

# CGIAR

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## Mid-Term Meeting 1999 May 24 - 28 Beijing, China

The Third System Review: From Proposals to Practice
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### System Review Follow-up: Consultative Council Propositions on Finance

The Consultative Council, meeting in Brussels on January 27-28, requested the Finance Committee (FC) as well as the CBC to prepare a number of reports on finance-related issues, as follow-up to System Review recommendations. The table below indicates the status of each report by agenda sub-item. Please note that the reports by the FC are presented in a single document. Reports not attached will be made available at MTM.

<i>Agenda sub-item</i>	<i>Topic</i>	<i>Documentation</i>
3(e) i	Progress reports and action proposals by FC on:	Attached
	-- long-term financing strategy for the CGIAR	
	-- member commitment to financing propositions of the FC	
	-- developing a fund-raising strategy and identifying appropriate structures	
3(e) ii	Progress report by the CBC on ways of improving the design, implementation and governance of systemwide programs	CBC to report at MTM

**System Review Follow-up: Consultative Council Propositions on Finance**

**PROGRESS REPORT AND PROPOSALS BY THE FINANCE COMMITTEE**

*In January 1999, the CGIAR Consultative Council asked the CGIAR Finance Committee Chair to (i) lead the effort to develop a longer term fund raising strategy for CGIAR, (ii) suggest guidelines to improve the stability and predictability of funding for CGIAR research agenda and (iii) propose appropriate structures and mechanisms to implement a public awareness and constituency building program for the CGIAR.*

**(i) Developing a Longer Term CGIAR Financing Strategy**

**Context**

CGIAR fosters the creation of international public goods for universal benefit. Therefore, as pointed by the System Review, it is likely that public sector sources, particularly ODA, will be the primary source of CGIAR funding for the foreseeable future. Nonetheless, CGIAR must diversify its funding sources by attracting "non-traditional" including private sector sources and expanding the financial participation of developing countries. This is partly in response to the dim prospects for ODA and the heightened competition for the diminishing amounts.

**Process Background**

- The System Review urged the CGIAR to develop a funding strategy with a particular emphasis on private sector financial participation.
- The World Bank has urged the CGIAR to diversify its funding composition.
- The Center Directors Public Awareness and Resources Committee has commissioned a task force to develop a funding strategy. This follows an earlier (1994) joint, centers and the Secretariat, study by external consultants (Downes Ryan International) with fund-raising expertise.
- The CGIAR Finance Committee began an examination of strategic financial issues, including a funding strategy, at its MTM98 meeting leading to a full day discussion at its ICW98 meeting.
- The Winkel report (1994) and subsequently the Lucerne meeting (1995) also encouraged the CGIAR to explore the potential for non-ODA funding.

**Objective**

Develop a long term funding strategy for the CGIAR, which will ensure adequate funding of its agreed research agenda. The strategy should be consistent with CGIAR mission and goals, responsive to the views of the CGIAR members, opportunistic and pragmatic. It should serve as a guide to fund raising and public awareness activities of the CGIAR and its centers. The strategy should cover CGIAR approaches for ODA sources, non-ODA public sources including industrialized country NARS, developing countries, international institutions, foundations and the private sector (possibly as a philanthropist). The strategy should provide a road map for mobilizing resources of the order of \$[400] million annually by outlining opportunities, options and steps.

## Key Considerations

### Public Sector

- Maintaining the financial support of the traditional donors must be given the highest priority. This requires continuing public awareness efforts and constituency building activities that are tailored to each country. Reinforcing public sector support also means that CGIAR's traditional strengths of high productivity; demonstrated impact and cost effectiveness must be maintained and, as well, publicized. Although the traditional ODA sources may have reached their limits, opportunities exist for CGIAR to tap non-agriculture foreign aid sources and other public sources including national agricultural budgets. However, funding of this type is targeted/restricted requiring centers to become efficient in managing the necessary administrative arrangements including full cost recovery.
- Increasing financial participation in the system by the developing countries should continue to be a key priority, as this is an important signal for demonstrated co-ownership of the system by the South in addition to its positive financial impact.

### Private Sector

CGIAR's engagement with the private sector is at three levels: as a client of CGIAR products facilitating their dissemination, as a provider of new techniques and tools (a new role), and as a philanthropist.

- Financial aspects of the first two levels should be dealt with by the centers because of their existing relationships with private sector partners.
- Philanthropy should be managed at the system level. The corporate private sector so far has not shown much interest in joining the CGIAR as a member. It is possible, however, that some of the relevant global actors in private sector e.g. agribusiness, producers of consumer goods etc. may be interested in participating in the CGIAR in view of the long term linkage between their business prosperity and the CGIAR's work. In view of the international public goods nature of the CGIAR, and because any prospective member must share CGIAR' mission and goals, membership may be practical only through a corporate or a CGIAR foundation intermediary.
- CGIAR foundation: The FC commissioned the Secretariat in 1996 to explore possible mechanisms. The procedures to revitalize an existing US based non-profit organization, IFAR, which could serve as the CGIAR foundation, have been completed. The centers have also taken an initiative to convert Future Harvest; the Public Awareness Campaign started in 1997, into a non-profit organization capable to receive tax-exempt charitable contributions. Both instruments may be necessary, the former to create an endowment fund by seeking substantial endowments particularly from high net worth individuals and the latter for seeking charitable contributions in general.

## Proposed Process and Timing

In consultation with relevant participants - CGIAR members including the Finance Committee, Centers, PARC, external experts - a small working group, Chaired by the FC Chair, would oversee the development of the strategy. The composition of the WG is as follows: Three Finance Committee members (Canada, Sweden and World Bank), CDC, CBC, Chair PARC, CGIAR Secretariat. The working group will meet during MTM99 (Thursday May 27 at 4.30 PM) to discuss a concept note being prepared by John Riggan of the Conservation Company. A final product is aimed for discussion at ICW99.

The Finance Committee would spearhead the implementation of the strategy with active participation by centers and external experts.

## (ii) Financing Guidelines

The Finance Committee proposes adoption of four guidelines proposed by the System Review (SR) to improve the predictability and stability of flow of funds to the centers. The FC considers the following items as preconditions for implementing the measures:

- **A project-based approach** introduced in 1996 further strengthened by the introduction, at ICW98, of a logical framework for CGIAR planning. With these tools in place, there are good prospects for meeting most members' accountability needs without additional specialized reporting. This is particularly important as the trend towards increased scrutiny of all public funding including development assistance budgets is likely to continue. The FC fully supports the SR observation that transparency in financial planning, implementation and accountability has been significantly enhanced in the past several years. Hence, CGIAR's implementation of a *project-based logical framework for its planning, implementation, monitoring and impact evaluation is an essential component of a new financial system.*
- **Resource allocation:** The FC supports the continuation of the agenda matrix, supplemented with project based reporting, as a tool for resource allocation. It intends to keep a watching brief to ensure that the matrix does not induce members to restrict their funding and that the reporting does not become a straight jacket for the center scientists. The FC agrees with the Review that CGIAR should not follow a free market model. It is satisfied with the current "guided market" approach. I.e. Group/Finance Committee action when severe mismatches between approvals and actual funding are identified in the center financing plans which are based on individual member indications. Hence, CGIAR's *resource allocation processes should ensure a balance between donor sovereignty (individual member financing choices) and collective decisions (full financing of the research agenda agreed upon by the Group as a whole).*

### Guidelines for Members

- **Multi-year Commitments:**

*Proposition: CGIAR members should strive to provide multiyear funding commitments.*

Good progress has been made in achieving predictability and stability of funding since the 1995 Lucerne meeting which asked members to commit CGIAR support on a multi-year basis. Several members (Italy, Netherlands, Switzerland, Sweden, and United Kingdom) now provide multi-year commitments. The likely stability of the post-System Review CGIAR increases the likelihood of additional multi-year commitments. Targeted or restricted funding which accounts for about 40% of total funding is often committed on a multi-year basis. The Finance Committee notes some members such as Japan (or the United States) cannot make formal commitments for periods longer than their own annual budgetary approvals.

- **Unrestricted Funding:**

*Proposition: Each center should receive about half of its funding without any restrictions.*

The FC agrees with the "rule of thumb" proposed by the SR to provide each center with about half its funding without any restrictions. Good progress has been made towards this as noted at ICW98. The composition of 1999 funding for the majority (thirteen) of the centers is already consistent this criteria. (Exceptions are ICRAF: 40%, ICARDA: 44% and IFPRI: 47%).

- **Disbursement of Funds:**

*Proposition: Members should ensure timely disbursement of funds.*

The FC has brought to the attention of the membership, at every meeting, the severe hardship and opportunity costs (about \$5-8 million p.a.) faced by the centers due to late disbursements. Progress on this issue is essential.

- **Recovery of Indirect Costs:**

*Proposition: Members agree to cover indirect costs in project funding. Centers will ensure implementation of financial systems which facilitate transparent cost accounting*

The centers and the Secretariat have initiated a study to implement measures for full cost recovery of indirect costs. The study will clarify criteria for definition of indirect costs in context of CGIAR's project approach and facilitate covering full operational costs of projects from targeted funding. Full implementation may require retooling of center financial systems in some instances to correctly capture the relevant costs. Nonetheless, it is essential that the CGIAR move as expeditiously as possible to cost recovery with full support of the membership.

**(iii) Structures/Mechanisms for CGIAR's Public Awareness and Constituency Building Program**

The System Review recommended that the CGIAR set up a central Media and Communications Unit to provide media with useful materials and information on a sustained basis. At the Consultative Council meeting in January 1999, the Secretariat as well as the Center Directors Committee suggested mechanisms to strengthen and focus the system's public awareness by ensuring clear coordination and professional implementation. The council reaffirmed the need for constituency building and public awareness efforts and noted the contributions being made by the centers, the PAA, PARC, Future Harvest and the Secretariat. It was decided, however, that consideration of an appropriate structure for implementing these activities should be preceded by development of a longer funding strategy for the CGIAR. The CGIAR Finance Committee Chair has launched a program for developing such a strategy as noted earlier. The working group established for this purpose intends to meet during MTM99. Following these discussions, the FC Chair intends to propose to the Group by ICW99, appropriate structures for fund raising, constituency building and public awareness.