

Draft¹

Financing arrangements for the Science Council

During their meeting held in FAO-Rome on Feb 20, 2002, Cosponsors (FAO, IFAD, UNDP and World Bank) discussed options for securing more robust and stable financing for the Science Council (SC). The discussions were held in the light of the changes being implemented under the CGIAR reform program in terms of the new governance structure, the transformation of the scientific advisory mechanism (new SC), and enhanced synergies among support structures for greater effectiveness and efficiency (SC Secretariat as part of the System Office).

The present financing arrangements (i.e. for the interim Science Council (iSC)) are premised on FAO providing an administrative home for the iSC and its Secretariat, and the Cosponsors jointly responsible for financing their annual costs of about \$2 million. The financing is administered through FAO for all items except the compensation for the Chair of the iSC which is administered through the World Bank. The FAO trust fund receives FAO's own contribution, financed through its regular budget, and funds transferred by the other Cosponsors. Over the past few years, however, the financing arrangements have not worked out satisfactorily due to delayed payments and annual fluctuations in contribution levels. As a consequence, the annual budget requirements are under-funded requiring recourse to using unspent funds from earlier years. These funds are expected to be exhausted by the end of 2003.

The mechanisms discussed by Cosponsors for a new and strengthened financing arrangement include:

- (a) a shift in responsibility for providing oversight on SC work programs and financing from the Cosponsors to the CGIAR Executive Council (ExCo), which is consistent with the CGIAR's reformed governance structure,**
- (b) a new financial framework which broadens the pool of contributors beyond the Cosponsors, i.e. to the CGIAR membership, and**
- (c) incorporating contractual arrangements between the CGIAR and FAO to ensure stable, long-term financing of the Science Council and to meet FAO's legal obligations.**

Key principles

The new arrangements are to be guided by the following principles:

- FAO will continue to host and serve as the administrative anchor for the new SC and its Secretariat subject to the strengthened financial arrangements, noted above.
- Broadening the pool of contributors, i.e. the costs of operation of the SC and its Secretariat should also be financed by other members of the CGIAR, i.e. in addition to the Cosponsors.

¹ Final Clearance by Co-sponsors still required.

- The pool of resources contributed by donors other than FAO would be disbursed by the CGIAR Secretariat to the Science Council Trust Fund administered by FAO.
- Maintenance of SC's independence as a scientific advisory body to the CGIAR

What is to be financed and by whom

Items to be financed can be classified into three distinct objects of budgetary support:

- SC Chair (World Bank) and Members (SC Trust Fund)
- SC Secretariat (SC Trust Fund) as a component of the System Office (FAO Comment: The SC Trust Fund managed by FAO would necessarily be separate from the financing mechanism for other components of the System Office.)
- Specific program activities undertaken by the SC such as strategic studies, impact assessment studies etc. This would also include external reviews financed by the members through their financial support to the Centers. (SC Trust Fund)

FAO considers the first two components as “core support” which must be fully financed through the new financing arrangements. Creating separate sub-trust funds to cover the above items of expenditure may be desirable and worth exploring . FAO Comment: The Organization is prepared to manage a single SC Trust Fund underwritten by the CGIAR and Cosponsors for all activities of the SC.)

Funding indications by Cosponsors

Based mainly on discussions at their last meeting, Cosponsors have conveyed the following financing indications:

FAO: Remains committed to hosting the SC and its Secretariat contributing in-kind and financial support, provided all Cosponsors' financial contributions to the SC's core support are equal. Should the latter not be possible, FAO's financial contribution to the SC would be redeployed to other forms of support for the CGIAR.

IFAD: Confirms its intent to support the operation through financing of distinct SC “programs” and part of the “overhead” on the CGIAR center programs it finances.

UNDP: Has recently resumed payment of its contribution and reaffirms continued support.

World Bank: Reaffirms its continuing support. Furthermore, due to the strategic importance of the changes in CGIAR governance under the Reform Program, of which the establishment of a new SC is a key component, the World Bank will consider providing additional support. (FAO Comment: The February 20 Summary Record states that the World Bank "would be prepared to contribute additional resources to fill any funding gap in the transition period to the new funding arrangement.")

It is expected that the Cosponsors will continue to provide the greater share of the required financial support in the course of the shift to the new financing arrangements. (FAO Comment: This was not agreed at the February 20 Cosponsor's Meeting, nor is it realistic given the indications of Cosponsors' core support noted above.)

Next Steps

- Confirmation by Cosponsors of the recommendation on new SC financing arrangements
- Discussion of the proposed financing arrangements by ExCo
- Endorsement of the proposed financing arrangements by the CGIAR.