

C 2025/3 - Medium Term Plan 2026-29 and Programme of Work and Budget 2026-27

Information Note no. 1 – April 2025

PWB 2026-27 Information Note on Budgetary Scenarios

1. The present information note responds to the request of the Joint Meeting of the 140th Session of the Programme Committee and 203rd Session of the Finance Committee that “*recommended that Management provide an information note before the next Session of the Council with information on a budget scenario that would result in total contributions due from Member Nations of USD 571.712 million and EUR 397.307 million, equal to Conference Resolution 4/2023 (para 1c), along with its potential impact on the programme of work.*”

2. This information note provides:

- in *Section A* some further information on the Director-General’s budgetary proposal in the Medium Term Plan 2026-29/Programme of Work and Budget 2026-27,¹ and the proposed reduction of USD 26.4 million; and
- in *Section B*, information on a budget scenario that would result in total contributions due from Member Nations of USD 571.7 million and EUR 397.3 million, equivalent to a reduction of USD 50.8 million.

A. The Director-General’s Programme of Work and Budget 2026-27 *(reduction of USD 26.4 million)*

3. The Director-General’s PWB 2026-27 presents a budgetary appropriations resolution at the same nominal level in US dollars as in 2024-25 (USD 1 021.7 million). The cost increases of USD 50.8 million are managed through a real reduction of USD 26.4 million, with the remaining decrease in US dollars of USD 24.4 million resulting from the change in the Euro/US dollar budget rate of exchange.^{2,3}

4. With this proposal, the Director-General has proactively reduced the budget to respond to the increasing costs and taking into consideration the global realities. In addition, the PWB 2026-27 proposal includes priority increases to a number of areas, including the International Plant Protection Convention (IPPC) and CODEX, select technical areas, the Office of the Inspector General, and legal-related work.⁴ The Technical Cooperation Programme is maintained at the same level as in 2024-25, equivalent to 14 percent of the net appropriation.⁵

¹ C 2025/3

² The Euro/USD budget rate of exchange was Euro 1 = USD 1.12 in 2024-25 and is Euro 1 = USD 1.06 in 2026-27.

³ Analogous Conference Resolution precedents: **2014-15** and **2016-17** (the most recent prior biennia with a change in the Euro/USD budget rate).

⁴ C 2025/3, paragraph 79

⁵ C 2025/3, paragraph 97

Table 1: Cumulative funding requirements – DG Proposal (see Table 17, C 2025/3)

Programme of Work	(USD million)		
Requirements under the net appropriation		Percentage change from 2024-25	Description
Budgetary requirements at 2024-25 cost levels	1 021.7		
Net reduction	(26.4)	(2.6%)	Programmatic impact
Incremental requirements - cost increases	50.8	5.0%	To maintain purchasing power parity
<i>Net budgetary appropriation for 2026-27 at 2024-25 budget rate</i>	<i>1046.1</i>	<i>2.4%</i>	<i>Euro assessment and US Dollar assessment</i>
Impact of adjustment to 2026-27 Euro/USD budget rate of exchange	(24.4)	(2.4%)	Translation of Euro to the 2026-27 budget rate of exchange
<i>Net budgetary appropriation at 2026-27 cost levels and budget rate</i>	<i>1 021.7</i>	<i>0.0%</i>	<i>Budget in USD after cost increases and at 2026-27 budget rate</i>
<i>Total estimate under voluntary contributions</i>	<i>3 264.3</i>		
Total integrated Programme of Work in 2026-27	4 286.0		

5. The proposed abolition of 177 posts to meet the reduction of USD 26.4 million affects all programmatic and enabling areas.⁶

Table 2: Net post abolitions in the PWB 2026-27 proposal (C 2025/3)

Grade group	Technical area	Enabling area	Total
Professional posts	58	21	79
General service posts	34	64	98
Total	92	85	177

6. Table 6 of the PWB 2026-27 outlines areas that would be de-emphasized across the Programme Priority Areas in the next biennium. The section below provides an overview of some of the functions potentially impacted by the post reductions and the mitigating measures and efficiencies that would be deployed to minimize the impacts.

7. Technical functions would be working with reduced capacity in areas including: sustainable land and floods management; aquaculture technical support and inland fisheries; management of animal health risks; social protection, including in humanitarian contexts, land tenure and farmers registries to enhance resilience of small-scale producers; digital agriculture; nutrition and health, and nutrition and resilience; engagement in international food safety fora; food loss and waste; analysis of trade access at country, regional and global levels; climate resilience of vulnerable communities, biodiversity mainstreaming and ecosystem restoration; support to Country Offices in rural transformation and decent rural employment; global modeling and geospatial work; and technical support to statistical processes and statistical quality assurance.

8. FAO's business and administrative services (enabling areas) will operate with reduced capacity in a number of areas, including: programme and project support functions; private sector engagement; FAO's digital services and communications; language services and official correspondence; data analytics and talent management to support the HR function; shared services and financial services; infrastructure and security services.

⁶ Country, Liaison Offices and smaller-sized headquarters Offices and Centres are excluded from post reductions (C 2025/3 paragraph 132).

9. To mitigate the impact of these reductions, FAO is undertaking a number of actions which it will continue to adjust and recalibrate moving forward, as necessary, to minimize the disruption on technical delivery and internal services. Transitional arrangements will be maintained where possible to ensure that the mitigation measures are having the intended effect.

10. Actions include consolidating and optimizing team structures to ensure leadership continuity and efficiency despite reduced staffing. This includes redistributing tasks among remaining staff and adjusting job profiles as needed. Expertise within regions and subregions is being leveraged to ensure coverage, and extrabudgetary resources or in-kind contributions, such as secondments, are being sought to cover critical functions. Cross-training staff for similar skill functions and employing less expensive non-staff human resources are strategies to fill gaps and maintain continuity.

11. Collaboration will be further scaled up to strengthen partnerships, and short-term arrangements used, where feasible, for specific needs. Documenting workflows and enhancing knowledge management systems are also priority actions to ensure efficiency and continuity in the new environment. Importantly, FAO will continue to strengthen its focus on priority setting, ensuring clear pathways for scaling up, and reducing the scope of work where not justified. Upskilling junior staff or consultants and leveraging technology, including AI and automation, are key strategies to offset the proposed reductions. Services will be further prioritized by time sensitivity, with longer lead times assigned to less urgent tasks.

B. Budget scenario with contributions due of USD 571.7 million and EUR 397.3 million (reduction of USD 50.8 million from 2024-25 level)

12. The budget scenario requested by the Joint Meeting of the Programme and Finance Committees, entails a real reduction of USD 50.8 million compared to the 2024-25 budget level.

13. It is noted that the Programme Committee and the Joint Meeting of the Programme and Finance Committees also provided substantive guidance on resource allocations at their March 2025 sessions, as summarized in *Annex 1* of this Note. It is estimated that a modest response to this programmatic guidance would result in an increased budget of approximately USD 80 million (USD 30 million programmatic increases and USD 50 million cost increases) from the 2024-25 level, by allocating additional resources to the identified high-priority areas including CODEX, IPPC, other conventions, treaties and normative work, statistics, various technical areas and innovative approaches, and the Technical Cooperation Programme.

14. The budget scenario requested by the Joint Meeting is therefore approximately USD 80 million lower than the level that would be required to respond to Members' programmatic guidance, USD 24.4 million lower than the Director-General's PWB 2026-27 proposal, and USD 50.8 million lower than the 2024-25 budget level.

15. *Table 3* below details the requirements under the net appropriation for the requested scenario, applying a reduction of USD 50.8 million to the 2024-25 budget level as noted. The total net appropriation budget in US dollars (at 2026-27 cost levels and budget rate) would be USD 997.9 million.⁷

⁷ Analogous Conference Resolution precedents: **none** (i.e., a budget has never been approved at a lower total US dollar level than the preceding biennium)

Table 3: Budget scenario – Joint Meeting request

Programme of Work	(USD million)		
Requirements under the net appropriation		Percentage change from 2024-25	Description
Budgetary requirements at 2024-25 cost levels	1 021.7		
Net reduction	(50.8)	(5.0%)	Programmatic impact
Incremental requirements - cost increases	50.8	5.0%	To maintain purchasing power parity
<i>Net budgetary appropriation for 2026-27 at 2024-25 budget rate</i>	1 021.7	0.0%	<i>Euro assessment and US Dollar assessment</i>
Impact of adjustment to 2026-27 Euro/USD budget rate of exchange	(23.8)	(2.3%)	Translation of Euro to the 2026-27 budget rate of exchange
<i>Net budgetary appropriation at 2026-27 cost levels and budget rate</i>	997.9	(2.3%)	<i>Budget in USD after cost increases and at 2026-27 budget rate</i>
<i>Total estimate under voluntary contributions</i>	3 264.3		
Total integrated Programme of Work in 2026-27	4 262.2		

16. To achieve a real reduction of USD 50.8 million, FAO would consider the following approach.

17. The high-priority areas which received increases in the PWB 2026-27 proposal, including IPPC, CODEX, and audit and investigations, would be protected from reductions but would not be increased. The Technical Cooperation Programme (TCP) would be maintained at 14 percent of the reduced budget scenario and accordingly reduced by USD 3.3 million.

18. With the reduction in TCP and the removal of increases in high-priority areas, the remaining required reduction to the 2026-27 budget would be USD 47.5 million, approximately 80 percent higher than the reduction proposed in the PWB 2026-27. Following the approach applied in the PWB 2026-27 proposal, an analysis would be undertaken to identify areas of work for further de-prioritization and additional posts would be identified for abolition, i.e., beyond the 177 posts already identified. The aim would be to maintain a balanced reduction across technical and enabling areas, professional and general service posts, and headquarters and decentralized locations. While vacant posts would continue to be targeted for abolition, this would potentially allow for fewer strategic decisions to be made, and more risk of certain areas being disproportionately affected.

19. Management would continue to actively apply the mitigating actions and efficiency measures outlined above. With this level of reduction, however, it is likely that cuts would affect areas of high priority and core technical capacity, resulting in both quantitative and qualitative impacts. In the enabling areas, risks to efficient and effective programme support would be significantly increased and effective monitoring, governance and risk management capacity would be key.

20. Reductions in programme and project support functions and shared services constrain operational and technical assistance, in particular to Decentralized Offices. Such reductions weaken the effectiveness of technical programmes, exacerbate inefficiencies, and reduce FAO's adaptive capabilities to emerging global challenges, consequently placing additional burdens on already overstretched technical teams.

21. With any proposals of this nature, and especially with post and budgetary reductions of this magnitude, employee morale must also be considered. For example, recent FAO staff satisfaction survey results indicated the need for further focus on workload management, stress management, and career progression opportunities. Extensive vacancy-driven reductions may exacerbate these issues, increasing workloads and stress levels among remaining staff, reducing organizational efficiency, and potentially impacting the attraction and retention of qualified professionals.

**Extract of guidance from the Programme Committee and
the Joint Meeting of the Programme and Finance Committees at their March 2025 sessions**

The Programme Committee:⁸

“1) stressed the importance of FAO’s normative and standard-setting work, and the need for adequate resource allocation from the Regular Budget, 2) welcomed the increased allocations to the International Plant Protection Convention (IPPC) and the Codex Alimentarius Commission of USD 0.5 million each as a good start, and requested that other important conventions, treaty bodies and intergovernmental arrangements receive necessary funding; 3) stressed the centrality of FAO’s work on data and statistics and reiterated the need for sufficient funding allocation; 4) recommended Management to better integrate work on agriculture trade analysis and evidence across the relevant PPAs, with the necessary resources allocation; recommended FAO to strengthen the integration of agroecology and other innovative approaches, with appropriate resource allocation.”

The Joint Meeting:⁹

“1) re-emphasized the fundamental role of the normative and standard setting work of FAO, with adequate resource allocation from the Regular Budget; 2) recalling Conference Resolution 9/89, called on Management to explore ways to increase the TCP budget taking account of the current financial uncertainties; and 3) emphasized the significance of both FAO’s normative and technical work and the need to maintain a balanced approach in the Programme of Work and Budget.”

⁸ CL 177/9, paragraph 6

⁹ CL 177/8, paragraph 7