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**Shaping the CGIAR's Future**

**1999 Financing Plans – TAC Observations**

Attached is a copy of a paper from TAC which comments on the 1999 financing plans prepared by the centres. The 1999 CGIAR Financing Plans are being considered under agenda item 8.

October 13, 1998

## REPORT FROM TAC ON ITS REVIEW OF THE 1999 CENTRE FINANCING PLANS

### 1. Introduction

TAC 75 (21-26 September 1998, CIMMYT, El Batan, Mexico) reviewed the 1999 Financing Plans prepared by the Centres. Attention was given to the implications of the plans for CGIAR priorities and strategies, their consistency with the Centres' Medium-Term Plans (MTPs), their conformity with the substance of the 1999 Research Agenda approved by the Group at MTM'98, and programmatic implications of potential financing gaps. TAC also scrutinised Centres' proposals for new projects other than those endorsed in MTPs, with a view to assessing their consistency with the general criteria for CGIAR support to the Research Agenda.

All Centres submitted their Financing Plans to the CGIAR Secretariat by the 11 September 1998 deadline; financial analyses of the plans were then compiled and synthesised by the Secretariat and made available at TAC 75. Where necessary, Centres were contacted to provide additional information and/or clarification. TAC was pleased to note that Centres were again supportive of this exercise and that the comprehensive information available through the project management mode facilitated decision-making and transparency. However, TAC identified the need for modification in financial forecasting to improve understanding of the programmatic implications of potential financing shortfalls, a point taken up in Section 4 of this Report.

### 2. Overall Findings

A summary of investment proposals and their implications for funding has been prepared separately by the CGIAR Secretariat; this information will not be repeated here.<sup>1</sup> It should be noted, however, that while there is rough congruence at the Systemwide level, TAC found that several of the smaller Centres face potentially significant financing gaps. These cases are treated in Section 3 below.

TAC found broad consistency at the Systemwide level between Centres' Financing Plans and the 1999 Group-approved resource allocations by activities. Two exceptions were Increasing Productivity which was 3 percentage points (i.e., about US\$10.5 million) below the Group-approved target and Strengthening NARS which was 2 percentage points (i.e., about US\$ 7.0 million) above it. (See Table 1) The plans of individual Centres' which appear to diverge significantly from the approved levels, and their programmatic implications, are treated in Section 3 of this report.

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<sup>1</sup> CGIAR Secretariat, 1998. Summary of the 1999 Financing Plans Submitted by the Centres, as amended 1 October 1998.

**Table 1: Allocation of CGIAR Resources by Activity  
(% of Research Agenda)**

CGIAR Activity Category	1997 Actual	1998 Estimated	1999 Group Approved <sup>2</sup>	1999 Planned
<b>1. Increasing Productivity</b>	<b>40</b>	<b>37</b>	<b>39</b>	<b>36</b>
1.1 Germplasm Enhancement and Breeding	19	18	20	18
1.2 Production Systems	21	19	19	19
<b>2. Protecting the Environment</b>	<b>17</b>	<b>18</b>	<b>18</b>	<b>19</b>
<b>3. Saving Biodiversity</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>
<b>4. Improving Policies</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>5. Strengthening NARS</b>	<b>21</b>	<b>22</b>	<b>20</b>	<b>22</b>

Source: CGIAR Secretariat. Comprehensive information on allocations for the sub-categories of activity 5 is not currently available.

Note: <sup>1</sup>/TAC (1997) *CGIAR Priorities and Strategies for Resource Allocation During 1998-2000*. Document No. SDR/TAC:IAR/96/6.2

### Sector Adjustments

TAC analysed the extent to which the aggregation of bilateral negotiations between Centres and Members was consistent with the balance in allocation among the sectors endorsed by the Group. The sectoral composition of 1999 Financing Plans is presented in Table 2. (Note: this table is based on Table 2b in CGIAR Secretariat, 1998, "Summary of the 1999 Financing Plans Submitted by the Centres", as amended by the Secretariat on 1 October 1998 in response to TAC's request that Centres' financial plans be presented *net of unidentified funds* to reflect a more realistic estimate of potential financing for 1999. The figures in column four of Table 2 reflect this adjustment.)

**Table 2: Percentage of various budgets by sector**

Sector	1997 Actual	1998 Estimated	1999 Proposed <sup>1/</sup>	1999 Planned <sup>2/</sup>	1999 Group Approved <sup>3/</sup>
<b>Crops</b>	71	70	69	69	66
<b>Fish</b>	3	4	4	5	5
<b>Forest</b>	12	11	12	12	12
<b>Livestock</b>	14	14	15	15	17

Note: Values may not add to 100 due to rounding.

<sup>1/</sup> Assumes secured (i.e., identified + Centre income) and unidentified funding for all Centres.

<sup>2/</sup> Assumes only secured funding for all Centres.

<sup>3/</sup> TAC (1997) *CGIAR Priorities and Strategies for Resource Allocation During 1998-2000*. Document No. SDR/TAC:IAR/96/6.2

Comparing the 1999 planned versus approved columns of Table 2 suggests that the allocation for fisheries research is consistent with the Group's target of 5%, an improvement over 1998. The forestry sector is on target at 12%, a slight increase over 1998. There appears to be a relative underfunding in livestock research to 15%, based on funds secured to date. Finally, an increase of 3% in crops research is anticipated, based on the current level of secured funding.

### **Commodity Profile**

Following the framework used in TAC's CGIAR Priorities and Strategies paper (29 April 1997 - see Chapter 6 and Annex II) and based on data in that document and in Centres' 1999 budgets, it is possible to compare changes between 1998 and 1999 in the relative allocations to individual commodities and assess their congruence with the recommended balance among commodities (TAC 1997, p.67). This analysis relates to crop commodities only.

At MTM'97, TAC made recommendations on 20 crops, with increases (of more than US\$ 1 million) endorsed for four commodities (banana/plantain, coconut, wheat, and yams), decreases (of more than US\$ 1 million) for five commodities (beans, cassava, cowpea, millet, and potatoes) and little change in the remaining 10 commodities. Comparing the change between the 1998 and the 1999 (secured funding) proportions with the trend required to achieve the shares recommended for 1999 suggests the following conclusions:

1. Six commodities are essentially on trend.
2. Nine commodities are below trend (are under-funded as compared with the adjusted goal or counter-trend).
3. Five commodities are above trend or counter-trend.

Of special concern are potential shortfalls affecting banana/plantain, groundnut, and yam; each is apparently moving away from the desired trend or is already well below target. Also of concern are proposed investments in cowpeas, maize, rice, roots/tubers, wheat, and potentially chickpea, which are counter-trend and already above the desired target. (It should be noted here that in reviewing IPGRI's financing plan, it became apparent that the category "roots and tubers" needs to be further refined in order to more accurately calculate its share of the CGIAR's commodity investment. TAC will undertake this task in consultation with the appropriate Centres). There may be scope for reallocation by Members and/or Centres to align commodity investments more closely to Group-approved levels.

### **3. Specific Observations**

TAC notes that for 1998 estimated investment in livestock research (14%) and water management research (2.9%) is below Group-approved levels for the year and secured funding for these sectors is below the Group-approved levels for 1999 (15% v.17% and 2.6% v. 3.0%, respectively) despite the high priority which the CGIAR has assigned to these activities. TAC, therefore, wishes to reiterate its comments on these sectors contained in its report on Centres' 1998 Financing Plans and to draw the attention of the Finance Committee to this apparently anomalous situation.

As noted in Section 2, aggregate secured 1999 financing is roughly at the planning level as well as the expected 1998 outcome. However, a number of Centres' financing plans reveal potentially significant shortfalls. The situation is of special concern for three Centres with smaller budgets (IIMI, ISNAR, and WARDA) where unidentified funds make up approximately 20% of the financing plans of the three Centres. While none of these Centres plan substantive changes in their respective programmes, a scaling back of operations is apparent in some cases.

By contrast, CIAT and IRRI have increased the size of their financing plans from that in the MTM'98 proposal. These proposed increases would augment their respective shares of CGIAR investment by 1.3% and 0.6%, respectively, above the approved level. Table 3 highlights the distribution of CGIAR investment by Centre and the apparent divergences between approved and secured funding.

**Table 3: Centre Shares (as a Percentage) of 1999 CGIAR Investments**

<b>CGIAR CENTRE</b>	<b>Centre Proposed Financial Plan</b>	<b>Secured Funds</b>	<b>Group Approved CGIAR Share<sup>1</sup></b>	<b>Apparent Divergence</b>
<b>CIAT</b>	9.8	10.1	8.8	1.3
<b>CIFOR</b>	3.7	3.8	3.6	0.2
<b>CIMMYT</b>	9.5	9.8	9.2	0.6
<b>CIP</b>	6.6	6.8	6.5	0.3
<b>ICARDA</b>	6.8	7.0	7.4	(0.4)
<b>ICLARM</b>	3.8	3.9	3.7	0.2
<b>ICRAF</b>	5.8	6.0	5.5 <sup>2</sup>	0.5
<b>ICRISAT</b>	7.1	6.9	8.1	(1.2)
<b>IFPRI</b>	5.6	5.7	5.1	0.6
<b>IIMI</b>	3.0	2.6	3.0	(0.4)
<b>IITA</b>	8.1	8.0	8.4	(0.4)
<b>ILRI</b>	8.5	8.5	9.1	(0.6)
<b>IPGRI</b>	6.1	6.3	6.1	0.2
<b>IRRI</b>	9.4	9.7	9.1	0.6
<b>ISNAR</b>	2.8	2.3	3.2	(0.9)
<b>WARDA</b>	3.5	2.8	3.3	(0.5)

Notes: <sup>1</sup>CGIAR (1998) *Financial Requirements of the 1999 CGIAR Research Agenda*. Document No. MTM/98/05.

<sup>2</sup>The ICRAF progression to the 2000 target was effective in 1998. The figure is for reference only.

Following are TAC's specific comments on Centres' 1999 financial plans. Discussion focuses either on significant divergences from the approved share, apparent imbalances in allocations to CGIAR activities, or potential fiscal risks. It should be noted here that the plans of CIFOR, ICLARM, ICRAF, IPGRI, IRRI, and IFPRI pose no financial or programmatic issues and remain on target; they are not discussed below. However, TAC wishes to commend IFPRI for the transparency of its presentation of changes in the scale of the various multi-country programmes which comprise its MTP. It notes in this context, however, no reference to the IFPRI-ISNAR agricultural indicators project which has long been given priority by TAC and the Group. The Committee also wishes to urge Members to give serious consideration to IFPRI's as yet unfunded water resources allocation project.

### **CIAT**

Although CIAT's overall research plan remains unchanged, TAC notes that Strengthening NARS accounted for 23.4% of the 1998 budget and will rise to 26.1% in 1999, a trend counter to that endorsed for the System as a whole.

### **CIMMYT**

Based on the Centre's estimate of secured funding, individual Members appear to be disposed to invest proportionately more in CIMMYT as well as in wheat and maize than is indicated by the System's approved level. This apparent anomaly may be due to CIMMYT's having obtained approximately US\$ 2.0 million in non-CGIAR resources for maize improvement research.

### **CIP**

CIP envisages no programmatic changes from its MTM'98 proposed plan. However, it has questioned the growth rate for potato production used by TAC in setting the priority for this commodity. The Committee will revisit this issue as soon as FAO's revised crop production projections to 2015 are available, but at this time sees no compelling argument for raising the share endorsed at MTM'97.

### **ICARDA**

ICARDA's 1999 plan indicates a number of programmatic shifts in accord with CGIAR priorities and are therefore supported by TAC. These include increased allocations for on-farm water resource management as well as increased allocations to livestock, natural resources management, and social science research. These initiatives are to be commended and encouraged.

### **ICRISAT**

Although ICRISAT plans the same level of investment as proposed at MTM'98, the Centre faces a funding shortfall of US\$ 1.5 million. In this context, TAC notes that at the System level millet and pigeonpea are slightly undersubscribed commodities, while sorghum is roughly congruent

with the endorsed level of investment. Allocations to these crops could be affected by a funding shortfall at ICRISAT.

### **IIMI**

IIMI's 1999 financing plan reflects a financing gap of US\$ 1.7 million. Although the Centre envisages no substantive changes in its MTP activities and project milestones, TAC notes that due to serious financial constraints, IIMI's operations have already been substantially scaled back in Sri Lanka and Pakistan and suspended in Burkina Faso. In view of the persistent underfunding of the water sector at the System level, noted above, TAC has urged the Centre to make its case more convincingly to Members by communicating more forcefully the implications of the impending water crisis confronting agriculture.

### **IITA**

IITA's 1999 financing plan contains a large component of unidentified funding, leaving a financing gap of US\$ 1.2 million (US\$ 2.2 million if a key allocation is not received). In the event of a shortfall in IITA's budget, the System's underinvestment in banana/plantain, cassava and yam would be accentuated. These three crops are of importance not only to the poor in Africa but throughout the developing world. TAC wishes to draw this situation to the attention of the Group and urges Members to support IITA's investment plan.

### **ILRI**

Underfunding of livestock research at the System level has already been noted and is reflected in the scaling down of ILRI's 1999 financing plan by 0.6% from its approved CGIAR share. Despite this, the Centre faces a funding gap of US\$ 1.0 million. In view of the persistent variance between the Group's priority to this sector and its continued underfunding, TAC believes there is need to review support for livestock research with a view to increasing its profile, especially in marginal lands and on issues of animal genetic resources. A specific decision on this issue awaits the outcome of the ILRI EPMR. In the interim, the Review Panel should take this matter into consideration as far as is practicable.

### **ISNAR**

ISNAR's 1999 financing plan contains a large component of unidentified funding, leaving a financing gap of US\$ 1.8 million. The Committee noted that at the System level support for strengthening NARS was oversubscribed by 2 percentage points. A rebalancing of resources from System to Centre level would seem to be warranted. In this context, TAC welcomed ISNAR's completion of its new strategic plan which had been requested by the EPMR and urged Members to give it their consideration.

## **WARDA**

WARDA's 1999 financing plan indicates a financing gap of US\$ 2.6 million. TAC notes that WARDA lacks reserves to draw upon, should need arise. TAC, therefore, questions the feasibility of maintaining project milestones as forecast in the MTP. It also observes that since rice appears to be relatively overinvested in 1999 at the System level, WARDA's underfunding needs to be evaluated in the context of potential complementarities with IRRI's programme.

## **4. Conclusions**

TAC notes the general consistency of the 1999 Financing Plans with the Group's endorsement of the substance of Centres' proposals at MTM'98. However, the Committee remains concerned about the System's persistent relative underinvestment in livestock research and water management research and about shifting shares in the commodity portfolio compared to the endorsed levels. In this context, TAC wishes to remind the Group that in absolute terms virtually all commodities and Centres are underinvested.

### **Commodities and Sectors**

Potential shortfalls in research on banana/plantain, cassava, and yam which are apparently moving away from the desired trend or are already well below the 2000 target are of concern to TAC particularly in light of IITA's financing gap. The poverty-weighted priority the Group has assigned to these crops reflects their importance for the poor in sub-Saharan Africa as well as other regions of the developing world. The CGIAR's relative overinvestment in maize, wheat, and rice underscores the anomaly implicit in these financing trends and the need to rebalance commodity investments in accordance with MTP approved priorities. Alternatively, TAC may need to reassess its recommended allocations for the latter crops to ascertain what factors account the divergences.

TAC is of the view that a more concerted strategy is needed to bring System resources into alignment with the Group's priority on water management research. The questions of where resources for water-related research are being allocated, for what purposes and with what effects need to be addressed. While TAC has suggested this issue be taken up by the IIMI EPMR, a broader study by TAC may also be warranted.

Financing of livestock research is particularly deficient and warrants urgent attention. TAC recommends that support for such research be reviewed for purposes of increasing its profile within the CGIAR, especially in marginal lands and on issues of animal genetic resources. In the interim, the ILRI EPMR should take this matter into consideration as far as is practicable.

### **Activities**

The relative overinvestment in Strengthening NARS at the System level is a matter of concern for several reasons. The Group's strategy has been one of looking to NARS as alternative sources of supply, implying a reduced investment in traditional forms of institution strengthening in tandem

with an increase in management research-based service provided by ISNAR. While 1999 financing plans appear to be inconsistent with this strategy, the apparent oversubscription at the System level may simply be due to Centres' classification of research networks under this activity rather than research proper. Such issues should be resolved in the future when the System logframe becomes operational.

### **Financial Reporting**

Although Centre Financial Plans were comprehensive and facilitated TAC's decision-making, the Committee noted that many Centres included in their 1999 planning budget a component of "unidentified" funding, often of sufficient magnitude to cause concern in the event of a funding shortfall. TAC was unable to assess the programmatic implications of this component of Centres' budgets in the absence of information provided by Centres in their plans. The Committee therefore recommends that future Financial Plans identify likely programme changes in the event that unidentified funding does not materialize. For this purpose, Centres should treat an unidentified component on the order of, for example, 10% as warranting a brief programme narrative describing probable changes. This would permit Members to have a clearer view of the likely programmatic consequences, if funding below that endorsed by the Group does not materialize. TAC also notes the desirability of clarifying the extent to which Centres plan to draw on reserves in order to offset funding gaps.

### **Restricted Funding**

Finally, TAC wishes to emphasize its concern over the ever increasing share of restricted funding in Centre financing plans which reduces the CGIAR's flexibility to address emerging issues on its research agenda. The Committee also urges Members to respond favourably to the Chairman's call at MTM'98 for a redoubling of their commitment to full recovery of overhead costs.