

PRIORITIES AND STRATEGIES

Thank you Mr. Chairman, colleagues, delegates, friends,

My task this morning is to review for you some of the major considerations which shaped the TAC Priorities and Strategies paper, to describe the paper's implications for the allocations TAC has recommended for the centers, to describe briefly the process through which the MTPs and the allocations were developed, and to lay out the approach which we will follow through the rest of today and tomorrow in discussing the center MTPs and allocations. However, before moving into those themes I want to comment briefly on what has transpired in Egyptian agriculture over the past 20 or so years.

Egypt relies heavily on agriculture for employment, income, and exports. Forty percent of the population was in agriculture in 1990, down from 57% in 1980, a truly notable decline. In spite of that decline, during that same period the proportion of GDP from agriculture rose from 18 to 20%. Economic growth reached 5 per year in the 1980s but has fallen to one percent recently, at the same time agricultural growth rose slightly from 1.5% per annum to 1.8%.

According to information provided by Gaurav Datt of IFPRI, taken from a 1996 study by Heba El-Laithy, the percent of the population in absolute poverty fell from 50% in 1974-75 to 39% in 1990-91. The proportion of females attending primary school increased from 61 to 89% from the early 80s to the early 90s.

Virtually all crops are irrigated and yields are notably high. Even so, a production index combining 21 crops showed a marked increase from 1983 to 1990 and beyond, in significant measure thought to be associated with research. The major cereals were among the leading contributors.

With its extended and remarkable agricultural history and its recent thrust forward in research-led productivity, it is fitting that CGIAR should be meeting in Egypt.

Priorities and Strategies

You will recall that TAC presented a partial view on priorities and strategies one year ago at MTM96. Discussion at that time focused on TAC's perceptions of the dominant considerations in CGIAR priority setting, noted that two of these considerations--the impact of new science and alternative suppliers--involved information best known to the centers, and went on to formulate tentative priorities and recommendations for activities and system wide work based on the information then available. The Group endorsed the themes considered by TAC, while suggesting that TAC do some additional sensitivity analysis and review its analysis of priorities for training, and went on to endorse TAC's plan to work with the centers in gaining the information still needed.

Today, before taking up TAC's final formulations, it is well to review the major themes in the Priorities and Strategies paper and, in doing so, it is appropriate to start with the principal elements underlying priority setting in the CGIAR. Three elements are dominant: the CGIAR is people centered, poverty alleviation and protecting natural

resources (for the attainment of sustainable food security) are its major goals, and it favors an efficient pursuit of those goals. In pursuing the alleviation of poverty the System is most concerned with poor women and poor rural people while in protecting natural resources the System's initial concerns are for how natural resources will influence present and future poverty and subsequently for the global environment.

In pursuing efficiency, the System focuses on research and related activities that give rise to international public goods. It emphasizes arenas in which there are fewer alternative suppliers and those with effective suppliers of complementary goods. And it focuses its efforts where there are good probabilities of success, especially as shaped by advances in science. Finally, recognizing that there are lags, sometimes long lags, between planning research and seeing the results widely used by producers, the System encouraged TAC to focus its planning on future rather than on present conditions.

Against this background TAC also examined various aspects of the environments external to the CGIAR to assess their implications for the orientation of the work of the System. Among the environments with important implications for priorities are: the changing circumstances of NARS and regional mechanisms, the extension of intellectual property rights, the changes occurring in the status of biodiversity, the emerging recognition of the absence of well tested paradigms for discovering and disseminating resource conserving technologies, the rapid advance of science, and the trend towards proprietary claims on the products of new science. In greater or lesser measure these themes also influenced TAC's perceptions about the future.

Important to the System is the relationship between its goals and center activities. How is it that research on crops, fisheries, forests, and livestock leads to less poverty and to protection for natural resources? TAC has discussed this theme with the Group in the past. Over time, as more research results come to light, the lines of cause and effect can be ever more tightly drawn. I want to review the argument briefly, with emphasis on recent findings.

From Research to Poverty Alleviation

Most of the developing world's poor live in the rural areas of the poorest countries. For those countries, 60-80% of the work-force is in agriculture and roughly half of the average family's budget is spent on food. Clearly agriculture--construed to include crops, livestock, fish, and forestry--must play a major role if incomes are to be increased. To do that, to increase incomes in agriculture, clearly the productivity of the resources employed in agriculture must be increased. Without increased productivity, incomes cannot rise.

Historically, there have been four routes to increasing productivity in agriculture: new technologies resting on research, improved policies, infrastructure, and education. The CGIAR works through improved technologies and policies to increase the productivity of the resources committed to agriculture.

How does increased productivity raise income. First, there are immediate implications for incomes in agriculture as greater productivity lowers the costs of producing output. Producers then move on to increase output and this leads to lower prices for consumers. Both producers and consumers benefit from the increased productivity. Recall the example of wheat in India. What follows then are widening

rounds of spending that lead to increased incomes in the rest of the economy, to increased demands for foodstuffs and for labor, and to an upward spiral in the level of economic activity. Simultaneously, the declining real price of foodstuffs and the increased demand for labor combine to reduce the pressure on marginal lands and forest margins.

Two questions remain. As compared with other sectors, how effective is agriculture as an engine of growth? And to what extent do the poor benefit from an increase in average incomes? New evidence reinforces the conviction that, for the poorest countries, agriculture is more effective than other sectors in promoting poverty reducing growth. New evidence also affirms that higher average incomes reduce poverty. Chapter 3 of the Priorities and Strategies paper cites a number of supporting studies, but let me draw your attention to two recent papers appearing in the World Bank Economic Review. Based on an extensive study of Indian data, Ravallion and Datt note that both rural and urban poor gained from growth in rural income while urban income growth had little discernible effect on rural poverty. Most rural growth rests on agriculture. In the second study, which included the relationship between income growth and poverty reduction, Deininger and Squire examined 90 data sets and concluded that in nearly 90% of the cases, the average income of the bottom quintile of income earners increased as overall income increased. Moreover, they concluded that in roughly half of the cases, income distribution became more equal.

Given the evidence and the logic in the lines of cause and effect, TAC takes it as given that the efforts of the CGIAR centers to increase productivity lead to poverty reduction, especially in the poorest countries. This is not to suggest that all poverty will be eliminated in the next 15 years nor that it is only agriculture that will contribute to rising income. For the near future, however, increased productivity in agriculture is the high probability approach to poverty alleviation and to protection for natural resources. And it is a certainty that without increases in productivity in agriculture, the number of poor people will increase significantly over time.

Quantitative and Qualitative Aspects

It was against this background that TAC developed the framework for priority setting and the role of the poverty indicator described in Chapter 3 and in Annex 2 of the CGIAR Priorities and Strategies Report. Again, much of the logic was presented to the Group at MTM96, where emphasis was given to the quantitative dimensions of priority setting. Annex 2 provides evidence of the impact of the poverty indicator on relative shares by commodity and by region. Table 2 (comparing columns 2 and 3) shows the impact of the poverty indicator, as it increases the relative importance of such crops as cassava and reduces that of the three major cereals. Meanwhile, Table 3 shows the rise in the relative importance of SSA as a result of the introduction of the poverty indicator.

Beyond the quantitative aspects, MTM96 discussion identified qualitative aspects that should influence priorities and resource allocations. In particular it was noted that priorities for commodities and work linked to commodities could rest on a quantitative base while other work must rest largely on qualitative considerations. The identification of important qualitative factors rested largely on the CGIAR's concern for efficiency in its work, giving rise to the critical importance of international public goods, of the availability

of alternative sources of supply and access to complementary elements, and of the probability of success, especially as it is influenced by new science. Finally, at MTM96 it was agreed that the resource allocation pattern in 1997 should be the point of departure for the recommendations pertaining to 1998-2000. TAC 72 brought these various elements together--the goals, the derived considerations, and aspects of the external environment--in laying out guidelines for MTPs, framing priorities, and assessing their implications for recommendations on resource allocations.

Guidelines for MTPs

Shortly after MTM96, TAC joined the CGIAR Secretariat in formulating guidelines for the MTPs. Involving the centers from the beginning, a draft was discussed in July 96 and a final version laid out soon after. The guidelines emphasized several classes of information relevant to CGIAR concerns. A simple listing shows the effects of the earlier discussions on the orientation of the MTPs. Assessing those discussions, TAC concluded that, for more effective decision making, the System needed information about the transparency of the priority setting process; evidence for the international goods character of outputs, for the relationship to poverty alleviation--especially for poor women--and for natural resource protection. As well evidence about linkages between priorities and resource allocations, about comparative advantage and relations to the "other 96%", about the extent of collaboration with others including out-sourcing, about milestones for projects, and about developments in science that might be relatively more important for individual centers was thought to be important.

In its draft priorities and strategies paper, TAC had noted that information about alternative sources of supply and the implications of new science was largely in the hands of the centers. It was agreed that TAC would visit each center to both gather that information and to assess the congruence of the emerging MTP with TAC's sense of the Systems needs. After four such visits, TAC encouraged the remaining centers to be more explicit about the connections between their priorities and their resource allocations, even if this simply meant listing assumptions. As well, centers were encouraged to view their budgets in 2000 as completely unrestricted, so that Members might have a clearer perception of center views about opportunities. Finally, centers were again encouraged to be strategic and brief.

After each such visit, the TAC team sent a note to the center reacting to what had been seen and heard and encouraging changes where MTP content could be strengthened. The resulting MTPs will be the subject of the next several hours of meetings. Some conform notably well with TAC's sense of the System's needs. Some are not as consistent with those needs. In any case, TAC members--and all of them participated in more than one visit--concluded that the visits had been well worth the energy and that the MTPs were more uniform, coherent, and purposive than without the effort. The MTPs were presented by the centers at TAC 72 in March 97. The plans and the discussion emerging from their presentation were also important elements in shaping TAC's final view of priorities and of resource allocations.

As a part of the effort to bring uniformity to planning, TAC made available the data sets that had been used in preparing the draft planning document presented at MTM96. Some of the centers made good use of the materials. CIP, for example, pressed on TAC

and ultimately on FAO for a review of the production data pertaining to roots and tubers. That review turned up a refined estimate more congruent with the impressions held by the FAO experts involved. Through the period TAC worked with sources in the World Bank to stay abreast of whatever changes were emerging from their studies of poverty. Because of that effort, TAC was able to incorporate new data on China with implications more consistent with the expectations of China experts. Still, there is much to be done on the data front and the CGIAR must play a role in bringing better and more comprehensive data into play. I will say more about one such effort in the course of the report on TAC activities scheduled for Friday.

Findings at TAC 72

Starting with the current situation, based on analysis provided by the CGIAR Secretariat, TAC 72 reviewed 1997 allocations among activities, commodities, and centers. With respect to activities, it was noted that the 1997 allocations conform better with TAC's MTM96 commentary than did the allocations of 1996. TAC largely reaffirmed its 1996 recommendations but with two important changes: the recommended proportion for production systems was further reduced and that for strengthening NARS was increased, especially that dealing with professional development and training. On the last point, TAC noted the response by the Group and NARS at MTM96, center reactions in the MTPs, and the recent experience of some TAC members. TAC reaffirmed its special concern for investments in germplasm improvement, especially for work aimed at expanding the genetic base, and its sense that work on natural resource management requires careful attention to the development of improved research paradigms or guidelines. This last point is reinforced at various places in the Strategies and Priorities paper.

TAC then moved to consider commodities and made two pivotal decisions. The first was that the entire budget of the 13 centers engaged in research on commodities would be distributed across those commodities, unless there was clear evidence that projects and activities were less oriented to that center's commodities and more oriented to generic goods applicable to all commodities. (CIAT's work on NRM themes is an example of this as is IPGRI's work on germplasm conservation.) The second was that, as a general rule, priorities and resource allocations should move from current shares in allocations half way towards the poverty weighted share, unless there was evidence that argued for something different.

Now, we must recognize that poverty weighted shares might not conform well with the shares that would emerge, if we could equalize marginal rates of return among the various options. Equal marginal returns is the maximizing rule and it might be that it would favor relatively more resources towards programs for which investment already exceeds the poverty weighted share. That's certainly possible....new science, better distribution mechanisms, more favorable policies, greater homogeneity in the environments across countries combined with declining marginal returns to further investment in research, among other things...could make this happen. TAC has accounted for some of these factors and has noted that others are unlikely to come into play because of the CGIAR's focus on international goods, with the possibility that relatively favorable circumstances for one project in one country might well be relatively

less favorable for that project in another country. TAC, then, decided that, only with solid evidence to the contrary, would it move away from modified congruence analysis guided by poverty weighted shares.

Extended discussion suggested that the projected poverty weighted shares of fish and forest products seen in Annex 2 are overestimated, because of the way their prices were developed, as contrasted with the estimates for crop and livestock products. It was also noted that, in spite of several strong recommendations by TAC, investment in research on livestock lags well behind the sector's projected poverty weighted share. These two considerations suggested that TAC set aside the general rule in the case of the fish, forestry, and livestock sectors.

In the case of fish and forestry, for the reasons outlined elsewhere, TAC endorsed increased portions of the overall budget, but less than those which would have emerged from the data of Annex 2 and with a sense that the resulting shares would not exceed the true poverty weighted share. That is, the resulting share is not as large as that implied by the exaggerated price data but thought to be not larger than a more reliable forecast of price data would imply. For livestock, TAC endorsed an increase of 1.5 percentage points over the portion actually realized in 1997. Alternative sources of supply and new science figured in these sector wide conclusions. For the last, TAC noted that new science is affecting the probability of success of all of the work going on in the CGIAR--making the CGIAR an even better investment than in the past--but that the greatest gains are for centers engaged in germplasm improvement and characterization along with animal health, the next largest for centers in work on natural resource management (including aquatic, forest, and water resources), and the least for centers whose work rests mostly on informatics, largely because informatics affects all work being done by the centers.

Turning to crop commodities and given the first of the pivotal decisions, these make up some 55% of the CGIAR budget.. One implication of the earlier discussions about activities and the fish, forest, and livestock sectors is that the crop portion of the total budget has been reduced in comparison with its 1997 proportion. In reviewing individual commodities it was immediately evident that the 1997 share of some are well above their poverty weighted shares. This is especially the case for beans, cassava (especially outside of SSA), maize, and potato. At the same time, for two commodities--rice and wheat--the 1997 share is well below their projected poverty weighted shares. TAC also noted that special circumstances apply to some of the commodities, e.g., work on soyabean is pursued only in SSA, where the poverty weighted share is quite low but the crop shows promise, and work on groundnuts is focused on the more arid areas which themselves contribute about 50% of the projected poverty weighted share. The implication is that the difference between current and poverty weighted shares is more apparent than real. Compensating adjustments were made in the analysis.

TAC then considered other factors that should influence the relative level of investment in the various crop commodities, in particular the availability of alternative sources of supply and the impact of new science. While, it was recognized that new science has something to offer on all of the commodities, it appeared that some had been favored more than others, e.g., the cereals. Further reflection, however, suggested that these are probably transitory advantages, that over the next decade it is likely that all

commodities will benefit in roughly similar ways from new findings in basic science. However, the unfolding impact of late blight in potatoes, which has effectively erased much of the progress of earlier years and increased the importance of recent research findings, brought TAC to conclude that added relative emphasis should be given to potato, which is to say that potato research should decline by less than the initial indicators implied.

As for alternative suppliers, it was quickly recognized that none of the commodities have levels of investment consistent with what they would have in developed country agriculture, nor the array of alternative suppliers that are available there. Even so, TAC's concerns were with relative access to alternative suppliers, that is to say with the comparison among the crops within the CGIAR mandate. On that basis and as contrasted with the average situation, it was concluded that rice, wheat, and maize (outside SSA) have relatively more alternative suppliers while banana/plantain and cassava in SSA have relatively fewer alternative sources of supply. The remaining crop commodities are characterized as being comparable to one another with respect to alternative suppliers.

On the basis of these three kinds of considerations, TAC decided on further modifications among commodities. The elements are laid out in Table 6.2 of the Strategies and Priorities paper. Even so, let me work through one example so as to fix ideas. Globally, the 1997 share of cassava was 8.9% of the commitment to crop commodities while its projected poverty weighted share was 5.6%. Other things equal, then, TAC would have set the recommended allocation for 2000 at 7.4%, half way between the two proportions. Science does not seem to favor cassava relative to other crops so no modification in the recommendation could be attributed to science. However, alternative suppliers were judged to be relatively weak in SSA and average for the rest of the world, implying a positive modification in the priority, but only for SSA. The result is that cassava will have a higher proportion than 7.3%, still lower than 8.9%. Furthermore, it implies that cassava in SSA gains relative to cassava elsewhere. This last affects the balance between CIAT and IITA. Finally, the total to cassava was also modestly influenced by TAC's judgments on the overall balance among centers based on recent track records and on the purposiveness evident in the medium term plan.

Finally, TAC 72 reviewed the situation in Systemwide Programs. Discussion with the Group at MTM96 affirmed the work going on in this arena, noted that two classes of such programs are operating, and detailed TAC's sense that a steady course should be followed until 1998 or 1999, when a review of the format's utility should be undertaken. Discussion at TAC 72 suggested no reasons for changing that plan. Do notice, however, that the financial information available now shows Systemwide work in two ways, within center budgets and in a special table estimating center investments in each Systemwide program.

Finally, about the 1998-2000 budgets. TAC is recommending funding of \$400m for 2000, a modest increase in real funding and certainly justified by the opportunities unveiled by the centers. If the amounts available differ by more than 10%, TAC will want to review the recommendations for individual centers and activities.

Reviewing Center MTPs and TAC Recommendations

Let me move now to a description of how we will come together around a review of the centers' MTPs, the recommended 1998-2000 pattern of expenditures, and the 1998 budget. The organizers have offered us 2 simultaneous programs. One concentrates on center MTPs. It is envisioned that we will devote about 40 minutes to each center, with each giving its highlights, followed by TAC, and then followed by some 30 minutes of open discussion. Three sets of documents provide important elements: Center MTPs, The 1997 CGIAR Priorities and Strategies Paper, and the Medium Term Resource Allocation paper. For three centers, the discussion about the future will be in conjunction with a discussion of the External Program and Management Reviews. For those centers the time allotted is notably longer as a broader range of topics will be covered.

We expect to finish discussion of each center with a judgment about its Plan, about TAC's recommendation for the period 1998-2000, and about the center's 1998 budget. This is the System's first effort to deal at one time with 16 new MTPs. It will be a challenge to be brief, crisp, and pointed. But brief, crisp, and pointed we must be, if we are to do justice to center efforts.

While TAC will have a brief comment on each of the MTPs--something of a synthesis of the materials in the paper carrying the full MTP commentaries and the recommended resource allocations--in the interest of saving time later, let me make a few generic comments now about all of the MTPs.

1. It is clear that all centers consulted widely in developing their plans. Whatever the case in the past, this round of planning involved a notable range of stakeholders.
2. In setting priorities, all centers have featured the overarching concerns of the CGIAR and their activities are in line with the CGIAR's goals. Even so, in the future TAC would welcome greater transparency in linking priorities to resource allocations.
3. It is evident from the MTPs that centers are concerned about the role of women and conscious of the need to look for ways to strengthen their hand. Again, the System must find ways to improve data and analysis so as to better translate that concern into efficacious projects.
4. TAC's endorsement of the direction of the individual MTPs is not necessarily tantamount to an endorsement of funding of all that is proposed.
5. TAC is impressed by center efforts in developing partnerships with a broad range of actors in the global research community.
6. TAC believes that these MTPs are discernibly better focused than those in the past.
7. With all of this, it might be asked why TAC has not been more exuberant in its applause for individual MTPs. The answer is that, while we are impressed with the progress that has been made, we--like the centers I believe--are committed to the idea of making it even better. and our commentaries aim at doing just that.

As I said earlier, TAC will say little more about these themes in the sessions on MTPs and resource allocations.

Concluding Remarks

Mr. Chairman, this concludes TAC's report on the major elements of the Strategies and Priorities paper, on the paper's implications for the allocations recommended for individual activities and for centers, and on the process through which TAC interacted with centers in the development of their Medium Term Plans. Before moving forward to discussion of these themes, let me take this opportunity to thank the many people who were at the heart of the work behind my words. While I cannot list each of them individually, and even at the risk of not giving some due credit, I want to especially thank the TAC members who came together with good cheer, notable energy, and balanced perspective in our March, marathon sessions; Ted Henzell who stayed on to help with the writing; Jane Garrioch of the TAC Secretariat, who combines good humor and high secretarial competence in rare measure; Guido Gryseels who managed much of the process; and Gordon McNeil and Ravi Tadvalkar at the CGIAR Secretariat for useful insight and yeoman service with background material. There were others who put their energies into the cause. To all of them, my sincere thanks. Mr. Chairman, finally my thanks for the Group's patience and attention. Perhaps there are questions.