



Document No:	MTM/99/16
Distribution:	General
Date:	April 27, 1999

**Mid-Term Meeting 1999
May 24 to 28
Beijing, China**

The Third System Review: From Proposals to Practice

Reports from the CGIAR Private Sector Committee

Attached are the reports of the 10th and 9th meetings of the CGIAR Private Sector Committee.

Please note that the report of the 10th meeting (held March 11-12, 1999 in Germany) includes the Committee's suggestions to the CGIAR regarding its future role *composition and working*

ng procedures (prepared at the request of the CGIAR Consultative Council.) This will be discussed under Agenda Item 3 (c) iv-Proposal by PSC for restructuring committee membership.

The report of the *10th* meeting also includes the outcome of a PSC brainstorm on *CGIAR attributes* of value to the private sector and potential *CGIAR* activities complementing private sector's role

Attached to the report of the 9th meeting are copies of slides prepared by Susan Crip-Jungklaus (from AgrEvo) reflecting her impressions of the CGIAR (as a newcomer to the System) and on factors affecting CGIAR-private sector relations.

REPORT OF THE TENTH MEETING OF THE CGIAR PRIVATE SECTOR COMMITTEE

AgrEvo Conference Center, Hattersheim, Germany

March 11-12, 1999

The CGIAR Private Sector Committee (PSC) held its tenth meeting at the Hoechst Schering AgrEvo GmbH Conference Center in Hattersheim, Germany on March 11-12, 1999 under the chairmanship of Sam Dryden. John Preston, Alejandro Rodriguez Graue, Alberto Rubinstein, and Seizo Sumida were unable to attend. Susan Crisp-Jungklaus (Corporate Development, AgrEvo) attended as Invited Member. Selçuk Özgüzel represented the CGIAR Secretariat and served as Secretary. Don Winkelman (TAC Chair) attended as observer, as did Eva Scholz-Tonga, Suri Sehgal, Johan Carlsen and Manfred Kern (all from AgrEvo).

The committee also interacted informally over dinner on March 11 with Dr. Gerhard Prante (Chairman and CEO of AgrEvo) and Hans-Jörg Timmer (Board Member, Marketing, AgrEvo).

The agenda consisted of the following items:

1. *Opening Session*
2. *System Review Follow-up: IP Management and the Question of a CGIAR Patenting Unit*
3. *Interaction with AgrEvo: AgrEvo Experience with Research Partnerships*
4. *Enhancing CGIAR-Private Sector Cooperation in Genetic Enhancement for Global Food Security*
5. *Future Role, Composition and Working Procedures of PSC*
6. *MTM99*
7. *Other Business*
 - *Gene protection technology (terminator gene)*
8. *Future Meetings*

1. OPENING SESSION

Sam Dryden opened the meeting by thanking AgrEvo for hosting the PSC meeting and to Susan Crisp-jungklaus and Eva Scholz-Tonga for the excellent arrangements. Members adopted the proposed agenda.

Susan Crisp-Jungklaus provided an overview of developments in AgrEvo. This included reference to strategic thinking at AgrEvo, which the members found to be of

significant interest. She began by announcing that Hoechst and Rhone Poulenc are merging to form a new life sciences company called *Aventis*. *Aventis* is expected to be launched after July 1) 1999 with its headquarters in Strassburg, France. The current AgrEvo, will form part of *Aventis Crop Science* with a corporate office based in Lyon.

Crisp-Jungklaus summarized key strategic factors affecting thinking in the industry Highlights of her comments:

- => Technology is the major driving force of changes taking place in the industry at the moment.
- => Most large companies have become global- doing business where markets are (thus the need for global spread).
- => In agricultural markets, more and more farmers are increasingly turning into businessmen, consolidation is moving fast (distributors), with the implication that there is a tenfold reduction in the number of potential customers.
- => The expectation in the industry is that the consolidation taking place now will continue and that an equilibrium will be reached by 2005, with 5-6 major firms left in center stage. Norms of oligopolistic competition will prevail. If an actor such as CGIAR is not an efficient competitor, it will face great difficulty in operating in the market and providing a useful service.
- => AgrEvo spends roughly 13 percent of its earnings on research. This is not sustainable in the long-term. A rate closer to 10 percent is more sustainable. This is a major reason for the consolidations taking place in the industry. (The merging companies will benefit from economies of scale in research.)
- => Over the next 10-20 years AgrEvo, expects 30 percent of its earnings to come from its operations/sales in developing countries.

Selcuk Ozgediz provided an overview of developments in the CGIAR, including the outcome of the International Centers Week- focussing, in particular, on four PSC-related items: status of CGIAR's partnership committees, high-level meeting via private sector CEOs, patenting and central IPR service, and private sector participation in the Global Forum for Agricultural Research.

At the invitation of the Chair, Don Winkelmann provided an overview of developments in TAC. He noted that TAC has been tasked to -develop terms-of-reference for a review of plant breeding in the CGIAR- on which he would welcome counsel from members of the PSC. Winkelmann also outlined TAC's thinking on streamlining CGIAR's evaluation processes and on restructuring TAC's operations. He noted that TAC would hope to capture more systematically the views of individual PSC members on strategic issues facing the CGIAR. In addition, Don Winkelmann walked the PSC members through the argumentation supporting the main linkages between CGIAR activities and goals.

2. SYSTEM REVIEW FOLLOW-UP: IP MANAGEMENT AND THE QUESTION OF A CGIAR PATENTING UNIT

Sam Dryden briefed the PSC on the Consultative Council (CC) meeting and the points he raised on behalf of the PSC. The ensuing discussion foamed primarily on whether the CGIAR needed a single patenting unit, as recommended by the System review.

The consensus view of the PSC is that a purely decentralized approach to patenting is not likely to succeed.

Arguments for a decentralized approach to patenting. Corporations find it necessary to have patent agents working closely with the individual researchers to understand the thrust and status of the research. A decentralized approach would facilitate this.

Arguments for a centralized approach to patenting. Corporations find it essential to have a collective approach to ensure uniformity in patenting policies, principles and practices in keeping with the corporate objectives. This also provides for economies of scale.

Perhaps the starting point for discussion of- patenting options should be deciding what *performance targets* are desired from one's intellectual property (IP). *Management* of IP requires setting such targets and devising policies that will help achieve these targets. A centralized approach would provide the possibility of unified management of IP, including priority setting among products in the pipeline and common approach to gaining access to others, IP.

The PSC noted that all a patent does is stop others from doing something stop others from blocking you. The performance targets for the private sector are usually measured in terms of present and future earnings. For the CGIAR the performance targets could be expressed in terms of keeping IP in the public domain.

Members of the PSC with significant experience with management of IP observed that there is significant value in discussing IP questions in a workshop format. These members expressed their willingness to share their experiences with the CGIAR executives in a properly organized workshop. *PSC suggests that the CGIAR consider organizing a two-day workshop on IP management.* The key audience for this would be the DGs and board chairs of centers involved with IP management, TAC members with expertise on IP, and PSC members and other private sector representatives with significant experience on the subject. Such a workshop would enable learning together and evolving the concepts relevant to the CGIAR through a participatory effort led by an experienced facilitator. If required, the PSC can assist in organizing such a workshop.

The PSC also expressed concern that the IP audits the centers had been asked to conduct at MTM98 in Brasilia have not been completed. It was observed that transgenic crops are being introduced rapidly in the US and in some developing countries. One of the releases of the centers could easily face a litigation if the proper use of IP is in question. This has the potential to seriously damage the reputation of the CGIAR and the concerned NARS. Sam Dryden agreed to communicate the concerns of the PSC to the CGIAR center directors and board chairs.

3. INTERACTION WITH AGREVO: AGREVO EXPERIENCE WITH RESEARCH PARTNERSHIPS

AgrEvo, managers attending the PSC briefed the Committee about AgrEvo's experience with research partnerships, including partnerships with developing country institutions. Highlights:

Susan Crisp-Jungklaus provided a portrait of AgrEvo's business. 1998 sales reached DM 4.1 billion and operating profits DM 310 m. In terms of crop protection sales AgrEvo, ranked 5' globally in 1997 (behind Novartis, Monsanto, Zeneca, and Dupont). The combined AgrEvo-Rhone-Poulenc crop protection sales totalled DM 8.0 billion in 1997, DM 700 m higher than the top-ranked Novartis'.

The plant as bioreactor will be the focal point of Aventis' business, instead of crop protection chemicals. New businesses and products are expected to be based on input and output traits. Chemicals will continue to play a role, but they will have greater precision and will likely be priced higher and will probably maintain their current market value..(already mentioned on page 2).

The crops of current interest to AgrEvo are: cereals (wheat), rice, corn, vegetables, cotton, oilseed rape and in certain regions, soya.

Eva Scholz-Tonga provided examples of AgrEvo, collaboration with public and private sector institutions. These included collaboration with

- => MAD (education and training program for agricultural extension officers from Egypt)
- => FAO (expert consultation meetings on enhancing food production)
- => USAID/CNFA (agribusiness project in the Ukraine)
- => World Bank (creation of trust fund to implement IPM in cotton in Uzbekistan)
- => GTZ (country projects in Brazil and Thailand)
- => National government bodies in Brazil, Malaysia, Thailand, Mexico, India (projects on various crops).

Johan Cardoen provided information on three examples of collaboration between AgrEvo/PGS (Plant Genetic Systems) and public sector institutions. Examples:

- => Embrapa. PGS was involved in a 4-year project (supported by IDB) focussed at *mowing of plants which produce seeds methionine rich proteins*. PGS contributed scientific expertise and trained Embrapa staff. Several patent applications were filed, Exploitation rights were divided according to designated areas of interest.
- => IRRI. PGS and IRRI worked on a 2-year project on the isolation, identification and activities against rice insect pest. Among others, the project involved training of IRRI staff at PGS laboratories. Agreement on exploitation rights was as follows: PGS exclusive rights for industrialized countries and non-exclusive for developing countries; IRRI non-exclusive rights for developing countries.
- => CIP. CIP and PGS worked on a 2-year project on production of transgenic potato clones with resistance against potato tuber moth. The project involved training of CIP

staff at PGS and transfer of technology by PGS. The project was successful in generating insect-proof potato lines in CIP germplasm. The agreement on exploitation rights was same as for IRRI.

Suri Sehgal shared his thinking on *key strategic issues* influencing private-public collaboration. Highlights of his observations:

- => Creating and sharing value. A private firm and a CGLAR center both exist to create value. But the firm aims to recover value for the benefit of the company whereas the CG center has no interest to recover value for the center itself. Instead, the center transfers 100 percent of the value created to the farmer through NARS. The firm also shares value with the farmer, but the ratio is more like 50:50 or 2/3:1/3. Thus, there is significant difference in the mindsets which drive action.
- => Creating interdependence CGIAR-private sector collaboration will increase as the two become more interdependent. The CGIAR can increase interdependence if it can create trading chips (e.g., adapted varieties and/or hybrids, key traits, key technology chips, etc.)
- => Outlook for technology development.
 - PHASE I (present) Focus on **enabling technologies and agronomic traits** (e.g., insect protection, herbicide resistance, hybridization system, etc)
 - PHASE II (mid-term) Focus on output traits (e.g. protein, oil, starch modifications)
Focus on input traits (e.g., disease resistance) Focus on functional
 - PHASE III (long term) Focus on plants as factories for chemicals (e.g., biodegradable plastics, raw materials for chemical and pharmaceutical industry)
- => Technology Flows: Lessons from N. America. In the past there was no reciprocal knowledge flow from the private sector to the public sector. Also, the public sector did not protect technology and attached no strings to technology usage. As a result, it received no compensation from the private sector.

The situation has been changing in North America. According to current trends, a likely future scenario would be as follows:

- reciprocal flow of know-how would be possible through trading of chips
- technology protection will be increasingly and vigorously pursued by the public sector
- technology usage will be on a contract basis (already some experiment stations are "auctioning" to the private sector the inbred varieties they have developed)
- private sector will be willing to pay for the technology from the public sector

Conclusions: The PSC drew the following conclusions for the CGIAR from the discussion of AgrEvo's experience with collaboration with the public sector

1. Market segmentation . The private sector is increasingly interested in the developing country markets and in a wider range of crops now than several years ago. One effect of this would be tighter limits on the CGIAR's freedom to operate- to the extent that the CGIAR would be less interested in markets and commodities that are served by the private sector. The private sector is less interested in working on orphan crops and reaching orphan market segments which are areas of less strategic advantage to the sector. It would be wise for the CGIAR to monitor these developments regularly.
2. Public sector practice . Recent trends in public sector behavior observed in North America suggest that the public sector is increasingly adopting private sector norms, especially regarding IP protection, trading chips, and less strict insistence of making its products/services publicly available. How long more could the CGIAR afford to remain committed to solely to developing international public goods? Would the interests of the CGIAR's target beneficiaries continue to be served best by this strategy?
3. Strategic positioning of the CGIAR. This should start with identifying strengths and weaknesses of the CGIAR. A good starting point is to identify a *of value to* others. This would help define the partnership potential of the CGIAR, in particular, with the private sector

In addition, the CGIAR should be mindful of the changing nature of marketable products in the industry Its strategic thinking should begin to include products defined in **input.output** trait terms— if this is the way the rest of the industry would be defining their products. This change in definitions alone might lead to identification of different avenues for achieving CGIAR goals.

4. ENHANCING CGIAR-PRIVATE SECTOR COOPERATION IN GENETIC ENHANCEMENT FOR GLOBAL FOOD SECURITY

The PSC agreed to limit its discussion to two specific aspects of CGIAR-PS cooperation in genetic enhancement:

- attributes of the MAR that are of value to the PS, and
- activities the CGIAR could undertake that would complement future private sector activities (and, hence, enhance CGIAR-PS cooperation).

CGIAR Attributes of Value to the Private Sector. This followed from the discussion of the themes raised during the AgrEvo presentation which concluded, among others, that the CGIAR should identify its assets that are of high value to others. These would help define the CGIAR's unique competence and comparative -advantage.

Following a lengthy brainstorm, the Committee identified the following as 10 key assets of the CGIAR that are of value to the private sector:

- 1 . positive image
2. scientific expertise in 20-25 crops
3. significant experience in adaptive breeding in developing countries
4. well established crop testing network and experience
5. first-hand knowledge of the world's rural peoples
6. knowledge of developing countries (potential markets for the PS)
7. well established linkages with developing country research and food policy institutions
8. (as a consequence of the above) outstanding confidence and trust of developing countries and their NARS
9. responsible stewardship of new technologies being introduced to developing countries (honest broker role)
10. capacity to help establish policies and standards across developing countries

The PSC suggests that the CGIAR examine its future strategic positioning in the light of lists similar to the above that show the what is most valued by potential partners of the CGIAR. The CGIAR can use these assets as trading chips in forming partnerships with the private sector.

Potential CGIAR activities complementing private sector's role. The PSC continued the identification of valued CGIAR assets further by brainstorming about activities the CGIAR could undertake that, in the PSC's view, would be complementary to the needs and interests of the private sector in developing country markets.

A committee member noted that, in the final analysis, successful agricultural development in developing countries would not be possible without a strong indigenous private sector. This is in the interest of both the international private sector and the CGIAR. As in today's developed countries, in the future much of the breeding work in developing countries would be done by the local private sector. As the local private sector would be closer to the farmer than the CGIAR and/or the public sector NARS, the multinationals would be interested in forming strong links with the local private sector.

The question that is germane for the CGIAR is what role it should/could play in the future that would complement and strengthen these emerging relations. As getting critical products to the farmer quickly is in the interest of both the PS and the CGIAR, there will continue to be strong commonality of goals between the PS and the CGIAR. But, the CGIAR may need to adjust its present portfolio of activities to remain relevant and effective.

The PSC identified the following potential CGIAR activities that would complement the future role of the private sector in developing countries. Wallace Beversdorf led this discussion.

- => *Help resolve biosafety concerns in developing countries.* The CGIAR is well networked and is familiar with local conditions. It can assess the biosafety of foods better than the multinationals and can serve as an honest *broker*. This applies to GMOs as well as other genetic improvements.
- => *Promote and use IP laws.* The CGIAR should advocate having strong IP regimes in developing countries. It should encourage countries to recognize entrepreneurialism. Strong IP regimes would help bring private discoveries to the public domain.
- => *Help ensure regulatory harmonization in developing countries.* One of the important barriers to the movement of germplasm into, from and among the developing countries is differences in regulations. The CGIAR could work towards harmonization of regulations through its policy advice and assistance to developing countries.
- => *Promote utilization of technologies by the farmers when these make economic sense for the poor.* As the CGIAR is interested in the economic well-being of the farmer, when a technology developed by the private sector furthers the farmers' welfare, the CGIAR should promote and facilitate its utilization. This would create a "win-win" situation: the private sector is interested in bringing products to market (with urgency), the CGIAR is interested in bringing relevant technology to the poor (with urgency).
- => *Support the privatization of NARS.* As noted above, a strong indigenous private sector is in the best interest of the developing countries. The CGIAR can help in the strengthening of the private sector research capacities and in orderly transition from a heavily public sector based NARS. This would include assistance in the establishment of cooperatives and associated research bodies.
- => *Develop natural resource management tools to promote people-centered development.* The CGIAR is better equipped to address this than the private sector.

The PSC concluded that the CGIAR should carefully examine the way to winch its current portfolio of activities will have -the largest possible impact on poverty and food security in the light of the likely changes in developing country markets. For example, the CGIAR should seriously question whether it would be wise to be involved at current levels with breeding elite varieties of crops that the private sector is beginning to become heavily invested in. Alternative activities such as those suggested above may generate a larger impact on poverty and food security in developing countries.

5. FUTURE ROLE, COMPOSITION AND WORKING PROCEDURES OF PSC

Sam Dryden provided an overview of the evolution of the PSC since its founding in 1995 and the recommendation of the System Review to dissolve the partnership committees in favor of having three private sector and NGO members, each, in the central board proposed by the Review. He also summarized the discussion of this subject at ICW98 and at the Consultative Council meeting in Brussels. He concluded by noting that the PSC and the NGOC have been asked to forward suggestions to the CGIAR on their future role, composition, and working procedures. They have also been asked to consider reducing the size of each committee.

Dryden stressed that the PSC was formed by the CGIAR to assist in decisionmaking by reflecting private sector perspectives within the CGIAR forum. As the PSC is a creation of the CGIAR, the Committee would be entirely comfortable with the CGIAR introducing changes in the PSCs purpose and composition to fit the system's current needs.

Several views were expressed on the *role* of the committee. One member noted that the PSC should challenge and advise other bodies, including the centers. Another suggested that PSC should identify concrete bottlenecks in CGIAR's operations and help clarify how the private sector can help through partnerships with the CGIAR. A third suggested that the PSC should help bridge the link between transnational and local private sector

Regarding *size and composition* the members agreed that a smaller Committee would be desirable. It was felt that the committee could be more effective if it included in its membership persons from the private sector who are already playing roles in the system (as board members or members of other committees) and are, therefore, familiar with the CGIAR. Perhaps half the membership could come from within the CGIAR and the remainder from the outside.

Regarding *working procedures* it was felt that the Committee should focus its meetings on specific themes. Also, the meetings should not exceed two days and be held in locations that allow members the flexibility to attend. Some meetings should be held via video, voice or e-mail conference..

Two other suggestions were made on working procedures. First, with theme based meetings, it would be possible to invite a few individuals with expertise on that theme (most likely, but not necessarily exclusively, from the private sector) This would enable the small(er) committee to expand its size flexibly depending on the subject under discussion. For example, for a meeting on the theme of public-private sector partnership on agricultural research in Asia a committee of eight members could be expanded to 12 by inviting four experts on this subject to this meeting only.

Second, the PSC would welcome the participation of the center managers and TAC in its meetings as these constitute important audiences of the messages emerging from the Committee. The Committee found the TAC Chair 's participation at this meeting most valuable for its deliberations. The CGIAR's participation through the PSC Secretary has proven to be essential through the first ten meetings of the Committee.

In conclusion, the PSC agreed to make the following *suggestions to the CGIAR* regarding its role, composition and working procedures:

- => The PSC should provide policy advice to the CGIAR based on its members' reflection of private sector views and experiences.
- => The committee's size should be reduced by about one-third, but it should have the facility to invite experts to its theme-based meetings. About half of the Committee's membership should be drawn from private sector members already active in the CGIAR (e.g., boards, committees). The other half should be made up of external private sector managers with international experience and broad policy perspectives on issues germane to the CGIAR.
- => The Committee would hold short (1-2 days), theme-based meetings at convenient locations around the world. In addition to the CGIAR (through the CGIAR Secretariat), TAC and the centers (through 1-2 representatives from CBC and CDC) should be invited to participate in its meetings.

6. MTM99

Selcuk Ozgediz reviewed the MW99 agenda and pointed to items requiring contributions from the PSC. The Committee concluded that the PSC Chair should convey to the CGIAR the thrust of the themes discussed at this meeting.

7. ADDITIONAL MATTERS: GENE PROTECTION TECHNOLOGY (THE "TERMINATOR GENE")

Sam Dryden and Selçuk Özgediz provided an overview of the CGIAR decision at ICW98 on the so-called "terminator technology." The statement adopted by the CGIAR was as follows:

"The International Agricultural research Centers supported by the CGIAR system, which are engaged in breeding new crop varieties for resource poor farmers, will not incorporate into their breeding materials any genetic systems designed to prevent seed germination."

Dryden informed the Committee that several members of the Committee had found the action by the CGIAR premature. Dryden communicated these concerns to the CGIAR Chair in a December 16, 1998 letter in the following terms:

"... the CG statement lends an element of reality and legitimacy to a hypothetical issue that is being misused for political purposes by foes of biotechnology. ... (G)ene protection technology is only a concept and not a reality. As such, it is an area of exploration by

several research groups not limited to the private sector. This research has broad focus not limited to its use in the protection of other proprietary technologies. To prejudge either the applicability of resulting technologies, or the appropriateness of its use, is to prescribe the research results as well as the trialing and testing of any products. The PSC feels that statements regarding early stage research are more appropriate to the scientific fora than the political.

"More concerning to the PSC is the political process leading to the CG policy statements on gene protection technology. It is entirely in the CG's right to make these policy statements without consultation but it negates the purpose of a "partnership" interaction with the private sector. This is the second time the CG has issued such a statement without consulting its PSC..."

In response, Mr. Serageldin agreed that "in matters of such universal interest and significance, decisions should be preceded by the broadest possible consultation within the system."

Bernard Auxenfans briefed the Committee about his company's intentions on this issue, including the commissioning of an independent, international review of the potential utility of the technology.

After a lengthy discussion, the PSC concluded that, in the future, the CGIAR should conduct a factual analysis and adequate consultation within its own constituencies before taking a policy position on such issues. The majority of the Committee agreed to disagree with the position taken by the CGIAR.

8. FUTURE MEETINGS

The PSC decided to leave the options open for its future meetings pending the decisions of the CGIAR at MIM99. The Chair and Secretary will inform the Committee of the changes in composition, following dialogue with the CGIAR Chair and major stakeholders. The PSC Chair will interact with the center directors regarding (1) the urgency of completing the IP audits; and (2) the PSC suggestion for a workshop on IP management.

The members were invited to suggest themes for future PSC meetings. One theme that emerged from the discussion was: *private sector-CGIAR cooperation for enhanced germplasm.*

REPORT OF THE NINTH MEETING OF THE CGIAR PRIVATE SECTOR COMMITTEE

World Bank Office, Paris, France

October 1- 2, 1998

The CGLAR Private Sector Committee (PSC) held its ninth meeting at the World Bank's Paris office from 1-2 October, 1998 under the chairmanship of Sam Dryden. Attending were Assia Alaoui, Pramod K. Agrawal, Carol Amaratunga, Wallace Beversdorf, Mohammed Adel El-Ghandour, Dinguri Nick Mwaniki, John Preston, and Seizo Sumida. Participating by video were Selçuk Özgediz and Bernard Auxenfans. Susan Crisp-Jungklaus of AgrEvo and Vonnie Estes of Emergent Genetics attended as observers. Serving as resource persons were Geoff Hawtin of IPGRI and Mahendra Shah of the System Review. Unable to attend were Alejandro Rodriguez-Graue and Alberto Rubinstein.

The agenda consisted of the following items:

1. *CGLAR Intellectual Property Rights and Biotechnology Policies*
2. *CGLAR System Review*
3. *Strengthening Research Partnerships*
4. *Additional Matters, including:*
 - *Private Sector Committee contributions to International Centers Week*
 - *Membership Issues*
 - *Future Meetings*

1. CGIAR INTELLECTUAL PROPERTY RIGHTS AND BIOTECHNOLOGY POLICIES

Geoff Hawtin presented an overview of the evolution of intellectual property rights (IPR) and biotechnology issues in the CGIAR. He noted that during the first twenty years of its history, the CGIAR placed the emphasis on collection and conservation of germplasm. The CGIAR served as promoter of biodiversity by collecting germplasm from around the world, countering fears that biodiversity was being lost. The collected material, which had heavy crop focus, was made available globally as a public good.

Now the countries of origin of the germplasm are claiming ownership over this material and seeking compensation for its use. This affects the CGIAR because the CGIAR serves as intermediary between countries and institutions in the flow of germplasm. It is interesting to note that IPR and biotechnology were not among the issues covered in the CGIAR's 1989 statement on genetic resources policy.

The evolution of the genetic resource technologies has brought to the fore the importance of genetic components of plant germplasm. Perhaps in the future collection and conservation efforts would focus on genes and gene sequences that foster individual crop traits.

Geoff Hawtin then provided an overview of the CGIAR discussions at the *CGIAR Mid-term Meeting* held in Brasilia. He noted that the CGIAR Chair asked the centers to prepare a set of materials on IPR and biotechnology issues for discussion by the CGIAR. These included:

- 1) A statement on ethical principles related to genetic resources
- 2) Guiding principles on IPR and genetic resources
- 3) Germplasm acquisition agreement for material intended for designation
- 4) Material Transfer Agreements (MTAs) for Designated Germplasm
- 5) Statement on the steps the centers will take when they believe that a MTA may have been violated
- 6) Statement on principles involving center interaction with the private sector and others on proprietary technology
- 7) Centers' position statement on biotechnology, emphasizing biotechnology as a means of achieving sustainable food production and combating poverty and hunger.'

Mr. Hawtin then reviewed the progress in the preparation of these statements. He identified the following as key issues the centers were trying to address:

=> Germplasm collections: defining a set of clear guidelines on what should be designated under -agreements of the centers with FAO

=> How to de-designate a collection

=> MTAs: should they cover the material as received- not derivatives? Should the CGIAR continue to use the software model?

=> What should be the unit of measure in defining germplasm (traits?)

=> Other issues: IP audits of the centers; obtaining a clean bill of health re: material distributed by the centers.

The rest of the discussion focussed on the *concerns* of the PSC about the position taken by the CGIAR on IPR and biotechnology. The following were among the issues raised:

=> In case of violations of MTAs the CGIAR has very little potential for legal recourse. At the moment its approach is 90 percent political and 10 percent legal. Finding and following up violations will require significant amount of resources- which the CGIAR does not have.

=> Definition of genetic resources is critical. The CGIAR needs to come to agreement on the unit of measure that should be used.

=> The CGIAR should define clearly the rights and responsibilities of the parties involved in a germplasm transaction. The private sector would like to know what obligations it has when it transacts business with a CGIAR center. The private sector's interest is simple: it would like to know what the rules are when it engages into a transaction with the CGIAR.

=> The CGIAR should continually examine its boundaries, as the private sector's interest and involvement with developing country markets is changing rapidly. It would be helpful to discuss what the parties could do when there is overlap between the work of the CGIAR and the private sector.

The PSC thanked Geoff Hawtin for a most informative presentation and participating in a stimulating discussion.

2. THE CGIAR SYSTEM REVIEW

The PSC had been provided with copies of the executive summary of the draft System Review Report. It discussed the recommendations of the review internally and (via video linkages) with Messrs. Mahendra Shah (in New York), Bernard Auxenfans (in St. Louis) and Selcuk Ozgediz (in Washington, D.C.).

The outcome of this discussion was communicated to the CGIAR by Sam Dryden. The following is the full text of the views expressed by the PSC on the draft report of the CGIAR System review:

The CGIAR Private Sector Committee (PSC) applauds the System-wide Review Committee for the completion of its difficult and important task. We recognize the difficulty of this effort in attempting to review a system that must be -responsive to many diverse stakeholders and external political -realities. The PSC also notes the importance of this initiative given the recent changes which are affecting the whole of the international -research system a liberalized global trading environment,, an accelerated technological push in agriculture which is being largely driven by the biotechnology "revolution"/ an increasing trend towards privatization of agricultural research and the continuing requirements to address the needs of the poor in the face of escalating population pressures and a diminishing natural resource base.

As a committee that has been established to articulate the position and interests of the agribusiness sector,, the PSC has the somewhat easier task of examining the results of this review within the context of a More narrowly focused framework. In that context, we have taken the opportunity to comment on the System Review's results, with the ultimate hope of identifying or clarifying those issues which may pose concerns for agribusiness or which may offer opportunities for a more effective collaboration between the CC IAR and the private sector. To elucidate our position,, we have posed the following topics raised by the report and have provided comments that reflect our perspective and interests.

Importance of Private Sector-CCIAR Collaboration

In commenting on this report, we believe it is important to -restate our interest in the process and in the. CC IAR system at large. Currently, the private sector is a major sponsor of research in agriculture and agricultural systems. The research is both applied and basic in nature, as exemplified by the recent sizable investments of companies in the area of genomics and sustainable development. The contributions of the private sector to the contemporary agricultural research system are significant. Furthermore, recent trends, resulting in an unprecedented consolidation of the industry, will insure that the significant resources of the private sector continue to be a major force in scientific discovery.

With the expanding -role of agribusiness in international research comes an increasing recognition of the need to sustainably address issues of global food security in a manner which complements the efforts of other institutions/ such as the academic and government -research institutions and the multi-lateral entities,, such as the CC IAR. In short, we are a major part of the system and, as a -result/ must recognize our likely impact and work to insure that the system/ as a whole/ operates in a manner which is efficient and productive.

Mechanisms for Collaboration

This will require a coordinated effort among -research organizations which addresses both technical (or functional) -roles as well as a coordination in policy areas which may ultimately impact the operating efficiency of the entire international agricultural research system.

From a technical perspective, the PSC recognizes the need to expand dialogue between the Private Sector the CGIAR in order to better understand -respective missions/ strengths and markets. This is particularly true for the "newer" technology areas/ such as biotechnology, where the private sector -retains a distinct advantage in terms of resources and scientific progress. Continuing advances in biotechnology, which have greatly accelerated variety development and value creation, are resulting in expanded areas of research and product focus for the private sector with the result that previously untapped Or unexplored markets are becoming More attractive. Respective market analysis is required to fully articulate and rationalize areas of potential collaboration between the CGIAR and agribusiness research entities. Thus, in our view, a re-examination of the CGIAR's targeted market is critical to eliminate duplication of effort and to re-direct financial resources to those areas of research or crops which are unlikely to be the focus of commercial concerns. This should ultimately ensure better access to needed technologies.

With respect to policy considerations, the PSC recognizes the difficulty the CGIAR system faces, as a result of its diverse base of stakeholders, especially in those areas that are controversial, such as the development of an intellectual Property rights policy. However, it is imperative that the system outline an operational framework which will eliminate the areas of policy ambiguity which currently plague the system and prevent more effective collaboration with the private Sector. In our view/ a more active approach, rather than passive, is required if the system is to retain its

scientific relevance in the face of a complex array of factors which are currently driving international agricultural research.

Currently, the review does not address the CGIAR's responsibility to advocate policy positions that directly impact its ability to successfully implement its mandate. For example, if the system recognizes an important role for biotechnology research in .sustainable food production/ it should develop system-wide positions on key policy areas that ultimately control the delivery of biotech-research products to those likely to benefit. The CGIAR system should articulate a clear viewpoint and operational stance an controversial are" to avoid further marsinalization of its efforts on behalf of the poor.

Definitional Clarity to Ensure Collaboration

In order to optimize, collaboration between the. CGIAR and the private sector, definitional clarity on key areas is required to promote a common understanding of mission and activities. Areas that require clear and concise nomenclature are as follows:

authority- who has it? where does authority reside within the CGIAR to negotiate on are" of functional significance? for policy concerns? for legal considerations?

rights and responsibilities - should be defined for intellectual property; for product liability; for product stewardship *market segmentation* - who does what? on what? and where?

agricultural extension - what should Id the CGIAR assume? to what extent can i t advocate on behalf of National Agricultural Research Systems (NAILS)? where can it leverage the resources of the private sector in the research to product to distribution continuum?

Creation of a Central Legal/Policy Body

The PSC supports any governance Structure that clearly outlines Or defines an operational structure for setting policy and for negotiating agreements in an efficient and consistent manner. We could envision a system that allows for negotiating flexibility at the technical level but would identify a more centralized body for those areas that define operation of the System at large. At a minimum, points of contact and resources should be clearly defined and obvious to those in the private sector who may have an interest in collaborating with the System.

Technical Focus of the CGIAR - Relevance and Priority Setting

In our view, the -report falls short of -recommendations that address the current relevance of the system's crop and research focus to address global food security into the coming century. Stated goals (frontier science, capacity building, natural resource management and downstream development) are overly broad and ambitious/ especially given current and projected financial -resources. The PSC would strongly -recommend some form of System-wide technical priority setting which is consistent with (as previously stated) market segmentation,, intra- and inter-Center comparative advantage and crop mandate -relevance in the context of a more liberalized system for global trade in agricultural commodities and products.

Focus on Africa

In line with the preceding point/ the continual problems plaguing food security in Africa -require more directed attention. A geographical examination of effort and funds should be considered with respect to Africa. The CGIAR should consider its -role with -respect to Africa in consideration of the activities of other bi- and multi-lateral efforts. To what extent has the system considered its role

from a leadership vs. implementation position? Does it have a comparative advantage where Africa is concerned and, if so/ does that advantage exist in the ability to focus on needed research for Africa., on a knowledge of socio-economic conditions driving agricultural productivity in Africa., or in the area of natural resource systems management? To what extent can the System leverage its comparative advantage with the expertise resident in the private sector to a [era agricultural transformation in Africa? A task force composed of various stakeholders could be considered to address the unique problems of food security in Africa.

Private Sector Membership in the CGIAR

The PSC believes that it is unrealistic to expect that the private sector will pay for membership in the CGIAR system and that such an expectation implies a necessary dependence on the system which may not be rational in the current political climate. One of the strengths of the private sector lies in the creation of value and an ability to leverage this capability to attract other entities which create value. To the extent that this situation exists within the CGIAR, it would be reasonable to expect limited situations where the private sector would (and currently does) provide financial or in-kind resources in exchange for a perceived value contribution of the system.

3. STRENGTHENING RESEARCH PARTNERSHIPS

Selcuk Ozgediz provided a progress report on the desk study on partnerships and networks being conducted at the Secretariat. He made three observations based on the recent literature:

- => Partnership could be seen as a point in a scale reflecting degree of collaboration. At one end of the scale would be cursory, arms-length relationships, showing only marginal cooperation. At the other end would be close-knit, highly cooperative relationships that could be called "partnerships." Other types of cooperation (e.g., strategic alliances, distribution networks, etc) would fall between these two extremes in terms of degree of cooperation. Understanding the factors that motivate an organization to cooperate closely with another would be useful.
- => It is useful to distinguish inter-organizational relationships between organizations from those between individuals. Most exchanges of scientific knowledge take place between individuals in different organizations. The incentive structures within an organization could, therefore, facilitate (or hinder) exchange of scientific knowledge.
- => Each research organization is in varying degrees of partnership with many other organizations. As such, it faces a "portfolio management" dilemma. One could adopt different strategies for managing collaborative relations. A strategy suitable for the circumstances of one organization may be quite different from that most suited for another. The *management* of partnerships, therefore, is an area that requires careful study.

4. ADDITIONAL MATTERS

Then Committee discussed the contributions it would like to make to the International Centers Week. It agreed that the PSC would be represented by its Chair and Vice-Chair and that other members would be encouraged to attend on their own.

The Committee delayed discussion of rotation in membership pending the outcome of the System Review recommendations on partnership committees. The dates of the next PSC meeting, if any, would depend on the CGIAR's decisions on the broader issue. The PSC Chair and Secretary would contact the membership about suitable dates.

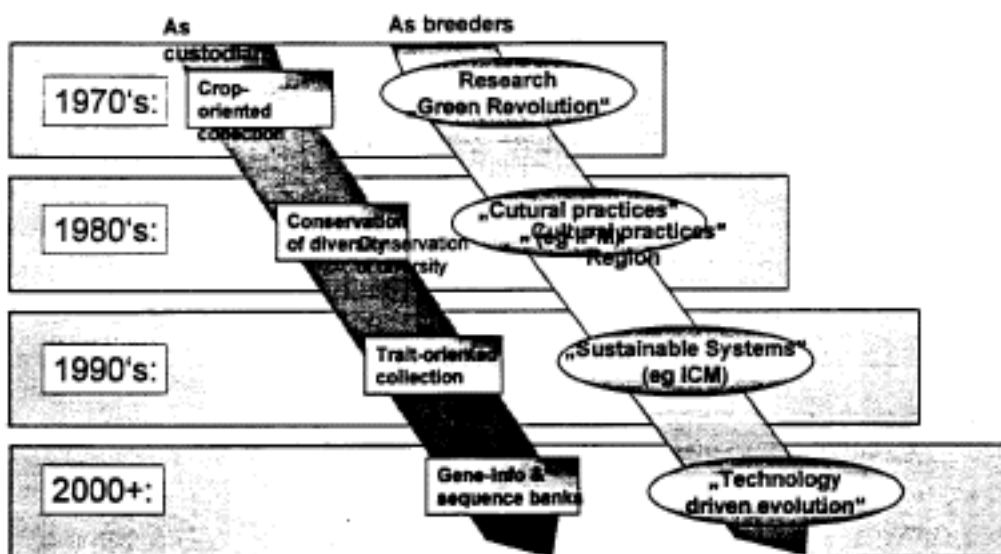
Sam Dryden invited Susan Crisp-Jungklaus, the newest addition to the PSC, to share her thinking on the CGIAR and its partnership with the private sector. She presented the committee with ideas on the CGIAR's problematique from the perspective of someone new to the System. Following the meeting she compiled these thoughts into a slide presentation. A copy of her slides are attached for information.

ATTACHMENT

REFLECTIONS ON THE CGIAR
AND ITS RELATIONSHIP WITH THE PRIVATE SECTOR

Slide Presentation by Susan Crisp-Jungklaus

Evolution of Roles of CGIAR



3

22/06/2004 10:00:00 AM

CGIAR- Commentary on System

Review

- Why collaborate with partners? Why with the Private Sector?
- Over reaching goals (frontier-science, capacity building, natural resource management, downstream development)
- Reduced funding
- Focus
- Application of technology to market segment
- Role as "protectors" of market segment
- Mechanism for accessing proprietary technology
- Cost of access

4

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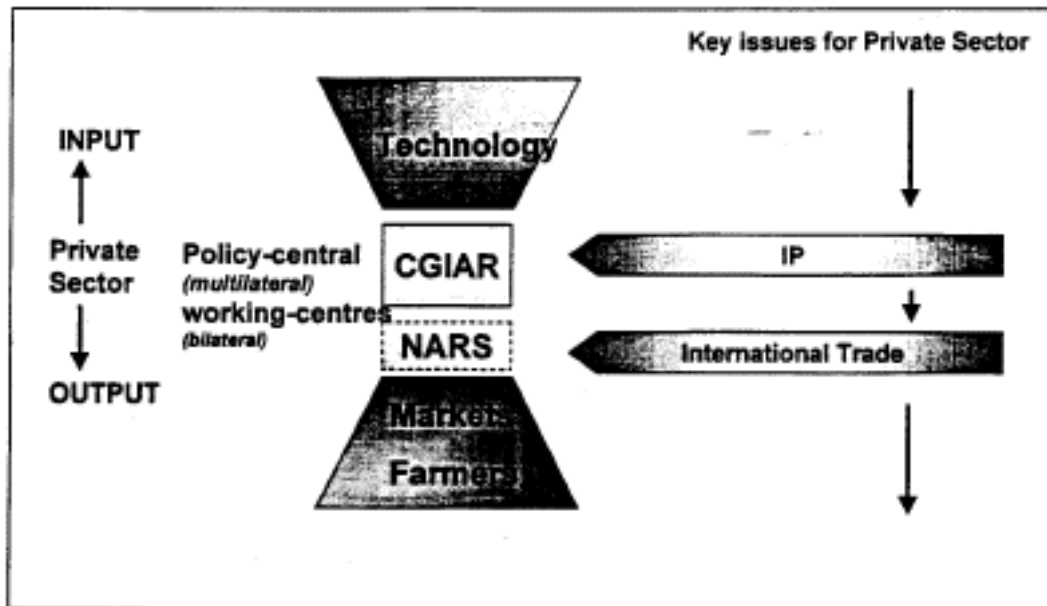
CGIAR- Other comments

- Unrealistic to ask PS to pay for membership
 - PS Customers } pay for value → CGIAR has to show Private Sector value of cooperation
 - Donations are charitable
 - Set up Foundation?
- Categorisation of NARS
 - Advanced
 - Intermediate
 - Developing
- Sub-Saharan Africa
 - Focus - Research?
 - Coordination with other Agencies essential!
 - Is it part CG-Charter?
 - ↳ Lead or participate

CGIAR & the Private Sector

- Why does CGIAR need to partner with Private Sector?
 - ↳ Globally - governance?
 - ↳ Locally - centres?
- On what basis should cooperation be founded?
 - ↳ Mutual advantage?
 - ↳ Advice/consultation /alibi function?
 - ↳ Exchange of science, germplasm and technology?
- Trust & team-building - how?
 - ↳ Principles of cooperation
 - ↳ Rights & responsibilities of partners

CGIAR - interrelationships



CGIAR - Partnerships

↳ Need to define different bodies with whom one wants to achieve what eg Private Sector (PS)

