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2000 Financing Plan – TAC Observations

The attached paper is TAC's comments on the 2000 Financing Plans prepared by the centers. The 2000 CGIAR Financing Plans are being considered under agenda item 6.

REPORT FROM TAC ON ITS REVIEW OF THE 2000 CENTRE FINANCING PLANS

1. Introduction

TAC 77 (20-25 September 1999 at ISNAR, the Hague- the Netherlands) reviewed the 2000 Financing Plans prepared by the CGIAR 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 2000 Research Agenda approved by the Group at MTM'99, and the programmatic implications of potential financing gaps. TAC also analyzed 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.

Most Centres submitted their Financing Plans to the CGIAR Secretariat by the 10 September 1999 deadline; financial analyses of the plans were then compiled and synthesized by the CGIAR Secretariat and made available at TAC 77. Where necessary, Centres were contacted to provide additional information and/or clarification. TAC was pleased to note that Centres were throughout supportive of this process and that the comprehensive information available through the project management mode was facilitating centre decision-making and fostering transparency.

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.¹ It should be noted, however, that while there is broad congruence at the System level, TAC found that some Centres face potentially significant financing gaps. These cases are treated in Section 3 below.

In its analysis, TAC noted general consistency at the System level between Centres' Financing Plans and the resource allocations approved by the Group for CGIAR undertakings and activities in 2000 (See Table 1). Two exceptions were Increasing Productivity which was 4 percentage points below the Group-approved target (about US\$ 14.0 million, and this difference occurring almost entirely in Germplasm Enhancement and Breeding) while Protecting the Environment and Strengthening NARS were both above the approved level, the former by US\$ 7.0 million.

¹ CGIAR Secretariat, September 1999. "Summary of the 2000 Financing Plans Submitted by the Centres".

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

CGIAR Activity Category	1998 Actual	1999 Estimated	2000 Planned ^{1/}	2000 Group Approved ^{2/}	Apparent Divergence
	1	2	3	4	3-4
1. Increasing Productivity	37	37	35	39	-4
1.1 Germplasm Enhancement and Breeding	18	18	17	20	-3
1.2 Production Systems	19	19	18	19	-1
2. Protecting the Environment	19	18	20	18	+2
3. Saving Biodiversity	11	11	11	11	--
4. Improving Policies	12	12	13	12	+1
5. Strengthening NARS	21	22	21	20	+1
5.1 Training and Professional Development	8	8	8	9	-1
5.2 Documentation, Publication and Information Dissemination	6	7	6	5	+1
5.3 Organization and Management Counselling	3	3	3	3	--
5.4 Networks	4	4	4	3	+1

Source: CGIAR Secretariat, September 1999 "Summary of the 2000 Financing Plans Submitted by the Centres," amended version October 1999, Table 2a: CGIAR Resource Distribution, 1998-2000 (and TAC Secretariat calculations based thereupon).

^{1/} Includes only secured funding (i.e., identified and Centre income) for all Centres.

^{2/} TAC (1997) CGIAR Priorities and Strategies for Resource Allocation During 1998-2000. Document No. SDR/TAC:IAR/96/6.2

Sector Adjustments

TAC analyzed the extent to which the aggregation of bilateral negotiations between Centres and Members was consistent with the allocation among sectors endorsed by the Group. The sectoral composition of 2000 Financing Plans is presented in the Table 2.

Table 2: Percentage of various budgets by sector

Sector	1998 Actual	1999 Estimated	2000 Planned^{1/}	2000 Group Approved^{2/}	Apparent Divergence
	1	2	3	4	(3-4)
Crops	71	70	70	66	+4
Fish	4	5	5	5	--
Forest	12	12	11	12	-1
Livestock	14	14	14	17	-3

Source: CGIAR Secretariat, September 1999. "Summary of the 2000 Financing Plans Submitted by the Centres," amended version October 1999, Table 2c: 1998-2000 CGIAR Investments by Sector and Commodity. Note values may not add to 100 due to rounding.

^{1/} Includes only secured funding for all Centres.

^{2/} TAC (1997) *CGIAR Priorities and Strategies for Resource Allocation During 1998-2000*. Document No. SDR/TAC:IAR/96/6.2

The comparison of 2000 planned versus 2000 CGIAR endorsed values in Table 2 shows that the allocations for fisheries research are consistent with Group-targets. However, there is a relative underfunding of three percentage points for livestock research and a smaller relative underfunding of one percentage point in forestry. The crops sector appears to continue its relative oversubscription, totalling presently 70% of the research by sectors with a four percentage points deviation, but, again, with Increasing Productivity well under its targeted allocation.

Commodity Profile

The comparison of Centres' 2000 Financing Plans (secured funding) with MTM' 97 Group-endorsed levels for 2000 renders the following observations on trends for commodity investments:

- Eight commodities are essentially on target: barley, bean, cassava, lentils, maize, sorghum, soybean, and yam.
- Five commodities are below Group-endorsed levels by 0.5 percentage points or more: banana/plantain, chickpea, coconut, groundnut, and millet.
- Six commodities are above Group-endorsed targets by 0.5 percentage points or more: cowpea, pigeonpea, potato, rice (oversubscribed by about 1.1 percentage points), sweet potato and wheat (oversubscribed by about 1.8 percentage points).

TAC flags the continuing over-investment in rice and wheat occurring while other staple crops, such as banana/plantain and millet are not gaining the approved level of support. Remedial action may be needed to align commodity investments more closely to Group-approved levels.

3. Specific Observations

For livestock, TAC notes again that the 2000 estimated investment in livestock research (14%) is below Group-approved levels, i.e., by about US\$ 9.0 million. TAC also notes that investment in water research (e.g., IWMI) is below the interest expressed by the Group. TAC reiterates its concerns about this situation.

As noted in Section 2, aggregate secured 2000 financing is roughly at the planning level as well as near the expected 1999 outcome. However, a number of Centres' financing plans reveal potentially significant shortfalls. The situation is of special concern for two Centres with smaller budgets (CIFOR and IWMI) and three medium-sized centres (CIP, ICRAF and ICRISAT). While none of these Centres plan substantive rebalancing in their respective programmes, a scaling back of operations is apparent in some cases.

By contrast, CIAT, IFPRI, and IITA have shares of the CGIAR investment, based on secured funding, that are well above the levels endorsed by the Group at MTM'97. 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 2000 CGIAR Investments

CGIAR CENTRE	2000 Centre Proposal at MTM99	2000 Plan (secured funds)	Group Approved CGIAR Share	Apparent Divergence
	1	2	3	(2-3)
CIAT	9.3	9.5	8.2	+1.3
CIFOR	3.7	3.4	4.1	-0.7
CIMMYT	9.1	9.4	8.8	+0.6
CIP	6.9	6.3	6.1	+0.2
ICARDA	6.8	6.9	7.3	+0.4
ICLARM	3.9	4.0	4.2	-0.2
ICRAF	5.9	5.6	6.1 ^{1/}	-0.5
ICRISAT	6.9	6.7	7.6	-0.9
IFPRI	6.1	6.5	5.2	+1.3
IITA	9.0	9.4	8.5	+0.9
ILRI	7.8	7.8	9.3	-1.5
IPGRI	6.5	6.5	6.1	+0.4
IRRI	9.1	8.7	9.1	+0.4
ISNAR	2.9	2.9	3.1	-0.2
IWMI	2.9	2.8	3.2	-0.4
WARDA	3.2	3.5	3.3	+0.2

Source: CGIAR Secretariat, September 1999 "Summary of the 2000 Financing Plans Submitted by the Centres," amended version October 1999, Table 3: 2000 CGIAR Investments and Financing Summary (and TAC Secretariat calculations based thereupon)

^{1/} By 1998, ICRAF had nearly reached the endorsed target for 2000 of 6.1%. The figure is for reference only.

Following are TAC's specific comments on Centres' 2000 financial plans. Discussion focuses either on significant divergences from the approved share, apparent imbalances in allocations to CGIAR activities, or potential fiscal risks. TAC's observations rest on the following three indicators: a) comparisons of centres' expenditures foreseen in the 2000-2002 MTP submitted to TAC in March and their September Financing Plans, based on secured funding (identified Member contribution and centre income) as submitted to TAC and CGIAR Secretariat at TAC77 in September with additional clarifications; b) the comparison of centre shares of CGIAR investments, based on the 2000 financing plans, with the Group-endorsed levels at MTM'97 and reaffirmed at MTM'99; c) significant implications on the centre project portfolio including changes to centres' allocations to CGIAR undertakings and activities.

CIAT

CIAT's 2000 Financing Plan reflects a downward adjustment of the MTM'99-endorsed proposal, although a continuation of its agreed research agenda is generally envisaged. The centre's expenditures for 2000 are now projected at US\$ 34.5 million compared to the endorsed proposal of US\$ 36.0 million, a reduction of US\$ 1.5 million.¹ The projected CGIAR share is 9.5%, which remains above the approved level of 8.2%. TAC notes that the projected reduction in expenditures would reduce CIAT's allocation to the Latin America Hillside project.

CIFOR

The 2000 Financing Plan is estimated at US\$ 12.4 million, US\$ 2.0 million below the MTM'99-endorsed level of US\$ 14.4 million. The projected CGIAR share is 3.4% which remains below the approved level of 4.1%. TAC notes that this would reduce CIFOR's allocations to Sustainable Forest Management.

CIMMYT

The proposed budget in the Centre's Financing Plan for 2000 is US\$ 34.2 million, just below that endorsed at MTM'99 (US\$ 35.0 million). The Centre anticipates no major deviations from its research plans outlined in its 2000-2002 MTP. Its projected share of the proposed 2000 CGIAR research resource allocation (9.4%) is slightly above its Group-endorsed share (8.8%).

CIP

The centre proposal endorsed at MTM'99 of US\$ 26.6 million was reduced to US\$ 22.9 million of secured funding. With this reduction, CIP's share in the 2000 research agenda stands at 6.3%, slightly above the endorsed level. The largest reduction (US\$ 1.5 million) is foreseen in the project addressing integrated control of late potato blight, support for which had, until now, been maintained through transfers from other projects. Despite the overall budget reduction, support for two projects on sweet potato have increased by US\$ 1.3 million.

¹ CIAT's Financing Plan reports the endorsed level as US\$ 34.7 million as indirect cost recovery has been excluded as a component of the centre's income.

ICARDA

The Centre's 2000 Financing Plan calls for expenditures of US\$ 25.0 million, slightly reduced compared to the endorsed proposal, but programmatically consistent with it. At this funding level ICARDA's share of the CGIAR research resources is 6.9%, slightly below the Group-endorsed share of 7.3%.

ICLARM

The Centre's Financing Plan for 2000 projects expenditures of US \$ 14.6 million, US\$ 0.6 million below the level approved at MTM'99. The projected CGIAR share is 4.0%, roughly consistent with the approved share of 4.2%. No specific programme implications are foreseen by ICLARM. However, the Committee notes that ICLARM's estimated relocation costs, US\$ 5.2 million over three years, are only slightly more than half-funded. It, therefore, sought and received assurances from the Centre that a funding plan is in place and proceeding well, and that the 2000 operating budget is already covered, and, according to the centre, the 2001 operating budget will not be threatened.

ICRAF

The Centre's Financing Plan for 2000 projects expenditures of US\$ 20.2 million, a US\$ 2.7 million reduction from the MTM'99 endorsed proposal, and a CGIAR share of 5.6%, below the approved level of 6.1%. In response to TAC's inquiry, ICRAF indicates that it expects to close this financing gap. The Committee, therefore, accepted the Centre's judgement that the plan has no implications for the endorsed programme.

ICRISAT

The Financing Plan targets the same level of investment as proposed at MTM'99, US\$ 26.7 million. However, the Centre currently faces a shortfall with only US\$ 24.4 million of funding identified thus far. No programmatic implications were identified by the Centre. Based on identified funding, the projected CGIAR share is at 6.7%, compared to 6.9% in the MTM99 plan and a Group-endorsed share of 7.6%. The most significant implication of this reduction is the adverse consequences on its already-undersubscribed mandate crops: chickpea, groundnut, and millet.

IFPRI

The Financing Plan projects expenditures for 2000 at US\$ 23.5 million, broadly consistent with the plan endorsed at MTM'99. However, TAC notes that the centre's share (6.5%) in 2000 CGIAR resources is 1.3 percentage points above its MTM'97 Group-endorsed level. At project level there are some considerable deviations from the proposal approved in March by TAC due to changes in the profile of Member support. The centre notes that it has mainstreamed its research on gender issues by including such in every project.

IITA

The centre proposes secured expenditures at US\$ 33.9 million, a reduction from the level endorsed at MTM'99 (US\$ 34.8 million). With its 2000 Financial Plan the share at 9.4%, well above than the MTM'97 endorsed level of 8.5%. In addition, the centre is requesting US\$ 1.15 million from the Finance Committee for new Systemwide activities. The Financing Plan shows that the centre is expanding investments in cassava, and in yam, which now both reach the CGIAR-endorsed shares. The investment in cowpea is also expanded and the its share, constituted solely of the research done at IITA, will exceed the endorsed level by an apparent US\$ 1.9 million.

ILRI

From its earlier US\$ 30m investment plan endorsed at MTM'99 the Centre has now reduced by US\$ 1.7 million the projected funding level for 2000. This has resulted in some shifts in the level of CGIAR Undertakings: down for Increasing Productivity, Improving Policies and Strengthening NARS and up for Saving Biodiversity. For its newly projected investment of US\$ 28.3 million, the Centre's share of the CGIAR budget will be only 7.8%, and thus continues to remain significantly below the Group endorsed share of 9.3%. Earlier in the year, ILRI completed its First EPMP which recommended, among other things, the need to develop a new strategic plan. It is hoped that this plan will offer a compelling research strategy for the 2001-2003 MTP. In the meantime, TAC urges the Members to give stronger support to livestock research.

IPGRI

The centre proposed a 2000 financing plan of US\$ 23.5 million, which is a reduction from the endorsed level of US\$ 25.0 million. Even so, the centre's share is at 6.5%, which is above its Group-endorsed share (6.1%). IPGRI foresees a marginal scaling back across its programme due to there slightly reduced funding expectations for 2000. In addition, the centre will actively search for funding of US\$ 0.6 million for the Systemwide genetic resources programme. TAC notes that the minor cuts across activities contribute to a reduction in *Musa* research, already underfunded within the System, at the centre.

IRRI

In its Financing Plan for 2000, IRRI targets a level of investment of US\$ 34.6 million, slightly below that endorsed by the Group at MTM'99 (US\$ 35.2 million). Although the Centre indicates "no major substantive change" in its Financing Plan for 2000, the plan shows the inclusion of three previously non-agenda projects into the IRRI research agenda (country programs for Laos, Cambodia and Madagascar). Although these are aimed at "strengthening partnership with the NARS and helping overcome critical problems in rice production", TAC sees no evidence that the expected outputs from these projects are international in character, i.e., demonstrate spillovers beyond the targeted country, and therefore cannot certify their inclusion into the CGIAR research agenda. This effectively reduces IRRI's expenditure plan to US\$ 31.5 million, some 10 percent below the endorsed MTM'99 plan. In addition, significant changes occurred in many of the project budgets, mostly downward, except in two cases (Breaking Yield Ceilings and IPM) where budgets rose by over US\$ one million. Finally, TAC notes that IRRI's projected share (8.7%) of the proposed 2000 CGIAR resource allocation has fallen and is now slightly below the Group-endorsed level (9.1%).

ISNAR

ISNAR's finance plan is projecting US\$ 10.5 million of expenditures, a US\$ 0.6 million reduction from the plan approved at MTM'99. The projected share (2.9%) is in line with the TAC endorsed level (3.1%).

TAC notes that the centre has observed a lack of interest from the Members for research in Central-Asia and Caucasus. As mandated by the Group at ICW98, the centre is actively seeking additional funding for its Africa activities.

IWMI

The centre's financing plan proposes an expenditure of US\$10.1 million in 2000, a downward adjustment from the \$11.3 million approved MTM'99 plan. The Centre indicates no substantive changes from the MTM'99 plan with respect to research activities and project milestones. The revised plan represents 2.8% of the CGIAR resources, signifying a further departure from the Group-approved share of 3.2%.

WARDA

WARDA's 2000 Financing Plan projects research agenda expenditures at US\$ 12.5 million, reflecting no change from the MTM'99 endorsed proposal. The projected CGIAR share is 3.5% and is consistent with the approved level of 3.3%. Allocations to CGIAR undertakings and to the project portfolio are identical to the previously endorsed proposal. TAC, therefore, accepts the Centre's judgement that the plan has no implications for the endorsed programme which remains on track.

SYSTEMWIDE PROGRAMMES AND INITIATIVES

TAC notes that the financing plans show an aggregated expenditure for Systemwide programmes and initiatives of US\$ 20.1 million, of which US\$ 17.4 million have been secured by Centres. TAC is pleased to note the interest the Systemwide initiatives are exerting as the secured funding is close to the approved level of funding that was endorsed at MTM'99, i.e., US\$15.1 million.

4. CONCLUSIONS

TAC certifies in its report to the Finance Committee the 2000 Financing Plans for all centres including one modification.

The Committee expresses its concern about the continuing underinvestment in the sectors livestock and water research, the continued slide in germplasm improvement, and the shifts in the investments for commodities shares from the approved targets. Also, TAC notes with apprehension a continuous reduction of the share of unrestricted funding for most centres, which is reducing Centres' ability to maintain support to some high priority areas and their flexibility to respond to new challenges. TAC finds that the funding level, in real terms, has been declining, certainly not achieving the funding prospects for the year 2000 envisaged by the Committee in 1997.

Finally, TAC observes departures from the endorsed MTM'99 plans, both with respect to reduced overall funding levels (CIFOR, CIP, ICRISAT, ILRI, IRRI, and IWMI) and to changes in priorities as reflected in shifting allocations to projects (CIP, IFPRI and IRRI). On the latter, TAC is not able to discern the decision making that led to changes in project budgets, and ultimately, to the aggregate of outcomes at centre and System level, i.e., the extent to which these decisions were made by centres or directly motivated by Members. It may be that the current strategy for funding centres has a limited capacity to deliver what the Group has endorsed.

Commodities and Sectors

Potential shortfalls in research investments in chickpea, groundnut and millet which are apparently moving away from the Group-endorsed levels are of concern to the Committee, especially in light of the funding shortfall at ICRISAT. The priority the Group has assigned to these commodities stands for their importance as staple and cash crops of many countries of the semi-arid tropics of developing regions, where large numbers of poor people live. On the other hand, the continuing overinvestments in rice and wheat calls for a need for re-balancing commodity investments to fit more closely with approved priorities.

TAC views the continuing underinvestment in the sector livestock research with concern. A concerted strategy is necessary to align Group priorities with the available resources. Questions that need to be answered relate to the allocation of resources for livestock research, to the objectives of this research and its impact. TAC notes favourably that, although not being the sole player in this sector, ILRI has, as a follow up to the recent 1st EPMR, started a new internal priority setting and resource allocation process, that strengthen investment in the livestock sector. TAC notes that the new strategy will be bearing upon the next MTP (2001-2003) and looks with interest at the outcome of the internal planning carried out by ILRI and at Members' response.

Activities

TAC views the continuing underinvestment in Germplasm Enhancement and Breeding as a matter of concern. This underinvestment occurs despite an overinvestment in the crops sector at the System level. Commodity oriented centres should give greater emphasis to activities which target Germplasm Enhancement and Breeding. The grounds for this are compelling given the recent advances in molecular breeding techniques and the opportunities they open up to the CGIAR, especially for expanding its role as a strategic partner with private and public sector organizations.