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CONFERENCE

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Reviewed Strategic Framework

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Director-General's Foreword

We all share a common vision of a world free from hunger and malnutrition, where food security and agriculture contribute to improving the living standards of all, especially the poorest, in an economically, socially and environmentally sustainable manner. We may be a long way from realizing this vision fully, but it is a vision that is achievable, and one in which FAO has a key role to play.

Therefore, on taking office in January 2012, I launched a wide and inclusive initiative to modernize and transform the Organization. The aim is to improve the delivery and impact of FAO's programmes by effective translation of our normative work into country-level impact, and of our global knowledge products into tangible change in policy and practice.

One of the fundamental pillars of the transformational change process is the review of the Strategic Framework 2010-19, which is mandated by the Organization's programme and budget cycle every four years. For this purpose, I launched a Strategic Thinking Process, which provided the conceptual and analytical framework for reorienting the strategic direction of FAO by reviewing its Strategic Framework. It involved the wide participation of FAO staff, advice from external experts, and substantive inputs from Members Nations through the various FAO governing bodies and informal consultations.

The first key outcome of this process is the realization by Members of the need to commit the Organization to the eradication of hunger, by elevation of FAO's first Global Goal from reducing to eliminating hunger, as recommended by the Council.

The second key outcome is the identification of a set of five new cross-cutting Strategic Objectives, closely aligned with the most relevant and urgent development problems faced by member countries and the development community. The five Strategic Objectives, as well as a sixth objective focused on technical knowledge, quality and services, will guide the work of the Organization in contributing to the eradication of hunger, increasing sustainable production, eliminating rural poverty, enabling more inclusive and efficient food and agricultural systems, and increasing the resilience of livelihoods.

The third key outcome of the process is a refined set of seven core functions as means of action for the Organization through normative work and standard setting instruments, data and information, policy dialogue, capacity development, uptake of knowledge and technologies, facilitating partnerships, and advocacy and communications.

The Strategic Framework defines a new way of working for FAO and will require considerable changes in the way we operate: to be more focused in our priorities; to work more as a corporate team; and to have greater impact through partnerships. As such, it is a compact with the FAO membership to work together to achieve our common vision of a world free from hunger and malnutrition.

José Graziano da Silva

Director-General

Executive Summary

FAO has reviewed its Strategic Framework 2010-19 as part of the established planning, programme and budget system. The review and preparation was guided by the Strategic Thinking Process introduced by the Director-General upon taking office in January 2012 to determine the future strategic direction of the Organization. This document presents the reviewed Strategic Framework, in particular FAO's Vision, Global Goals and Strategic Objectives, for endorsement by the Conference.

The reviewed Strategic Framework provides the overarching strategic direction for the Organization. Starting from FAO's Vision and Global Goals, the Strategic Thinking Process, through a series of iterative, analytical and consultative steps, identified: (i) overarching, global, political, and socio-economic trends envisaged to frame agricultural development over the medium term; (ii) main challenges, derived from these trends, expected to be faced by member countries and development actors in food and agriculture in the coming years; and (iii) FAO's basic attributes, core functions and comparative advantages mapped against the main challenges.

The concepts of comparative advantages and core functions have been revisited by means of a critical analysis centred on two elements: the evolving development cooperation environment globally, and FAO's basic organizational attributes. As a result of the analysis, a revised set of seven core functions has been defined, being the critical means of action to be employed by FAO to achieve results.

The review of the Strategic Framework has benefited from consultations with FAO's governing bodies during 2012: the Regional Conferences, Technical Committees, Programme and Finance Committees and Council. While FAO's Vision and Global Goals were approved by the Conference in 2009, the Council recommended an amendment to Global Goal 1 that elevates it from "reducing" to "eliminating" hunger.

FAO's vision is "A world free from hunger and malnutrition where food and agriculture contribute to improving the living standards of all, especially the poorest, in an economically, socially and environmentally sustainable manner".

The three Global Goals of Members are:

1) eradication of hunger, food insecurity and malnutrition, progressively ensuring a world in which people at all times have sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life;
2) elimination of poverty and the driving forward of economic and social progress for all, with increased food production, enhanced rural development and sustainable livelihoods; and
3) sustainable management and utilization of natural resources, including land, water, air, climate and genetic resources for the benefit of present and future generations.

Five new Strategic Objectives have been extrapolated and represent the main areas of work on which FAO will concentrate its efforts in striving to achieve its Vision and Global Goals:

1. Contribute to the eradication of hunger, food insecurity and malnutrition
2. Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner
3. Reduce rural poverty
4. Enable more inclusive and efficient agricultural and food systems at local, national and international levels
5. Increase the resilience of livelihoods to threats and crises

An objective on technical quality, knowledge and services, and two cross-cutting themes on gender and governance, are integral to the achievement of the Strategic Objectives.

The reviewed Strategic Framework has guided the formulation of the Medium Term Plan 2014-17 and Programme of Work and Budget 2014-15.[1]

Suggested action by the Conference

- The Conference is invited to endorse the reviewed Strategic Framework, in particular FAO's Vision, Global Goals and Strategic Objectives.

[1] C 2013/3

A. The Strategic Thinking Process

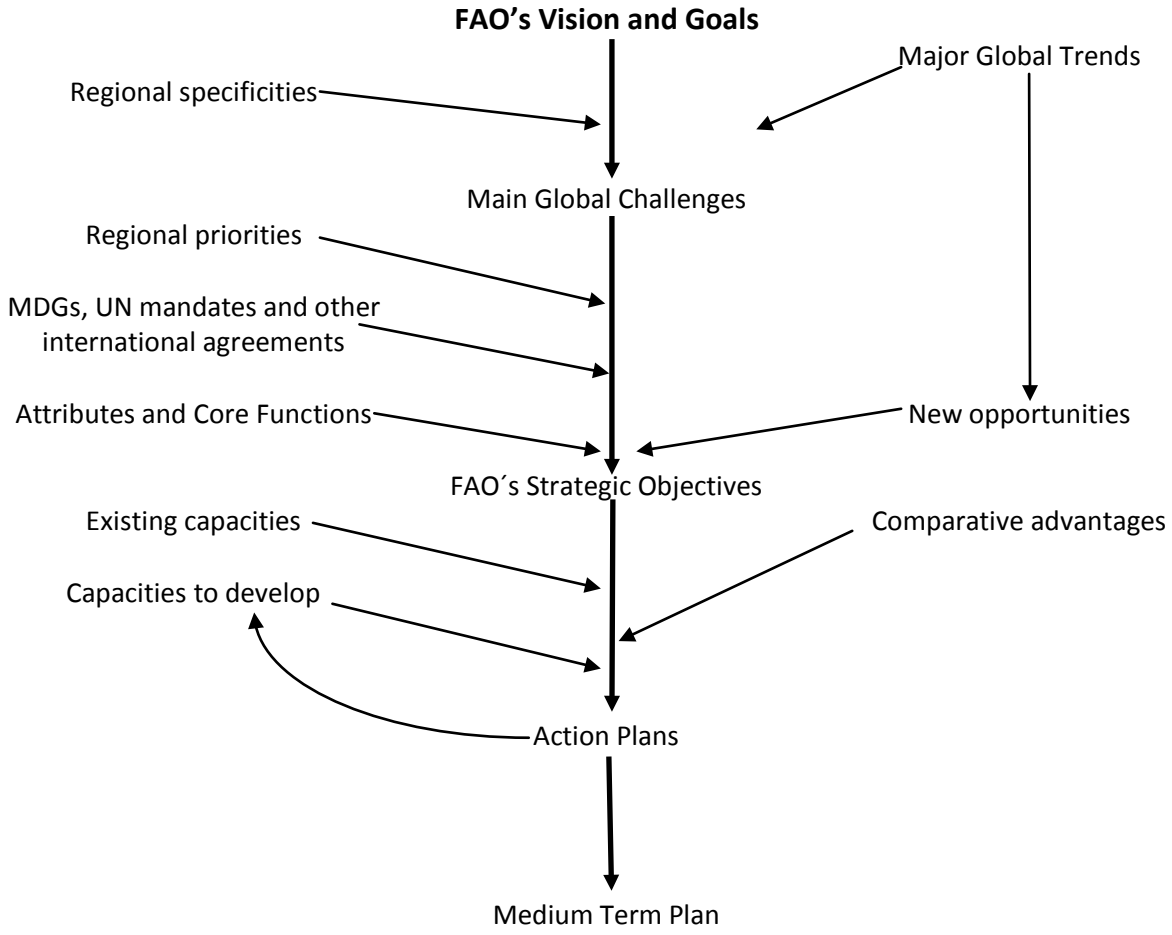
1. At its 36th session in November 2009, the Conference established[2] a renewed programme and budget approach for FAO consistent with actions arising from the Immediate Plan of Action on priorities and programmes for the Organization. This new approach introduced revised planning documentation for the Organization, including a Strategic Framework, prepared for a period of ten to fifteen years and reviewed every four years, a Medium Term Plan (MTP) covering a period of four years, and a two-year Programme of Work and Budget (PWB). In addition, the new arrangements envisaged the Regional Conferences, Technical Committees and the Programme and Finance Committees advising the Council on programme and budget matters, including priority areas of work for the Organization.

2. The Strategic Thinking Process was launched in January 2012 by the Director-General to determine the future strategic direction of FAO. Its broad and consultative nature included participation of, and consultation with staff, inputs by an external Strategy Experts Panel,[3] consultation with partner organizations and ample consultation and dialogue with Member Nations.

3. The Strategic Thinking Process informed the review of the current Strategic Framework 2010-19 and preparation of the MTP 2014-17 consistent with the new approach to planning introduced by the Conference, and in line with the context and high-level timeline approved by the Programme and Finance Committees[4] and by the Council[5] at the end of 2011. The Strategic Thinking Process, with the different steps and components, is described in *Figure 1*.

[2] CR 10/2009
[3] Prof Alain de Janvry, Dr Shenggen Fan, Prof Louise O Fresco, Mr Gustavo Gordillo De Anda, Prof Richard Mkandawire, Prof Inder Sud, Dr David Goodman
[4] CL 143/13, para. 7
[5] CL 143/REP, para. 13c)

Figure 1: Strategic Thinking Process



4. The Process started by identifying the Major Global Trends as drivers of change, and Main Challenges pointing to possible priority areas of future work for the Organization. As the first step of formal dialogue with the governing bodies, the 2012 Regional Conferences considered global trends identified by the Process. The Regional Conferences provided guidance on regional priorities, and regional specificities of the main global challenges.[6]

5. This was followed by analysis of FAO's core functions and comparative advantages defined in relation to other organizations with mandates in agriculture and rural development. Expert input was provided by the Strategy Experts Panel. As a result of this dialogue and analysis, five draft Strategic Objectives to guide the overall, future plan of work of the Organization were extrapolated. The proposed Strategic Objectives were submitted for consideration by the Programme and Finance Committees and to the 144th session of the Council in June 2012.[7]

6. Based on the guidance provided by the Council in June 2012, the Strategic Objectives were further refined. This elaboration took into account another round of feedback from the Strategy Experts Panel and inputs from the Technical Committees,[8] in particular on sustainable management of

[6] CL 144/4, CL 144/5, CL 144/6, CL 144/7, CL 144/8, CL 144/LIM/4
[7] CL 144/14
[8] C 2013/21, C 2013/22, C2013/23, C 2013/24, C 2013/25

natural resources as relates to agriculture, fisheries, forests, agricultural heritage, genetic resources and food safety, within the context of global climate change.

7. The Council considered the reviewed Strategic Framework at its 145th session in December 2012.[9] In order to bring greater consistency between FAO's Global Goals and Strategic Objectives, the Council recommended an amendment to Global Goal 1 that elevates it from "reducing" to "eliminating" hunger. It also endorsed five Strategic Objectives and a six objective (on technical quality, knowledge and services) as a basis for preparing the Medium Term Plan 2014-17 and Programme of Work and Budget 2014-15.[10]

B. FAO Vision and Global Goals

8. FAO's vision, approved by the governing bodies in 2009, is "A world free from hunger and malnutrition where food and agriculture contribute to improving the living standards of all, especially the poorest, in an economically, socially and environmentally sustainable manner".

9. The three Global Goals of Members, with Goal 1 amended as recommended by Council, are:

1) eradication of hunger, food insecurity and malnutrition, progressively ensuring a world in which people at all times have sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life;
2) elimination of poverty and the driving forward of economic and social progress for all, with increased food production, enhanced rural development and sustainable livelihoods; and
3) sustainable management and utilization of natural resources, including land, water, air, climate and genetic resources for the benefit of present and future generations.

10. FAO needs to organize its work in order to help Member Nations achieve these goals individually at the national level, and collectively at the regional and global levels.

C. Main Global Trends and Challenges

11. To identify and select the areas of work in which FAO will concentrate its efforts in order to contribute to the achievement of the Global Goals and the priorities selected by Member Nations, an analysis was developed in early 2012 on two groups of external trends: a) the macroeconomic, social and political context; and b) some major Global Trends that will shape the conditions under which the world is expected to develop in the near future, and agricultural development is expected to take place. These Global Trends will have a direct incidence on the general areas of FAO's mandate.

C.1 Macroeconomic, social and political trends

12. A small number of contextual elements or Macro Trends with wide and diffuse economic and political implications have been identified and described, covering: population dynamics; global financial crisis, growth and poverty; changing geo-economic balances; structural unemployment, especially of young populations and emerging global middle class, transparency and information.

C.2 Major global trends with direct implications on the areas of FAO's mandate

13. The global scenario is changing rapidly. Social and economic forces have, through globalization, a wide and profound impact in the world we live. These trends change the economic and social environment in which agriculture and rural life take place and present a number of opportunities, but also new problems and needs that must be addressed in order to achieve the desired Global Goals. Although there are many important global trends, and there are many different ways in which they can be described and characterized, there are some that are especially relevant for agriculture and rural life. Identifying major trends that are especially relevant for agriculture, describing and characterizing them and understanding the way they will affect agriculture and rural life is the first task that has been developed. These global trends have incorporated relevant regional

[9] CL 145/4
[10] CL 145/REP paragraphs 14-17

specificities suggested by the regional offices and have been fine-tuned by relevant regional specificities and priorities that emerged from the deliberations of the Regional Conferences.

14. A review of the recent literature on this general subject, the work developed by FAO's "Trends Group"[11] in early 2012, and the advice received by the Strategy External Panel (SEP) has led to the identification of 11 major global trends that need to be brought into the analysis because they are especially relevant to FAO's Vision and Goals and will directly impact on agriculture and rural life. Complete write-ups of the major global trends, as well as the macroeconomic, social and political trends, are available as a Web Annex published in May 2012 at http://www.fao.org/docrep/meeting/025/md883E.pdf.

1. Food demand is increasing while patterns of food consumption are changing towards more livestock products, vegetable oils and sugar

15. Global food demand is increasingly driven by population, economic growth and urbanization, particularly in developing countries. This trend is expected to continue for the next decades reaching a 70 percent increase in total food demand by 2050. At the same time, dietary patterns are changing towards more livestock products, including fish, vegetable oils and, to a lesser extent, sugar; a trend that is accentuated by the increasing homogeneity of life habits between urban and rural population facilitated by communications technology. These three food groups together now provide 29 percent of total food consumption in the developing countries. Their share is projected to rise further to 35 percent in 2030. However, these changes are not universal and wide inter-regional and intercountry diversity remains in the share of different commodity groups in total food consumption. The new consumption patterns also imply a larger role for processed foods which create new opportunities for value-added and income-generating activities.

16. In spite of these global trends, there are vast numbers of undernourished and malnourished people that depend on an increasing supply of food at reasonable prices. Undernourished people have been estimated at 925 million, while micronutrient malnutrition or "hidden hunger" affects around 2 billion people.

17. One important instrument to meet this increasing demand and to decrease the pressure for more food production is to diminish food losses. It has been estimated that one-third of total food production is lost or wasted during the processing, marketing and consumption steps.

18. Another important issue is that as a consequence of urbanization, food insecurity will increasingly appear as an urban problem, which will make it more visible and politically sensitive and will require different types of interventions. Simultaneously, it will also increase consumers' voice and choices, through market and political actions, in relation to qualitative and food safety characteristics of food.

19. Finally, an emerging problem of growing significance in the developed and developing world is the increasing number of overweight and obese people. This situation is turning into a major health problem concern.

2. Growing competition and diminishing quality and quantity of natural resources and loss of ecosystem services

20. Trends for 2050 suggest growing scarcities of agricultural land, water, forest, marine capture fishery and biodiversity resources. This is driven by accelerated intensification of human activities with increasing pressure on natural agricultural resources which threatens to alter the earth's ecological functioning in a harmful way, and at the same time making more difficult overall economic sustainability. Competition over natural resources for food and non-food products is not new, but the nature and the intensity of the competition has changed significantly in several ways during the past decade; a tendency which is expected to continue. Consumption of cereals and oilseeds for the

[11] Piero Conforti, ESA; Vincent Gitz, AGN; Alexandre Meybeck, AGD; Astrid Agostini, TCI; Jennifer Nyberg, DDK; Sally Bunning, NRL; Olivier Dubois, NRC; Sylvie Wabbes Candotti, TCE; David Palmer, NRC; Audun Lem, FIP; Ewald Rametsteiner, FOE; Salomon Salcedo, RLC; Andoniram Sanches, RLC; David Sedik, REU; Sumiter Broca, RAP; James Tefft, RAF; Nasredin Elamin, RNE.

production of biofuels has increased, as well as other uses such as biomass as a substitute for petrochemicals.

21. This competition may take away resources from the production of food, thus influencing food prices, but it will provide additional income opportunities for the rural sector increasing the contribution of agriculture to economic activity. Competition for land is increasing for city enlargements, infrastructure, industry, mining, food production, bioenergy and non-food raw materials, wood and tertiary and other products. Depletion of natural resources will imply increasing environmental social and economic costs of ecosystem services, reduced resilience and increased vulnerability of small-scale farmers. The impact of this process will be felt in a reduced capacity of communities and countries to ensure food security and improve the livelihood of rural populations.

22. These issues are all related to difficult choices between sustainability and production, between the productions of different products that use natural resources, between different ways of producing, and so on. Strong governance mechanisms will be necessary at national, regional and international levels to strike the appropriate balance between conflicting needs and opportunities and to implement sound natural resources property rights frameworks.

3. Energy security and scarcity

23. The International Energy Agency suggests that global primary energy demand will increase by a third during the period 2008-2035 and that today's developing countries will account for a large proportion of this demand increase. Fossil fuels, coal, oil and gas ranked by relative importance are expected to contribute to around 81 percent of these requirements under present public policies. Renewable energy, including biomass, contributed in 2011 to an estimated 16 percent of total energy needs and this contribution is projected to increase. The increase of wood energy for traditional uses has severe health impacts and may cause deforestation, while its increased use for modern heating and electricity production in OECD[12] countries may contribute to additional pressure on land for new plantations.

24. The gap between energy demand and access is large and demand is expected to rapidly increase as population and income per capita grow in developing countries and global trade of agricultural products requires more transportation. It has been estimated that about one-fifth of the world's population lacks access to electricity. The cost of producing oil and gas is expected to increase, contributing to upward pressure on its price to consumers. High energy prices will have a negative effect on agricultural production costs and food security around the world.

25. Agriculture and energy are closely interlinked, but the nature and strength of the linkages has varied over time. The use of fossil fuels in agriculture has contributed to feeding the world through mechanization, fertilizers and improved processing and transportation. As a result, there is a strong link between energy and food prices and the recent increase in the use of biofuels has strengthened this relationship. Most of the additional 70 percent food production needed to feed the world in 2050 will have to come from agricultural intensification. The combined increased energy needs and significant dependence on fossil fuel for food production are a cause of concern in terms of sustainability, achieving food security and the negative effects on climate change. As a result, due consideration to the way agriculture develops in the future is crucial. In particular the agrifood chain will have to become gradually decoupled from fossil fuel dependence so that it delivers more food with less and cleaner energy. In this way, agriculture will also become an important part of the global strategy on climate change mitigation and adaptation. Bioenergy can be an important part of this strategy and, at the same time, an additional source of economic activity and rural incomes.

4. Food price increases and high price volatility

26. In recent years increased food prices and their wide, short-run variability (volatility) have triggered worldwide concern about threats to food security and have shaken the complacency caused by many years of falling commodity prices. Up until 2006, the cost of the global food basket had fallen by almost a half over the previous thirty years, when adjusted for inflation. Declining real prices

[12] Organisation for Economic Co-operation and Development (OECD)

in agriculture over the long term resulted from technological advances and a relatively slow demand growth. Recent price increases and their high volatility may be explained by several causes, including supply shocks, low stocks, rising energy prices, trade restrictions applied by some countries in response to the food crisis and increased global demand. Estimates indicate that these conditions will not change in the near future and that consequently prices are likely to remain on a high plateau compared to previous decades, and that the high volatility observed will also continue. In the longer term, the relationship between demand and supply remains uncertain and will mainly depend on two broad processes. On the one hand, the evolution of global demand, which will be strongly influenced by economic growth and income per capita increases in the developing world, and the potential increase of the production of alternative non-food agricultural products. On the other hand, how food supplies increase in response to that demand. Although FAO's baseline projections indicate that, under plausible assumptions on yield improvements and rates of expansion in land and water use it should be possible to meet food demands, this path is surrounded with considerable uncertainties, especially because of the additional constraints derived from environmental concerns. Significant efforts in investments, technological innovation and policies to support sustainable agricultural development are needed to achieve this required production. In addition, the evolution of demand and supply will be highly diverse on a regional basis which implies that trade is likely to increase.

27. High price volatility has mostly negative consequences, as markets participants have difficulty planning ahead and adjusting to fluctuating market signals. Longer-term, higher commodity prices could benefit producers around the world and net food exporting countries, but will negatively affect world consumers, increase food insecurity for poor consumers, and negatively affect the macroeconomic position of net importing countries. These positive and negative effects have led many developing countries after 2008 to implement policies to restrict trade and/or regulate internal prices.

5. Changing agrarian structures, agro-industrialization and globalization of food production

28. The evolution of food production systems over the last decades has been characterized by an increased integration between agriculture, fishery and forestry with other economic activities. The emergence of complex and diverse agro-industrial production chains has implied qualitative and quantitative changes in the demand for primary products, as well as income distribution across sectors and population groups. As a consequence, the distribution of productive resources has been changing, starting with an increasing presence of large-scale primary producers along with small-scale operations. The increase in the number of large-sized farming firms, which are more capital intensive and based on contractual arrangements for acquiring labour and farm services, has been documented in the land abundant regions, particularly in Latin America, Eastern Europe, Central Asia, Southeast Asia and more recently in some parts of sub-Saharan Africa. This trend stems from economies of scale, but is also a response to market failures in credit and insurance and to counteract market power along the production chain.

29. These changes are similar to those taking place in the agro-industrial sector where large agribusiness firms, including wood-based industries, concentrate a growing proportion of manufacturing, distribution and retail of food products. This vertical integration occurs at the national and global level in the development of large and complex global value chains, and in many cases includes a growing participation of transnational firms. The potential consequences of the agro-industrial development and increased foreign presence in developing countries can be manifold. On the one hand, they represent new opportunities for economic activity and growth. On the other, under certain conditions, they can result in the displacement of local firms and difficulties for small primary producers that may have difficulties in meeting quantitative requirements and more stringent, qualitative standards. This may result in the fragmentation of the microeconomic segment of the production chains. In addition, these processes of structural transformations modify market functioning and the distribution of rents between the different participants in the value chain at national level and in the international market. Furthermore, food systems must respond to the very different demands and needs of different social sectors. All these potential undesirable conditions represent new and important challenges in regards to policies, public goods and good governance that are necessary to improve market access and market transparency for the development and wellbeing of small farms, and the new opportunities for product differentiation and value-added activities, including

compliance with food safety regulations. The successful implementation of the required policies, for which strong governance is needed, will determine the final outcome of agro-industrialization in developing countries.

6. Changing patterns in agricultural trade and the evolution of trade policies

30. Three major trends characterized agricultural and fisheries trade over the past decade:

a) Significant increases in volumes exchanged, which have been considerable, but less than they would have been in the absence of a high protectionism. At constant prices, total agricultural exports have increased from USD 3.5 billion in 1961-1963 to about USD 110 billion in 2009, a trend that is expected to continue. This increase reflects more intraregional trade and also more trade between distant countries. Developing countries have participated actively in this trade expansion.
b) Fundamental changes in regards to the origin and destination of trade flows of some major agricultural commodities have occurred. Poorer developing countries, notably the Least Developed Country group, have become large net importers, while emerging economies in Latin America, Eastern Europe and Asia came forward as large net exporters, especially of cereals and oil seeds, reducing the role of OECD countries, a tendency that it is also expected to continue.
c) Policies evolving towards more openness, while at the same time promoting a host of regional and preferential agreements (which in the last few years have become more prominent than multilateral coordination). Although it is difficult to predict the possible evolution of the multilateral trade agreement as a consequence of the Doha negotiations, the situation does not look promising. Furthermore, as a consequence of the 2008 food crisis, a number of countries, most notably in Latin America, Eastern Europe and Asia, have implemented protectionist measures to control internal food prices and have increased the role of the governments through commercial and trade policies.

31. These trends are likely to extend in the future and will bring forward and/or strengthen a number of trade issues such as: a) the increasing product differentiation and concerns for safety issues will lead to more use of standards, including private standards - the relative roles of governments and the private sector is also bound to change; b) themes like the carbon footprint of products will become more relevant and consequently environmental issues are likely to be translated into trade regulations; c) impact of trade in food security and the importance of commercial policies in developing countries; d) the growing size of firms operating in the agrifood sector and the growing complexity of production chains will generate concerns on market power and call for actions to regulate it; and e) large emerging agricultural countries, both on the import and export side of the market, show a recently growing public presence which changes the structure and functioning of international markets.

32. Most of these issues involve complex policy questions which countries will have to handle. This implies that policy research and policy advice on trade matters will cover a wider field and extend beyond the traditional and dominant issues related to tariff protection and subsidies. Developing countries will need to prepare themselves for these new challenges.

7. Climate change will have a growing impact in agriculture

33. Climate change is now evident and is expected to increase in the decades to come, in spite of the measures that may be taken to mitigate it. It already impacts on agriculture, forests and ocean fisheries and these impacts are expected to increase in the future with variations between subsectors and regions. The Intergovernmental Panel on Climate Change (IPCC) 2007 report indicates that warming of the climate system is unequivocal and a warming of about 0.2 degrees centigrade per decade is projected for a range of emission scenarios.

34. Global warming will affect agriculture in a number of ways, including: a) very likely increase in the frequency of hot extremes, heat waves and heavy precipitation; b) likely increase in tropical cyclone intensity; and c) very likely precipitation increases in high altitudes and likely decrease in most subtropical land regions.

35. The impact of extreme events is much discussed. However the IPCC's Special Report entitled *Managing the Risks of Extreme Events and Disasters to advance climate change adaptation* released in December 2011 shows evidence that some extremes have changed as a result of anthropogenic influences, including increases in atmospheric concentration of greenhouse gases.

36. Vulnerable communities and people in fragile environments, such as dry lands, mountain areas and costal zones will be particularly affected. Adverse effect of climate change will also impact food security, especially as some of the most vulnerable countries are already food insecure. These effects will be very diverse among regions and countries. Mitigation strategies in agriculture, adaptation to climate change and creating greater resilience are a growing concern and need strong collective action at national, regional and global levels.

8. Science and technology, as a main source of agricultural productivity, and production increases are progressively becoming a private good, and the processes are dominated by the private sector

37. Most of the increases in global agricultural production and productivity have been based in increases of yields per hectare. Cereals and oilseeds have played a major role in this process. However, exponential yield rates have downed from 3.2 percent per year in 1960 to 1.5 percent in 2000. Furthermore, trends in yields are very variable and heterogeneous, both regionally and also for different cereals, showing the uneven impact of modern varieties and associated technological innovations. An observation of the sources of improved farm productivity suggests that future yield increases will rely heavily on the development of adapted and improved varieties and on their appropriate diffusion and use. The emergence of biotechnology, as a major source of innovation in agriculture, has displaced the "technological space" in the direction of the private sector.

38. Although public investment in agricultural research and development (R&D) has grown worldwide from about USD 16 billion in 1981 to USD 23 billion in 2000, private sector investments have grown faster to reach USD 16 billion in 2000 or 40 percent of total. Total investment in agricultural R&D is concentrated in a few countries. About 50 percent of public investment is made in five countries: USA, Japan, China, India and Brazil, and 93 percent of private investment is carried out in developed countries. The opportunities given by propriety biotechnological products and the size and easy access to markets explain these large investments by the private sector, which is concentrated in grains and market-oriented production conditions. As intellectual protection instruments become more standard, the magnitude of needed investments increases, and the complexity of science makes essential high managerial capacities. These trends will most likely consolidate. The organization of science and the interface between policy and science become more important and open. These are important areas of work for FAO that could be developed in close partnership with the CGIAR.[13] In particular strengthening national research institutions, developing public policies related to science and innovation, and increasing public investments and partnerships with the private sector will be needed for a more universal utilization of the potential of innovations for increasing food production and poverty reduction in the developing world.

9. Evolving development environment: increased recognition of the centrality of governance and a commitment to country-led development processes

39. During the last decade the development environment has changed in many ways. On the one hand, at national and international level a wide range of stakeholders, including the private sector, civil society, NGOs and foundations are increasingly recognized as having a legitimate voice in deliberations. New mechanisms are being put in place to involve their representatives in decision-making processes, as well as in the implementation of jointly developed activities. It is further recognized that in order to achieve global, regional and national development goals, not least to achieve food security and reduce poverty, the participation of actors well beyond the agricultural sector is required, further broadening the range of stakeholders and competing views and interests. A heightened focus on cross-cutting issues, such as gender and the environment adds further complexity. This increasing complexity calls for better and stronger governance and on building effective, efficient

[13] Consultative Group on International Agricultural Research (CGIAR)

and accountable institutions and fostering participation, equity, transparency and evidence-based information and decision-making.

40. A second important change is the general recognition that successful development processes must be driven and owned by countries themselves, and that this requires coherent country strategies and programmes. These perceptions were explicitly articulated in a series of international fora (Rome 2002, Paris 2005, Accra 2008 and Busan 2011). This new development environment has created new policy and institutional needs, and at the same time has generated new opportunities for action at country, regional and global levels which have important implications for multilateral organizations in general, and FAO in particular.

10. Increased vulnerability due to natural and man-made disasters and crisis

41. The multiple threats to food and nutrition security, their negative and cumulative impact, and the clear links between shocks and hunger reveal the fragility of current food production systems and their vulnerability to disasters, crisis and conflicts. Disasters have adversely affected the lives and livelihoods of millions over the past years with particular deleterious consequences for the poor and politically marginalized. The impacts of the catastrophic large-scale, mega-disasters such as the earthquake in Haiti in January 2010 and floods in Pakistan in July 2010 show how disaster risk and poverty are closely interlinked. The 2011 Horn of Africa drought crisis stresses the interconnection between natural disaster and conflict situations, amplifying the impact of the drought. In 2011, floods in Australia, the earthquake in New Zealand, and the earthquake, tsunami and nuclear disaster wreaking havoc in Japan are a stark reminder that developed countries are also highly exposed.

42. Less visible internationally, hundreds of smaller disasters associated with climate variability have caused enormous damages and losses. The past 20 years have seen an exponential increase in the number of local areas reporting negative impact on human and natural resources. These events reveal how disasters are continuously constructed through a combination of risk drivers (i.e. degradation of hazard-regulating ecosystems such as wetlands, mangroves and forests; high levels of relative poverty; and badly managed urban and regional development) and compounded by conflicts. Moreover, there are emerging risks and new vulnerabilities associated with the complexity and interdependency of technological and ecological systems on which societies depend. The risks associated to increased incidence and spread to new geographic areas of transboundary plant pests and animal diseases are also looming ahead.

43. The exposure of people to a wide range of emerging risks which are magnified and made more frequent as a consequence of globalization (including increase and volatility of food/commodity prices, financial instability, employment opportunities) and new patterns of vulnerability can trigger cascading and concatenated system breakdowns at different scale which can exponentially magnify negative impacts. In the absence of appropriate policy responses, risks become structural with high individual and social costs. Across all the major hazards, poorer countries (especially complex emergencies or protracted crisis) with weaker governance tend to experience far higher mortality and relative economic loss compared to wealthier countries with stronger governance.

44. Food and agriculture sectoral strategic guidance is needed to help countries comply with the Hyogo Framework for Action (HFA) and to reduce and manage multihazards and various risks magnifying vulnerabilities to food and nutrition insecurity (especially for the poorest). At global, regional, national and local levels, coherent interventions are needed to build, prevent and restore resilient livelihoods of farmers, herders, fishers, foresters and other vulnerable groups (estimated to more than 2.5 billion smallholders according to FAO's publication *Save and Grow*) against various threats and shocks. Disaster risk reduction and management for food and nutrition security is vital for ensuring one of the most basic human rights – "the right to adequate food and freedom from hunger".

11. Rural poverty: evolution and emerging problems

45. Rural poverty has declined significantly in some parts of the developing world over the past decades. In 2010, approximately 35 percent of the total rural population of developing countries was classified as extremely poor, down from around 54 percent in 1988. However, in spite of this progress,

by 2005 there were still about 1.4 billion people living on less than USD 1.25 a day (defined as extreme poverty).

46. In spite of an expected significant decline in the annual growth rate of the world population (from 1.1 percent in 2010-2015 to 0.4 percent in 2045-2050), absolute increments will continue to be large in many less-developed countries. Population increases will vary significantly by region and country, creating different rural poverty and rural development challenges.

47. Population ageing, a shift in the age structure of the population towards older ages, will accelerate in all developing regions. It often begins earlier and proceeds faster in rural than in urban areas, mainly due to the migration of young adults to the cities. It has major implications for labour markets, agricultural production and food security.

48. Rural poverty is often associated with a disadvantaged employment status. Rural labour markets present high levels of informality, multiple job-holding and casual work arrangements, and pervasive gender- and age-based inequalities. Rural working conditions are often extremely poor, labour legislation feebly enforced, and access to social protection limited. In rural areas of developing countries poverty is predominantly a problem of poor employment quality, resulting in low levels of labour productivity. Globally, nearly eight out of ten working poor with less than USD 1.25/day live in rural areas (ILO 2012). They are typically employed as subsistence farmers and in own-account or contributing family work. Rural women and youth are particularly disadvantaged in access to decent employment opportunities.

49. On average, women make up for 43 percent of the agricultural labour force in less-developed regions. Globally, there is evidence of a slight feminization of the agricultural labour force over the last 30 years, except in the Near East and North Africa regions where the trend is pronounced. Women are less likely to engage in wage employment than men, and when they do, they are more likely to be in part-time, seasonal and/or low-paying jobs in the informal economy and to be paid less for equivalent jobs and comparable levels of education and experience.

50. In the past 50 years, 800 million people have moved from rural areas into cities; though numbers for rural-to-rural migration appear to be much higher (FAO 2007). Migration is often triggered by poverty, food insecurity, inequality, lack of wage-earning opportunities and increased competition for scarce land and water resources in the “sending” areas. On the other hand, migration may contribute to resolve tensions in sending areas by reducing population pressures there, including the demand for land and water, but it may also deprive those same areas of valuable labour and human resources.

C.3 Main Global Challenges

51. These trends define and identify major development problems that member countries, FAO and the international development community will face in the immediate future. Some of the most evident and important conclusions that emerge from the trend analysis are the following.

a) Food demand will increase over time as a consequence of population growth, and income growth in emerging economies. In addition changes in patterns of demand in favour of animal products and the use of natural resources for the production of non food products will result in greater pressures on scarce natural resources and most likely high and more volatile food prices.
b) Food insecurity has diminished but remains as a major global problem. Expected greater volatility in food prices may generate new problems and aggravate existing ones.
c) Malnutrition is a growing concern The number of undernourished people that show nutrient deficiencies is large. On the other hand obesity and other health related problems are increasing in many regions and countries.
d) Rural poverty has decreased in some regions but remains as a major problem. Agriculture is a major source of rural income but poverty reduction will require, in addition, other sources of income and alternatives for gainful employment that go beyond agriculture.
e) Agricultural and food systems are becoming more complex. More than 80 percent of the total value of food production corresponds to the industrial and commerce sectors. These

food systems are also more concentrated and integrated into global value chains which provide new opportunities for small farmers and new challenges from the point of view of maintaining fair and transparent markets.

f) Agricultural trade is increasing and quite rapidly, trade flows are changing and multilateral rules are more complex and regional and preference agreement are increasing in importance. Developing countries will need to adjust to these new conditions.
g) Climate change will negatively affect agriculture and rural livelihoods. Rural communities are especially vulnerable to these events and also to a number of economic shocks. Management of vulnerability to natural and economic shocks is a mayor new concern.
h) The development environment is changing and better governance at the global, regional and country levels is needed to deal with the growing social and political complexity of development activities in agriculture food and rural livelihood.

52. On the basis of these conclusions, and taking into consideration FAO's broad mandate, seven development challenges have been identified and selected as those that appear to have a special significance and urgency for the work of FAO's, member countries and other development actors.

Challenge 1. Increasing the production of agriculture, forestry and fisheries and its contributions to economic growth and development while ensuring sustainable ecosystem management and strategies for adaptation to, and mitigation of climatic change

53. The natural resource base and ecosystems services are the foundation of all food and agricultural systems, and their protection is a guiding principle in their use. Meeting environmental challenges, moving to a greener economy and ensuring social and political sustainability of production systems are the main contexts for attaining an increase in food and non-food agricultural production. Within the framework of finding the appropriate balance between increasing production and energy and natural resources utilization, the objective is to take advantage of the potential of bio-economy to increase the contributions of agriculture, forestry and fisheries to economic development, while generating income and employment and providing livelihood opportunities for family farms and more generally the population in rural areas. Production systems must meet this challenge through innovations that increase agricultural productivity and efficiency in a context of a sustainable use of natural resources, reduced contamination, cleaner energy utilization and increased mitigation of, and adaptation to climatic change, as well as the delivery of environmental services. This will require taking into consideration existing trade-offs and striking the appropriate balances. These balances are country-specific and must be country-led.

Challenge 2. Eradicating food insecurity, nutrient deficiencies and unsafe food in the face of increasing food prices and high price volatility

54. The right to adequate food is an increasingly accepted value that has led to new concerns on food insecurity and commitments to eradicate hunger, as well as under nutrition at national and international levels - especially in women and children. For these purposes appropriate strategies, policies and programmes for improving food and nutritional security, in rural and urban populations, must be implemented at the national, regional and global levels with the clear objective of eradication in a reasonable period of time. These policies need to balance the short- and long-term needs and constraints. They must also balance the interests of agricultural production, especially small farmers and poor producers, with the interests and needs of poor consumers. They should include local supply of agriculture, aquaculture, non-wood forest products and livestock production, especially in family-operated activities, in order to improve accessibility, commercial policies that integrate and balance local production and imports, and social programmes that contribute to improving the access to food. A guiding principle for these policies should be that what is done in the short-term to address food vulnerabilities, does not undermine long-term objectives of food production and natural resources sustainability. Nutritional security and quality, including protein and micronutrient components, need to be integrated. Furthermore a reduction of the significant food losses that occur in the industrial and commercial stages of the overall process could make a substantial contribution to national and global food security.

Challenge 3. Improve the quality and balance of food consumption and nutrition

55. Global demand growth and its impact on environment and on prices, widespread inadequate eating habits and related nutritional imbalances and health problems call for major changes to establish more sustainable and healthy diets. Meeting this challenge implies the modification of consumption patterns and habits, including reducing food waste. It will require a range of actions comprising behavioural and/or cultural changes, the reinstatement of the true value of food (nutritionally, symbolically and economically) and the integration of nutrition as a core concern of every policy directed to food systems.

56. Gender-sensitive education and information needs to be strengthened and show the links between meal preparation, nutrition and health. In turn, the concept of nutrition has to be better integrated into agricultural policies and programmes including those related to natural resources sustainability. Leverage points in supply chains need to be identified in order to influence the choices of consumers and of the main actors of the complete food chain, including public sector authorities. The inter-relation between education, health and agriculture needs to be further developed and internalized in policies and programmes.

Challenge 4. Improve the livelihood of the population living in rural areas including smallholder farmers, foresters and fisher folk and in particular women, in the context of urbanization and changing agrarian structures

57. Economic growth and livelihood opportunities for different social, gender and age groups must be created and promoted in a context of closer rural-urban linkages. Strategies, policies, normative frameworks and programmes need to be designed and implemented in order to create decent employment and other rural and non-rural income opportunities for populations in rural territories. Similarly, the design of effective social protection and promotion systems built on existing safety nets and other agricultural support mechanisms are needed. In many countries, it implies new balances in policies that have been biased against agriculture. For this, new and stronger governance mechanisms at local and national levels will be needed.

58. The reduction of income inequalities between regions and social groups in each country and, in particular, the elimination of gender inequalities and improvement of women's access to production resources, are important objectives and main components of this challenge. Similarly, integrating young population to the labour market is an important objective. Protection of land rights and other natural resources, the provision of advisory and financial services are important to foster transition and diversification into productive and competitive activities. In addition, specific policies to support small and family farms, cooperatives and farmers' associations, especially for their better integration into markets and production chains, must be implemented, as well as exit strategies from agriculture to alternative sustainable rural and urban livelihoods. These policies will have different relative importance and different types of interventions in different regions and countries.

Challenge 5. Ensure a more inclusive food and agriculture systems at local, national and international levels

59. The organization of value chains at the national, regional and global level and regulatory measures should foster transparency and efficiency, permitting all participating actors to play a meaningful role. Promoting inclusive business models, ensuring that product standards respond to real market needs, strengthening and empowering producers' associations and cooperatives and improving market information are important elements. Furthermore, the integration of small producers into the production value chains in agriculture, forestry and fishery needs to be promoted. Land tenure policies that protect small farmers and rural communities from land concentration processes are needed in most regions, and their inter-relation with natural resources sustainability should be taken into consideration. At the international level, importing and exporting countries need special and differential strategies and policies to benefit from trade and pursue their own food security objectives, while taking into account food security needs elsewhere. For these objectives, developing and taking advantage of regional markets is an important objective in most regions, as is assistance to countries

and producers to comply with increasingly stringent international standards, especially in relation to food safety and animal and plant diseases.

Challenge 6. Increase resilience of livelihoods to agriculture and food security threats and shocks

60. Vulnerability to various threats and shocks due to natural and man-made causes, which are increasingly interconnected, are affecting rural populations with greater frequency and intensity, especially as population density increases. Economic shocks related to financial stability, employment opportunities and extreme price variability are associated to income losses and food insecurity that in the absence of appropriate policy responses become structural with high individual and social costs. Instruments to manage risk and safety nets to diminish the impact of these shocks are important. Countries in protracted crisis are particularly vulnerable because of the fragility of institutions and governance systems. Development of humanitarian strategies, policies and programmes needs to take into account, reduce and better manage the various and interconnected risks that increasingly affect peoples' livelihoods in order to help people adapt to, and better cope with, slow onset and sudden threats and shocks. Strategies for adaptation and resilience to climate change and developing capacities to respond to plant and animal diseases and in particular transboundary diseases are important elements of the overall challenge.

Challenge 7. Strengthen governance mechanisms for the needs for food, agriculture, forestry and fisheries systems at national, regional and global levels

61. Addressing development challenges is complex because it involves multiple sectors, a broad range of stakeholders and must take into account transdisciplinary, as well as transboundary dimensions, such as the management of water resources and watersheds and of blue economy resources in the seas. Moreover, globalization requires that existing imbalances, like food insecurity, environmental externalities, sustainable management of common natural resources, including irrigation water, transboundary watersheds and ocean resources be addressed through concerted actions that are effective and fair. In addition, the adequate provision of public goods including services, information, knowledge and innovations, evidence-based policy advice, regulatory frameworks, codes of conduct, agreements for common action, and so on at local, national and global levels is essential for development. For the reasons, stronger and more effective local, national, regional and global governance mechanisms and processes are needed that are transparent, ensure accountability and fairness, enhance the participation of all stakeholders in a meaningful way, especially those that are weaker in terms of social and/or political representation, and lead to the creation of an enabling environment for policy and programme design and implementation. The creation of effective public, private and civil society cooperation at all levels in agricultural and food systems is an important component of this challenge.

D. FAO's Attributes, Core Functions and Comparative Advantages

62. The concepts of comparative advantages and core functions have been extensively used in FAO. Both are mentioned in a number of institutional documents, such as the Strategic Framework 2000-2015 and the Medium Term Plan 2010-13. The use of these terms has been revisited introducing two main analytical elements: the evolving development cooperation environment; and FAO's basic organizational attributes. As a result of the analysis, a revised set of core functions have been proposed. In addition, comparative advantages have been defined in terms of the seven selected main challenges.[14]

[14] A detailed analysis and conclusions are available in document "FAO' s attributes, core functions and comparative advantages in relation to the Global Challenges" http://www.fao.org/docrep/meeting/025/md881E01.pdf prepared by an FAO working group composed of: A. Agostini, B. Benbelhassen, R. Grainger, D. Gustafson, K. Gallaher, V. Gitz, E. Hibi, S. Rudgard.

The changing development cooperation environment and implications for FAO

63. The development cooperation environment in which FAO operates has gone through significant changes since 2002, such as the United Nations Development Group (UNDG) five new programming principles for effective UN-supported country programming: human rights-based approach; gender equality; environmental sustainability; capacity development; and results based management. Each principle applies to FAO's engagement with, and support to national development processes and frameworks, as well as to its efforts in providing global public goods. These principles were fully reflected in the Rome Principles for Sustainable Global Food Security adopted in November 2009.

64. Given the increasing number of middle-income countries, the scope of MDG 1 (poverty and hunger) is no longer considered as ideal for advocating for hunger reduction in the context of the post-2015 development agenda, and FAO and partners need to find new, appropriate platforms to promoting food and nutrition security and sustainable agriculture. As a result, FAO needs to frame its work in the context of human rights-based approaches and "equity" in countries, regions and at the global level. Concurrently, FAO has to further enhance the linkages between the new development agenda and major factors, such as climate change, sustainability and environment, resilience and disaster risk management; and the thematic areas in which FAO possesses technical capacities and a sound knowledge base.

65. In addition to the global changes that have affected the UN and the development cooperation paradigm, other organizations with closely related mandates to FAO's have also evolved. The other two Rome-based organizations, IFAD and WFP, initially created with complementary objectives, have changed their strengths, and their work has progressively been intertwined with that of FAO. Moreover, there has been a significant growth in numbers and strength of organizations in the areas of research and technology creation and diffusion, such as CGIAR, NEPAD, IICA,[15] civil society organizations and the private sector. In this more complex and competitive environment, the identification of FAO's unique attributes becomes of great importance in the planning process.

FAO's basic organizational attributes

66. The most relevant basic attributes and strength of an organization are those that are intrinsic and unique to it, and which define its basic organizational characteristics. There are several basic attributes which are intrinsic and in combination unique to FAO:

a) it is the United Nations specialized agency in food and agriculture, with a comprehensive mandate from its member countries to work globally on all aspects of food and agriculture (including fisheries, forestry and natural resources' management), food security and nutrition across the humanitarian-development continuum;
b) its intergovernmental status and neutrality and the authority to provide a neutral platform where nations can call on each other for dialogue and knowledge exchange;
c) it has the authority to request any Member Nation to submit information relating to the purpose of the Organization;
d) its Regular Budget is derived from assessed contributions that provide a minimum guaranteed amount of resources that can be committed for priority activities agreed upon by member countries in the governing bodies, complemented by significant voluntary contributions, increasingly mobilized in support of FAO's Organizational Outcomes to leverage FAO's knowledge and enhance outreach;
e) a staff with a broad range of expertise across its areas of mandate – albeit thinly spread - working in an interdisciplinary fashion; and
f) country-level presence in most low-income countries, supported by regional and global teams of experts, to respond to demands articulated by countries and regions.

[15] The New Partnership for Africa's Development (NEPAD); Inter-American Institute for Cooperation on Agriculture (IICA)

Core Functions

67. Core Functions are defined in the MTP 2010-2013 as "the critical means of action to be employed by FAO to achieve results." Consequently, they represent the types of interventions to which the Organization will give priority in its plan of action. Core Functions have evolved over the years and in the different planning documents.

68. Taking into consideration the evolving development environment and a clear characterization of FAO's basic organizational attributes, a revised set of Core Functions is derived. In line with the Independent External Evaluation (IEE) of FAO, these are Core Functions "that no other organization can adequately provide" and therefore warrant FAO's position to act in the field. They correspond to the areas of FAO's work identified by the IEE which would need to be reinvented "if FAO were to disappear tomorrow". In addition, there are also areas in which FAO is expected to play a lead, but not necessarily exclusive, role. In such cases, FAO needs to work with partners and should intensify its efforts to develop and operationalize strategic partnerships. An assessment of the basic attributes identified above led to the following Core Functions:

a) **Facilitate and support countries in the development and implementation of normative and standard-setting instruments such as international agreements, codes of conduct, technical standards and others.** This work will be developed at global, regional and national levels through global governance mechanisms, policy dialogue and support and advice, coupled with the development at country level of the necessary policies and institutional capacities for their implementation.
b) **Assemble, analyze, monitor and improve access to data and information, in areas related to FAO's mandate.** This includes the development of global and regional trends, perspectives and projections and the associated responses by governments and other stakeholders (e.g. policies, legislation and actions); also direct support to countries in the development of institutional capacities to respond to the identified challenges and possible options.
c) **Facilitate, promote and support policy dialogue at global, regional and country levels.** FAO as an intergovernmental organization is especially well positioned to help countries at national and international levels to organize policy dialogue activities directed to improve the understanding on important issues and to the establishment of agreements between stakeholders and/or countries.
d) **Advise and support capacity development at country and regional level to prepare, implement, monitor and evaluate evidence-based policies, investments and programmes.** This includes advice and support for activities directed to institutional strengthening, human resource development and direct advice to programme implementation.
e) **Advise and support activities that assemble, disseminate and improve the uptake of knowledge, technologies and good practices in the areas of FAO's mandate.** FAO as a knowledge organization needs to be at the forefront of knowledge and technology in all the areas of its mandate and be a source and organizational instrument to support countries in the utilization of available knowledge and technologies for development purposes.
f) **Facilitate partnerships for food and nutrition security, agriculture and rural development between governments, development partners, civil society and the private sector.** FAO has a broad mandate that includes major development problems that need to be targeted from a broad and comprehensive perspective. However, FAO will focus its work on the areas in which it has special competence and will establish strong partnerships with other organization to cover other complementary actions required.
g) **Advocate and communicate at national, regional and global levels in areas of FAO's mandate.** FAO has a main responsibility in providing communication and information services in all areas of its mandate to countries and the development community and to strongly advocate on corporate positions in relation to relevant and urgent development issues.

69. Importantly, these Core Functions are consistent with the IEE's vision that: "the objective of the Organization is to ensure that within the areas of its mandate, countries at all levels of development, particularly the poorest, have access to knowledge, public goods and services they need." This stated objective requires FAO to be a global policy setter, facilitator, partner and coordinator, as well as "doer".

70. To perform these tasks, and in line with the recommendations made by the North American Informal Regional Conference, FAO should: a) focus on its technical expertise and knowledge, and promote good practices available at country level; b) play a leading role when activities are linked to its mandate; and c) draw upon its networking and partnerships capacity. Furthermore, in some cases FAO will need to strengthen its capacities, both organizational and human resources to be able to fully implement the seven Core Functions and, in particular to reaffirm its position as the main global player in the provision of public goods and policy advice in the areas of food, agriculture, fisheries and forestry.

71. While the selected Core Functions are the most important instruments on which FAO will organize and develop its work, each of the five Strategic Objectives described below embodies the development problems where FAO will concentrate its work. Consequently, the organization and focus of FAO's work can be visualized as a matrix of Strategic Objectives and Core Functions so that the work developed under each Strategic Objective will be implemented through the application of the seven Core Functions.

72. In the next section, the issue of FAO's comparative advantages is addressed in relation to each of the selected development challenges.

Comparative advantages in relation to the selected challenges

73. Comparative advantage is a relative concept in three dimensions:

a) First, it is a special capacity relative to the end mission pursued. A comparative advantage is an advantage only if it is *relevant* to the *challenge* that needs to be addressed and to "*what needs to be achieved?"* (i.e. the objectives) to address this challenge.
b) Second, it depends on the *set of activities and instruments* that FAO is capable to pursue and implement to achieve the selected objectives. This goes two ways:
    i) *from the activities to comparative advantages and capacities:* activities pursued over time by the Organization can lead to the creation of capacities and comparative advantages; and
    ii) *from comparative advantages and special capacities to activities:* the Organization shall seek to pursue activities in domains where it has a comparative advantage or special capacity to act.
c) Third, the notion is relative to other actors' roles and performance to address the same challenge and meet the established objectives, with the same or a different set of tools.

74. The analysis identifying FAO's existing comparative advantages in relation to each challenge is presented for information in the document entitled "FAO's attributes, core functions and comparative advantages in relation to the Global Challenges", available on the Web at http://www.fao.org/docrep/meeting/025/md881E01.pdf . The table in the document illustrates four entries: a) the challenges; b) "what needs to be achieved" to contribute to the challenge; c) FAO's comparative advantages or capacity to act; and d) the potential focus areas for FAO's action in terms of activities, instruments and tools.

E. Strategic Objectives

75. The seven challenges identified and described in Part C represent the main development problems that member countries and the development community, including FAO, will face in the near future. They are the basic consideration from which Strategic Objectives have been derived, along with five elements that have informed the analytical process leading to their selection:

a) FAO's mandate, vision and goals (Part B);

b) relevant MDGs, other broad mandates that have been approved by the UN governing bodies that are important guidelines for FAO's to prioritize its main responsibilities within the UN system. Of particular relevance are the specific responsibilities and mandates received by FAO within the UN system in relation to food security issues and sustainable agriculture;

c) international agreements relevant to FAO's work;

d) the methodology of managing for results adopted by FAO and the UN system, and the related recommendations made by the IEE and FAO governing bodies that the work of the Organization should be organized around a small number of results-based Strategic Objectives that correspond to main development problems, and an enabling environment represented by Functional Objectives; and

e) FAO's main organizational attributes, core functions derived from them and the comparative advantages identified in relation to each challenge taking into consideration the specific mandates of other international organizations (Part D).

76. The following five Strategic Objectives represent the main areas of work in which FAO will focus its effort to achieve Organizational Outcomes that contribute to the three main goals of the Organization:

1. **Contribute to the eradication of hunger, food insecurity and malnutrition**
2. **Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner**
3. **Reduce rural poverty**
4. **Enable more inclusive and efficient agricultural and food systems at local, national and international levels**
5. **Increase the resilience of livelihoods to threats and crises**

77. In addition to the areas of work identified for each Strategic Objective, two cross-cutting themes are developed in MTP/PWB (C 2013/3) so as to ensure that their respective perspectives are fully integrated into the Programme of Work:

a) Gender - FAO will pursue the integration of gender issues in all aspects of its work, ensuring that attention to gender equality becomes a regular feature of work on standard setting and of regional, subregional and country level programmes and projects. Support to countries needs to cover a combination of policy advice, knowledge management, institutional support, capacity development and strategic partnerships. Therefore, under all strategic objectives, gender-related issues will be addressed in a systematic way and progress made closely monitored.

b) Governance[16] - The importance and diverse contributions of good governance in food and agriculture matters cut across the outcomes formulated under the five Strategic Objectives. Without improvements in governance, it would be impossible to achieve the expected

[16] Governance relates to formal and informal rules, organizations and processes through which public and private actors articulate their interests and make and implement decisions.

outcomes at local, national, regional and/or global levels. FAO will focus on interventions that improve interactions between multiple actors, for example by facilitating institutional strengthening to create a more conducive environment to collaboration.

78. Furthermore, in line with the methodology of managing for results, a sixth Objective will cover the provision of technical quality, knowledge and services for the work of the Organization, encompassing core normative work. Functional Objectives will provide the enabling environment for outreach; information technology; FAO governance, oversight and direction; and administration, as elaborated in the MTP/PWB (C 2013/3).

79. The Action Plans for each Strategic Objective, provided in the MTP/PWB (C 2013/3), describe the overall strategy that FAO will use to work on the issues and problems identified in each one of them. They identify the main issues selected, the way in which Core Functions will be implemented, and areas in which partnerships are needed. The Action Plans also identify and describe the Organizational Outcomes that have been selected and the indicative outputs. Indicators and targets are being formulated to measure achievement of the Organizational Outcomes and contributions to the development outcome that is associated with each Strategic Objective.

80. High-level summaries of contextual factors and the essence of planned work for each Strategic Objectives are provided below.

Strategic Objective 1: Contribute to the eradication of hunger, food insecurity and malnutrition

81. FAO will contribute to the eradication of hunger, food insecurity and malnutrition by achieving three Organizational Outcomes:

a) member countries and their development partners make explicit political commitments and allocate resources to eradicate hunger, food insecurity and malnutrition;
b) member countries and their development partners adopt and implement evidence-based and inclusive governance mechanisms for eradicating hunger, food insecurity and malnutrition; and
c) member countries and their development partners formulate, implement, monitor and evaluate policies, programmes, investments and legislation to eradicate food insecurity and malnutrition.

82. Two necessary conditions for the eradication of persistent hunger, food insecurity and malnutrition, despite progress in overall development, food production and poverty reduction are: (i) strengthened political will and commitment, backed up by appropriate governance and accountability mechanisms; and (ii) more purposeful action in areas that have the greatest possible impact on improving people's food security and nutrition status.

83. SO1 aims at creating the necessary conditions at all levels of decision-making, in partnership with main stakeholders. Success will depend on an appropriate mix of: advocacy for hunger reduction, supported by adequate information and analysis; enhanced and evidence-based policy advice and coordination; and capacity development.

84. SO1 is expected to add value by ensuring that a coherent and comprehensive policy, institutional and accountability framework is in place so that the various actions to address the immediate and underlying causes of hunger, food insecurity and malnutrition are well coordinated and lead to tangible results.

85. In seeking to carry out this complex harmonization across all sectors and stakeholder groups for the greatest possible impact on the eradication of hunger, food insecurity and malnutrition at country, regional and global levels,[17] work will address essentially three areas: (i) the generation and promotion of *explicit political commitments* for the eradication of hunger, food insecurity and malnutrition; (ii) appropriate *governance mechanisms* at global, regional and country levels; and

[17] The meaning and use of the terms 'hunger', 'food security', 'nutrition' and 'food and nutrition security', are clarified in the document entitled: "Coming to terms with terminology" (CFS 2012/39/4).

(iii) *accountability and monitoring* capacities to be strengthened, particularly in connection with the formulation, implementation and evaluation of sector-wide and cross-sectoral policies, programmes and investments.

Strategic Objective 2: Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner

86. FAO will contribute to increased and improved provision of goods and services from agriculture, forestry and fisheries in a sustainable way by achieving four Organizational Outcomes:

a) producers and natural resource managers adopt practices that increase and improve the provision of goods and services in agricultural sector production systems in a sustainable manner;
b) stakeholders in member countries strengthen governance – the policies, laws, management frameworks and institutions that are needed to support producers and resource managers in the transition to sustainable agricultural sector production systems;
c) stakeholders develop, adopt and implement international governance mechanisms and related instruments (standards, guidelines, recommendations, etc.) which are needed to improve and increase provision of goods and services in agricultural sector production systems in a sustainable manner; and
d) stakeholders make evidence-based decisions in the planning and management of the agricultural sectors and natural resources to support the transition to sustainable agricultural sector production systems through monitoring, statistics, assessment and analyses.

87. Global production in agriculture has grown by about 2.5 to 3 times over the last fifty years. This was mainly due to: intensive reliance on fossil fuel and other inputs; irrigation; and, to a limited extent, expansion of agricultural lands. However, crop yield growth rates have been slowing down for many years. Current production levels are already putting enormous pressures on most agricultural production systems in the world. In many places, increases in food production have been associated with degradation of land and water systems upon which production depends. One quarter of the planet's land resources is estimated to be highly degraded, and another 8 percent moderately degraded. Unsustainable agricultural practices and land use changes are the most important causes of land degradation, as well as the loss of ecosystem services and biodiversity crucial to food production.

88. Forests are a direct source of industrial round-wood, fuel-wood and non-wood forest products and provide food and cash income for almost 1 billion of the world's poorest people. Although forests are key to soil and water protection and to mitigate potential climate change, deforestation and forest degradation remain major problems.

89. In 2008, capture fisheries and aquaculture together delivered 142 million tonnes of fish and supported the livelihoods of about 540 million people. At the same time, 32 percent of fisheries are considered depleted, the number of overexploited stocks (now 52 percent) continues to increase and climate change is causing still poorly understood shifts of fishery stocks.

90. Against this sombre assessment, the global demand for food, feed and fibre will increase substantially and the agriculture, forestry and fisheries sectors will have to meet this demand, especially in developing countries. In addition, climate change will be a likely large multiplier of risks in many parts of the world, as it is expected to alter the patterns of temperature, precipitation and river flows upon which the world's production systems depend, and to more extreme climatic events with strong negative impact on production levels, availability of natural resources and livelihoods of populations.

91. The agriculture, forestry and fisheries sectors face no other option than to make a transition towards more sustainable consumption and production systems – i.e. the only way to respond to the growing demand, while safeguarding ecosystems services on which they rely. At the same time, production increases must be compatible with diverse regional needs, potential and constraints.

Meeting environmental challenges, moving towards a greener economy, ensuring distributional equity, economic resilience and sustainability of production systems are the foundation for SO2.

92. The implementation of SO2 will seek to pursue a holistic approach across sectors by promoting in particular: 1) more sustainable practices; 2) more viable governance arrangements; 3) more effective mechanisms at the international level; and 4) evidence-based decision-making, as opposed to too rigid or disjointed sectoral approaches (i.e. crops, livestock, fisheries and forestry).

93. The design of SO2 is innovative in its emphasis on: 1) the integration of work relating to the three "pillars" of sustainability (environmental, economic and social); and 2) ways to generate the wide scale transition needed for the adoption of more sustainable practices by large numbers of producers and resource managers. This scope also reflects the outcome of the RIO+20 Conference, and should serve to better explain the multiple contributions of the agriculture, forestry and fisheries sectors to the concept of sustainable production and consumption.

Strategic Objective 3: Reduce rural poverty

94. FAO will contribute to the reduction of rural poverty by achieving three Organizational outcomes:

a) the enabling environment is created or improved so that the rural poor have voice and equitable access to resources, services, institutions and policy processes to move out of poverty;
b) the enabling environment in member countries is created or improved to increase access by the rural poor to decent farm and non-farm employment; and
c) the enabling environment is created or improved for effective social protection to enhance food security and nutrition, and sustainable management of natural resources for the rural poor.

95. Rural poverty has been declining in most regions of the world. However, persistently high levels of poverty, especially among specific segments of the rural population, continue to prevent the implementation of the Global Goals of FAO. In many areas, prolonged neglect of the agricultural sector has limited its capacity to drive economic growth and failed to generate sufficient employment and income opportunities.

96. While adequate rural livelihoods are essential for food security and welfare, livelihoods in an evolving rural context are mostly derived from direct production, as well as from farm and off-farm employment. However, low productivity and poor conditions of employment are major obstacles to large numbers of people moving out of poverty.

97. Governments need to ensure that agriculture and rural development, together with rural poverty reduction remain high on their policy agendas. Such policies need to foster productivity increases among smallholders and family farmers, with a particular focus on women and youth, promote decent on- and off-farm employment conditions and opportunities, and strengthen institutional arrangements in rural areas. Other essential policy ingredients to address poverty include: facilitated access to technology and inputs, targeted support to small and family farms, cooperatives and farmers associations, especially in view of better integration into markets and production chains, social protection and productive safety nets for rural populations, and ultimately effective exit strategies from agriculture to alternative and sustainable rural and urban livelihoods.

98. SO3 takes account of the above imperatives, with emphasis on generating effective enabling environments to enable the rural poor and disadvantaged groups to escape from their current poverty trap, and formulating and implementing much improved policies. Work will focus on: (i) improved targeting of policies, policy and legal frameworks for co-management of natural resources, improved land administration, sustainable increase in productivity, enhanced service provision and inclusive producer organizations; (ii) decent farm and non-farm rural employment opportunities for men, women and youth; and (iii) maximized synergies between social protection measures and rural development programmes.

99. At the same time, several cross cutting themes would require attention: gender equality and gender sensitive approaches; support to disadvantaged groups (e.g. youth, the elderly and indigenous people); factoring of diverse agro-ecological, socio-cultural, economic, and political dimensions; evidence-based information, including lessons learned and impact analysis of past policies; nutrition security *via* nutrition-sensitive policies, programmes and investments across sectors; governance systems at all levels, so that poverty reduction efforts can be sustainable and effective.

Strategic Objective 4: Enable more inclusive and efficient agricultural and food systems at local, national and international levels

100. FAO will contribute to more inclusive and efficient agricultural and food systems at local, national and international levels by achieving three Organizational Outcomes:

a) policies, regulatory frameworks and public goods enhance inclusiveness and efficiency of food, agriculture and forestry systems;
b) enhanced public-private collaboration in addressing the challenges and risks faced by smaller and disadvantaged participants in food and agricultural systems; and
c) international agreements and mechanisms promote inclusive and efficient markets.[18]

101. Food and agricultural systems in the world are undergoing dramatic changes, becoming increasingly globalized, concentrated, industrialized and science-intense. These changes generally facilitate overall growth and increase efficiency, but at the same time may create competitive barriers for small and medium producers and processors and therefore may significantly downgrade lifestyles and employment opportunities in rural areas. These far-ranging changes imply that policy-makers and other stakeholders adopt an integral perspective of food systems and supply chains, so as to match their evolution as closely as possible with overall goals of food security, reduction of rural poverty and sustainable use of natural resources.

102. At the same time, there is increasing pressure on major resources for food and agriculture production, while expanding and diversified demands by consumers must be met, adding great urgency to making present and fast-evolving agricultural systems operate in a safe and sustainable manner. It is also morally and politically imperative to make food and agricultural systems more inclusive, so that all participants are included and empowered.

103. Work towards SO4 should benefit from the Organization's substantial evidence base and experience of the main factors affecting inclusiveness and efficiency of food and agricultural systems. Other assets include its particularly strong expertise related to trends analysis and projections; policy advice on appropriate responses at country level, including market access; and governance. Policy reforms and capacity development in the context of SO4 must aim at: establishing more effective enabling environments at the national level; appropriately engaging the private sector;[19] and ensuring that international markets are fair and efficient. Concerns about institutional development and the inclusiveness and efficiency post-production activities are also to be addressed.

104. In the context of the Organizational Outcomes of SO4, more inclusive and efficient food and agricultural systems would greatly depend on targeted actions addressing: standards; regulatory services; technologies; functioning of markets; public and private sector institutions, relationships and joint investment efforts; and instruments affecting trade.

[18] The term "international agreements" refers to frameworks, guidelines and codes that promote market fairness, inclusion and efficiency.
[19] The private sector is that part of the economy that is not State-controlled, and is run by individuals and companies for profit. It includes private companies, as well as cooperatives and producer organizations.

Strategic Objective 5: Increase the resilience of livelihoods to threats and crises

105. FAO will contribute to the increased resilience of livelihoods to threats and crises through four Organizational Outcomes:

a) countries and regions have legal, policy and institutional systems and regulatory frameworks for disaster and crisis risk management for agriculture, food and nutrition;
b) countries and regions deliver regular information and trigger timely actions against potential, known and emerging threats to agriculture, food, and nutrition;
c) countries apply prevention and impact mitigation measures that reduce risks for agriculture, food and nutrition; and
d) countries and regions affected by disasters and crises with impact on agriculture, food and nutrition are prepared for, and manage effective responses.

106. "Resilience" is generally understood as the ability to prevent disasters and crises, as well as to anticipate, absorb, accommodate or recover from them in a timely, efficient and sustainable manner. This includes protecting, restoring and improving livelihoods systems in the face of threats that impact agriculture, nutrition, food security and food safety (and related public health).

107. Resilience and vulnerability are two sides of the same coin. Resilience reflects capacities to manage crises; vulnerability is the degree of susceptibility to shocks. The resilience of communities is particularly important when institutions are challenged for example, in protracted crises, violent conflicts and post-crisis transitions.

108. Resilient livelihoods systems can withstand threats or adapt to new pathways in times of crisis. This resilience is the first - and sometimes only - line of defence for vulnerable smallholders when threats become crises, such as when natural hazards (e.g. hurricanes, droughts, locust infestations) overwhelm a society's capacities to cope, transforming the threat into disaster. Those who have limited capacity to buffer impacts of a crisis risk life-long, inter-generational consequences, when the marginally food secure slip into malnutrition and the impoverished fall into destitution.

109. Capacities to absorb and manage shocks are often depleted by the frequency and magnitude of crises and their cumulative effects. Recurrent, multi-faceted crises have eroded livelihoods and triggered unsustainable natural resource use, with deleterious consequences for millions of poor and marginalized people. This is compounded by inadequate institutional environments that otherwise should protect and preserve livelihoods.

110. SO5 embodies the need to reduce risks and promote preparedness and recovery arrangements so as to ensure maximum synergies among humanitarian, development and investment efforts, while also building capacities to handle the full range of risk and crisis management actions and related transitions. One key aspect is in fact investment to promote resilient livelihoods and peaceful societies, while generating growth. Humanitarian action should focus primarily on saving lives and livelihoods, while development programmes should incorporate risk reduction measures. Prevention, mitigation, preparedness, response, recovery and rehabilitation are key dimensions addressed under SO5 in an as holistic manner as possible.

111. There are complementarities, as well as reasonably clear boundaries between SO5 and other Strategic Objectives. In times of crises and disasters, it is important to anchor related actions in broader development objectives and promote resilience as part of commitments to combating hunger, food insecurity and malnutrition (SO1). SO5 also links up to: ecosystem sustainability and climate change mitigation and adaptation (SO2); poverty reduction/alleviation and safety nets (SO3); and market and private sector viability (SO4). SO1 and SO4 contribute to decreasing the longer-term risks of, and stresses brought about by global food price volatility and food safety emergencies, while SO5 focuses on risk reduction for disasters and crises.

Objective on technical quality, knowledge and services

112. To ensure a robust and practical results-based approach to all of the work of the Organization, FAO should be able to ensure that the Organization has the internal capacity to achieve the expected

results. In an increasingly decentralized context, preserving the technical integrity of the Organization, as well as building its capacity to mainstream key technical functions beyond institutional boundaries is of paramount importance. This Objective frames the technical and quality services work of the Organization.

113. In the new framework, each technical department is the permanent organizational structure that serves as the institutional home for the relevant technical staff at headquarters. Its main responsibility is to enhance the technical capacities of the Organization and manage the professional matters and needs of relevant technical staff in all locations. Departments will also contribute to specific, but limited areas of normative work in thematic areas and disciplines under their mandate that cannot be effectively managed by the corporate programmes.

114. The work and resources under this objective will aim to achieve three outcomes:

a) quality and integrity of the technical and normative work of the Organization;

b) quality and integrity of the data produced and analyzed by the Organization;

c) quality services, coherent strategy and approaches to work on governance and gender equality and women's empowerment in the Strategic Objective programmes.

Cross-cutting themes: Gender and Governance

115. The two cross-cutting themes on gender and governance are integral to the achievement of the Strategic Objectives, both within and across them.

Gender

116. To achieve a world free from hunger and malnutrition, it is essential that both women and men are provided with the same opportunities and can equally benefit from sustainable development and humanitarian interventions. Adequate attention to gender equality and the empowerment of rural women will help in the attainment of FAO's three Global Goals.

117. The agriculture sector is underperforming in many developing countries and one of the key reasons is that women do not have equal access to the resources and opportunities they need to be more productive. This "gender gap" in assets, inputs and services appears throughout the world and imposes costs on the agriculture sector, the broader economy, society and on women themselves. Governments and the international community need to work together to eliminate discrimination under the law; promote equal access to resources; ensure that agriculture policies, programmes and institutions are gender-aware; and make women's voices heard as equal partners for sustainable development. Evidence shows that an approach to policies and programmes based on gender equality, participation and empowerment of both women and men can lead to substantial gains in agricultural productivity, as well as broader economic and social benefits for rural populations and vulnerable people.

118. The following areas of work will be targeted to promote gender equality across the Strategic Objectives:

a) identify gender issues relevant to achieving outcomes in the Strategic Objectives and provide targeted advice to close the gender gap and also provide a gender-related baseline, where relevant; ensure usage and improvement of available data sources, notably household surveys, for gender disaggregated statistics and gender sensitive analysis;

b) provide technical advice to the Organization to reach the minimum standards and targets of the Policy on Gender Equality within the committed timeline, with adequate accountability mechanisms in place;

c) define and apply a set of minimum standards by 2015 to ensure the inclusion of gender mainstreaming in all its work and for targeted interventions;

d) build on the existing network of gender focal points at headquarters and decentralized offices; and

e) increase focus on standard setting in regional, subregional and country level programmes and projects.

Governance

119. Governance refers to *formal and informal rules, organizations, and processes through which public and private actors articulate their interests and make and implement decisions*. Governance issues arise in a wide variety of settings, both public and private, from local communities, farms and cooperatives, business organizations and large-scale enterprises, to local, regional, national and international contexts. Strengthening governance is essentially concerned with enabling effective and efficient problem-solving in ways that are regarded as legitimate by the stakeholders who are involved, enabled, or otherwise directly affected by the decisions and actions undertaken within or by any governance structure or regime.

120. FAO's new focus on governance is driven by the recognition that mission-critical development-related processes affecting food security and nutrition, livelihoods, and the management and sustainable use of natural resources confront increasingly complex governance challenges. To achieve goals for eradicating hunger and malnutrition, for example, comprehensive and integrated approaches are required to engage an array of public and private actors whose participation is necessary to enhance both the legitimacy and the effectiveness of solutions adopted. Addressing issues related to the growing interconnection between the environmental and production spheres, similarly, requires unprecedented levels of intersectoral collaboration at all levels - and is further complicated by growing uncertainty due to the impacts of climate change and the increasing frequency of extreme weather events. Broader, more flexible and responsive, and more capable governance institutions and mechanisms are necessary to improve effective coordination among diverse stakeholders, enabling effective problem-solving while working towards the achievement of multiple, and sometimes conflicting, objectives.

121. The following areas of work will be targeted to promote good practice in addressing governance challenges across the Strategic Objectives:

a) strengthen FAO's contribution to global governance – drive FAO's engagement of critical global governance mechanisms, in particular, CFS and HLTF to strengthen food systems governance and support achievement of Strategic Objectives;

b) systematically identify mission-critical governance issues at national, regional or multilateral levels relevant to implementing effective strategies for achieving Strategic Objective outcomes, and provide targeted advice on interventions to address these issues;

c) strengthen FAO's staff capacity to support improved governance *inter alia* generate, develop and adapt existing tools and guidelines, provide targeted governance support as a resource to country and regional level FAO offices; and

d) monitor and evaluate FAO's interventions to strengthen governance, and assess experience for lessons learned to build FAO governance-support capacity.