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***The CGIAR Research Programs:
Gearing Up for New Challenges***

**Financial Requirements of the
1998 CGIAR Research Agenda**

The CGIAR's new financing arrangements call for Group consideration of the research agenda for the following year and its financing requirements at each Mid-Term Meeting. The Group is now requested to review and approve the proposed 1998 research agenda which will form the basis of financing requests to the CGIAR membership.

The attached document details the financial requirement of \$350 million for the 1998 research programs recommended by the Technical Advisory Committee (TAC). These programs are contained in a companion document entitled "Medium-Term Resource Allocation 1998-2000: Center Proposals and TAC Recommendations", SDR/TAC:IAR/97/6 dated April 29, 1997). Documents on the 1998-2000 programs proposed and circulated by the individual Centers, provide further elaboration.

Financial Requirements of the 1998 CGIAR Research Agenda

I. Introduction

To implement the vision underpinning the CGIAR renewal program, revisions were required to the CGIAR Medium Term Plan. The decision to prepare a new MTP was taken in recognition that the 1994-98 plan, in some respects, had been overtaken by events.

TAC submitted initial recommendations for CGIAR Priorities and Strategies at the 1996 Mid-Term Meeting. Following MTM96, guidelines for preparation of the new Medium Term Plans (MTP) were developed, discussed, shared with the centers in June 1996 and reaffirmed to centers in September, 1996. The Medium Term Plans have a three-year planning horizon. The initial period is 1998-2000, so year one of the plan is 1998. Centers submitted their MTP to TAC and the CGIAR Secretariat in March 1997. TAC review of the program content was held on March 17-26 in Rome leading to preparation of recommendations circulated to the Group in April 1997. (Medium-Term Resource Allocation 1998-2000: Center Proposals and TAC Recommendations, SDR/TAC:IAR/97/6 dated April 29, 1997). The financial implications of the TAC recommendations will be examined by the Finance Committee at the start of the MTM97 and the Committee's views will be available prior to the consideration of the 1998-2000 medium term plans by the Group at MTM97.

This paper outlines the financial requirements of the CGIAR Research Agenda for 1998, based on TAC's recommendations pertaining to the 1998-2000 MTP. It also provides a summary of 1996 outcome and prospects for 1997. Annex I provides detailed center-level information on resources for the period 1993-2000 (actuals and estimates/requests).

Approval of the Agenda and its financial requirements at the Mid-Term Meeting will allow time for deliberations by Members on 1998 funding. Guidelines for preparing the center financing plans are expected to be issued in June, so that TAC can review the program implications of the center financing plans in September, leading to the preparation of the overall 1998 CGIAR financing plan by the Finance Committee for Group approval of it at ICW97.

1996 in Retrospect

Agenda funding in 1996 was \$304 million, 13% higher than the 1995 level (\$270 million), and sufficient in the aggregate to fund the \$300 million program, approved at MTM95. At the commencement of the MTM in Jakarta there was concern that 1996 financing would fall short by some \$20 million. Furthermore, the potential shortfall was anticipated to be unevenly distributed amongst centers, placing the execution of the Research Agenda in danger. Discussions at MTM led to the implementation of measures to resolve a potential crisis, and also led to modifications in the CGIAR financing arrangements to minimize such problems in the future. Several members, most notably Denmark, provided additional resources of about \$10 million to the five Centers (CIAT, CIMMYT, ICRISAT, IITA, and IRRI) facing the largest shortfalls. In addition, members, TAC, and centers worked together to realign

resources in support of the Agenda from earlier commitments to activities outside the Agenda. Finally, the most affected centers implemented or accelerated cost-reduction programs, including staff downsizing in some locations. Details of the 1996 outcome are available in center financial statements and annual reports. The consolidated results are presented in the 1996 CGIAR Annual Report as well as the 1996 Financial report (in press).

1997 Prospects

At MTM96 the Group approved the 1997 research agenda estimated to require about \$312 million. Following the new financing procedures put in place at MTM96, between MTM96 and International Centers Week, the centers prepared their financing plans amounting to \$330 million. In September, TAC reviewed the center plans to confirm the consistency of their program content with the agenda approved at MTM96. Based on TAC's advice and information provided by members and centers, the Finance Committee recommended a 1997 Financing Plan requiring Member funding of about \$325 million to support, together with center income/reserves of \$14 million, center investments at the level of \$338 million.

A review at the end of the first quarter indicates that, in the aggregate, the financing plan approved at ICW96 is on target. Almost all members have by now confirmed, either formally or informally, that they will be providing support at the levels included in the financing plan. The positive status of 1997 financing notwithstanding, there remains a downside risk if the US dollar continues to strengthen. However, if the exchange rates were to stabilize, as seems likely, the current estimate would be unchanged as it has been computed using actual disbursed non-dollar funding, and applying current rates to the undisbursed amounts. The Finance Committee will review the 1997 funding prospects, particularly the at the level of individual centers, prior to MTM97 and their results will be reported to the MTM97.

The tables in Annex I summarize the 1995 and 1996 funding outcomes, and 1997 financing plan. Boxes 1 and 2 on the following pages outline the new financial decision-making calendar and define the financial terminology and concepts used in the CGIAR.

Box 1: CGIAR's Annual Financial Decisionmaking Process and Schedule: *effective 1997*

Setting the Agenda (MTM–May)

At the Mid-Term Meeting, TAC proposes the research agenda for the following year based on interaction with the Centers. The center proposals are based on the research directions agreed upon during a triennial consideration of center Medium Term Plans. (effective 1998 financial year) The Group debates TAC's recommendations, taking into consideration advice from the Finance Committee on funding prospects. The Group endorses the proposed Research Agenda and the financial allocations, with or without modification. Following MTM, the centers and the CGIAR Secretariat solicit overall financing indications from Members.

Preparation of Financing Plans (June-September)

Centers prepare their individual financing plans for the following year based on specific financing information solicited through bilateral contacts with Members and past trends. World Bank funding is included on a percentage basis of funding secured by Centers—9 percent in 1997 and 12 percent in 1998.

Confirmation of Program Content (mid-September)

Centers indicate to TAC and the CGIAR Secretariat the changes in the research agenda allocations resulting from interactions with individual Members, and their implications to the program content of the Research Agenda. TAC reviews the program content and highlights any significant changes for action by the Group at ICW.

Review of Financing Plans (end-September and October)

Following the confirmation of program content by TAC, the Finance Committee reviews center financing plans, including the contribution of the World Bank which is provided on a matching basis, for consistency and feasibility, based on funding information solicited by the CGIAR Secretariat.

Approval of the Research Agenda and Financing Plan (ICW–October)

At ICW, the Group considers the finalized Research Agenda and financing plan for the following year, leading to the Group's approval of its financing and implementation.

Disbursement and Implementation (January-December)

Following approval by the Group at ICW (in the previous year) of the Research Agenda and financing plan, centers commence implementation of the Agenda on January 1 of the current year, and Members disburse funds to the Centers. Of the World Bank funds, half are distributed in January. The remaining half are disbursed in June, following a review at the MTM by the Finance Committee of updated center financing plans.

Accountability (Year-end)

At the end of the year, centers prepare financial statements showing the use of funds received in support of the Research Agenda. As well, centers confirm the use of matching funds provided by the World Bank and refund any overcommitted funds to the Bank.

Box 2: Financial Concepts and Terminology

The Research Agenda: Comprises the bulk of CGIAR center projects and activities. Components may be executed by one or more centers, and/or jointly with National Agricultural Research Systems (NARS), Advanced Research Organizations (AROs), and Non-Governmental Organizations (NGOs). The Technical Advisory Committee (TAC) develops the Agenda in collaboration with centers and recommends appropriate work programs for CGIAR financing. Projects included in the Agenda must meet four criteria. They must:

- be aimed at producing research or research-related (including training) international public goods;
- be of high priority in terms of accomplishing the CGIAR's goals and objectives;
- have acceptable probabilities of success; and,
- have no alternative producers or sources of supply with suitable costs or reliability.

Non-Agenda is activity which a center is qualified to undertake because of experience, location, size, or other factors, but which does not meet all of the criteria for inclusion in the Agenda.

Financing the Agenda: Once endorsed by the Group, the Agenda is eligible for Member financing, including the World Bank. The financial requirements are approved on the understanding of their being the minimum needed to implement the Agenda. All centers and partners should seek to maximize financing, and there is no disincentive to do so. Mechanisms to ensure that the Agenda is fully financed, have evolved from earlier unsuccessful attempts to "guarantee" full financing solely using World Bank funds. Recently, changes have been made in the financing arrangements whereby Members, instead of the World Bank alone, can act to collectively fill financial gaps arising in the course of the year. Most Members now channel all their support to the Agenda. This is likely to lead to a more competitive search for resources, but also higher overall funding.

Financing modalities: Centers are primarily financed by annual support provided by CGIAR Members. A modest contribution is also available from centers' annual miscellaneous income (which includes contributions from ad hoc sources who are not CGIAR Members). The nature of financing does not determine whether a project is part of the Agenda. Member financing may be directed to the CGIAR, centers, programs and projects with different degrees of specificity:

- to the CGIAR with flexibility regarding their allocation based on CGIAR priorities,
- to centers without any restrictions (with or without attribution requirements), and
- targeted to specific center project/sub-project/activity as defined in a contractual agreement.

All Members are expected to provide the full cost of operations including a proportionate share of administrative costs. The World Bank financing is always made available as general CGIAR support. All Members are encouraged to provide their support in a similar manner. Members disburse funds based on their financial procedures, directly to centers throughout the year. The CGIAR Secretariat provides disbursement services, through the World Bank, to Members who prefer to make a single disbursement to the CGIAR.

CGIAR Agenda Matrix: The distribution of financial resources is presented as the CGIAR Agenda matrix, with centers comprising the rows and CGIAR activities the columns. Activities (presently 19 in number) are aggregated into groups -- the five CGIAR undertakings. The matrix is constructed by fully allocating center projects, the basic center unit of activity with objectives, outcomes and milestones, to the CGIAR activities. (A CGIAR project portfolio of about 300 projects, with common definitions and concepts used by all centers, is in effect for 1997). The CGIAR has identified several thematic areas as systemwide programs to respond to specific challenges and to foster collaboration among centers and deepen it with other partners. Center participation in these, included in the agenda matrix, is also presented in a supplementary matrix.

Implementation: Centers often implement the Agenda in a partnership mode -- i.e. joint ventures with advanced institutions, NGO's, and NARS. The joint venture may involve shared tasks at different points on the research continuum, i.e. upstream laboratory-based research as well as applied field-level experimentation. Funding of such joint ventures is included in financing for the CGIAR Research Agenda.

TAC 1998-2000 Medium Term Recommendations

The TAC recommendation for distribution of CGIAR investments in 2000 (year three of the MTP) is shown in table 1, where the 1997 financing plan is shown for reference.

Table 1. 1997 Plan and 2000 Recommended CGIAR Investments
(\$ million)

Center	1997			2000			
	Finplan Requirements & Sources			TAC Recommended CGIAR Investments			
	Center Investments	Financed by:		Center Investments	Financed by: 1/		Investment Share (%)
		Members	Center inc.		Members	Center inc.	
CIAT	31.1	30.0	1.1	32.7	30.7	2.0	8.2%
CIFOR	11.3	11.1	0.2	16.5	16.3	0.2	4.1%
CIMMYT	32.4	28.6	3.8	35.3	33.1	2.2	8.8%
CIP	23.1	22.1	1.0	24.3	22.8	1.5	6.1%
ICARDA	25.1	22.6	2.5	29.2	26.9	2.3	7.3%
ICLARM	11.7	11.6	0.1	16.8	16.6	0.2	4.2%
ICRAF	17.2	17.0	0.2	24.3	24.3	0.0	6.1%
ICRISAT	28.6	25.5	3.1	30.2	29.4	0.8	7.6%
IFPRI	17.3	17.1	0.2	21.0	20.8	0.3	5.2%
IIMI	9.9	9.7	0.2	12.8	12.6	0.2	3.2%
IITA	28.1	27.3	0.8	34.0	32.3	1.7	8.5%
ILRI	30.3	30.3	0.0	37.0	36.0	1.0	9.3%
IPGRI	20.7	20.4	0.3	24.4	24.4	0.0	6.1%
IRRI	30.9	29.4	1.5	36.2	34.8	1.4	9.1%
ISNAR	10.9	10.6	0.3	12.3	12.1	0.2	3.1%
WARDA	11.1	10.8	0.3	13.1	12.0	1.2	3.3%
TOTAL	339	324	15	400	385	15	

1/ Center income estimated by centers in MTP proposals. ICRAF and IPGRI did not provide this information.

TAC recommends a program investment of \$400 million for 2000, an expansion of 15% over the 1997 levels based on “convincing evidence of center efforts to capitalize further on new science and to extend the pattern of working relationships to include those engaged in complementary and supplementary activities.” Assuming that the present modest rates of inflation continue to prevail, TAC’s recommendations therefore represent an annual real increase of 2%. This modest overall expansion is envisaged to be accomplished in equal increments over the period 1998-2000. Thus, investments (supported by member funding as well as center income) would be approximately \$360 million in 1998, \$380 million in 1999, and \$400 million in 2000.

In view of the fact that these recommendations require changes in the CGIAR investments among centers, TAC has proposed that these shifts can be more effectively accommodated if the proposed growth is distributed over three years at an accelerating rate of change with a progression as follows from the 1997 level: in 1998, 10% of the total three year movement; in 1999, 30% of the movement; and in 2000, 60% of the movement. The details of the progression are shown in table 2.

Table 2. Investment Shares, 1998-2000

Center	CGIAR Investment Shares (%)			
	1997 Plan	2000 Goal	TAC Recommendation	
			1998	1999
			Progression	
CIAT	9.2%	8.2%	9.1%	8.8%
CIFOR	3.3%	4.1%	3.4%	3.6%
CIMMYT	9.5%	8.8%	9.5%	9.2%
CIP	6.8%	6.1%	6.7%	6.5%
ICARDA	7.4%	7.3%	7.4%	7.4%
ICLARM	3.4%	4.2%	3.5%	3.7%
ICRAF	5.1%	6.1%	5.2%	5.5%
ICRISAT	8.4%	7.6%	8.3%	8.1%
IFPRI	5.1%	5.2%	5.1%	5.1%
IIMI	2.9%	3.2%	2.9%	3.0%
IITA	8.3%	8.5%	8.3%	8.4%
ILRI	8.9%	9.3%	9.0%	9.1%
IPGRI	6.1%	6.1%	6.1%	6.1%
IRRI	9.1%	9.1%	9.1%	9.1%
ISNAR	3.2%	3.1%	3.2%	3.2%
WARDA	3.3%	3.3%	3.3%	3.3%

Since the approval of the 1997 financing plan, there have been some changes in investment and financing estimates. These are noted below:

- ICRAF projects funding significantly higher than in the plan, (\$22 million vs. \$17 million in the plan). Consequently, TAC recommends that, instead of the three year progression, ICRAF's proposed 2000 share of 6.1% be reviewed as being operational effective in 1998. However, in order not to prejudice the outcomes for other centers in 1998, the resulting incremental allocation of about \$4 million has been added to the \$360 million investments recommended for 1998 resulting in a recommendation of \$364 million shown in table 4 on page 8.
- In the following instances, minor adjustments in the proposed shares may be required possibly during the review of 1998 financing plan in Sept./Oct. 1997:
 - ILRI and ICARDA project that their financing may be well below the financing plan by a significant margin. If this were to occur, there 1998 shares may have to be reviewed.
 - The 1997 investment level for IPGRI is shown correctly in table 1, however, an inadvertent use of older 1997 data (\$19.5 million vs. \$20.7 million) in the 1997 source values provided for the TAC analysis, may require a slight upwards adjustment in the 2000 share.

- CIMMYT has reduced its 1997 investment base (\$31.4 million vs. \$32.4 million used in the TAC analysis) in its recent submission, this may require a modest downward adjustment in the 2000 share as well.

1998 Center Proposals

The individual center 1998 requests were developed in the context of the 1998-2000 MTP, and a number of centers programmed a significant increase, from 1997, in the first year of the Plan. The 1998 center proposals called for investments 12% higher (\$380 million, of which \$376 million are for programs) than in the 1997 financing plan. The investments are proposed to be financed by \$366 million member support supplemented by \$14 million center income/reserves. Details are shown in table 3.

Table 3. Center Requests for the 1998 Research Agenda Funding (\$m)

	Center Requests: year 1 investments, 1998-2000 MTP 1/					Program Totals	Program Shares	
	Increase Product.	Protect Environ.	Save Biodivers	Improve Policies	Strengthen NARS		Center Request	TAC Recomm
CIAT	13.0	6.0	4.3	1.0	5.0	29.3	7.8%	9.1%
CIFOR	3.1	3.9	1.8	2.4	1.5	12.8	3.4%	3.4%
CIMMYT	11.3	6.8	4.4	1.2	8.6	32.2	8.6%	9.5%
CIP	13.7	4.7	2.3	1.1	3.1	25.0	6.7%	6.7%
ICARDA	11.9	4.2	2.9	1.2	7.0	27.1	7.2%	7.4%
ICLARM	5.1	3.1	1.0	2.8	3.3	15.3	4.1%	3.5%
ICRAF	10.8	3.3	1.9	2.6	4.7	23.3	6.2%	6.1%
ICRISAT	12.0	4.6	2.9	1.6	6.3	27.4	7.3%	8.3%
IFPRI		1.9	0.4	13.1	4.2	19.6	5.2%	5.1%
IIMI	0.1	5.9		3.0	3.3	12.4	3.3%	2.9%
IITA	20.3	6.5	1.0	1.4	7.6	36.9	9.8%	8.3%
ILRI	18.7	5.0	2.4	1.7	4.7	32.5	8.6%	9.0%
IPGRI	3.5	1.7	11.3	3.2	5.5	25.3	6.7%	6.1%
IRRI	13.7	8.6	2.4	2.5	5.6	32.8	8.7%	9.1%
ISNAR				6.0	6.2	12.3	3.3%	3.2%
WARDA	3.8	3.0	0.7	1.2	3.2	11.9	3.2%	3.3%
TOTAL	141	69	40	46	80	376		
<i>Center plans</i>	38%	18%	11%	12%	21%	100%		
<i>TAC recomm</i>	39%	18%	11%	12%	20%	100%		

1/ CIAT, ICLARM, ICRAF, IIMI, and WARDA also requested \$1.2, \$.4, \$.5, \$.2 & \$1.8m, respectively, for reserves.

To illustrate the shifts proposed by TAC, the last column in table 3 shows the center investments recommended by TAC, and the distribution of centers' proposed investments for 1998. As can be noted also, the center proposals, while not fully

congruent with TAC recommendations in terms of center shares, are very consistent with the TAC-recommended distribution of effort within CGIAR undertakings.

1998 Recommendations

TAC's recommended center allocations for 1998, corresponding to an investment level of \$364 million, is 7% higher than in 1997. It would be financed by \$350 million in member support, supplemented by \$14 million in center income/reserves, as shown in Table 4. If approved these would represent the basis for centers to develop their financing plans. It should be noted, however, that the allocations are meant to be indicative, not rigid limits.

Table 4. 1998 Research Agenda Funding Recommendations

	Recommended Investments (at \$360 m)	Financed by:		1997 Plan Funding	Funding Change: 1998 from 1997 plan	
		1998 Earned Income 1/	1998 Member Funding		\$	%
CIAT	32.8	2.0	30.8	30.0	0.8	3%
CIFOR	12.2	0.2	12.0	11.1	0.9	8%
CIMMYT	34.2	2.2	32.0	28.6	3.4	12%
CIP	24.1	1.5	22.6	22.1	0.5	2%
ICARDA	26.6	2.1	24.5	22.6	1.9	9%
ICLARM	12.6	0.2	12.4	11.6	0.8	7%
ICRAF	22.1		22.1	17.0	5.1	30%
ICRISAT	29.9	0.8	29.1	25.5	3.6	14%
IFPRI	18.4	0.3	18.1	17.1	1.0	6%
IIMI	10.4	0.2	10.2	9.7	0.5	6%
IITA	29.9	1.7	28.1	27.3	0.8	3%
ILRI	32.4	1.0	31.4	30.3	1.1	4%
IPGRI	22.0		22.0	20.4	1.6	8%
IRRI	32.8	1.3	31.5	29.4	2.1	7%
ISNAR	11.5	0.2	11.3	10.6	0.7	7%
WARDA	11.9	0.8	11.1	10.8	0.3	3%
TOTAL	364	14	350	324	25	8%

1/ ICRAF and IPGRI did not provide an estimate of earned income (\$0.68 m and \$0.44 m respectively in 1996).

Monitoring of 1998 Programs

Following earlier discussions to develop a comprehensive list of the projects undertaken by the centers, in their 1998-2000 proposals centers have provided detailed information on their project portfolios following guidelines developed in 1996 by a stakeholder group chaired by TAC. These can be found in the MTP documents distributed by centers. Annex II summarizes an important element of these descriptions, namely the milestones expected at the end of each year of the plan period. As can be noted this list is, as yet, partial and is expected to be completed by

end of this year. Furthermore, there are likely to be changes as well as centers reorient their plans based on the guidance received at MTM. Nonetheless, this important aspect of the centers' project portfolios will, in the future, provide transparent markers of progress within the projects underpinning the Agenda.