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**Charting the CGIAR's Future --
Reshaping the CGIAR's Organization**

Report of the 18th Meeting of the Finance Committee

- Attached is the report of the Finance Committee as reported by its Chair, Iain MacGillivray of Canada.

18th Meeting of the CGIAR Finance Committee



Membership: Australia, Brazil, Canada (Chair), Germany, IFAD, Japan, Nigeria, Sweden, Switzerland and World Bank.

Observers: United Kingdom and United States

Agenda

Session 1: 8:30 - 12:30 Saturday, October 21, 2000

Session 2: 16:00 - 17:30 Thursday, October 26, 2000

1. **2000 Update**
2. **2001 Financing Plan**
3. **2002 Planning framework**
4. **Longer Term Financing Strategy**
5. **Financial Issues**
6. **Finance Committee composition**

1. 2000 Update

Context:

At MTM00, funding was estimated to be at the ICW99 approved financing plan level of \$340 million. Funding from individual members continues to be in line with earlier expectations. However, weaker European currencies have continued to reduce the dollar value of the contributions with a consequence that the actual 2000 results are likely to be in a range of \$335-340 million. Excluding \$5 million of extra-ordinary financing (an advance of \$3 million from the 2001 World Bank allocation and drawing \$2.3 million from CGIAR reserves) arranged to cope with the EC default, 2000 funding from CGIAR investors is likely to be \$330-335 million comparable to the 1999 outcome of \$330 million.

Pace of disbursements continues to be dismal. 44% of the projected funding was in hand at end September. This is the same level as in 1999. Three major investors USAID, Japan and EC, accounting for approximately \$83 million (24% of total), are likely to disburse in November/December.

Beginning 2000 the Secretariat have been requested by both USAID and EC to disburse funds through the World Bank. The process for disbursing USAID funds is almost complete. Negotiations are under way between the legal staff of EC and World Bank for finalizing the necessary contractual arrangements for disbursements. In addition to USAID and EC the Secretariat have also disbursed funds for other members. Inclusive of World Bank funding the Secretariat expect to disburse in the region of \$110 million in 2000

The funding picture at the center level is consistent with their earlier projections. ISNAR and ILRI project funding to be, 12% and 5% respectively, lower than their approved financing plans. All others expect to be above the financing plan. In aggregate, centers continue to estimate funding of about \$365 million. The excess over the CGIAR estimate is largely accounted for by higher center expectations from non-CGIAR donors and an optimistic assessment of restricted funding. If the center funding projections hold, about \$1.2 million additional matching funding will be payable to several CGIAR centers, of which the principal ones are IITA, CIMMYT, CIP and IRRI.

Status of CGIAR reserve: At MTM00, the FC withdrew \$2.3 m from the CGIAR reserve of \$4.9 million depleting it to \$2.6 million. Since then, \$0.1 m has been allocated by the FC Chair to support the Longer Term financing Strategy working group. The reserve stands at \$2.5 million.

Decisions:

- *Reconfirm the funding outcome of \$335-340 million as a prudent point of departure for 2001/2002 planning.*

2. 2001 financing Plans

Context:

Following the CGIAR resource allocation cycle, since MTM00 centers have prepared their financing plans for implementing the 2001 agenda approved at MTM00. TAC observations on the financing plan are available in the document prepared by TAC on this topic.

Centers propose 2001 financing plans requiring funding of \$356 million, lower than the \$370 million projected by them at MTM00, but higher than the CGIAR endorsed planning level of \$340 million. Validation of funding projections by the membership is underway.

Decisions

- Overall CGIAR funding level for 2001 implementation: \$340 million, the same level as estimated for 2000.
- Subject to individual investors endorsing levels projected by centers, Confirm levels of identified funding projected by centers as their 2001 financing plans.
- Principles governing utilization of the World Bank contribution of \$45 million, its allocation and disbursement to individual centers.
 - As shown below, \$38.7 m is already committed:
 - \$3 million was disbursed to the centers at MTM00 as part of the EC adjustment package
 - Center projections include \$35 million corresponding to 11% of non-Bank funding of \$315 million; consistent with FC's MTM00 decision
 - Support for travel costs of CGIAR committees (NGOC, PSC and SPC as well as GRPC) is projected at \$0.3 million.
 - Second year of a four-year commitment to IFPRI/ISNAR for the Agricultural Indicators project approved at MTM00. (\$0.4 million).
 - New requests:
 - Nine requests from centers for special allocations for a total of \$7 million
 - Request from GFAR to support its operation - \$0.25 million
 - Request from CDC for \$0.5 million for implementing LTFS.

Proposed allocation of the remaining \$6.3 million:

- \$3.2 million to centers by increasing matching ratio from 11% to 12%.
- Special final allocation for GFAR to support its operation - \$0.25 million
- Retaining the remainder of \$2.8 million a portion of which will be used to meet potential restructuring costs arising from ICW00 decisions on CGIAR strategy, governance and finance. Within this, \$0.5 million for immediate implementation of the LTFS, in close coordination with the Change Design & Management Team established at ICW00. Once the magnitude of resources required for restructuring is determined the remaining funds will be allocated to centers.
- Authorization to disburse the approved allocations on January 1.

A summary of 2001 World Bank allocations is presented in Appendix 1.

3. 2002 financial planning framework

Context:

The CGIAR resource allocation process for 2002 will be initiated at ICW00. TAC will outline factors guiding the preparation of the 2002-2004 medium term plans with a focus on 2002. The FC is expected to provide guidance on the financial prospects.

Decisions:

- *Preparation of 2002 plans should be based on a planning framework of \$340 million.*
- *Confirm TAC recommendations for specific program guidance in preparing the 2002 plans.*
- *Commission preparation and distribution of guidelines for preparation of the 2002-2004 Medium Term Plans by the centers. The plans will be presented as a set of projects using the CGIAR logical framework adopted at ICW98.*

4. Longer Term Financing Framework

Context:

At MTM99, the CGIAR endorsed the proposal by the Consultative Council to prepare a longer term financing framework and resource mobilization/public awareness structures for its implementation. Alex McCalla, then Chair of the CGIAR Finance Committee is leading the effort. The FC has engaged The Conservation Company whose work is guided by a working group comprising members (Canada, Sweden), centers (CDC, CBC and PARC) and PA/RM professionals (PAA, RMN and the Secretariat). The consultants have interacted extensively over the past fifteen months with center professionals, center management and CGIAR members.

The working group has reported to the FC and the CGIAR at ICW99 and MTM00. Based on these reports, the following strategy has been endorsed:

"CGIAR Longer Term Financing Strategy is based on the continuation of ODA funding at present levels from DAC countries, and international institutions supported by ODA funds, expansion of Southern financial participation and non ODA and private sources. To implement this strategy, the CGIAR would expand and restructure the current public awareness and resource mobilization activities and put in place a single mechanism building on Future Harvest, the inter center organization."

A final proposal consisting of a business plan for a new organization based on Future Harvest, the inter-center PA/RM organization, was presented at this meeting. The working group considers that with this report its work is now completed.

Decisions:

- *Endorse the proposed financing strategy and recommend its adoption by the CGIAR.*
- *The CGIAR should take immediate steps to ensure that the proposed business plan is implemented.*

5. Financial issues:

Context:

The CGIAR Secretariat is collaborating with center finance professionals, and outside experts as necessary, in pursuing a program on financial issues underpinning prudent and cost effective use of resources by centers. Implementation of some of the issues requires action by the membership as well. At its previous meetings the FC has reviewed progress reports on issues such as accounting policy, exchange rate management, indirect costs, internal auditing, financial guidelines and financial systems.

- At this meeting the Finance Committee reviewed the proposal (presented by Kwame Akuffo-Akoto, Director of Finance, ICRISAT on behalf of an inter center working group) tabled for adopting a refined methodology for determining indirect costs. The methodology has been tested by all centers. A guideline will be issued to implement this methodology. CGIAR members will be asked to ratify this guideline over the next few months.
- A progress report was provided (presented by Gordon MacNeil, Director of Finance, IRRI on behalf of an inter center working group) on the proposal to improve the management of center cash resources and increase the average return on investment by pooling resources among centers.

Report by United States

A report was presented by USAID (Bertram and Dalrymple) on new mechanisms to allocate World Bank funding. The mechanisms would be aimed at protecting the CGIAR heartland and to provide incentives for CGIAR investors to contribute more unrestricted funding. The FC found the paper informative and expect the Change Design & Management Team, established at ICW00, to consider it in their deliberations

Decisions:

- *Endorse the proposal to move towards a uniform approach by centers and investors for determining indirect costs. The Secretariat will shortly issue a guideline for ratification by members of the proposed policy.*

6. Finance Committee composition

Context:

Members of the Finance Committee are elected through membership caucuses, in principle, with three year staggered terms. (DAC countries - six of which three European; developing countries - two; institutions/foundations - two, one of which is World Bank.). Membership of the Finance Committee rotates between individual caucus members on a three-year cycle. The FC membership is also linked with the membership of the Oversight Committee to avoid overlapping memberships on FC and OC. (The CGIAR Chairman in consultation with the OC appoints members of the OC. OC members serve in their personal capacities.)

At ICW99, Brazil and Nigeria, were elected to replaced India and Egypt in 2000. Switzerland was elected in place of European Commission and Australia was elected to another three-year term. Unless vacancies arise from OC rotation or if there are unexpected resignations, there is no need to hold elections for new members until MTM01. At ICW99, Canada was elected to a one-year term as the Chair of the Finance Committee. The World Bank has indicated its willingness to serve as the Chair at the completion of Canada's term.

Decisions:

- *World Bank will resume its Chairmanship of the CGIAR Finance Committee.*

Summary of 2001 CGIAR Financing Plan
(\$ million)

Appendix 1

Centers	Contributions other than World Bank 1/ subtotal	World Bank Allocations			Total Funding
		Matching 11%	Special	Extra 1% Subtotal	
CIAT	28.5	3.1		0.3	32.3
CIFOR	12.2	1.3		0.1	13.8
CIMMYT	32.9	3.6		0.3	37.2
CIP	18.7	2.2		0.2	22.3
ICARDA	22.1	2.4		0.2	25.0
ICLARM	13.0	1.4		0.1	14.7
ICRAF	19.5	2.1		0.2	22.1
ICRISAT	20.4	2.2		0.2	23.1
IFPRI	19.6	2.2	0.2	0.2	22.4
IITA	29.3	3.2		0.3	33.1
ILRI	23.5	2.6		0.2	26.6
IPGRI	21.2	2.3		0.2	23.9
IRRI	29.9	3.3		0.3	33.7
ISNAR	6.8	0.7	0.2	0.1	7.9
IWMI	9.8	1.1		0.1	11.0
WARDA	11.6	1.3		0.1	13.1
Centers Total	320	35	0.4	3.2	362

Partnerships & GFAR 0.6

Potential restructuring costs 2.8

Total World Bank Funds **42**

1/ Only identified funding is used for the matching computation.
2/ Indicative project, the second of a 4-year commitment.