

CGIAR Science Council Financing Options

Background

At ExCo-4, FAO was requested to lead an effort, in collaboration with other Cosponsors, to develop options for building a trust fund for supporting SC and SC Secretariat activities, covering: estimated costs of future SC operations, an equitable and sustainable financing scheme involving CGIAR members, and implications for the future role of the Cosponsors. The suggestions from the Cosponsors are to be considered by ExCo and presented to the CGIAR membership for discussion at AGM2003.

Scope

FAO prepared the present note for consideration by the Cosponsors in response to this request. The future role of the Cosponsors is considered a question requiring extensive consultation among Cosponsors, members and stakeholders. Therefore, this note is limited to the more immediate issue of SC financing.

ExCo's Criteria

The key points made in the discussion at ExCo-4 were that the current Cosponsor financing mechanism was no longer viable, corporate costs and management of the System should be financed by the membership, and use of a trust fund supported by sustainable financing should be pursued. In this context, five illustrative financing options have been developed together with a brief comment for each on the extent to which they satisfy ExCo's criteria that the mechanism be **equitable, sustainable, and involve the CGIAR members**.

Components of SC Costs

Estimated costs for the SC operation were obtained from the iSC Secretariat and are considered indicative. They are partitioned into costs of the SC Secretariat staff (FAO employees), SC Chair (World Bank employee) and Members (CGIAR appointees), and SC operations. This format distinguishes between the SC's core¹ and operational² costs because sustainable financing of the former is necessary, but not sufficient, to enabling the SC to effectively perform the latter.

Financing Options

With the foregoing considerations in mind, at least five financing options can be identified ranging from financing solely by the Cosponsors, on the one hand, to centralized corporate cost by the CGIAR, on the other. Variations between these options involve different mixes of income for the two components - core and operational - of the SC budget. The relative congruence of each option is weighed in terms of ExCo's criteria for a sustainable, equitable financing mechanism involving CGIAR members.

¹ Personnel and general operating expenses, such as, office equipment, supplies, services and the like.

² Activities in support of SC's four functions: priorities and strategies, monitoring and evaluation, impact assessment, mobilizing science.

Science Council Estimated Annual Budget³

SC Secretariat	1,300,000
SC Chair & Members	500,000
SC Operations	<u>1,600,000</u>
Total SC Costs	3,400,000

Financing Options

Option 1: Equal Cosponsor Contributions

FAO	850,000
World Bank	850,000
UNDP	850,000
IFAD	850,000
Total SC Costs	3,400,000

Under this option, the Cosponsors would contribute equal shares to an FAO-administered SC trust fund. The annual amount required per Cosponsor exceeds the traditional level of US\$750,000, which only one Cosponsor currently meets. Given the preference of other Cosponsors either to contribute below this level, to contribute indirectly through CGIAR central costs fund or to restrict funding to specific operational costs, this option would expose the SC's core budget to uncertainty and thereby pose risk to its operational effectiveness even if activity costs were met. The option does not meet the criteria of equitable and sustainable finance and does not involve contributions by other CGIAR Members. Therefore, it does not satisfy any of ExCo's criteria.

Option 2: World Bank/FAO Contributions + CGIAR

Core SC Secretariat Costs (World Bank/FAO)	1,300,000
SC Chair & Members (World Bank)	500,000
SC Operations (CGIAR)	<u>1,600,000</u>
Total SC Costs	3,400,000

Under this option, the Cosponsors would cease to exist as a funding mechanism. Instead, the World Bank and FAO would contribute as partners to the core costs of the SC Secretariat at an annual level of \$650,000 each. The World Bank would also cover the compensation of the SC Chair and Members with whom it would continue to have contracts/letters of appointment, while the FAO would maintain its in-kind contribution. The CGIAR, ideally through its Secretariat, would pool and disburse to the FAO-administered SC trust fund the CGIAR corporate cost component of the budget allocated to SC operations. The corporate cost would equate to 0.4% of the CGIAR's annual budget.⁴ Option 2 would provide a basis for sustainable financing of SC core and operational costs and involve contributions by CGIAR Members

³ In U.S dollars, based on estimate supplied by the iSC Secretariat. An additional reserve of US\$500,000 must be added for the first year which would be carried over into subsequent years. The estimated SC budget is US\$1,600,000 higher than the current iSC budget. The Cosponsors Interagency Agreement of 1999, which was signed by the World Bank and FAO but not by UNDP and UNEP, was budgeted at US\$3,000,000 per year (i.e., equal shares @ US\$750,000) for a three-year period. The estimate used in the present note assumes all established posts are filled, the SC has 4 (rather than the current 3) Standing Panels operating in a networking mode involving a larger number of scientists in SC activities, and a full programme of work.

⁴ Assuming a budget of approximately US\$ 360 million in 2003.

through a corporate cost charge to the membership. However, it seems unlikely that the criterion of equitable financing would be satisfied since the World Bank's and FAO's contributions may not be equal to those of other CGIAR Members.

Option 3: World Bank/FAO Contributions + CGIAR

Core SC Secretariat Costs (World Bank/FAO)	1,300,000
SC Chair & Members (CGIAR)	500,000
SC Operations (CGIAR)	<u>1,600,000</u>
Total SC Costs	3,400,000

The terms of Option 3 are similar to Option 2 except the costs of SC Chair and Members would be covered by CGIAR rather than the World Bank. FAO and the World Bank would continue to share the core costs of the SC Secretariat. The CGIAR's contribution would increase to 2,100,000 or 0.6% of the CGIAR's annual budget. Option 3 would provide a basis for sustainable financing of SC core and operational costs and involve contributions by CGIAR Members through central funding mechanism. But like Option 2, the criterion of equitable financing might not be satisfied because the contributions of the World Bank and FAO may not be equal to those of other CGIAR Members.

Option 4: FAO Contribution + CGIAR

Core SC Secretariat Costs (FAO cash + in kind)	800,000
Core SC Secretariat Costs + SC Chair + Members (CGIAR)	1,000,000
SC Operations (CGIAR)	<u>1,600,000</u>
Total SC Costs	3,400,000

The scenario under Option 4 assumes that FAO would continue to make its annual cash and in-kind contribution at the level of US\$ 800,000, covering two-thirds of the SC Secretariat's core costs. The balance of SC Secretariat and SC operational costs including those of the SC Chair and Members - amounting to US\$ 2,600,000 or 0.74% of the CGIAR's annual budget - could be drawn from the CGIAR reserve fund to be replenished by CGIAR members through voluntary contributions. While this option does not satisfy the ExCo's criterion for equitable financing it is nevertheless sustainable and could serve as an interim mechanism that enables the CGIAR to evolve a longer term solution.

Option 5: FAO in-kind Contribution + CGIAR

Core SC Secretariat Costs (FAO in-kind)	150,000
Core SC Secretariat Costs (CGIAR)	1,150,000
SC Chair & Members (CGIAR)	500,000
SC Operations (CGIAR)	1,600,000
Total SC Costs	3,400,000

Under Option 5, all SC and SC Secretariat core and operational costs would be covered through a CGIAR corporate cost, except the in-kind costs of housing the Secretariat at FAO. The CGIAR contribution would amount to US\$3,250,000 or 0.9% of the CGIAR annual budget. This option is the only one of the four presented above that would satisfy all of ExCo's criteria for sustainable, equitable financing through contributions by CGIAR Members.