International Service for National Agricultural Research (ISNAR) which was supposed to perform this function has largely ceased to operate and no organization has emerged to fill the resulting vacuum. The same holds for support to agricultural higher education in Africa. This is not an area in which FAO continues to hold a comparative advantage and the IEE is examining this issue with a view to addressing the lacunae and bringing forward recommendations.

33. **Agricultural Support Services:** Farm mechanization, rural credit, post-harvest management, agro-industrial engineering, food industries, etc., were significant areas of FAO activity in the 1960s and 1970s. That has ceased to be the case. Since 1980, the headquarters division providing such services (AGS) has been reduced by some 40 percent. Based on evidence to date, the IEE would agree with this reduction because there are alternative sources of supply and FAO is now below the critical mass required to make these services an integral component of a coherent institutional strategy. Nevertheless, over the last few years the core emphasis in these services has shifted significantly to the facilitation of local-level private sector agri-businesses. FAO seems to be rightly striving to assist locally-rooted agricultural enterprise to move up the value chain. On the surface, this appears to the IEE as noteworthy, although it is far too early to offer any judgement on the success or even the promise of this new direction.

34. **Emergencies and Post-emergency Rehabilitation:** Demand for support in post-emergency immediate rehabilitation is steadily on the rise. In the last biennium around one-sixth of FAO's total expenditure and around 40 percent of all extra-budgetary funds were related to emergencies. This evaluation has found many positives about FAO's role in emergencies. The

Organization's information systems, forecasting, capabilities in trans-border diseases, pest surveillance and control and post-crisis recovery actions in agriculture are generally highly regarded. The role played in providing a neutral forum for coordinated inputs of multiple actors also seems to have been generally welcomed.

35. However, several of FAO's important stakeholders have argued to the IEE team that FAO should have no role in emergencies. The reasons given for this position are that: (i) there is no overall policy framework agreed by the Governing Bodies; (ii) there is a lack of coherence in FAO work in emergencies; (iii) emergencies lie outside the core competencies of the Organization; and (iv) there are alternative sources of supply for many of the emergency activities conducted by FAO. However, the IEE does not share the view that FAO should withdraw from emergency-related activities. The absence of a strategy, however, raises important questions and points to serious gaps. Early recovery operations for FAO should not be limited to the simple replacement of lost assets, but should entail strategic approaches aimed at enabling communities to reconstruct diverse agricultural livelihoods. The evidence points to circumstances of immediate post-crisis rehabilitation of agriculturally-based communities, in which FAO functions best as a planner, technical advisor or general coordinator. The IEE expects to have more to say on this matter and to offer specific recommendations.

36. **Technical Cooperation:** Technical cooperation remains a major need and priority of a large number of FAO member countries. Many of the Least Developed Countries (LDCs) see it as of critical importance. All countries emphasise the importance of assistance in areas of FAO's comparative strengths, especially for policy. Purely technical areas also remain important for poor and very small countries, which have difficulty in accessing global knowledge. Member countries need FAO assistance in developing capacity in their own countries. Discussions between the evaluation team and FAO member countries have revealed a strong and broad consensus, among both developing and developed countries, that it is misleading and damaging to portray FAO's role in the world in terms of normative versus operational. In an age of rapid globalization, the greatest value, relevance and effectiveness of FAO will be determined by the extent to which it can play a catalytic role in linking global and local needs and challenges, with each benefiting from the feedback from the other.

37. This consensus means that if FAO is to meet the needs of all its members, it must ensure field-level delivery of the knowledge, skills and capabilities required to meet the global challenges of food safety, the well-being of agriculture, fisheries, forests and the maintenance of the associated natural resource bases, as well as the means for effective policy implementation. Many look to FAO for worldwide leadership in ensuring that hunger and the role of agriculture are accorded priority in the international policy agenda and in the priorities of individual countries. Sadly, the technical cooperation programmes of FAO do not, in general, respond to these needs or to the consensus. There are important exceptions, but the vast majority of FAO technical cooperation is in the form of short-term consultancies which often may not be well related to longer term strategies, policies and sustainable knowledge access and application. There is not a well developed strategy to link the global to the local and to build the delivery capabilities for this by joining up the FAO knowledge centres to field delivery. There are not adequately defined priorities for the Technical Cooperation Programme (TCP). More generally, there is no clear strategic or prioritized programme framework that guides and directs the extra budgetary funds on which FAO's technical cooperation programmes are largely dependent. Many of FAO's principal donors argue that the highest strategic priority should be assigned to strictly normative work. In reality, however, donors earmark the great majority of extra-budgetary funds to country-level, technical assistance activities that may bear no relationship to their stated global concerns. This frustrates attempts by FAO management to design coherent strategy.

38. Moreover, within FAO there is little systemic learning from technical cooperation and evaluation plays at best a minor role. The 2005 evaluation of TCP recommended that it be restructured around clear allocation criteria, including country or regional strategies, but this recommendation has only been very partially implemented. Although appreciated by some

countries, one single flagship technical cooperation programme, the SPFS does not build well on FAO's global strengths. It continues to be questioned by many members. Although FAO's SPFS approach has become more integrated and differentiated since the evaluation of 2002, it continues to emphasise production, often with unsustainable subsidies. The Nigeria programme is encouraging in that it is very much owned by the country and is being expanded with national resources. However, it has not been independently evaluated and the benefits are not systematically documented.

39. There is an undeniable need for FAO to play a major role in technical cooperation aimed at sustainable capacity building, including the capacities to address and manage global change. This is especially so as many donors have greatly reduced or even eliminated their capacity to provide this. The defining characteristics of FAO's current structure and operating modalities for technical cooperation, however, are not aligned to achieve this. They comprise mainly short-term, small projects unguided by the kinds of strategies required for sustainable capacity and institution building. The IEE expects to be able to provide helpful guidance to ameliorate this situation.

IV. Overall Perspective Regarding Strengths, Relevance and Effectiveness

40. FAO provides an exceptionally broad range of relevant, valued and effective products and services. In many areas, it remains the sole supplier and there are numerous public goods that only FAO can furnish. The evidence assembled to date by the IEE points unequivocally to the conclusion that: "If it didn't exist, it would need to be invented". On the other hand, FAO also continues to provide products and services which no longer accord with the Organization's comparative advantage. At the more general level, however, is the continuous and serious erosion of the Organization's overall core competencies and delivery capabilities as a result of the steady erosion of its total resources, especially for the Regular Budget.

41. Possibly, FAO's greatest challenge is in bringing integrated answers to inter-disciplinary problems of food and agriculture. In spite of efforts to achieve this, FAO is not a well joined-up organization. Many of FAO's corporate-level evaluations conducted over the past decade (e.g. decentralization, TCP, the policy role of FAO, cross-organizational strategy on communications, SPFS) have pointed to excessive compartmentalization between disciplines and between action at country and global levels. FAO's external partnerships are both numerous and important, but these all tend to be at the macro or micro level, largely ignoring the meso level which is where the greatest potential lies for collective strategic actions.

42. FAO is not maximizing its comparative strengths for technical cooperation nor meeting adequately the priority needs of its members. There are many reasons for this which are external to FAO, but FAO has also suffered from the absence of a coherent resource mobilization strategy derived from a rigorous assessment of its comparative advantage, and priorities on the basis of needs or opportunities (including the incidence of hunger and poverty). The formulation of a strategy must be based on longer-term thinking, structures, organizational arrangements, and policies. Such formulation in FAO has been severely constrained by the short-term nature of member country contributions and the difficulty of prioritizing and integrating extra-budgetary funding. The situation has been compounded by the "salami slicing" non-strategic approach to budget reductions over successive biennia. Other contributing factors have included:

- a) the consistent difficulty of the governing bodies to set priorities and to provide oversight on extra-budgetary funding;
- b) a headquarters-centric culture and structure which attaches limited significance to the actual and potential contribution of decentralized offices and staff;
- c) the disconnected field structures between country representatives, subregional offices and regional offices, including the fact that the technical specialists in

- regional offices report to their headquarters departments and not to the Regional Representative;
- d) the “silos” that also exist between headquarters and the decentralized operations of FAO;
 - e) a lack of strategy at country level now being addressed in the context of “One UN” and with the development of national frameworks, albeit with substantial weaknesses in those strategy development processes;
 - f) constraints on reducing and adjusting staffing in line with changing resource availability and priorities;
 - g) an absence of funding for one-off costs of adjustments; and
 - h) the regular budget reductions made over successive biennia by FAO’s main funders have assumed implicitly – and it turns out erroneously – that alternative sources of supply would assure the global availability of goods and services in FAO’s area of mandate (examples include the potential technical and financing role of the World Bank, which withdrew heavily from agriculture in the 1990s and the roles that had been assumed for ISNAR which is now essentially defunct).

43. Thus, in spite of the near-universal consensus among its key stakeholders on the importance of and the necessity for a range of global goods and services that only FAO can provide, there is no agreed strategy on how to achieve this, on what is priority and what is not, on what to retain and what to shed, on resource needs and how these are to be provided. This undermines confidence in the Organization and reinforces the steady decline in FAO’s financial resources. It has reduced FAO to a point where an inappropriately large amount of staff time is spent seeking funding for the very survival of operations. The net result is that the capacity of the Organization is declining and many of its core competencies are now imperilled. The IEE expects to provide some possible criteria for FAO Governing Bodies and management to consider for priority setting and resource mobilization so as to better exploit FAO’s numerous comparative advantages.

V. Organizational Structure – Fit for Purpose?

44. The IEE has been examining the organizational structures of FAO in order to determine their adequacy to the purposes of the Organization and the extent to which they contribute to or hamper efficiency and effectiveness. This has been a central subject in many of the interviews both at headquarters and in the field, and with FAO members and partner organizations. A common theme emerging from these is that aspects of the current structure have the effect of creating and reinforcing institutional segmentation and what is often described as the “silo mentality” of FAO. Many of the interviewees pointed to how the steady erosion of resources has caused increasing fragmentation, especially for the smaller departments, divisions and service groups. It would be a serious error, however, to attribute organizational fragmentation only to - or even principally to - the successive budgetary reductions that FAO has confronted. The structural problems are much deeper and derive in part from an inflexible uniformity in the design of both headquarters and decentralized offices. The principal defining features of uniformity also include sharply drawn vertical lines of communication, a highly centralized decision-making structure, very low levels of delegated authorities, a profound bias towards *ex ante* controls, an absence of networked or matrix decision structures and incentives, and the very limited Regular Budget funds for cross-organizational and inter-disciplinary programming.

45. The structural characteristics of the relationships between FAO headquarters and its field presence are severely fragmented. For most practical purposes, FAO Country Representatives (FAORs) have few dealings with regional offices on substantive matters. The same is true of the situation between Regional Offices and Subregional Offices. Indeed, in many cases this evaluation learned that FAORs are not well informed or consulted on the FAO regional and global projects occurring in their countries. In other cases, professional staff in Regional or Subregional Offices are unable to travel to the countries in their region because of a lack of travel

funds. Of greater concern is the phenomenon of “spokes and wheels”, meaning the absence of shared goals, purposes, strategies and resource mobilization efforts between headquarters, regional, subregional and country offices. The recent decision to raise the maximum ceiling of delegated TCP authority to FAORs to US\$ 200,000 per biennium is a welcome move in the right direction, but it is also modest relative to the larger structural problems that need to be addressed. The IEE is examining these larger problems and expects to offer suggestions that will help to resolve them.

46. Many headquarters programmes in areas of FAO’s undisputed comparative advantage are moving into the “at risk” area due to the combination of sequential budgetary reductions, and decentralization in the context of a declining overall budget. It is always difficult to arrive at informed judgements on matters of critical mass, but the overwhelming view expressed to the IEE team by FAO’s scientific and technical headquarters staff is that FAO’s comparative advantages are now at serious risk. The IEE will, therefore, attempt to develop options in the form of overarching criteria as opposed to specific proposals, but in some areas it has already become clear that further consolidation will be required.

47. The IEE is also considering the incentives FAO will need to provide for effective work across organizational boundaries, including the option of effective matrix management. In examining these issues the IEE is aware of the damaging increases in bureaucracy that some models of matrix management have led to and will aim to formulate its recommendations accordingly. It will also bear in mind the inherent constraints posed by the UN common system of adjusting staff capacities and numbers in the face of declining budgets.

48. It is clear to the IEE that many FAO programmes require and fully justify resource increases and it intends to take both current financial realities and future needs into careful account in formulating its proposals for a strengthened and focused decentralization, differentiated by region and the particular needs of groups of countries. The IEE will also probably confirm the overall findings and many of the recommendations of the 2004 independent evaluation of decentralization, including its assessment of the potential merits and development impact that can derive from effective decentralization. Pending these proposals and their consideration of the financial realities of FAO, however, the IEE would hope that a prudent approach to decentralization would be adopted beyond the measures already approved in principle by the Council.

VI. Programming and Budgeting Coherence

49. The IEE has sought to analyse the efficiency, effectiveness and coherence of FAO’s structures and instruments used in programming and budgeting and their related oversight and decision-making processes. There are four key components to the system which are intended to ensure synergy between long-term goals, shorter-term objectives and the biennial allocation of resources. They are:

- the **Strategic Framework** – this establishes overall priorities and objectives for a 15-year period, 2000-2015;
- the **Medium-Term Plan (MTP)** – this is intended to build from the Strategic Framework, to set the broad parameters of a six-year work plan (revised and updated every biennium), including the main objectives for each programme area and the resources required for delivery (the current MTP was approved by the Council in November 2004 for the period 2006-2011 but has been overtaken by the recent reform of the programme structure);
- the **Programme of Work and Budget (PWB)**, preceded by a short preliminary version for discussion in the Governing Bodies (SPWB) – this covers the two-year period of each biennium setting out the delivery details for each programme area and the financial allocations required. The current PWB applies for 2006 and 2007; and

- the **Programme Implementation Report** – this is intended to inform each session of the Conference on the performance and achievements of the Organization against the objectives approved in the PWB and on progress towards the larger goals set out in the MTP and the Strategic Framework.

50. The intention of the above system is logical and the basic architecture is sound, but it is not working as intended. The Strategic Framework was produced in 1999 and has not been revised since. For all practical purposes it has ceased to be used, having also largely been overtaken by the Director-General's reform proposals. Moreover, the Strategic Framework suffers from being overly encompassing and in places it confuses the objectives of the Organization with means of action, thus making it difficult to apply a fully results-based model. More importantly, it does not establish a clear priority framework. The IEE expects to be able to propose such a framework which will serve for the coherent prioritization of both Regular Programme and extra-budgetary resources.

51. As matters currently stand, the main programming, monitoring and reporting systems only capture about half of what FAO actually does, the remainder being accounted for by extra-budgetary resources. Refinements to the system, especially in its execution, are required, but these cannot be expected to address the more fundamental problems that result from the structural distortions inherent in the current configuration of FAO financial resources.

52. The present MTP and PWB do provide means-ends analysis but do not provide coherent linkages to the strategic objectives of the Strategic Framework. The decisions reached by the Governing Bodies on the MTP do not in reality address financial requirements, even though these are covered in the documentation. Other difficulties include absence of coherence between the MTP and the operational and financial configurations that arise from extra-budgetary resources. Finally, the approved intent of the PWB is to complete the plan for delivery on the larger programme purposes of the Organization (i.e. the MTP and the Strategic Framework) on a means to ends basis. In practice, however, the PWB is treated almost entirely as a budget document only, with little attention to medium-term objectives and virtually none to larger and longer-term goals or the basis provided for monitoring of results.

53. Within the secretariat there is an understandably high level of frustration over the repetitive, costly and time-consuming nature of FAO planning processes. Many FAO members similarly express high levels of frustration and have complained openly that there are too many layers and that at least one should be dropped. While dropping one step (i.e. the MTP) in the process should free up some time for both secretariat and members, it will not address the disconnections in the overall planning system. Neither will it resolve the worsening PWB situation, where more and more time and effort are expended in producing multiple scenarios at the request of members that have, in the end, no bearing on decisions which are taken on the basis of the zero nominal growth requirement of some major OECD members. Also, the PWB, in spite of all the time and effort put into it, does not provide overall prioritization of resources (regular and extra-budgetary). Some members complain (with justification in the view of the IEE) of a lack of transparency in many of the key programme documents. This is due in part at least to an overemphasis on details that members themselves demand, but it also arises from technical factors in the presentations such as the discrepancy between the Programme of Work and the Appropriation.

54. Programme oversight by members is provided through a biennial Programme Implementation Report and this is supplemented through various evaluation reports, including a biennial summary Programme Evaluation Report. FAO, however, does not have functional Results Based Management (RBM). Such systems are not established overnight and they require up-front investments. In several other international organizations, RBM has been established within a new secretariat or unit with resources to oversee an institutional culture change towards a results focus. The IEE wishes, however, to sound a note of caution. The Joint Inspection Unit of the UN (JIU) found RBM systems in many UN organizations to be of limited real utility and a

consumer of significant resources. It also notes that a simplistic pursuit of targets can have a distorting effect on programmes, especially technical programmes. The issue is one of balance and utility. Overall, there is no doubt that an effective RBM system is essential for operations management, programme budgeting and accountability. The IEE has separately evaluated the evaluation function in the Organization and has found that it provides a strong base which can be further enhanced. Recommendations will be made on the evaluation system and on RBM.

55. Thus, the results to date of the IEE indicate systemic weaknesses in FAO's structures for programming, planning and budgeting. The current arrangements are not functioning well or according to their design. The IEE intends to provide recommendations for overall priority setting and programme and budget processes, including oversight. It hopes that these will lead to greater efficiency of process, increased member accountability and, above all, greater effectiveness in delivering programmes of relevance.

VII. Administration and Management

56. A structured staff survey was conducted using a standardized instrument for the measurement of institutional culture. Although further analysis of the survey results is required, the overarching result paints a picture of a deeply discouraged and demoralized staff that considers its work undervalued and underappreciated and that is also pessimistic about the future of the Organization and distrustful of its stewardship. Yet it also reveals a picture of staff who believe strongly, even fervently, in the mission of FAO, who want to see and wish to contribute to an institutional renewal, and who have countless ideas, from micro to macro, for improvements.

57. **Management Culture of FAO:** The principal features of the management culture profile of FAO as painted by its staff include: lack of clear lines of decision-making; absence of positive incentives; emphasis on compliance and *ex-ante* controls; a negative climate for initiative; and an institution that is overly centralized, hierarchical and authoritarian - with limited management delegation, including a concentration of decision-making authority in the office of the head of the Organization. Comparisons of many of the management features of FAO to those of most other organizations both inside and outside the UN system furnish strong supporting evidence for these staff perceptions. One of these comparisons shows that in FAO 41 (79%) of 52 standard human resources actions have been retained in the Office of the Director-General. Systemic modifications are called for and the IEE will analyse the issues further and bring forward recommendations in this regard.

58. **Human Resource Policies:** In addition to the factors mentioned above (and pending further verification and validation), the results of this evaluation point to the following:

- a) competency criteria for staff recruitment are in general not adequately developed and not applied rigorously especially at the managerial level. While the IEE team has encountered very competent managers and FAO Representatives, it has also found that adequate competency criteria are not applied in the selection to these posts;
- b) resource policies which provide adequate compensation, rewards and accountability while at the same time furnishing incentives for informed risk taking. There is a quantum difference between the terms and conditions of regular FAO staff and the terms and conditions of service offered to consultants. FAO prices consultancy well below market and thus has great difficulty attracting adequately qualified consultancy expertise in a timely way. A shift in the balance is required away from regular staff to networks around the world that can draw down consultancies on an as-needed or continuous basis for Regional and Subregional Offices as well as headquarters. This would increase the number and competencies of expertise available to the Organization; and

- c) two major reports⁸ on the human resources function in FAO have separately drawn attention to its “mechanical” nature and urged that it be used more as a strategic instrument aligned to support and encourage the achievement of FAO’s strategic goals. This has yet to occur.

The IEE report will make several recommendations in this regard.

59. **Budget and Cash Flow Management:** Throughout the period under review, the Director-General has proposed successive Programmes of Work and Budget which have not received Conference approval at the requested budget level⁹. This has led at the start of each biennium to hasty re-budgeting, not fully linked to programming. In addition, extra-budgetary resources are on separate budget cycles for each single project. They are managed separately from Regular Budget resources with overall responsibility lying with a unit (TCAP) in the Technical Cooperation Department and funding for emergency programmes largely handled by the Emergency Operations and Rehabilitation Division (TCE). With the exception of a few projects supporting headquarters-based work, they are poorly integrated with the Regular Programme and their allocation receives virtually no Governing Body oversight. The extra-budgetary resources from major OECD donor countries in many cases do not appear to be in line with their stated priorities for the Organization.

60. FAO keeps its accounts in US dollars and the budget level is also set in US dollars, but assessed contributions are split between euros and US dollars. Currency movements in recent years have meant that the contributions of many of FAO’s major donors have actually gone down significantly. The combination of these factors has made it more difficult for FAO to handle currency fluctuations and for members to accept changes in a dollar budget resulting from currency fluctuations.

61. FAO faces an exceedingly difficult challenge in financial risk management due to the late and non-payments of assessed contributions. This has caused significant liquidity and cash-flow problems. FAO has been addressing this by periodically borrowing funds from its bankers and then repaying when contributions are received and liquidity levels improve. In the view of the IEE the decision to borrow money was, and continues to be, the correct one, and FAO deserves praise and recognition for following that path, instead of the “easy” and less rigorous path of compensating cash shortfalls with resources taken either from long-term investments, or from extra-budgetary liquidity. The current situation, however, is unsustainable.

62. Application of the findings of the external auditor in 2003 further reduced the possibilities to commit Regular Programme funds from one biennium for expenditure in the following biennium. Non carryover of funds between financial years was once considered to be a standard best accounting and budget practice and it was followed by most OECD governments in their own national accounts. However, this practice is no longer recommended. It is now widely thought that the best approach should allow for some carryover as an incentive to prudent financial management. In the case of FAO, there is the possibility for carryover for TCP, the capital facility and security facilities but not for the regular programmes of work of the Organization. This has led to a hiatus in planning with a stop-start at the end of each biennium and the beginning of the next. It has also encouraged a rush to spend at year end by units which find themselves with allotments remaining.

63. FAO deserves praise and recognition for the way it has already been provisioning and earmarking specific investment amounts towards its Separation Payments Scheme and its After-

⁸ ‘Human Resources Planning Workshops: A Report for FAO’, 2003; and Accenturre, ‘Report on a Proposed Human Resources Management Model’, 2005.

⁹ Further pressure occurred in the current biennium due to initial steps in the implementation of the Director-General’s reform proposals.

Service Medical Coverage. In this respect, it is already ahead of many other organizations in the UN common system. The UN system has determined that the International Public Services Accounting System (IPSAS) is to be implemented in all UN agencies by no later than 1 January 2010. This will entail a multitude of changes for FAO, including more transparent presentation of both liabilities and future receivables from unpaid contributions. The full implications of this will need to be determined well before the target date of 2010.

64. In the light of the above, the IEE will thus be examining the feasibility, desirability and possible implications of:

managing budgets and extra-budgetary resources much more on the basis of approved strategic objectives and a few agreed priority themes (as is the case in WHO);

- a) approving budget levels by the Governing Bodies in May/June of the final year of the biennium, thus allowing for the Programme of Work to be drawn up on the basis of the approved Regular Programme budget figure;
- b) moving budgeting and accounting to more than one currency (in line with overall expenditure pattern);
- c) implementing specific measures to improve cash-flow and liquidity stability;
- d) in addition to TCP and capital account, rolling over a proportion of funds between biennia, both as a matter of good financial management and of income smoothing; and
- e) strengthening measures for Results-based Management, including the integration of results as a major criterion in budget decisions at all levels of management and by the Governing Bodies.

65. **General Administration:** The IEE has found that, relative to all comparators FAO delegates less authority, places greater restrictions on transaction sizes, focuses more on *ex ante* as distinct from *ex post* controls and assumes lower levels of individual responsibility. Much of FAO decision-making on administrative matters takes place at the very highest levels of the Organization, in some cases even when the procedures appear to indicate otherwise. The lack of provision for competencies in management or for adequate training leads managers to avoid risk. Lower level managers often put in place even further controls than those required by central systems. Transaction costs in FAO have reached levels where they inflict considerable damage to its work.

66. The IEE will provide examples of how extreme the situation has become. FAO is perceived by others as a highly bureaucratic organization and rightly so. Some evidence points to the Finance Committee and to the audit function as having encouraged (or even required) this situation. Indeed, while FAO members rightly demand that the Organization demonstrate both cost-efficiency and cost-effectiveness, many of those same members demand also the kind of micro-level and *ex ante* measures and controls that make it impossible to achieve these goals.

67. The IEE considers positively the Organization's recent moves to locate administrative functions in low-cost locations, taking account of other factors such as time zones and language requirements. It will be important to monitor this over time to determine whether the promised efficiency gains are realized.

68. Addressing the issues outlined above has major implications for the Organization's credibility with all member countries. If done well, major efficiency gains and improved accountability could result, much of which would be difficult to document being embedded in the work of technical and operational staff carrying out administrative transactions. The IEE was not designed to furnish recommendations on the fine details of general administration, but it has concluded that this is an area where the Organization has not, thus far at least, demonstrated a capability for genuine internal reform. It may prove instructive and helpful to draw lessons from other organizations of the UN system, such as UNDP and WFP, which face similar constraints to FAO but have been at least reasonably successful in designing, implementing and sustaining solutions.

69. **Inspection and Investigation:** The IEE has examined the place of audit in oversight. This has included a comparison of this role in FAO with other international organizations. Although the costs of the current dominance of *ex ante* controls in FAO's fiduciary system are viewed as very disproportionate to the benefits, any move away from this towards more *ex post* controls requires a strong role for internal audit and inspection. The risks of individual wrongdoing and major misjudgement or error will necessarily increase. The role of audit, therefore, needs to be balanced between efficiency and effectiveness on the one hand and financial and reputational risk on the other.

70. Accordingly, the IEE is examining this balance, including the imperative of assuring the independence of the audit function, the relationship and division of labour between internal audit and the external auditor, the relative roles of audit and evaluation and the requirements for "due diligence" by the FAO Governing Bodies. The IEE will suggest measures that would help balance the institutional requirements of increased individual responsibility and initiative, accountability and oversight.

VIII. FAO Governance

71. Governance issues relate to FAO's role in the global governance of food and agriculture and to FAO's internal governance. The quality of internal governance in turn affects FAO's effectiveness in contributing to global governance of food and agriculture. The IEE has found that FAO has continued to make some important contributions to the global governance on food and agriculture issues. This has included the two World Food Summits that have significantly influenced the MDGs, contributions to other major global conferences, in particular for the environment and sustainable development, and the progress made with various global instruments such as the Treaty on Plant Genetic Resources, the Code of Conduct for Responsible Fisheries, prior informed consent for pesticides and the transformation of the International Plant Protection Convention (IPPC). FAO's technical products supporting global policy dialogue, such as The State of Food and Agriculture (SOFA), have been transformed over the past decade into highly professional, authoritative, readable and policy-relevant materials. Accordingly, they have become central and influential in today's debates on food security and well-being.

72. These are important accomplishments and they deserve to be celebrated. At the same time, however, FAO's role in global governance of food and agriculture has declined and risks further decline. Issues of trade in agricultural and food products have become principally the purview of the World Trade Organization (WTO). Much of the governance of natural resources for food and agriculture has migrated over the past two decades to new environmental agencies. Legislative leadership in issues of animal health, including epidemic diseases which may spread to humans (zoonoses), reside principally with OIE¹⁰. Alternative fora to FAO now exist for policy discourse on international forestry policy; at least some of the discussion on the Law of the Sea in fisheries has moved to the secretariat of the UN where there is also an existing framework of law. Proposals for new activities or legislation deriving from the Convention on Biological Diversity and the WTO are never items for discussion on FAO agendas. It seems clear from both the level of their delegations to and the nature of their interventions in Governing Body meetings that member states are attaching decreasing importance to the role of FAO in these areas which are explicit in its formal mandate.

73. In part, this is quite natural, given the rise of other actors. In larger measure, however, it reflects the vacuum in the delivery of the global public goods that FAO was designed to provide, notwithstanding the centrality of food and agriculture to the achievement of the MDGs. Management can and should help to address this situation. The welcome initiatives of the Director-General in introducing into ministerial meetings of Council, Conference and the

¹⁰ Office international des épizooties (OIE), World Organization for Animal Health.

Regional Conferences opportunities for substantive, policy and technical discussions are noteworthy in this regard.

74. In addition, both the analysis performed and the evidence collected by the IEE sustain the premise that there is a serious problem of internal governance in FAO and that the governing system is no longer well equipped to discharge its functions. The IEE has concluded that weakness in the FAO's overall governance is one of the foremost barriers to the Organization exercising genuine global leadership in the fast evolving and exceedingly diverse framework which relates to global governance in the food and agriculture sector.

75. Greatly strengthened political will is required to achieve a new and durable political consensus. No combination of other measures of a technical, organizational, structural or instrumental nature will equip FAO as a 21st century institution in the absence of that will. A number of fundamental, structural factors affect FAO governance:

- a) the fundamental structure of the Governing Bodies has not evolved since FAO was founded in 1945. It does not correspond to the enlargement of the membership or to today's realities and challenges;
- b) the capacity of Governing Bodies to perform the functions stipulated in the Basic Texts has declined, while the tasks which they face have increased;
- c) there are imbalances in the composition of Governing Bodies as a result of anomalies in the composition of regional groupings in FAO;
- d) there is some overlap of functions among different Governing Bodies, as well as gaps in their mandates;
- e) the time and resources allocated to many of the key functions of governance are inadequate;
- f) the quality of governance is sometimes reduced by a lack of independent and unbiased advice to the Governing Bodies on major matters;
- g) with the exception of the World Food Summits, the Governing Bodies do not focus international attention on the major issues and challenges in the governance of world agriculture;
- h) the functions and responsibilities between Governing Bodies and management have become blurred;
- i) a declining priority to FAO is assigned by several developed countries because they consider that their interests and voice are not given adequate attention by the Organization;
- j) there is limited ownership of FAO's programmes and priorities amongst a significant number of developing country governments, especially in their capitals;
- k) severe cuts in the regular budget and recourse to extra-budgetary funds not subject to control by governance have tended to undermine the multilateral nature of the Organization; and
- l) policy coherence is compromised by structural configurations that include ministerial meetings with no line of reporting to the FAO Conference. In addition, several major statutory bodies have no direct line of reporting to the Governing Bodies, including the Regional Conferences and the governing committees of Codex and the IPPC.

76. The IEE intends to make a number of recommendations aimed at addressing structural anomalies and difficulties in governance. While these can be helpful, the main findings of the IEE point to a much larger and more intractable problem of polarization of positions in the FAO Governing Bodies, which undermines their capacity to substantively address issues. The assessment of key informants with wide experience of other international organizations, including of the UN itself, is that the divisions and distrust in FAO Governing Bodies are more pronounced than in comparators. The consensus view of FAO members who are also members of the

governing bodies of IFAD¹¹ and WFP¹² is that the governance climate is better in the latter two organizations.

77. The split between the OECD and the Group of 77 on substantive and political grounds as well as the distrust between members and management are major factors rendering Governing Bodies ineffective. Tensions are not addressed adequately or resolved. A caricature of this polarization is to state, on the one hand, that it is all a matter of money and that if funding were adequate FAO would fully fulfil its global role in an exemplary manner. On the other side of the discourse is the equally simple and erroneous proposition that funding has little to do with the problems, and that these can be addressed and resolved by management improvements, efficiency gains and establishment of clear priorities.

78. While this political split is certainly real, our multiple interviews and country studies have revealed both large areas of common interests as well as many differences of viewpoint between regions and within regional groupings. These can furnish a helpful base to overcome the current split, but only if a new consensus for collective political action can be established. Unless this is done, and the ways and means are found to move beyond rhetorical discourse, the real problems and challenges will continue to be inadequately addressed. To achieve this will require a major shift in attitude and an acceptance that the problem is fundamentally political and can only be resolved if both sides in the debate make a conscious decision to engage constructively. It will also require clearer definition, differentiation and adherence to the respective role of governance as the legislative body of the Organization and management as the executive arm accountable to governance.

79. The IEE questionnaire to member countries showed a considerable convergence of views on many measures which could improve executive governance. These measures also converge with widely-accepted principles of best practice. This includes the view of the great majority of members that only two Directors-General over a period of 36 years is not in the best long-term interests of the Organization and should be avoided. As the present Director-General has made it clear that he does not intend to seek a further period of office after his present term, members converged strongly in their responses to the questionnaire on setting strict term limits for the future at a maximum of eight years (two four-year terms). This would be very much in line with practice elsewhere. The IEE is considering conclusions and recommendations on:

- a) alternative means that would contribute to a more agile, modern, executive decision making process. This will address, *inter alia*: roles and responsibilities of Governing Bodies; difficulties of continuity due to the lengthy intervals between Council and Committee meetings; the place in governance of Regional Conferences; the independent professional backup required by the Council and its committees; and the relative merits of consensus and voting on major issues such as the budget;
- b) the potential for an enhanced role of the independent Chairperson of the Council;
- c) improvements in key programme and budget documents;
- d) the merits of shifting the timing of the Conference to permit the budget to be set prior to detailed development of the programme and also to permit an incoming Director-General to introduce his/her proposals for any major programme shifts;
- e) ways to strengthen the independent oversight reporting for both accountability and organizational learning, including the possibility of a fully independent evaluation service as in IFAD and an enhanced role for the external auditor; and
- f) the need to ensure governance, finance and budgetary coherence.

¹¹ International Fund for Agricultural Development (IFAD).

¹² World Food Programme (WFP).

80. FAO currently suffers greatly from alienation of many of its major contributors. To some extent this has been common to the UN system and its specialized agencies as a whole. It appears, however, to be deeper and more serious in the case of FAO than for other UN agencies. In significant measure, this is a consequence of over thirty years of polarization in FAO's governance and a managerial style which has not adequately engaged the secretariat at large and the Director-General in interaction with members. Key decision-makers in donor governments - both at the senior bureaucratic and political levels - tend to paint in broad strokes and have perceived FAO's management as centralized, politicized, administratively heavy and generally unresponsive to new challenges. They have little time or interest for assessments that require a myriad of details. They react often on the basis of generally held perceptions - whether the perceptions are accurate or not is largely irrelevant - for what is perceived as real becomes real.

81. Thus, two fundamental shifts are essential if FAO is to fulfil its potential and meet the needs and expectations of all its members. These are:

- a) a significant reorientation of management style in the Organization; and
- b) a change of mindset of the membership for constructive engagement with each other.

The IEE expects to address these fundamental issues with proposals for changes aimed at clarifying the respective roles of management and executive governance, introducing a supportive framework for the Governing Bodies to better make informed strategic decisions while at the same time reducing their involvement in micro management. It is expected that the Council should emerge as the locus of executive governance decision-making (on the WHO model) while the Conference would remain the supreme decision-making body. However, the IEE could make countless detailed recommendations, but overall these would not modify the generally negative perceptions of FAO unless these two key challenges are addressed. Perceptions developed over thirty years will not disappear in the short term: the Organization will have to achieve fundamental and positive progress over several years.

IX. Concluding Remarks

82. There is a strong and broad consensus among FAO management, staff, members and partner organizations, expressed especially in private conversations, that there is a crisis with regard to the future of FAO. Some have expressed this as a loss of confidence in the Organization and even as resignation that the downward spiral is now irreversible. Many others have confided their view that this evaluation is "the last hope for FAO".

83. Despite longstanding serious reservations about FAO's performance, unlike some other United Nations organizations, no country has withdrawn from the Organization. There are reasons for this, not the least being general support for the UN system. There is also a fairly universal view that FAO continues to serve a significant number of essential roles that need to be preserved. These factors notwithstanding, FAO is today on the brink. If full withdrawal of financial support for FAO has not been the issue, by and large, the Organization has been placed on a form of institutional "life support" - keeping it alive, but unable or unwilling to reinvigorate the patient overall. The hope is for a miracle, but as the years pass that hope fades. The analysis completed by the IEE evaluation team to date has clearly indicated that FAO cannot fulfil the expectations of its members, exploit its comparative advantages or preserve its core competencies with further budget reductions. Some other UN Specialized Agencies that displayed similar characteristics to FAO over the past three decades have successfully come back from the brink and the IEE will most probably be recommending a programme of substantial reforms. While it will be possible to implement a number of these reforms within the current budget framework, the implementation of other key measures aimed at successfully reforming FAO will not be possible without additional resources.

84. As emphasized at the beginning of this paper, the analytical work of the IEE is continuing and, as a result, the emerging issues summarized above should be viewed as tentative. The IEE team also wishes to draw attention to risks involved in presenting this paper at this time. A first risk is that additional analysis and further review with FAO stakeholders may result in changes, including the removal of some of the issues. This may raise questions and cause disappointments. The IEE team would ask, therefore, that this be borne in mind and allowances made for this possible eventuality. A second risk is that stakeholders will point to issues not covered in this paper and claim these as defects. It would be surprising if this were not to occur. It would also be a mistake, as this paper is not intended to provide exhaustive coverage, but rather to furnish an indicative outline of possible key issues. Again, we would ask readers to take this also into account.

85. This paper is intended to both provide members and FAO management with a sense of the direction in which the IEE analysis is leading and to provide a basis for deeper dialogue between the IEE team, on the one hand, and the FAO members and management, on the other. This introduces, however, a third risk – the largest of all. It is that this paper could initiate entirely premature negotiations between members and within the secretariat. This would focus attention on pieces of the picture rather than the larger landscape and lead to arguments about both the evidence base and the solutions prior to their presentation to members in the IEE report (draft due in July this year). It would entail setting aside the interim and tentative character of this note. It would introduce the significant danger of positions becoming formulated on an incomplete and selective basis which would, in turn, serve to reinforce polarization and foreclose on the collective, evidence-based discourse that the final report hopes to facilitate.

86. In saying this, the IEE team is not suggesting that it would expect stakeholders to agree with every aspect of the final report (due in September this year); that would be both naive and exceedingly pretentious. As with all evaluations, the IEE will be a contributor to a process of ongoing reform, not a provider of an ultimate solution. At the same time, the principal challenge and main emphasis of the ToRs for the IEE are on seeking to open a way forward for FAO.

87. The IEE team expects to explore that way forward and on the basis of the discussion of its draft report provide at least some of the key elements of a road map through which FAO could strengthen its services for the benefit of all its members. The TORs are unequivocal in aiming this evaluation towards the opening of spaces for discourse in which all parties talk to rather than past one another. The IEE team will strive to facilitate this, to the best of its ability.