

## EVALUATION SERVICE

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### FAO work in commodities and trade

## Evaluation of FAO's work in commodities and trade

The work of the FAO Trade and Markets Division is geared toward helping member countries, particularly developing countries, increase income from trade in agricultural commodities and participate in international trade negotiations such as those under the World Trade Organization. Over the last decade, FAO has had to review its basic function and roles in these areas in light of international trends, in particular the move away from controlled commodity markets and government commodity trading and the increasing globalisation of agricultural production and trade.

The evaluation team visited 23 countries and over 25 international institutions in both developing and developed regions. It carried out extensive interviews and assessments at headquarters, and carried out a questionnaire survey of FAO member countries. An External Peer Review panel endorsed the terms of reference as well as the conclusions and recommendations of the evaluation.

The evaluation was conducted during a time of significant transformation in the Trade and Markets Division structure and work to focus more on analysis of markets and trade than on commodity market monitoring. Several of the evaluation recommendations were in fact already being addressed by the end of the evaluation process.

### Findings

**FAO comparative advantage.** FAO currently houses the world's largest international body of staff devoted to studying global agricultural commodity markets and trade. Its comparative advantage lies in its emphasis on commodities, agricultural activities and policies in smaller developing countries. It is also the only international entity that informs the world about impending food shortages on a regular basis.

**Limited partnerships.** FAO's country level partnerships for trade and commodities work have remained with Ministries of Agriculture and have not expanded to include Ministries of Finance, Economy, Commerce and Trade or private sector entities, which now often play a bigger role than Agriculture in issues, trends and policy making in commodity trade. FAO also has little contact with NGOs involved in advocacy on commodity and trade issues.

## Findings cont.

**The Committee on Commodity Problems and the Intergovernmental Groups.** Evaluators found that these fora for government officials have become much less relevant to international commodity markets than in the past. They suggest experimentation with different structures for the Intergovernmental Groups, using FAO's convening capacity to bring together stakeholders from the public and private sectors to improve exchange of data and information on commodity markets. Another suggestion is that meetings of both groups be held jointly with UNCTAD and WTO in Geneva, so as to bring country trade representatives together with the agricultural representatives from Rome and commodity specialists from capitals.

**Outreach and dissemination of information.** The "OECD/FAO Agricultural Outlook" was considered a good example of cooperation and partnering efforts and it was recommended that the publication become the flagship of the commodity market analysis work of ESC. FAO's normative policy and trade activities, however, are not well known in countries. This may be because the focus is on Ministries of Agriculture alone and other appropriate targets are not being reached. Also, only a small percentage of documents are published in refereed journals or other frequently cited formats. Publication in more credible journals would raise the profile of the work.

## Recommendations

Evaluators made a general recommendation that Management is on the right track with its re-orientation. However, it is recommended that certain strategic issues receive further attention. These include:

- **Partnerships** need to be created or expanded in a number of areas: 1) with ministries besides Agriculture that work in commodities and trade; 2) with the International Commodity Bodies to develop the monitoring, outlook and analysis of commodity markets; 3) with private sector and industry associations to undertake analysis of supply networks and value chains and; 4) by broadening cooperation with other institutions that are involved in international and domestic markets, including universities, research organization and NGOs.
- **Medium-Term commodity analysis and the simulation model (COSIMO):** Evaluation country visits confirmed that the direction being taken in longer term commodity market analysis is the correct one. The evaluation team recommended continuing the change in focus of FAO's commodities work away from market monitoring (for which others may be better adapted) towards more medium-term analysis and trade policy work. COSIMO is highly valued and the evaluation recommended that the COSIMO project should be enhanced and continued (and be the only large model supported by FAO).
- **Incentive systems** need to be developed to encourage staff to expand extra-budgetary resources, improve collaboration within FAO, and increase partnerships with other organizations. An examination of successful experiences elsewhere to identify effective incentive systems that are compatible with these various objectives should be undertaken.
- **Priority themes.** A number of thematic areas should be selected around which to structure work on commodity market and trade analysis. This should solve some management and coordination problems and raise the international profile of FAO's work.
- **Technical support to member countries** should receive a greater relative proportion of support in the work programme as opposed to headquarters-based activities such as research, servicing meetings and publications. Given its mandate to provide assistance to individual developing countries on trade and commodity policies FAO must ensure that the results of its analytical work are made available in easily accessible and user-friendly form. Staff should also provide training and capacity-building assistance on a country and regional basis.
- **FAOSTAT** data base improvements were strongly supported. These should reduce the need for the Trade and Markets division to maintain short- and long-term commodity databases

### Management response to the evaluation

Management generally agreed with the findings noting that progress had already been made on many of the recommendations under the Reforms of the Organization and the Revised Programme of Work and Budget 2006-07. The scope for implementing further changes would depend in part on the availability of both Regular Programme and extra-budgetary resources.

The Programme Committee appreciated the evaluation methodology and process, including the involvement of the Peer Review Panel. The evaluation should, however, have given greater attention to identifying the outcomes and impacts of FAO's work, and the report could have been more pro-active in recommending priorities and identifying issues.

The Committee found the management response to be both positive and useful. It asked management to provide a strategy for FAO's work in commodities and trade for review at a future session. Work should concentrate on the analysis of longer-term trends and FAO's use of models should be mainly restricted to COSIMO. The Committee supported FAO's neutral role in analysing the implications of changes in trade instruments and the trade regime for developing countries.

### FAO Governing Bodies' conclusions (Programme Committee)

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## References

### **Evaluation of FAO's Work in Commodities and Trade, Final Report and Annexes.**

Available at: [http://www.fao.org/eims/pbe/eims\\_search/simple\\_s\\_result.asp?keyword=283](http://www.fao.org/eims/pbe/eims_search/simple_s_result.asp?keyword=283)

### **Summary Evaluation of FAO's Work in Commodities and Trade PC 97/4 a).**

Available at: <ftp://ftp.fao.org/docrep/fao/meeting/012/j9698e.pdf>

### **Management's response. PC 97/4 a).**

Available at: <ftp://ftp.fao.org/docrep/fao/meeting/012/j9954e.pdf>

### **Report of the Ninety-Seventh Session of the Programme Committee. Rome, 18-22 June 2007. CL 132-11.**

Available at: <ftp://ftp.fao.org/docrep/fao/meeting/012/k0095e.pdf>