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**Research Report**

## The FAO: Ever more necessary but ever more challenging to manage

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## The FAO: Ever more necessary but ever more challenging to manage

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The FAO has been somewhat of a maverick institution in the United Nations family, entertaining a love-hate relationship with stakeholders, governments, and donors.





.../... It is both widely recognized for the increasingly crucial role it has to play in securing food for humanity, and sharply criticized for its loss of direction, ineffectiveness, and bloated bureaucracy. As a new director general assumes leadership, after the rather disastrous performances of two director generals who together remained in power for more than 30 years, there is an opportunity for a new departure. At the same time, the world situation has changed dramatically for agriculture and food, calling for a new vision, careful priority setting, and skillful management. The FAO is more necessary than ever, but the challenge in managing it successfully is also larger than ever. Why is this the case and what can be expected?

## ► The FAO in historical perspective

The FAO was created in 1945 with the mandate of helping manage food security at a world scale. Achieving food security is a highly complex undertaking as it requires meeting four conditions: food must be available at the country level through domestic production or imports; it must be accessible to households through purchase, home production, or transfers; it must be properly used by consumers to achieve the desirable nutritional and health outcomes; and all three conditions must be continuously met so bodily functions are secured day in-day out throughout the stages of the lifecycle. Understanding why delivering food security has become increasingly challenging can be obtained by taking a historical perspective on the tasks that had to be addressed by the FAO since it was created. We can recognize three phases in the evolving strategy it pursued in fulfilling its mandate.

### 1945-1972: Focus on availability

This was a period during which the world was hit by massive and recurrent famines. In meeting food security, emphasis was consequently

first and foremost on food availability. Support had to be given to agriculture in achieving productivity gains. The period's most remarkable achievement was the Green Revolution in which the FAO had an important supporting role. Increasing availability was the necessary condition to provide access to food and the reduction of hunger. The FAO's mandate was thus quite clearly defined. Ownership of the enterprise was also clearly set, with the member countries' ministers of agriculture the main guardians of the FAO's efforts

### 1973-2011: Focus on access, use, and continuity

Following the food price spike of 1973 created by geopolitical rivalries between the United States and Russia, the world food situation changed dramatically. The condition for food security was no longer availability but access and use. Global availability was confirmed by steadily declining world food prices until the food crisis of 2008. Investing in agriculture could be neglected since prices were signaling excess food. As a consequence, this was a period of sharp decline in both public investment in and Overseas Development Assistance to agriculture, as analyzed in the World Development Report 2008, *Agriculture for Development*. The FAO could now focus on food security by catering to effective demand by the poor, contributing to social programs of access to food, and assisting emergency programs following natural disasters and civil war. Major milestones in FAO programs during the period were thus putting into place facilities to respond to urgent situations (1976), initiation of the World Food Day (1981) to boost international consciousness on world hunger, and organization of the World Food Summit (starting in 1996) to mobilize heads of state in combating hunger. In 2009, as the number of hungry in the world for the first time exceeded a billion, the FAO made a renewed commitment to fight hunger with its "mad as hell" campaign.

While global availability was sufficient to eradicate hunger, lack of access to food for millions remained a revolting hurdle. Emergency relief focused on Pakistan following extensive floods in 2010 and on the Horn of Africa plagued by drought and warfare in 2011. Again during this period, the FAO's mandate was quite clear. Emphasis was on access, use, and continuity to reduce hunger and poverty and contribute to achieving the first Millennium Development Goal. Emphasis was also on sustainability in production as threats to productivity were building up due to climate change, water scarcity, and soil degradation. However, heads of state in developing countries, ministers of rural development, and bilateral development agencies in industrialized countries were more in tune with FAO initiatives on hunger than ministers of agriculture, in spite of continued presence of the latter in FAO membership meetings due to historical reasons.

### **2012: Focus on food and agriculture**

As a new director general assumed position on January 1st, 2012, a new context for world food security has emerged that will certainly remain for the three years of a first mandate and likely beyond. As opposed to the 1973 price spike that rapidly led to a return of the trend in declining world food prices, the 2008 price spike was followed by other spikes and by a rising trend in prices, a major turning point in the world food situation. World food stocks are at an all time low, contributing to volatility in food prices. Demand for biofuels is competing with demand for food, adding to the upward pressure on grain prices. In the short run, countries responded to price spikes by export bans and emergency purchases to protect their consumers. After a 25 years lull, countries also started to massively invest in food production to increase their levels of food self-sufficiency, including through international land grabs. The CGIAR's budget increased sharply as a symptom of renewed international concerns with food production and productiv-

ity gains in agriculture. Efforts are made to bring the Green Revolution to Africa through AGRA (A Green Revolution for Africa) sponsored by the Rockefeller and Gates Foundations, as well as to the rainfed regions of Asia. Climate change and water scarcity are major threats to the sustainability of food production. Clearly, the urgency of investing in agriculture to face up to deficits and risks in food availability has returned, like in the 1945-73 period, as a key instrument to achieve world food security. For the FAO, production is thus back on its agenda, under new sustainability constraints. Ministers of agriculture can feel at home again in the halls of the institution, though their status has changed dramatically since 1973 as they now hold much less power than they did then.

At the same time, while extreme poverty has declined at a world scale, the number of hungry remains stuck at around 1 billion. Food price volatility creates threats to the continuity of access requirement in achieving food security. Demands have also increased in government and international agency circles to use agriculture for a broader set of multidimensional developmental functions, loaded with trade-offs: agriculture can be a most effective source of aggregate growth for pre-industrial countries, and a path to employment in the rural non-farm economy and the rise of industry; agriculture can be effective not only to reduce hunger indirectly through lower food prices, but also directly through income generation in smallholder farming and rural employment, significantly contributing to the reduction of poverty; and agriculture is an important source of environmental services and release of natural resources such as water and land for other sectors of economic activity. As a consequence, not only do the two FAOs of the past—sequentially addressing availability and access/use/continuity—now have to be blended into one, but broader developmental functions have to be taken into account to meet country and donor expecta-

tions about what agriculture can do for them, clearly a huge challenge.

## ► A new mandate for the FAO

For the first time in the FAO's mandate, attention must be explicitly given simultaneously to food availability and to food access, use, and continuity, creating both renewed importance for the role of the institution and greater difficulty in managing its mandate: it requires balancing incentives for farmers to invest in agriculture for availability under the constraint of threats to sustainability, and keeping food prices low for consumers to favor access and use. This conflict between food and agriculture was most visible in the policy responses to the 2008 food crisis, with cheap food for consumers prevailing over incentives to invest in agriculture for greater availability through import substitution and production for home consumption. Managing this tension between food and agriculture, which did not exist so starkly in the past, has to be the mandate for a new FAO. An institution that must be home again to ministers of agriculture as they seek to achieve productivity gains in farming; but also to heads of state and ministers of social welfare as they seek to make a dent in pervasive hunger and poverty; ministers of finance who look the growth contributions of agriculture; ministers of health as the threats of malnutrition concern both deficits and excess of food intakes; and to ministers of the environment as they turn toward resource conservation (land, water, fisheries, forestry, and biodiversity) and the provision of environmental services in reducing Green House Gas emissions, providing environmental services, and conserving biodiversity.

## ► Toward a new approach

In designing the future strategy for the FAO to fulfill its food security mandate, key is to recog-

nize two basic principles. One is that there exist trade-offs among the multiple development objectives that can be sought through agriculture, and the other that we do not know the solution in each particular case. This implies two guidelines for a new approach. The first is that countries need to develop their own visions and strategies as to how to use agriculture for development, including most prominently to achieve food security. If trade-offs exist, choices need to be made, and these are national responsibilities. The FAO has here a role to play in helping countries help themselves in formulating these plans and in prioritizing resource use. Some of the key policy dilemmas that need to be addressed are: (1) balancing incentives to invest in agriculture for growth and rural poverty reduction with access to cheap and quality foods for consumers; (2) securing the competitiveness of smallholder farmers while achieving economies of scale in farming and marketing where they may exist; (3) promoting the development of efficient high value chains while guaranteeing fairness for and inclusion of smallholder farmers and small and medium enterprises; (4) securing access to food for consumers to prevent both hunger and obesity; (5) reducing vulnerability of both producers and consumers to shocks that affect risk taking in investment and continuity of access to food; (6) accelerating agricultural growth to match rising and changing demand while achieving sustainability of production systems and the delivery of environmental services; and (7) redesigning governance for agriculture and food at the national and international levels so it incorporates the new actors that have a role to play in the delivery of food security.

The second guideline in defining a new approach is that countries need to innovate for themselves, experiment, learn, and scale up what works in using agriculture for development and food security. Because of heterogeneity and changing conditions, there are no easily

transposable blueprints. This requires building country capacity in agriculture, and designing FAO partnerships as incubators of policies by way of experimentation.

The FAO cannot remain as it was in the past. The conditions under which it operates to help achieve world food security have changed dramatically. Expectations are high that it can deliver jointly on both agriculture and food, as its name accurately says. It has an able body of skilled technicians who must learn to better work together and coordinate their responses to country demands.

Priorities need to be made on the supply side as to which areas it wants to deliver on in response to these demands. And active support needs to be received from donors in spite of the financial crises that affect many of them. Under these conditions, emerging economies with fiscal surpluses must increase their contributions. And the concentration of wealth must induce the newly rich to increase their philanthropic support of the institution. If the FAO can indeed deliver on the challenge, supporting it should be seen as a priority investment not only from a welfare perspective, but also for economic growth and international security.



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