



DRAFT

2010 CGIAR Financing Plan

TMT Recommendation to the ExCo 17, Rome

(October 2009)

This is a draft paper of the TMT recommendations based on information provided by the Centers for the purpose of consultation with the Alliance and the donors. The draft was circulated to the Centers and has received excellent comments. It will be discussed further at the dialogue of the Alliance and the donors on Nov 2 in Rome, and revised after the ExCo 17 meeting.

Summary of 2010 Proposals from Centers and Challenge Programs

Context:

Centers and Challenge Programs developed their 2010 financing proposals in mid-2009 at a time when the CGIAR transition was ongoing but was not yet advanced enough to allow incorporation of the transition to a programmatic approach that the reforms are expected to usher. Since the development of these plans, however, some of the key elements of the new CGIAR have begun to take shape. ExCo endorsed a budget of \$9.3 million for the CGIAR Change Initiative Facility (CIF), which is close to being fully funded, an indication of the level of interest and support shared by a broad cross section of the CGIAR membership. A recent analysis of donor intentions towards the new CGIAR Fund indicates that, conservatively, almost half of CGIAR funding (based on 2009 estimated effort) could flow through the Fund in the first year of its establishment. These developments confirm that the new CGIAR is well on its way, and it is expected that the CGIAR members will sign off on the basic design of the new CGIAR at the Business Meeting in Dec 2009.

Externally, while in 2009 the food and global financial crises appeared to recede from the front pages, they continued to dominate international policy discussions at the very highest levels. The most relevant major external development for the CGIAR was the G-8 summit (L'Aquila, July) where leaders pledged a \$20 billion, 3 year funding envelope for food security. At the G-20 summit (Pittsburgh, September), leaders of the twenty largest economies (responsible for 90% of global economic output), took stock of ongoing measures to deepen reforms for a new global financial architecture in response to the 2008 financial crises. Perhaps reflecting these commitments, the most recent (September) estimate of 2009 funding shows that the financial crisis has not (so far, at least) had the negative impact on CGIAR contributions that was feared at AGM08¹. And the "trend" seems to be holding up. Several major donors have already indicated (formally or informally) plans to increase their contributions in 2010 if key elements of the reform program are in place.

Nonetheless, as noted above, the financing plans feeding into the CGIAR Financial Transition Plan were essentially based on "steady state" assumptions in terms of the work program underpinning them since the Mega Programs were not expected to be in place. There appeared to be anxiety especially with respect to institutional support as the system moves towards a programmatic approach. The following summary, therefore, needs to be seen in this context.

¹ The \$555 million currently estimated for 2009 is 7% higher than projected at AGM08, and 10% higher than the revised January 2009 level. An update of the 2009 status was shared with ExCo in September.

Proposed Total Investment:

The proposed investment is based on the level of resources that have been projected to be available in 2010. Centers and Challenge Programs project an aggregate income of \$603 million to support their research programs for 2010. There is an additional \$12 million projected for "system level transition. Total investment in 2010 will be \$615 million. This is \$73 million (13 percent) higher than the actual 2008 level and \$43 million (8 percent) over the 2009 estimate. The proposed research investment is composed of \$545 million for Center programs and \$58 million for Challenge Programs. About half of the total research investment is allocated for sub-Saharan Africa, demonstrating the CGIAR continued focus in this region.

Financing²: The planned total investment of \$615 million is to be financed by investor grants of \$594 million, and \$21 million in Center earned income. About 34% of the grants are for unrestricted support, 2% lower than both the 2008 and 2009 levels.

The results are summarized in the table 1 below.

Table 1. Summary of the 2010 CGIAR Financing Plan
(in \$million)

	2008 Actual	2009 Estimate	2010 Proposal	Change 2010	
				vs 2008	vs 2009
Investor Grants	531	555	594	63	39
Earned Income	22	17	21	(1)	4
Total Financing	553	572	615	62	43

The 2010 projected investor grants are 12% higher than the 2008 actual and 7% higher than 2009 estimate.

Highlights of Funding Projections:

- Funding:
 - United Kingdom increase based on announced plans to double its current annual level of support (of £20 million) by 2013,
 - USA: projection based on expected additional core contribution of \$10 million, plus new project contracts signed;
 - European Commission plans a scheduled increase of approximately €1.5 million in 2010, the final year of the current 3-year funding envelope;

² Reserves and grants under negotiation were not included in this analysis in keeping with the conservative approach. It is expected that Centers and Programs will adjust their spending plans in accordance with the available financing.

- Australia projection also based on announced plans to provide AUD 25 million in 2013;
- Japan increase is due to Ministry of Finance decision to provide \$20 million over 5 years for the development of heat and drought resistant rice seeds in Africa through a World Bank-managed Trust Fund;
- China projection based on special funding from CAAS for the development of super rice for Africa and Asia;
- Bill & Melinda Gates Foundation increase is due to additional projects signed by Centers; the projected increase to \$68.3 million makes the BMGF the second largest donor in 2010;
- Canada has announced a 3 year commitment of CAD\$ 32.5 million to two challenge programs. Although the Member is not yet in a position to provide a specific amount of unrestricted support for 2010, the challenge program funding more than replaces the funding that will end due to the completion of BeCA at ILRI next year;

Reductions are being projected for the following donors:

- Denmark: As the Member has not yet announced a new three year funding envelope beginning in 2010, the 2010 projection does not include this new envelope;
- Sweden: At the global level, a significant (over 25%) decrease in ODA was announced and although specific decisions about the CGIAR have not yet been announced, Centers appear to have already incorporated the potential reduction.

The Annex table shows the projected changes in funding by Member.

Center Perspectives:

Table 2 summarizes the 2010 investment proposal by Center and Challenge Program.

Table 2. CGIAR Investments
(\$ million)

Center	
AfricaRice	18.4
Bioversity	38.7
CIAT	46.6
CIFOR	22.4
CIMMYT	44.7
CIP	31.7
ICARDA	33.8
ICRISAT	50.5
IFPRI	56.4
IITA	50.0
ILRI	46.3
IRRI	58.0
IWMI	23.4
World Agroforestry	31.5
WorldFish	21.0
Sub Total	573.4
Inter- Center activities	(13.5)
Challenge Programs Implemented by CGIAR Partners¹	
CCAFS	7.7
Generation	11.8
HarvestPlus	5.5
Sub Saharan Africa	8.3
Water and Food	10.1
Sub Total	43.4
System-level Transition²	12.0
Total	615

¹ Challenge Programs implemented by Centers formed part of Centers proposal

² Includes transition cost for System Office Units, Consortium and of facilitating the System's businesses

Key Challenges in the Financial Transition Plan

- Translating Donor Intentions. A recent (September) analysis of donor intentions indicated that most major donors plan to (a) increase their contributions and (b) join the CGIAR Fund. However, only a few have provided specific information about the planned increases, and some are making their confirmation of funding contingent of satisfactory development of the CGIAR Reform elements, especially the Strategy and Results Framework and the Mega Programs. Hence the projections here are predicated on broad assumptions and Center judgment on the restricted project pipeline. Furthermore, the steady state projections by Centers assumed that the 2010 core funding would be made available largely through existing arrangements (donor autonomy in allocation decisions). The recent analysis which shows that close to half of the total Member contributions could flow through the CGIAR Fund requires a reconciliation of the center

assumptions and donor intentions. For example, how much of the Fund contributions will be incremental and how much will be from current levels?

- Maintaining Financial Stability. A key concern of Centers is whether the financial stability that is afforded by institutional (unrestricted) funding will be protected in 2010 (and during a transition period of several years). Specifically, the issue is whether if contributions are flowed through the Fund, and assuming Mega Programs will not yet be in place in 2010, what will be the distribution of these contributions between window 1 (unrestricted system contributions), and window 3 (institutional support).

Table 3. Unrestricted Support Based on Center Projection
\$ million

Center	
AfricaRice	4.6
Bioversity	15.3
CIAT	10.1
CIFOR	8.1
CIMMYT	8.5
CIP	7.0
ICARDA	11.0
ICRISAT	10.3
IFPRI	12.6
IITA	11.7
ILRI	14.0
IRRI	12.3
IWMI	7.2
World Agroforestry	10.7
WorldFish	6.7
sub-total	150
System-level Transition	12
Amount not included in Center Projections	40
Total	202

Recommendations

- 1) Fund Participation: Donors are encouraged to participate in the new CGIAR Fund in 2010 under the assumption that it will be completely operational (i.e. funds are able to flow into as well as out of the Fund) once it has been established³. The operational conditions are as follows:

³ Approval for the establishment of the Trust Fund by the board of the World Bank as the Trustee is envisaged for early 2010.

- Agreements to receive funds (from the Fund Donors by the Trustee) and agreements to transfer funds (between the Fund Council and the Consortium) are finalized;
- The Consortium as a legal entity is established and is ready to enter into legal agreements;
- Agreements between the Consortium and Centers for funds transfer are finalized.

A resourced Fund in 2010 will be an early opportunity for “funders” and “doers” to test their operational relationship in the new CGIAR.

- 2) Fund Allocations: As Mega Programs are not likely be operational at least in the first half of 2010 donors are encouraged to allocate their Fund contributions as follows:
 - Window 1 – should be used for incremental (i.e., new from 2009 funding level) unrestricted funding. As window 1 funds are completely unrestricted, the Fund Council would have the responsibility to allocate these resources. The Council’s decisions would be based on its assessment of critical needs across the system during this transition year, and could conceivably include seed money for mega program development (beyond any that may be earmarked by donors for window 2), additional funding needs by challenge programs, transition costs, and additional unrestricted funding needs by Centers (critically needed but not met by window 3). It is expected that allocations to this window will be relatively light in this transitional year.
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 - Window 2 – Earmarked funding for mega program development, Challenge Programs and/or other system level programs. It is expected that allocations to this window will also be a relatively small proportion of donor contributions this year until mega programs are ready to go operational.
 - Window 3 – Earmarked funding for Centers based on donor decisions, which would be expected to follow current practices. It is expected that allocations to this window will be the largest proportion of the unrestricted funding from donors in 2010.
- 3) Support to System Office Units: It is recommended that the current arrangement for funding system office units be maintained in 2010. The World Bank is committed to this arrangement, and Centers are expected to do the same. This would enable the SO units to continue their valuable work during the transition until the Consortium office is established.
- 4) Transition Management Costs. The critical work of establishing the Mega Programs and other elements of the new CGIAR will continue into 2010. The cost of continued management of the transformation, as well as those of the entities themselves (Consortium and Consortium office, Fund Council and Fund Office, GCARD, Funders’ Forum, ISPC, the independent evaluation function, and other ad hoc processes/events not easily foreseen) need to be factored in the financial

transition plan. Budgets for these entities and processes have been estimated⁴, but the financing modalities need to be agreed.

Conclusion:

In spite the anxiety that went into the preparation of the financing plans in mid-2009 due to both internal and external developments, the 2009 estimate and indications from both within the CGIAR and outside in the international arena seem to indicate that the new CGIAR could garner a significant increase in financial contributions in 2010 and beyond. The challenge will be to reconcile the institutional approach assumed in Centers' projections with the harmonized approach through the Fund that donors seem to be already planning for 2010. This will usher in the new CGIAR going forward and ensure that the reforms position it closer to achieving the vision of reducing poverty and hunger, improving human health and nutrition, and enhancing ecosystem resilience through high quality international agricultural research and partnerships.

⁴ Boston Consulting Group report "Design and Establishment of the Consortium of CGIAR Centers", October 6, 2009; page 90. BCG's estimate of \$14.6 million has been adjusted to \$12 million for the purpose of this paper to take into account that some of the costs will not be fully realized in 2010.

Annex: Investor Grants Projected to Support the CGIAR in 2010
\$ million

Members	2008	2009	2010	Change 2010	
	Actual	Estimate	Proposal	vs 08 Actual	vs 09 Estimate
Europe					
Austria	2.6	2.6	2.6	(0.02)	0.00
Belgium	9.7	12.0	12.6	2.92	0.57
Denmark	3.8	5.7	3.2	(0.57)	(2.43)
European Commission	32.6	35.7	39.7	7.11	4.03
Finland	3.7	4.1	4.1	0.40	0.00
France	8.1	4.4	4.4	(3.75)	(0.00)
Germany	19.3	30.9	29.9	10.59	(1.00)
Ireland	9.4	9.4	9.4	(0.02)	(0.07)
Israel	0.2	0.0	0.2	(0.03)	0.19
Italy	7.6	7.1	7.1	(0.54)	0.00
Luxembourg	0.6	0.6	0.6	(0.05)	0.00
Netherlands	14.9	12.0	16.1	1.22	4.16
Norway	17.4	17.4	19.9	2.52	2.52
Portugal	0.5	0.6	0.6	0.04	0.00
Spain	2.4	2.2	2.2	(0.16)	(0.00)
Sweden	14.7	13.8	12.4	(2.33)	(1.43)
Switzerland	20.4	18.7	19.2	(1.24)	0.47
United Kingdom	45.4	43.6	54.3	8.96	10.74
Sub-total	213.3	220.6	238.4	25.04	17.75
North America					
Canada	34.1	38.9	36.8	2.68	(2.13)
United States	58.0	73.2	83.2	25.25	10.00
Sub-total	92.1	112.1	120.0	27.93	7.87
Pacific Rim					
Australia	10.4	8.1	13.0	2.60	4.98
Japan	12.3	11.9	17.0	4.67	5.15
Korea	1.8	1.7	1.7	(0.05)	0.00
New Zealand	3.8	2.0	1.1	(2.73)	(0.87)
Sub-total	28.4	23.6	32.8	4.48	9.26
Developing Countries					
Bangladesh	0.2	0.2	0.2	0.02	0.00
Brazil	0.3	0.3	1.1	0.80	0.83
China	1.1	0.9	3.8	2.69	2.90
Colombia	0.8	0.5	0.5	(0.28)	0.00
Cote d' Ivoire	0.2	0.0	0.0	(0.23)	0.00
Egypt	0.7	0.5	0.5	(0.23)	0.00
India	7.5	7.4	7.4	(0.12)	0.00
Indonesia	0.1	0.0	0.1	0.06	0.10
Iran	0.6	0.5	0.5	(0.08)	(0.00)
Kenya	1.0	0.3	0.2	(0.81)	(0.10)
Malaysia	0.0	0.0	0.2	0.20	0.19
Mexico	0.8	0.3	0.3	(0.53)	0.00
Morocco	0.0	0.0	0.2	0.24	0.24
Nigeria	2.6	1.4	2.2	(0.39)	0.82
Pakistan	0.7	0.2	0.2	(0.49)	(0.03)
Peru	0.4	0.4	0.3	(0.09)	(0.07)
Philippines	0.3	0.3	0.3	(0.06)	0.00
South Africa	0.6	0.5	0.3	(0.28)	(0.19)
Syria	0.6	0.6	0.6	(0.00)	0.00
Thailand	0.1	0.1	0.1	(0.01)	0.00
Turkey	0.6	0.3	0.3	(0.31)	0.00
Uganda	0.5	0.3	0.3	(0.26)	0.00
Sub-total	19.7	14.9	19.5	(0.17)	4.69
International & Regional Organizations					
ADB	2.0	2.0	2.0	0.01	0.00
AfDB	0.9	0.5	0.5	(0.39)	0.00
Arab Fund	1.0	1.0	1.0	0.03	0.00
FAO	4.6	2.6	2.6	(1.96)	0.00
Gulf Cooperation Council	0.6	0.6	0.5	(0.06)	(0.10)
IDB	0.8	0.8	0.0	(0.81)	(0.78)
IFAD	9.8	10.0	10.0	0.21	0.01
OPEC Fund	0.7	0.4	1.0	0.27	0.65
UNDP	0.8	0.8	0.2	(0.61)	(0.59)
UNEP	6.8	6.8	3.6	(3.25)	(3.25)
World Bank	50.0	50.0	50.0	0.00	0.00
Sub-total	78.0	75.5	71.4	(6.56)	(4.05)
Foundations					
Ford Foundation	0.9	0.7	0.5	(0.43)	(0.20)
IDRC	3.5	3.5	3.3	(0.19)	(0.20)
Kellogg Foundation	0.7	0.3	0.1	(0.68)	(0.20)
Rockefeller Foundation	2.3	2.6	1.9	(0.39)	(0.71)
Syngenta Foundation	0.8	1.5	2.1	1.31	0.57
Sub-total	8.2	8.6	7.8	(0.37)	(0.74)
Non-CGIAR Member					
Bill & Melinda Gates Foundation	43.0	64.0	68.3	25.26	4.26
Others	48.5	36.1	35.8	(12.74)	(0.31)
Sub-total	91.5	100.1	104.0	12.53	3.96
Total	531	555	594	63	39