

# January 2015 Update

## FAO: New Reforms and Steps Forward

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### Introduction

There has not been a radical transformation of the Food and Agriculture Organization (FAO) since the Center for Global Development's Working Group on Food Security released its report *FAO: Time to Shift to a Higher Gear*. There has not been time for such a transformation to take place, nor has it been a broadly shared priority. This note asks if FAO has progressed along the path to becoming a more effective provider of global public goods and whether it has focused its activities at the national and local levels in areas where it retains capacity.

The CGD Working Group report was publicly launched in October 2013, a few months after the 38th Session of the FAO Conference approved a new strategic framework and employed that framework as the foundation for the current biennium's budget. The Conference, FAO's plenary body and final governing authority, has not met since the CGD report was released.

The core messages of "Time for FAO to Shift to a Higher Gear" were that, in order to maintain and rebuild its relevance, FAO has to shift its focus to global public goods and improve its institutional governance. These challenges were interrelated; the working group identified several weaknesses in FAO governance that reduce the organization's ability to address global issues. In short, FAO has long been split between "normative" work, whether done at headquarters or in the field offices, and "operational" or "technical" work carried out on farms, fisheries, or forests. Dwindling resources for the core FAO budget since the 1990s heightened political tensions between advocates of FAO's operational work and members who argued that much of FAO's fieldwork was fragmented. As a result of this tension, FAO for a long time struggled to develop a coherent program with meaningful priorities.

FAO is now completing the final components of a reform process (Immediate Plan of Action or IPA) that began in 2007, inspired by a major independent, external evaluation. It was widely understood that this reform was the beginning of an ongoing process of evaluation and improvement in FAO. The CGD Working Group's aim was to help set the agenda for the next steps after the reform plan was complete. To that end, the CGD report included recommendations directed both to FAO's management and to its member states, the two constituencies with the greatest influence and interest in the organization's work. These recommendations were intended to be at once actionable and significant. Together with an assessment of progress, they are described in Table 1.

Table 1 places recommendations into one of four categories, based on the recognition of the relatively limited opportunities for progress since the Working Group report was issued. In one or two cases, there has in fact, there has been some (limited) indication of progress. In other cases, there is no progress yet. Finally, there are cases where no progress is expected under current circumstances.

Appendix 1 explains how progress was assessed for each recommendation. In order to keep sight of the purpose of the recommendations, this note is structured to highlight two key findings.

First, FAO's core challenges remain mostly unresolved. Second, new structures and a sincere focus on results are improving the likelihood of addressing the core challenges in the long run.

### ***FAO's Persistent Core Challenges***

In order to assess the state of reform within FAO, we compare FAO's activities to its potential using three broad categories. First, global or regional 'normative' work enables stakeholders to overcome collective action problems; it also generates knowledge that is useful to all of FAO's members. The clearest examples of global public goods produced by FAO are food security and agricultural statistics, fora for policy coordination, international legal instruments, and information exchange platforms. Second, work done at the national and local levels can serve global or trans-boundary purposes; in other words, it can involve the production of public goods at the national level. Examples include support to national statistical services, monitoring of pests and diseases, and capacity building for implementation of international guidelines or treaties. Finally, when it has particular expertise and capacity, FAO could lead national and field level activities that don't, strictly speaking, produce global public goods: support for climate change adaptation, for instance, provides localized but considerable benefits, and FAO may well be the right source of that support.

### ***Global and regional normative work***

The CGD Working Group held the view (together with other recent reports and evaluations of FAO) that FAO's global, normative work tended to be the organization's strongest outputs. It is also in this area that the most visible improvements in FAO's outputs have taken place over the last year. While there have not been transformative changes to FAO's normative programs since the release of the CGD report, the effects of earlier reforms are making themselves felt, and small but significant changes have been made.

In particular, the "revitalized" Committee on World Food Security (CFS) has begun to attract broader policy and academic attention as a model for a multi-stakeholder forum in global governance (Montpellier workshop/policy briefs). The CFS is now largely independent of its FAO host, but ever since the Voluntary Guidelines on the Governance of Tenure of Land, Fisheries and Forests (VGGT)<sup>1</sup> were approved, it has worked out a division of labor with FAO. CFS is increasingly viewed as a pre-eminent forum for global discussion of food security policy, while FAO employs its institutional presence and resources to promote CFS-negotiated instruments and to provide support for their implementation. Agreement on a new set of Principles for Responsible Agricultural Investment (the lower-case "rai principles") at the CFS, approved in August, will further cement CFS' prominent role, unless the principles are disavowed by important civil society groups at the October CFS meeting. The rai principles were intended to be a counterweight to the PRAI (upper-case), developed under the auspices of the World Bank, UNCTAD, FAO, and IFAD, which attracted the ire of civil society groups for failing to invite the participation of small-scale producers or to adequately consider their needs.

In addition to the role of the CFS, FAO's decentralization efforts have the potential to improve FAO's normative work at the regional level, creating regional (if not global) public goods. Normative work is not the main focus of the decentralization initiative, which has focused primarily on expanding the role of regional offices in managing and directing country offices and projects. Nonetheless, the decentralization process has given regional offices responsibility for all financial

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1. Full title: Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security

resources allocated to the region. This has likely motivated broader participation in Regional Conferences and greater interest in regional offices' normative activities, which in the past had not been perceived as especially relevant.

Within the FAO secretariat, there have been isolated developments that may bolster FAO's international normative work. The Statistics Division anticipates a considerable boost in extra-budgetary funding during the current biennium, amounting to an increase of \$2.3 million over last biennium's total resources of \$16 million and extra-budgetary resources of \$0.5 million; a similarly large increase is expected for the Trade and Markets Division. The Natural Resources Management and Environment Department has been elevated to the senior management level, to be headed by one of the two deputy director generals, but it is not clear that this organizational relocation will have the desired effect of incorporating natural resource and environmental issues into the broader spectrum of FAO work.

### ***Support for regional and global public goods at the national level***

Even in a global and regional public goods-oriented FAO, there is a clear role for field projects and capacity building at the national level. FAO's governance has not been favorable to this category of activity--instead, it has been torn between constituencies for the production of global public goods and programmatic or operational activities at the national or sub-national level.

FAO is currently expanding its work to support public goods production in some areas. The Programme Implementation Report for the VGGT indicates that 11 regional workshops were held in 2012-2013. Support for 17 countries is currently being planned. In addition, FAO has been steadily expanding its locust and transboundary plant pest monitoring capability since 2009.

In spite of these examples, there have been no broad initiatives that would strengthen FAO in this category of work. Unfortunately, FAO management struggles to understand the category, and sees "global public good" as code for "headquarters." The 2014 evaluation of FAO's work on crop production, like the CGD Working Group report, recommended a greater focus on global public goods, providing as examples of successful current and past programs a number of initiatives that required significant national-level work: control of the Ug99 wheat rust strain, the global plant-breeding program, and the Global IPM Facility (para. 355). FAO's management mistakenly construed the evaluation's recommendation as opposing field activities and thus rejected it.

### ***National and local level work where FAO has expertise***

FAO's contribution does not have to be exclusively in the domain of regional and global public goods. Providing many types of "private goods" is appropriate and necessary: emergency relief is a compelling example. However, if FAO is involved in the provision of private goods, it should be the best available provider. Unfortunately, as a result of the hollowing out of FAO's institutional capacity over several decades, FAO now operates in many areas where it lacks a "critical mass" of expertise. Donor-driven or opportunistic projects, which dominate FAO's field activities, are often not a sensible use of resources.

Because this challenge is fundamental, it would not have been possible to address it in any substantial way in the past year. A set of principles to improve the selection and monitoring of FAO's Technical Cooperation Programme (TCP) projects (in-country projects financed by the regular budget) has been approved, requiring TCP projects to be aligned with country- and FAO-agreed priorities (under the Country Programming Frameworks). However, TCP makes up only a small portion of FAO projects--most are under the extra-budgetary program--and the efficacy of the new rules remains to be seen. Core voluntary contributions, which is extra-budgetary funding that has

the flexibility to be budgeted in alignment with FAO's overall work program, shows no indication of increasing; in fact, the amount projected this biennium is much less than in the preceding two biennia.

### ***Foundation for progress***

Despite the limited change in the way FAO delivers its work program or in the balance of its activities, some of the systems and plans put in place by the reform process have the potential to contribute to greater transformation over the long term. These have only been finalized in the past year or are still being finalized, and they are slightly easier to evaluate now than at the time of the CGD Working Group report.

FAO staff and others involved in the organization are quick to identify the new Strategic Framework as representing fundamental change. The framework defined a structure for the budgeting and planning process, reducing the number of objectives sharply, as well as moving from objectives that were aligned with FAO's organizational structure to "cross-cutting" objectives. The framework was designed to be supported by a results framework that would define objectives further and provide specific indicators and targets--both for outputs and outcomes--against which progress can be judged. Since the CGD Working Group report was released, the results framework has been further refined, indicators have been formulated, and a baseline survey has been conducted.

The results framework is designed to measure progress on the outcomes in food security and agricultural development that are aligned with FAO's goals. Indicators, especially for outcome monitoring component, are meaningful as well as measurable. Table 2 describes an example of one component of the results framework. Furthermore, the survey component of the assessment includes a wide range of respondents in and out of government, providing a mechanism for diverse constituencies to directly inform FAO's core planning and monitoring process, rather speaking through side channels. An effective, results-based monitoring system could highlight to FAO's management and members where the organization is succeeding and failing and thus generate wider agreement on which areas of work FAO should prioritize.

The final item in the reform plan was an independent review of FAO's governance reforms. The arrangements for the review were approved by the Council in December 2013, and it is now underway. While it is much smaller in scope and funding than the 2007 Independent External Evaluation, there is potential for a well-documented, bold report to continue the process of reforming FAO governance. FAO now has term limits for its director-general and has successfully streamlined some of its administrative procedures. But it is still not very transparent; its website is difficult to use and minutes of committee meetings as well as financial data are very hard to come by. FAO must also continue the process of administrative reform, to further streamline its rules and procedures.

Some reforms that had not been completed at the time of the CGD report are now much more clearly formulated and/or finalized. The long-awaited global resource management system for tracking FAO's resources has now been rolled out to the field offices. FAO anticipates having IPSAS-compliant financial statements for this year. The FAO Manual of Administrative Procedures was consolidated and simplified, and made available online in its entirety to all FAO staff. The new performance management system, tied to the push for a results focus, has been rolled out to all staff globally and is being further refined. A new mobility policy with demanding reassignment requirements for 538 posts has been put in place.

**Table 1: Report Recommendations and Progress So Far**

	Major improve- ments	Some progress	No clear progress yet	Cause to expect no progress
<b>For FAO Members</b>				
<b>Recommendation 1:</b> Place FAO's Core Activities on a Secure Financial Footing				
<i>A) Revenue neutral budget shift</i>			X	
<i>B) Transfer funding to less restricted formats</i>			X	
<i>C) Reward efficiency gains</i>				X
<i>D) Evaluation budget target</i>	X			
<i>E) Independent financing of existing international instruments</i>			X	
<b>Recommendation 2:</b> Instruct ministries such as Finance, Health and Trade to Engage with FAO			X	
<b>Recommendation 3:</b> Rationalize FAO Country Office Coverage			X	
<b>Recommendation 4:</b> Within Regions, Select Council Members Based on Qualifications Rather than Political Considerations				
<b>Recommendation 5:</b> Prioritize Civil Society and Private Sector Engagement		X		
<b>For DG and Management</b>				
<b>Recommendation 1:</b> Work with Both the Large Donors and the Major Developing-Country Members to Boost Spending on Global Public Goods, Including Statistics				
<i>A) Increase focus on global public goods</i>			X	
<i>B) Continue to strengthen statistics</i>		X		
<b>Recommendation 2:</b> Push for Full Final Implementation of the Reform Plan				
<i>A) Strengthen results framework and performance reporting system</i>	X			
<i>B) Improve administrative procedures</i>	X			
<b>Recommendation 3:</b> Develop Strong Working Relationships with Relevant Ministries, Regional Development Banks				
<b>Recommendation 4:</b> Embrace transparency				X
<b>Recommendation 5:</b> New Budgetary Procedures				
<i>A) Core voluntary channel for South-South Cooperation</i>			X	
<i>B) Tighten controls on TCP</i>		X		
<i>C) Work with donors to better analyze extra-budgetary offers</i>			X	

**Table 2: Examples of Outcome and Output Indicators**

1.3.A	<p>Number of countries with improved evidence and high quality analytical products generated through functional information systems in support of food security and nutrition policy and programming processes, measured by:</p> <ul style="list-style-type: none"> <li>• existence of a well-functioning and comprehensive national food security and nutrition information system</li> <li>• existence of well-functioning mapping system of food security and nutrition action</li> </ul>
Outcome	<ul style="list-style-type: none"> <li>• existence of well-functioning government structure for regular monitoring and evaluating of food security and nutrition policies/strategies and national programmes</li> <li>• uptake of relevant information and analysis for decision-making for designing/updating policies and programmes for food security and nutrition</li> </ul>
2.1.C	Number of countries where the human-edible protein balance in livestock production (output/input ratio) increased or remained stable, since the last reporting period.
Outcome	
4.1.1	New and revised international standards for food safety and quality and plant health are formulated and agreed by countries and serve as references for international harmonization.
Output	
5.2.1	Mechanisms are set up/improved to identify and monitor threats and assess risks to deliver integrated and timely early warning.
Output	

## Appendix 1: Documentation of Assessment

Official FAO documents are referred to by their full title and/or document code ([Body] [Session Number]/[Document number])

<u>Recommendation</u>	<u>Comment and documentation</u>
<b>For FAO Members:</b>	
<b>Recommendation 1: Place FAO's Core Activities on a Secure Financial Footing</b>	
<i>A) Revenue neutral budget shift</i>	The Verbatim Records of the most recent (June 2014) FAO Council Session do not give any indication of serious discussion of reappportioning responsibility for specific programs between the assessed and extra-budgetary funding channels. The "Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2012-13 Biennium" (FC 154/8) describes transfer of \$9.8 million; however, these transfers refer either to reallocations of spending between organizational units that are all within the regular programme and to unplanned expenses in administrative functions.
<i>B) Transfer funding to less restricted formats</i>	FAO no longer reports realized contributions on its website at <a href="http://www.fao.org/partnerships/resource-partners/en/">http://www.fao.org/partnerships/resource-partners/en/</a> . The most recent governing body documents, such as "Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2012-13 Biennium" (FC 154/8) and "Progress on the Medium Term Plan 2014-17: Results framework, regional priorities and budgetary adjustments from work planning and efficiencies" (PC 115/2-FC 154/9) do not report the share of core voluntary contributions and other flexible mechanisms in recent funding. The Financial Position of the Organization (FC 154/2) shows a decline in the level of voluntary contributions to FAO in 2012-2013 since the preceding biennium but does not distinguish between core voluntary and other extra-budgetary channels. The Programme of Work and Budget 2014-2015 makes no mention of the Multidonor Programme Support Mechanism, which thus appears to have failed to attract financial support.
<i>C) Reward efficiency gains</i>	Appropriated \$1.005 billion (as in the previous biennium), in spite of anticipated cost increases of \$44 million, requiring \$22.6 million of "identified further efficiency gains and savings"
<i>D) Evaluation budget target</i>	Target of 0.8% of budget met in Programme of Work and Budget 2014-15 (para. 173), with evaluation budget of \$1.1 million.
<i>E) Independent financing of existing international instruments</i>	There has been insufficient time to see if new formal treaty bodies will place demands on FAO's limited Regular Programme funds. Moreover, it is not clear if new formal treaty bodies will emerge in the foreseeable future. The 2014-15 Programme of Work and Budget (para 201) continues to include "funding commitments" for treaty bodies and conventions in the Regular Programme. These costs are better elaborated in the current PWB than previous ones.
<b>Recommendation 2: Instruct ministries such as Finance, Health and Trade to Engage with FAO</b>	At this stage, no indication of wider participation in FAO governance, except through the results assessment, as discussed elsewhere.
<b>Recommendation 3: Rationalize FAO Country Office Coverage</b>	Originally "parked" (suspended) as an IPA recommendation in the "Final Management Report on Immediate Plan of Action Implementation and the FAO Reform Process" (C 2013/26). At the May 2014 Joint Meeting of the Programme and Financial Committees, the Director-General referred this goal, calling for a review of country office coverage ( <a href="http://www.fao.org/members-gateway/news/detail/en/c/233052/">http://www.fao.org/members-gateway/news/detail/en/c/233052/</a> ).

<b>Recommendation 4:</b> Within Regions, Select Council Members Based on Qualifications Rather than Political Considerations	Difficult to assess on the basis of one FAO Council election.
<b>Recommendation 5:</b> Prioritize Civil Society and Private Sector Engagement	The Committee on World Food Security continues to attract widespread attention as a model multi-stakeholder forum (e.g., <a href="http://www.iddri.org/Publications/The-Committee-on-World-Food-Security-reform-impacts-on-global-governance-of-food-security">http://www.iddri.org/Publications/The-Committee-on-World-Food-Security-reform-impacts-on-global-governance-of-food-security</a> ) and FAO documents including the Programme of Work and Budget (paras. 348, 367, 421, etc.) refer widely to close integration with it. The results framework's Corporate Baseline Survey incorporates civil society input: "includ[ing] a selected number of experts representing the Government, UN agencies, international donors and International Financial Institutions, research institutions/academia, civil society and the private sector". There is little documentary evidence of significant improvements with respect to private sector collaboration.
<b>For DG and Management</b>	
<b>Recommendation 1:</b> Work with Both the Large Donors and the Major Developing-Country Members to Boost Spending on Global Public Goods, Including Statistics	
<i>A) Increase focus on global public goods</i>	This was a central theme in the Evaluation of FAO's Role in Support of Crop Production. Recommendation 1 of the Evaluation was "that FAO should give first priority in resource allocation to its work on global public goods and global and regional work on major issues," which was not accepted by management (PC 115/5 Sup.1). The Verbatim Records of the June 2014 FAO Council meeting include significant discussion of this balance with country representatives expressing strong and diverse positions about the appropriate balance. The Chair of the Programme Committee expressed an intention for further discussions on the appropriate balance in November 2014.
<i>B) Continue to strengthen statistics</i>	Extra-budgetary resources for statistics increased by \$2.3 million in the Programme of Work and Budget 2014-2015.
<b>Recommendation 2:</b> Push for Full Final Implementation of the Reform Plan	
<i>A) Strengthen results framework and performance reporting system</i>	The Results Framework continues to be the focus of rigorous revision and improvement (see for instance Annex 5 of Adjustments to the PWB 2014-15). See Table 2 for examples of output and outcome indicators. The Corporate Baseline Survey was conducted from February to April 2014 and fed into the Results Framework revisions (PC 115/2-FC 154/9). The Performance Evaluation Management System is now active and is being improved on the basis of experience and comparison with other organizations (FC 154/11)
<i>B) Improve administrative procedures</i>	Over 300 administrative procedural documents deleted and consolidated into the Manual, which is being simplified at the same time. (FC 154/11 )
<b>Recommendation 3:</b> Develop Strong Working Relationships with Relevant Ministries, Regional Development Banks	Limited documentary evidence.
<b>Recommendation 4:</b> Embrace transparency	No evidence that this is a priority and none of the relatively straightforward steps proposed have been taken (sharing FPMIS data, internal committees' proceedings, financial information, disclosure policy).
<b>Recommendation 5:</b> New Budgetary Procedures	
<i>A) Core voluntary channel for South-South Cooperation</i>	No indication in recent Finance Committee, Joint Meeting, or Council documents that this is under active consideration.
<i>B) Tighten controls on TCP</i>	Specific plans for improvement of the Technical Cooperation Program were adopted in November 2013 (JM 2013.2/2). These measures include additional procedures for alignment with country planning frameworks and FAO action plans, TCP performance indicators (featured in a new annual performance report, not yet released), and simplification of procedures. The effect of these procedures is not yet clear, particularly in the context of the 2010 decentralization of responsibility for managing TCP projects.
<i>C) Work with donors to better analyze extra-budgetary offers</i>	Limited documentary evidence.