

Contribution to WG4 / CGIAR Change Management

**Comparing the CGIAR's financial practices to
those of a few close peers**

Munich, July 4, 2008

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Dear Rob, dear Marlene, dear WG4 members,

As discussed during the Working Group 4 (WG4) telephone conference on June 19, it is my pleasure to provide you with the benchmarking paper that compares the CGIAR along a set of predefined dimensions with CIRAD, IFAD, the GEF and Pioneer Hi-Bred, Inc.

As discussed during that telephone conference, this report aims at identifying concrete improvement potential of the CGIAR's current financial practices rather than assessing options for fundamental change of the whole system. This, however, does not imply that such more fundamental change is not an option; it is just not looked at in this report.

This report is based on a desk study of documents the author received from the benchmarking organizations (and downloaded from the internet) and a total of 10 interviews the author conducted and 4 responses he received on an online survey that was sent out. This report therefore does not represent a detailed benchmarking, but rather a quick glance at a few of the CGIAR's peers with the intention of generating some food for thought. The author would like to encourage WG4 members to keep these limitations in mind when reading and drawing conclusions from this report. A draft version of this report has been sent to all benchmarking organizations and the CGIAR and their feedback has been incorporated into this version.

Please do not hesitate to contact me for questions, more details or any feedback you might have. I can most easily be reached at +49 177 7815 204 or markus@devstrat.org. I am looking forward to hearing back from you.

Best regards,



(Markus Palenberg)

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1. Introduction

1.1. Change Management and CGIAR reform

The CGIAR can look back on a tremendously successful past and is considered one, if not the principal, architect of the green revolution. As an evolving organism, the CGIAR has also seen a succession of change and reform initiatives that have however not been able to entirely solve some of the fundamental issues the CGIAR faces, such as stagnating overall funding, declining unrestricted funding leading to cost recovery problems at the center level, and implementation issues with its broad strategic agenda due to the absence of a central budget allocation mechanism.

In the opinion of the author of this paper, most of these issues can, to some extent, be traced back to the CGIAR's rather unique setup as an "informal association", or "a loosely connected network of several components"¹ without legal entity and with limited implementation authority. Basically, the CGIAR consists of 15 Research Centers and 4 (several more are under negotiation) Challenge Programs that enjoy a high degree of independence. Because of this strategic, financial and legal autonomy at the Center and Challenge Program level, any top-down, central approach to implementation of a harmonized overall strategy, e.g. through a central budgeting mechanism as in most International Finance Institutions (IFIs), quite naturally faces difficulties. The CGIAR is a *Consultative Group on International Agricultural Research*, not an *International Agricultural Research Agency*. With these observations in mind, attempts to reform the CGIAR can be grouped into reform attempts that stay "inside the box", i.e. propose operational and process optimizations and do not attempt to change the CGIAR's fundamental setup, and such that lie "outside the box", i.e. include reforming the setup of the CGIAR itself. To the knowledge of the author of this paper, most reform attempts until now have been of the first kind.

Currently, several activities geared towards identifying improvement potential for the CGIAR are ongoing. On the one hand, an independent external evaluation of the entire CGIAR has started in 2007. Currently, the evaluation team is synthesizing findings and will produce an evaluation report soon. In parallel, the CGIAR members have initiated a change management process that essentially looks at the same set of issues.

In one of the working groups in the change management process (Working Group 4 on Funding Mechanisms), this paper is placed. While the mandate of Working Group 4 covers both "inside the box" and "outside the box" considerations for CGIAR reform, this paper is focused on changes that can be applied to the status quo rather than inventing a whole new CGIAR.

¹ Cited from the CGIAR charter.

The principal idea was to conduct a quick benchmarking of the CGIAR with a few organizations that might reveal additional or deeper insights on potential reform options for the CGIAR. Although the benchmarking itself is restricted to comparing finance-related practices among the chosen organizations, conclusions drawn will be broader, mostly due to the intimate connection of the CGIAR's structural setup to the issues it currently faces, as has been pointed out before.

1.2. Benchmarking approach

The benchmarking presented in this report was conducted as a *collaborative benchmarking* and is largely based on an outside-in analysis of the selected organizations. This outside-in analysis is complemented by interviews with selected professionals working in these institutions as well as through responses received on a small online survey. See appendix A for a contact list.

The selection of benchmarking organizations started with a list of 24 benchmarking candidates that was based on suggestions from WG4 members and from the CGIAR External Review team and on the organizations discussed in WG3 and in a recent paper² by Inge Kaul.

As a first step, these organizations, and the CGIAR, were roughly assessed along the following criteria

1. General information;
2. Comparability to CGIAR;
3. Access to the organization.

For each point, information was collected and/or estimates were made by the author. The results of this rough outside-in appraisal can be found in appendix B.

Based on this assessment, the benchmarking organizations were chosen. It would be exaggerated to say that a stringent logic was used for this selection. The terms of reference for this assignment remain rather broad³, similar to the list of benchmarking questions that was compiled with the working group (see appendix C). In this sense, the direction of the benchmarking remained somewhat open and it was hoped that some insights with potential for the CGIAR might surface as a result. Since most probably no single institution would be comparable to the CGIAR in all dimensions of interest, benchmarking organizations were selected during the WG4 *jour fixe* of June 19 for their potential as benchmarks in specific areas of interest. Roughly speaking, the rationales for the selection of the present 4 benchmarking organizations were as shown in table 1.

² Taking a Hint from Peers: Drawing Reform-Lessons for CGIAR from the Structure and Functioning of Other International-Cooperation Mechanisms Geared to Meeting Global Challenges, Inge Kaul, 2008.

³ "A strategic analysis and presentation of funding mechanisms of several international organizations comparable to the CGIAR".

Table 1. Rationale for selection of the benchmarking organizations.

Benchmarking organization	Main point of interest
CIRAD	Research center structure, cost recovery for grant-based budget of CIRAD
GEF	Multi-Donor financing (fundraising), fund allocation
IFAD	Multi-Donor financing (fundraising), fund allocation
Pioneer Hi-Bred	Center structure, portfolio-based fund allocation, cost recovery

The list of benchmarking questions that was compiled by the author and the working group can be grouped into several categories:

1. Legal status
2. Governance
3. Accountability and results
4. Funding practices
5. Cost recovery practices and policy
6. Fund allocation processes
7. Path of money through the system and throughput fees
8. Audit and evaluation requirements and processes
9. Lessons learnt from past experience

Each of these sections contains several concrete benchmarking questions. The full list of 46 benchmarking questions is appended to this report (appendix C).

In what follows, a short introduction is given for the selected benchmarking organizations. After that, the benchmarking organizations are compared along the areas listed above. The results have been rearranged, i.e. some areas are presented together with others for better understanding. The paper closes with some observations made by the author.

2. Benchmarking results

2.1. Short description of the selected benchmarking organizations

CIRAD, the *French Agricultural Research Centre for International Development*⁴ is one of France's largest agricultural research institutions with major sites close to Montpellier and Paris and presence in more than 50 countries worldwide. CIRAD's 2007 budget is about 300 million USD⁵ and the organization itself employs about 1,800 staff.

The GEF, the *Global Environment Facility*, is a Financial Instrument hosted by the World Bank in Washington DC, USA. It allocates about 700-800 million USD in grants annually that help developing countries fund projects and programs that protect the global environment, including implementation of four international environmental conventions⁶. The GEF employs about 65 people⁷.

IFAD, the *International Fund for Agricultural Development*, is an International Finance Institution (and a United Nations specialized agency) headquartered in Rome, Italy. With its loan programs it finances agricultural development projects primarily for food production in developing countries and disburses grants for agricultural research and capacity building. In 2006, IFAD approved more than 500 million USD worth of loans and more than 40 million USD worth of grants (in 2007, total loan and grant approval grew to almost 600 million USD). IFAD currently employs a staff of close to 500.

Pioneer Hi-Bred, Inc. is a private sector corporation headquartered in Johnston, Iowa, USA. Since 1999 it belongs to the DuPont Corporation. Being the first company to market hybrid seeds, Pioneer considers itself the world's leading developer and supplier of advanced plant genetics to farmers worldwide. Pioneer reported sales exceeding 1 billion USD in 70 countries outside of the USA in 2006.

The CGIAR, the Consultative Group on International Agricultural Research, is a strategic alliance of 64 members, partners and international agricultural centers that mobilizes science to benefit the poor⁸. It implements its work agenda through 15 international Research Centers and 4 Challenge Programs. In 2007, actual CGIAR revenue amounted to 520 million USD, consisting of 495 million USD in member contributions and 25 million USD in other revenue.

⁴ Centre de coopération internationale en recherche agronomique pour le développement.

⁵ Calculated from 193,700 EUR and exchange rate of 1.55 USD to the EUR.

⁶ The Convention on Biological Diversity ; The United Nations Framework Convention on Climate Change; The United Nations Convention to Combat Desertification ; The Stockholm Convention on Persistent Organic Pollutants.

⁷ About 55 staff positions in the Secretariat and about 10 in the Evaluation Office.

⁸ Cited from the CGIAR website, visited on July 1, 2008.

2.2. Benchmarking results

In the following sections, the main benchmarking results are summarized. This is based on a screening of the benchmarking organizations and the CGIAR along the list of benchmarking questions that can be found in appendix C. The screening is based on the study of available documents, results of a small online survey done for this report and interviews conducted by the author.

2.2.1. Legal status

A particular feature of the CGIAR is that it does not have a legal entity of its own, but consists of 15 Centers (all registered as 501(c)(3) US non-profit entities, plus recognized as international organizations in their headquarters' host countries) and of 4 Challenge Programs that have no legal entity on their own, but “borrow” the legal entity from their host centers (CGIAR Centers or other institutions).

The only other organization in this benchmarking without legal entity is the GEF. The GEF is a *Financial Instrument* and “borrows” its legal entity where needed. Regarding financial operations, it derives its legal entity through being a trust fund held by the World Bank. Its Secretariat is legally and logistically hosted in the World Bank (i.e. employment contracts are with the World Bank). Regarding legal grant agreements, its 3 implementing and 7 executing agencies enter into legal agreements with the recipient countries.

In contrast, all other benchmarking organizations are legal entities.

IFAD is based on an international treaty and is a *specialized UN agency (an International Finance Organization)* and in this sense a *sui generis* entity. IFAD relies on the services of cooperating institutions that are not only legally independent but also surpass it considerably in size.

CIRAD has a special legal status in France and is incorporated as a *établissement public à caractère industriel et commercial*, i.e. a public entity with commercial and industrial character as, for example, France's public railway company SNCF. CIRAD has been formed by the successive fusion of individual research institutes and now is one legal entity without legally autonomous building blocks.

Pioneer Hi-Bred is a for-profit corporation registered in the US, and is in ownership of DuPont since 1999, also a company registered in the US. Although Pioneer Hi-Bred does have research centers, they are part of the corporation and do not have an independent legal entity.

2.2.2. Governance

The GEF, IFAD and the CGIAR are rather similar in governance structure, but rather different concerning the specific tasks and (e.g. budgeting) authority of their principal governance bodies.

Table 2 gives an overview over the public benchmarking organizations and the CGIAR.

Table 2. Principal governance bodies of the GEF, IFAD, CIRAD and the CGIAR

General description of governance body	The GEF	IFAD	CIRAD	The CGIAR
“Assembly”	GEF Assembly, all 177 member states, meets every 3-4 years	Governing Council, all 165 member states, meets annually	Administrative Council, 17 institutional and staff representatives (plus secretary)	AGM, 64 independent public and private sector members, meets annually
“Executive Board”	GEF Council, 32 Members, meets semi-annually or more often if needed	Executive Board, 36 members states, meets 3 times per year	N/A	Executive Council, 21 representatives of CGIAR members and of system constituents, meets about two times per year
“Technical Advisory Body”	Scientific and Technical Advisory Panel (STAP), 6 individual members (experts), several meetings (and other activities) per year	A technical advisory division exists in the programme management department but is, strictly speaking, not part of the governance structure	Science Council (14 experts) (also an Ethics Committee)	Science Council, 8 individual members, plus 4 standing committees, meets about two times per year (in addition: several committees, e.g. Alliance, etc)
“Global Management Units”	CEO/Chairperson (is also chair of the GEF Council), GEF Secretariat, STAP Secretariat	President, Vice President, 3 departments, Offices of Evaluation, General Counsel, Internal Audit	Director-General, Research, Administration, 3 scientific departments	System Office, consisting of the CGIAR Secretariat, Science Council Secretariat and 6 other units (e.g. audit, alliance, etc)
“Cooperating and Implementing Agencies”	Cooperating and implementing agencies	Cooperating agencies	N/A	N/A (Centers and CPs)

Pioneer Hi-Bred is lead by a Pioneer leadership team that directs both commercial and research activities. Since Pioneer Hi-Bred is fully owned by Dupont, it is ultimately governed by Dupont’s corporate governance system, consisting of an independent board of directors that oversees DuPont’s CEO.

While, structurally, governance of the GEF, IFAD and the CGIAR, and even to some extent that of CIRAD are similar, large differences exist in terms of budget and implementation authority. In contrast to all benchmarking partners, the CGIAR governance does not have system-level decision making power regarding budget allocation to Centers or Challenge Programs. Budget decisions are ultimately made on the level of individual donors, for individual Centers or Challenge Programs.

2.2.3. Fundraising

IFAD replenishes its funds about every three years based on an assessment of “adequacy of resources” by the Governing Council, i.e. by all member countries. In recent years, replenishment levels have allowed the fund to increase its loan and grant operations by ca. 10% annually to about 600 million USD in 2007 (not including an administrative budget of close to 100 million USD). The total financial corpus of IFAD is estimated to be about 9 billion USD.

Similarly, the GEF uses a 4-year replenishment cycle to ensure sufficient funding for its operations. In 2006, 32 donor countries pledged more than 3 billion USD to the fourth GEF Replenishment, which will fund operations between 2006 and 2010.

In interviews with IFAD it was suggested that the successful replenishment process was a consequence of the fact that IFAD is based on an international treaty and is a legal entity with budget authority and, therefore, can be held accountable to its work program. It was felt that this encouraged a high level of contributions.

Another interviewee put it slightly more down to earth: “if you see an Oxfam stand on the sidewalk, you know exactly what the organization stands for and what your money will be used for. Imagine a CGIAR stand next to it. Here it is less clear what the organization stands [and is accountable] for.” To illustrate this analogy further: the CGIAR stand would show the 20 system priorities and offer a phalanx of 15 center and 4 (several more are under negotiation) CP donation boxes without obvious connection between the two.

At the same time, interviewees at IFAD warned that the CGIAR could not be easily converted into a different type of organization and that, if at all, such change should remain optional, i.e. a new, more central budget allocation mechanism should be introduced as an additional option only, rather than as the only possible choice.

As benchmarks for fundraising, Pioneer Hi-Bred and CIRAD are probably less relevant. Pioneer Hi-Bred’s research is funded out of the company’s budgets and CIRAD enjoys strong subsidies by the French Government (currently about 62% of the total budget) and applies for grants only for the remainder.

2.2.4. Fund allocation mechanisms

Regarding the allocation of funds, it is instructive to look at the fund allocation mechanisms the International Finance Institutions almost generally employ.

For example, IFAD has adopted a fund allocation mechanism that contains both a performance and a needs element:

The performance-based allocation system (PBAS) is rules-based using a formula that incorporates measures of country need and country performance. This allocates IFAD's loan and country grant resources to country programmes on the basis of country performance (the broad policy framework, rural development policy and portfolio performance), and need, (population and per capita gross national income-GNI. Under the PBAS, annual resource allocations are made in three-year cycles.

The allocation process is essentially a two-step process. In a first step, indicative allocations are proposed to each country based on the performance-based allocation system. In a second step, these proposed allocations are then backed up with concrete project and program proposals.

Beginning July 2006, the GEF allocates resources in its biodiversity and climate change focal areas (which together account for about 2/3rd of the total replenishment) employing a Resource Allocation Framework that allocates resources to countries based on assessments of country potentials to generate global environmental benefits in biodiversity and climate change respectively and assessments of country-level performance.

One obvious difference to the CGIAR is that these allocations are made to countries and not to organizations. For its grants to organizations, IFAD utilizes a somewhat less refined competitive mechanism.

In contrast, resource allocation at CIRAD is based on budget proposals by research units that are then balanced with available departmental budgets, including the percentage of subsidy requested, and with the research and corporate strategy. Budget authority is rarely exerted to the fullest extent, i.e. research units may continue to obtain funding if their research plan does not fully match CIRAD's research priorities (in such a case CIRAD rather chooses to not re-staff vacancies or to reject requests for budget increases).

At Pioneer Hi-Bred, budgets are allocated centrally but "based on active involvement of research centers and programs".

An interesting observation with some relevance for the CGIAR is that at Pioneer Hi-Bred budget allocation is made to initiatives rather than to centers. Such initiative- or program-based portfolio management processes are common in the private sector and show some similarities to the emerging Challenge Program approach in the CGIAR. The principal idea in these approaches is that the research institutions themselves are only the means to an end – and that the ultimate goal is better reflected by programs and initiatives than by institutions.

Naturally, the latter approach cannot be exaggerated. Research institutions develop on long time scales and, therefore, drastic budget fluctuations can lead to long-term effects

in terms of research effectiveness. Private companies, including Pioneer Hi-Bred, usually take this into account as an additional factor in their budget allocation processes.

2.2.5. Cost recovery practices and policy

As one interviewee put it:

Regarding cost recovery, some of the benchmarking organizations actually compare much better to individual CGIAR Centers than to the CGIAR as a whole. This has to do with the fact that the CGIAR is a rather unique construction.

The CGIAR needs to recover costs at two levels:

- On the center level, where cost recovery is dominated by the combination of increasing share in restricted funding and the widespread donor habit of putting a ceiling on the amount of indirect costs that can be charged for projects;
- On the system level, where CGIAR governance and system management (the system office components) needs to be financed.

While cost recovery at the Center level has received most attention over the last years, both levels are discussed in what follows.

Cost recovery at the Center level

At a center level, CIRAD offers a relevant comparison. Roughly one third (38%) of CIRAD's 2007 budget was based on grants obtained from the European Commission, French public funding sources and others.

In principle, CIRAD experiences the same cost recovery issues as the CGIAR Centers. None of these grants cover the full indirect cost share at CIRAD. In one case, the French Research Agency (Agency Nationale de la Recherche, ANR), salary costs are not covered at all. An interviewee explained this by the fact that French researchers are normally employed as civil servants and that therefore research grants only need to cover incremental project costs, but not salaries.

The choice for CIRAD is simple. In the short term, CIRAD either has to essentially accept grants with these conditions and to use unrestricted funds to match the restricted funds and to fill the emerging cost recovery gaps, or to do without the grant. In the medium term, the situation may be ameliorated by negotiating higher cost recovery with individual donors. CIRAD is currently in such negotiations with ANR, for example regarding a lump sum approach for indirect cost compensation. This approach, even if most probably successful, is not likely to lead to a situation where all restricted grants provided to CIRAD include a full share of indirect cost.

The situation at CIRAD is softened by the existence of the large Government subsidy budget that is entirely unrestricted and can be used to leverage additional research projects that are based on restricted funding with incomplete cost recovery.

At Pioneer, the situation is comparatively simple. The essentially company-funded research covers all direct and indirect costs. Pioneer Hi-Bred estimates its indirect cost level to be about 7%.

An additional interesting observation is that the loans and grants IFAD disburses generally cover full costing, i.e. cover all indirect costs.

Cost recovery at the system level

Cost recovery on the CGIAR system level, i.e. the coverage of governance and system administration costs, is either directly funded from unrestricted donor contributions or from Center contributions that, in turn, can be assumed to have been fueled by unrestricted contributions of CGIAR members. The latter is a reflection of the service component of the CGIAR system from which the Centers benefit.

Central cost recovery is slightly simpler at IFAD and the GEF. For example, at IFAD, each replenishment cycle is based on a proposed program of work and budget, where “work” stands for lending and grant operations and “budget” stands for the administrative budget, the budget for the “Programme Development Financing Facility”, the capital budget, and the Evaluation Office budget. At the GEF, the administrative budgets of the some GEF entities (the Secretariat, the Evaluation Office, the Trustee, and Scientific and Technical Advisory Panel) are reviewed and approved by the GEF council on an annual basis, while the administrative costs of the 3 implementing and 7 executing agencies are reimbursed through project fees at 10 percent of grant.

In terms of its share of total budget, IFAD’s administrative budget is considerably larger than the corresponding budget for CGIAR governance and system office. This, however, is a consequence of the fact that IFAD has some degree of involvement with project design and implementation as will be detailed later, a duty that is delegated to Centers and Challenge Programs in the CGIAR context.

2.2.6. Path of money through the system, throughput and management fees

Compared to the other benchmarking organizations, possible financial pathways through the CGIAR system constitute a rather complex network.

- About 70% of total contributions in 2007 went directly from donors to Centers, theoretically by “N times n” individual connections of N donors with n Centers, yielding in the order of magnitude of 1,000 different financial pathways⁹;
- About 18% of funds were transferred through the World Bank’s Multi Donor Trust Fund (MDTF);
- About 12% were transferred through IFAD.

Instead, the benchmarking organizations mostly channel funds through a single (or, in the case of IFAD, two) accounts, increasing, for example, the ease with which delays in payment can be followed up.

In terms of management fees, both the GEF and IFAD pay considerable amounts to their cooperating and implementing agencies. In the case of the GEF, 10% of every project grant that is handled by an implementing or executing entity is provided to reimburse the agencies for project cycle management and services. At IFAD it is felt that, at least in some cases, the value for money for such services can be improved by insourcing, i.e. by providing them directly through the IFAD rather than through partners.

In the CGIAR, no throughput fees are charged regarding the first channel (direct contributions from donors to Centers) if no additional intermediary accounts are used. The Challenge Programs are an exception, since they utilize the financial services of their hosts, resulting in fees of about 4%¹⁰ of the throughput volume. These services provided for these fees, however, include project management and oversight in addition to the financial transaction services.

The World Bank’s Multi Donor Trust Fund applies a small fee of 0.175% of the throughput volume, and services are restricted to the financial transactions. Interestingly, the services the World Bank delivers as trustee of the GEF trust fund are charged as a lump sum instead. Currently, the GEF pays the World Bank about 2.5 million USD for trust-fund-related services. Applying the above rate of 0.175% to the total GEF grant throughput of 700-800 million USD annually would yield a value below 1.5 million USD. The trustee services the World Bank provides to the GEF however exceed the purely financial services of the MDTF. The World Bank, for example, assumes an active role in the GEF replenishment process.

IFAD applies a 1.5-2% throughput and management fee on funds it handles on behalf of the European Commission for the CGIAR. During an interview, an IFAD professional

⁹ 64 members, 19 Centers and Challenge Programs.

¹⁰ For example, a 4% administrative fee paid is paid to the HarvestPlus host Centers for management of research funds. The CPWF pays a 4% project management fee and a 4% throughput charge in the case of the GCP is applied. In all cases, these fees are subject to further restrictions. See, for example, the recent Challenge Program External Reviews.

mentioned that this would be a considerable discount to the usual fee that would lie closer to 5%.

2.2.7. Accountability and results, audit and evaluation requirements and processes

All benchmarking organizations have goals definitions and underlying strategic frameworks and concrete work plans to reach these.

In the case of CIRAD, a ten year strategic plan and a newer, 4 year strategic visioning document exists. A more concrete work plan that includes individual budgeted activities exists as well but is not made public.

Similarly, Pioneer Hi-Bred's corporate research strategy is confidential.

IFAD has formulated a 3 year strategic framework that is backed up by concrete "Programme of Work and Budget" that details past and planned expenditures for IFAD's loan and grant programs, as well as for administration (including program implementation support and governance).

Both the GEF and IFAD have independent evaluation offices that evaluate program impact as well as the performance of the organizations themselves.

Compared to the CGIAR, the benchmarking organizations carry a higher degree of responsibility (and authority) for implementation of their respective strategies. This is simply a consequence of the fact that the CGIAR, as a non-incorporated and rather loose network, has no budget authority and, consequently, only limited responsibility for implementation. The main accountability for results is situated in the CGIAR Centers and with the Challenge Programs.

The format, templates and depth of technical and financial reporting have not been analyzed in detail in this benchmarking. It has however become clear that all benchmarking organizations have technical and financial reporting processes in place.

It is interesting to note that the CGIAR is the only organization in this benchmarking exercise that does not have an auditing function embedded in its governance. This, again, can be explained by the fact that only limited budget responsibility exists as was pointed out above. Similar to the other benchmarked organizations, the CGIAR does have an audit unit in the System Office, i.e. at the management level.

3. Personal conclusions and food for thought

In this section, the author would like to share some thoughts that emerged before and during this exercise.

Two upfront remarks

When discussing reform, two kinds of advice were given repeatedly to the author and seem worth repeating here.

On the one hand, change for the sole sake of change should not be pursued. With two parallel major reform efforts ongoing and some pressure both in terms of timing and results, attention should be paid to carefully consider the status quo not only as baseline, but also as an option. Therefore, each change option should have a clearly visible and convincing value add compared to the status quo.

On the other hand, fear of change, while being a totally natural sentiment, should be excluded as arguments against change options. For example, when considering integrating some elements of the CGIAR into an International Financial Institution as suggested below, the assessment of that option should exclude institutional survival instinct of CGIAR entities.

Personal conclusions and food for thought

It seems that some International Finance Institutions, for example IFAD, show high performance on exactly those issues that ail the CGIAR, namely stagnating overall funding, limited financial sustainability, limited ability to guarantee implementation of a coherent strategy, and increasing cost recovery issues due to declining unrestricted funding and restricted funding with incomplete cost recovery.

IFAD has managed to increase annual disbursements at a rate of 10% per year, has a high degree of financial sustainability¹¹ and can plan and implement a coherent strategy based, among other, on a top-down budget allocating mechanism. Funding to/through IFAD is generally unrestricted, i.e. the money “forgets its previous owner” when entering the IFAD account¹².

These observations are closely connected to the fact that IFAD is a “treaty organization”, a legal entity, and a fund with the possibility to build up a financial corpus.

¹¹ The sustainable disbursement level (without further capital injection by donors) was estimated to be about 350 million USD annually.

¹² This should not be confused with the fact that the funding IFAD disburses as loans and grants is restricted to projects and programmes.

Certainly, the CGIAR cannot simply be transformed into a financial instrument. Concrete improvement potential seems to exist however in using some of the above mentioned strengths in favour of the system.

At the 2007 CGIAR Business Meeting (during the AGM in Beijing), the final report and recommendations of the Exco Ad Hoc Committee on Funding System Priorities were presented and discussed. In short, the report suggested adding a new, complementary funding mechanism to the existing direct negotiation and allocation of funds between donors on the one side and Centers and Challenge Programs on the other side. Allocation of funds through this mechanism would be complementary to the direct allocation mechanism, i.e. based on a supply and need analysis that would reveal and remedy excess supply for and underfunding of CGIAR research priorities. The charm of this proposal lies in its voluntary character. From the donor perspective, non-participation does not imply any disadvantage while participation would allow some donors to leverage their funds in a more strategic way.

This new allocation mechanism would have some features of those discussed for IFAD and the GEF. It would be centralized, i.e. funds would be collected into one account from which they would be allocated to research priorities.

Based on the feedback received for this report it seems reasonable to assume that such a mechanism will need to be accountable, i.e. needs to be based on contractual agreements between its funders. Furthermore, a legal entity would be needed to be able to build up a financial corpus for increased sustainability in case that is intended.

One option for the CGIAR would be to establish such an entity by itself. This might, however, not be the best option. Instead, it might be more cost effective to transfer some of these functions to an existing institution. IFAD might be a candidate, but other institutions that have not been considered in this report might also be suitable¹³.

Based on the benchmarking presented in this report, two considerations seem important at this point.

First, the cost recovery issue is not directly addressed by this solution. While the increased transparency and accountability that comes with the suggested additional mechanism may have the potential to increase the share of unrestricted funding or even overall funding, cost recovery gaps will continue to exist with restricted funding.

Addressing this point directly with donors, e.g. attempting to change their funding practices is likely to be a lengthy and difficult process. One interviewee estimated this kind of change to occur on timescales of 10 to 20 years and a donor representative

¹³ The Exco Ad Hoc Committee on Funding System Priorities mentions “IFAR” as an option, referring generally to the concept of an International Fund for Agricultural Research rather than to the existing IFAR that only runs a very limited small grants program of ca. 0.2 million USD annually and would not be a suitable candidate.

interviewed for this report remarked that untapped potential in charging direct cost items should first be completely exhausted before starting to ask for higher indirect cost recovery. Nevertheless, the issue of cost recovery should be and can be (see the CIRAD case) addressed, for example by rendering the CGIAR's existing full cost recovery policy more visible and to fully exploit direct cost allocation potential to projects on the Center level.

While not solving the issue, the new mechanism offers an additional opportunity for increased transparency regarding cost recovery as well.

It should be assumed that, for many years to come, some part of the unrestricted funding flowing through this mechanism will be used to leverage projects with incomplete cost recovery. Therefore, the author suggests defining one budget line in the new mechanism as a subsidy mechanism from which Programs and Centers can draw for implementation of projects with incomplete cost recovery. All remaining funds in the new mechanism would then be guaranteed to be 100% utilized for complementary, needs-based research.

Second, the complementary allocation mechanism can only function efficiently if the system priorities (or some other set of strategic objectives) can be efficiently mapped to entities that can actually be funded.

One option is direct allocation to the project level. This, however, requires considerable project design assistance and oversight capacity in the new mechanism. For example, based on a rough estimate¹⁴, IFAD's administration costs are about 10 times as high as those of the CGIAR system (Governance and Secretariats) while annual disbursements are in the same order of magnitude. Currently, in the CGIAR, no such extra capacity exists at the system level and the current *modus operandi* is that projects are implemented by Centers and, to some extent, by Challenge Programs. This option might therefore not be a feasible solution, at least in the short-term.

Another option is the model many private sector firms have adopted (see the Pioneer Hi-Bred case), i.e. the allocation of these complementary funds to existing or new programs or initiatives. These programs can either be run directly by the Centers, by multi-Center cooperation or reach beyond the system as in the case of the Challenge Programs. Ideally, the objectives of these programs should directly correspond to the System Priorities (or another set of strategic objectives), in order to allow for selective funding of specific priorities.

Regarding the costs of such an approach, the GEF offers a good benchmark. It's cost for central corporate governance and management of about 2% are comparable to those of

¹⁴ In 2007, costs for the CGIAR Secretariat, the Science Council (including the Science Council Secretariat) and the AGM roughly added up to 9 million USD. The total administrative budget of IFAD in 2007 was about 70 million USD, and additionally, 35 million USD were budgeted to the Programme Development Financing Facility (PDFF) that supports project and program implementation.

the CGIAR¹⁵. In addition, the GEF has expenses of about 2.5 million USD for the World Bank core trustee services and of about 3.8 million USD for its Evaluation Office¹⁶. These costs, plus the 10% management fee the GEF pays to its implementing and executing agencies for project and program implementation, may serve as benchmarks for the CGIAR in this option. Including all costs, the GEF estimates that, in order to deliver 1 USD to a project, about 14 cents are spend along the way.

These two options mainly differ regarding the level at which project and program management is placed, including design, implementation and reporting. IFAD has chosen to be more involved in design and oversight of program management at the central level (and continues to increase its involvement), while the GEF has delegated these functions almost entirely to the implementing and executing agencies. This is further illustrated by the fact that the GEF uses IFAD as one of its executing agencies. The CGIAR currently seems closer to the GEF model, i.e. no direct project design and implementation management is done at the system level, but both options might be worth considering in the long term.

A third important observation relates to the large number of system priorities, i.e. to the breadth of the CGIAR's spectrum of strategic objectives which makes equilibrated allocation and mapping of priorities to individual programs difficult. This point has however not been within the scope of this paper and is not discussed further.

* * *

The author hopes that this short paper can add value to the ongoing discussion on the CGIAR's future development.

¹⁵ The GEF Secretariat costs (covering governance, the Secretariat, and the STAP, which is comparable to the CGIAR Science Council) are about 15 million USD or 2% of the annual grant volume (taken from the GEF Business Plan for FY08 and the FY08 Corporate Budget). A similar number can be derived for the CGIAR.

¹⁶ Taken from FY08 Budget for the Trustee, Four-Year Work Program and revised FY08 Budget of the GEF Evaluation Office.

Appendix A: List of people consulted for this report

1. Rima Alcadi, IFAD (survey)
2. Brian Baldwin, IFAD (telephone)
3. Steve Ballenger, Pioneer Hi-Bred (telephone, survey)
4. Rob Bertram, WG4 Chair (email)
5. Chris Briggs, GEF (telephone, survey)
6. Loriza Dagdag, CGIAR Secretariat (telephone, survey)
7. Marlene Diekmann, WG4 Co-Chair (visit)
8. Inge Kaul, WG3 contributor and author of “Taking a Hint from Peers: Drawing Reform-Lessons for CGIAR from the Structure and Functioning of Other International-Cooperation Mechanisms Geared to Meeting Global Challenges” (telephone)
9. Elizabeth McAllister, CGIAR Independent Evaluation Panel Chair (email)
10. Bill Niebur, Pioneer Hi-Bred, WG4 member (email, survey)
11. Shantanu Mathur, IFAD, WG4 member (telephone, survey)
12. Gilles Saint-Martin, CIRAD (telephone, survey)
13. Ramesh Ramankutty, GEF (telephone)
14. Jonathan Wadsworth, Change Management Steering Team Co-Chair (telephone)
15. Ken Watson, CGIAR Independent Evaluation Panel (telephone)

Appendix B: List of benchmarking candidates (before selection)

A1. General information

<i>ID</i>	<i>Name (short)</i>	<i>Name (full)</i>	<i>Headquarter location</i>	<i>Suggestion by</i>	<i>Web</i>
Aids Alliance		International HIV/AIDS Alliance	Brighton, UK	External Review Team	www.aidsalliance.org
CAAS China		Chinese Academy of Agricultural Science	Beijing, China	WG3	www.caas.net.cn/engforcaas
CGIAR		Consultative Group on International Agricultural Research	Washington DC, USA	N/A	www.cgiar.org
CIRAD		French Agricultural Research Centre for International Development	Paris, France	Diekmann, Palenberg	www.cirad.fr/en
Danforth Center		Donald Danforth Plant Science Center	St. Louis, Missouri, USA	Diekmann, Palenberg	www.danforthcenter.org
EDIT		European Institute in Taxonomy	Paris, France	WG3	www.e-taxonomy.eu
Embrapa		Brazilian Agricultural Research Corporation	Brazil	WG3	www.embrapa.br/english
EU		European Universities	No headquarter	WG3	www.euruni.edu
EUA		European University Association	Brussels, Belgium	Diekmann, Palenberg	www.eua.be
FAO		Food and Agricultural Organization of the United Nations	Rome, Italy	Diekmann, Palenberg	www.fao.org
GCDT		Global Crop Diversity Trust	Rome, Italy	Diekmann, Palenberg	www.croptrust.org/main/
GDN		Global Development Network	New Delhi, India	Kaul's paper	www.gdnet.org
GEF		Global Environment Facility	Washington DC, USA	Diekmann, Palenberg	www.gefweb.org
Global Fund		The Global Fund to fight Aids, Malaria and Tuberculosis	Geneva, Switzerland	External Review Team, Kaul's paper	www.theglobalfund.org/en/
GRDC		Grains Research and Development Cooperation	Barton, Australia	WG3	www.grdc.com.au
ICAR India		Indian Council of Agricultural Research	New Delhi, India	WG3	www.icar.org.in
ICGEB		The International Centre for Genetic Engineering and Biotechnology	Trieste, Italy	Diekmann, Palenberg	www.icgeb.org
IFAD		International Fund for Agricultural Development	Rome, Italy	Diekmann, Palenberg	www.ifad.org
IFAR		International Fund for Agricultural Research	Washington DC, USA	Diekmann, Palenberg	www.ifar4dev.org
iOWH		Institute for OneWorld Health	San Francisco, USA	Kaul's paper	www.oneworldhealth.org
MMV		Medicines for Malaria Venture	Geneva, Switzerland	Kaul's paper	www.mmv.org
NIH		National Institutes of Health (USA)	Bethesda, USA (10min from Washigton DC)	WG3	www.nih.gov
Oxfam		Oxfam International	Oxford (UK) (location of international secretariat)	External Review Team, Kaul's paper	www.oxfam.org/en
Pioneer		Pioneer Hi-Bred, a DuPont company	Johnston, Iowa, USA	Diekmann, Palenberg	www.pioneer.com
World Vision		World Vision International	Monrovia, California, USA	Diekmann, Palenberg	www.wvi.org

A2. Comparability to CGIAR

Comparability to CGIAR											
ID	Name (short)	Total funding in 2007 in USD million	Field of activity	Time to impact (rough estimate) %, 10 or 20 years	Organizational timescale (rough estimate) %, 10 or 20 years	Central oversight structure?	Legal (global) entity?	Does something like CGIAR centers exist?	How autonomous are these?	How many donors are involved?	What type of donors?
Aids Alliance		61	Support communities to reduce the spread of HIV and to meet the challenges of AIDS	5	5	yes	Yes, and non-profit status (British company limited by guarantee)	not really (country offices exist)	?	30	mixed (including corporations)
CAAS China		?	Agricultural research	20	20	?	?	yes (research centers)	?	1	Chinese Ministry of Agriculture
CGIAR		495	Agricultural research	20	20	yes	no	yes	semi-autonomous (legally autonomous, depending on CG donors)	64	mixed
CIRAD		300	Agricultural research	20	20	yes	assume yes (did not find)	yes	?	1	French Government
Danforth Center		10	[through research] enhance the nutritional content of plants to improve human health, increase agricultural production to create a sustainable food supply, and provide the scientific ideas and technologies that will contribute to the economic growth of the St. Louis region and of the State of Missouri	20	20	yes	yes	no, but center has 6 partners (private and public)	autonomous		mostly grants, but several individual, corporate and other donors
EDIT		less than 1 (assumption based on a hard to decipher financial report)	Taxonomy (biodiversity)	20	20	yes	no	27 taxonomy institutes	autonomous	1 (8th EU framework program, plus some minor bilateral)	EU
Embrapa		?	Agrobusiness research	20	20	yes	yes (public company)	41 centers	not autonomous	1	Brazilian Ministry of Agriculture
EU		?	Business school	10	20	no	-	11 universities (or partners)	autonomous	-	-
EUA		?	Higher education strategy and coordination	20	20	yes	yes (was intended, but couldn't find proof)	750 universities	autonomous		mainly membership fees
FAO		About 830 (based on total biennium budget of 1.66 billion)	raise levels of nutrition, improve agricultural productivity, better the lives of rural populations and contribute to the growth of the world economy	10	20	yes	yes	5 regional offices, 9 subregional offices, 5 liaison offices, 74 country offices	currently FAO is undergoing major decentralization exercise	193	191 nations, 1 organization and one associate member
GCDT		Raised 1.09 to date (143 pledged), aim is 260. This is a trust. Annual expenditures are financed by interest on this trust fund (e.g. 5% would equal 13 million USD)	ensure the conservation and availability of crop diversity for food security worldwide	20	20	yes	yes, international trust	not really. Co-sponsors are FAO, Bioversity and CGIAR	-	30	mixed
GDN		?	Worldwide network of research and policy institutes, research and knowledge sharing for development	20	20	not really, GDN is rather a loose network, no real oversight	yes, incorporated as US-non profit company	GDN is a loose network with many regional networks or institutional partners. No permanent or formal relationships seem to exist though	autonomous	19	mixed
GEF		612 (GEF allocation 2005)	Funding of environmental projects/programmes in the developing world	20	5	yes	World Bank is legal owner of the GEF Trust Fund	no, but GEF has 3 implementing and 7 executing agencies	autonomous	178 member countries	bilateral
Global Fund		2 billion (total pledges 2006)	attract, manage and disburse resources to fight AIDS, TB and malaria	5	5	yes	Special Swiss Foundation	Country Coordinating Mechanism (National partnerships that channel applications and oversee implementation progress)	dependent		more than 50 countries, plus foundations and other organizations
GRDC			planning, investing and overseeing research and development, delivering improvements in production, sustainability and profitability across the Australian grains industry	20	20						
ICAR India		?	Agricultural research	20	20	yes	?	Large network of institutes, universities, etc	autonomous	1	Indian Ministry of Agriculture
ICGEB		?	research and training in molecular biology and biotechnology for development	20	20	not over the whole network, only over the 4 ICGEB institutes	yes	37 affiliated centers	autonomous	77 signatory countries, 57 member states	not clear funded
IFAD		515 = 478 (loans) + 37 (grants, limited and only in combination with loans)	to finance agricultural development projects primarily for food production in the developing countries	10	10	yes	Specialized UN agency	no	-	175 member countries	bilateral
IFAR		0.2 (2005)	run a small-scale research grants program	20	5	yes	US nonprofit institution	no	-		unclear, some donations but also several funds
IOWH		7 (around 107.90 million cited on homepage, founded in 2000)	support early (pre-clinical) drug development for development countries	10	10	yes	US nonprofit institution	no	-		donations, in-kind contributions
MMV		52 (spending in 2006)	to discover, develop and deliver new antimalarial drugs through effective public-private partnerships	20	20	yes	Swiss foundation	no	-	16	mixed
NHI		about 28 billion	conducting and supporting medical research	20	20	yes	unclear, but is a federal agency	27 research institutes	mostly autonomous (apart from 3, all institutes receive and manage their own budget)	1	The NHI is an agency of the U.S. Department of Health and Human Services
Oxfam		638 (total budget of all Oxfam Affiliates), about 5 for Oxfam foundation	"long-term development, emergency work, research and campaigning for a fairer world on a broad range of issues"	10	10	yes	incorporated as Dutch foundation (the Hague, Netherlands)	13 Oxfam Affiliates	dependent		most funding comes from individuals and oxfam affiliates
Pioneer		Duponts Agriculture and Nutrition division had sales of ca. 6 billion USD in 2006	the world's leading developer and supplier of advanced plant genetics to farmers worldwide			yes	yes, US corporation	"research in 25 countries, but didn't get information on how that's organized"	dependent		no donors
World Vision		2.1 billion	Christian relief and development organization	5	5	yes	?	regional and national offices	mostly dependent		individuals, national contributions

A3. Access

<i>ID</i>	<i>Accessibility? How</i>	<i>Comments?</i>	<i>Documents consulted</i>
<i>Name (short)</i>	<i>accessible?</i>		
Aids Alliance	good (through Elizabeth)		Web, annual report 06
CAAS China	?	Very little information available	Web
CGIAR	very		Web, Charter, Annual Reports 06 and 07
CIRAD	very	Good contact through Gilles Saint-Martin	Web, Annual Report 06 (albeit without finances)
Danforth Center	?		Web, Annual Report 2007, Annual Review 2007
EDIT	?		Web, financial reports
Embrapa	good		Web, Charter
EU	?		
EUA	?		Web, Charter
FAO	good	several contacts	Web, external FAO review report
GCDT	?		Web, Constitution, Establishment Agreement, Funding Status Report
GDN	good	indirect contacts	Web, Annual Report 07
GEF	very good	Good contact: Monique Barbut	Web, Annual Report 05, Charter
Global Fund	?		Web
GRDC			Website not available!
ICAR India	?		Web
ICGEB	?		Web, Activity Report 2007, Member States Listing
IFAD	good	Shantanu is working group member	Web
IFAR	good	close link to CGIAR	Web, Financial Report 2005, Small Grants Brochure, 2005 Review
iOWH	?		Web
MMV	?		Web, Annual Report 2007
NIH			Web
Oxfam	?		Web, Constitution, Rules of Procuedure Policy, Annual Reports 2006 and 2007
Pioneer	very good	Bill Niebur in working group	Web, Dupont Annual Report
World Vision	?		Web, WVI Annual Review 2007, WV Annual Review 2007

Appendix C: List of benchmarking questions

1. Legal status
 - a. What is the legal status of the central structure / the global organization?
 - b. What is the legal status of the centers/units?
 - c. What is the degree of their independence?
 - d. What is the legal status of (large, independent) programs?
2. Governance
 - a. What are the functions and responsibilities of the main governance bodies
 - b. Does the organization have a strategic plan and a concrete work agenda?
 - c. How do governance and funding practices interrelate? What are the interdependencies?
3. Accountability and results
 - a. Are there (and what are) the strategic objectives?
 - b. Is there an overall logframe?
 - c. How is accountability ensured? What are reporting requirements?
4. Funding practices
 - a. How do you define restricted and unrestricted funding?
 - b. Where do you draw the line between both forms of funding?
 - c. What types of funding restrictions exist? (e.g. attribution versus control of individual cost categories)
 - d. How much funding is unrestricted (total and %)?
 - e. How much funding is restricted (total and %)? (e.g. also per restriction type)
 - f. Do you allow donors to choose between restricted/unrestricted funding?
 - g. Do you allow direct, bilateral funding of centers/units?
 - h. Are multiple currencies allowed? How are currency fluctuations dealt with? What insurance mechanisms regarding currency fluctuations exist?
 - i. What are the main sources of funding (public or private, ODA or national budgets multilateral or bilateral ODA)?
 - j. If the funding is mainly from ODA is the allocation to the organization discretionary or by statute (e.g., convention, assessments, treaty)?
 - k. How are funds allocated/committed (on an annual or multi-year basis)?
 - l. Are there provisions for long-term financial sustainability (e.g., endowment, capital assessments, etc)?
5. Cost recovery practices and policy
 - a. How are indirect costs defined? Do you have a policy (with definition) for that? Special care should be taken here to avoid “typical” problems based on differing understanding/definitions of restricted/unrestricted funding.
 - b. How is overhead defined? Do you have a policy (with definition) for that?
 - c. How high are indirect cost / overhead rates for centers/units?

- d. How high are indirect cost / overhead rates for programs?
 - e. Do you have a cost recovery policy? If yes, what are the key elements?
 - f. Does the donor choose what amount of indirect cost can be included?
 - g. Is unrestricted funding (also) used to replenish financial gaps due to lack of cost recovery with restricted funding?
 - h. How do you deal with the cost recovery trap (i.e. risk of bankruptcy in spite of large restricted funds)
 - i. How high are central costs (governance, secretariats) of the global structure (absolute and percentage of total funding)?
 - j. What percentage of total donor financial input is ultimately spent on projects (total direct cost)?
6. Fund allocation processes
- a. Does a central budgeting mechanism exist or is the central budget a sum of individual center/unit and program budgets (top-down versus bottom-up budgeting)? Does a global business plan and budgeted strategy exist?
 - b. How are funds allocated to centers/units and programs?
 - c. How are funds allocated to projects?
 - d. How much autonomy do centers/units have in fund allocation?
7. Path of money through the system and throughput fees
- a. What are the possible paths of money from donor to project through the system?
 - b. What are typical time scales for each step?
 - c. What throughput or other fees are applied on the way?
8. Audit and evaluation requirements and processes
- a. Is there an auditing function in the global governance body?
 - b. Is there a central auditing unit?
 - c. Is there external auditing on the global level?
 - d. How far down the “auditing chain” is auditing required?
 - e. Are indirect cost rates of centers/units and programs audited?
9. Lessons learnt from past experience
- a. How has the above changed over time?
 - b. What are lessons learnt from your organization’s past?