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Date: 10 October 2003

Subject: ISNAR Restructuring

Dear Ian, dear Francisco,

As you are aware, ExCo5 endorsed the recommendations of the final report of the ISNAR Restructuring Team (IRT), which also has the full support of ISNAR's Board and Management. It recommended that the transition proceed as quickly as possible and that a progress report be presented to AGM by ISNAR and IFPRI.

As a follow-up to ExCo's recommendation, and at the invitation of ISNAR, the IFPRI Director General and Director of Administration and Finance visited ISNAR last week and the two centers initiated discussion on important institutional, legal, financial, and programmatic issues relating to the transition. Pending approval by the respective boards, agreement was reached, in particular, on the composition of the transition team (TT) and the Program Advisory Committee (PAC). In order to proceed with the transition matters, and for developments to be consistent with the ISNAR Constitution, a resolution will have to be passed at AGM giving approval to the ISNAR Board of Trustees for, *inter alia*, the dissolution of ISNAR as an independent organization, the disposition of assets, and the transfer of the new ISNAR Program Base to sub-Saharan Africa.

A number of issues now come to the forefront, the most critical of which concerns financing the transition. ISNAR is insolvent, since we will incur a deficit of around \$900,000 in 2003, due to the payment of indemnities for staff in 2003 from a loan of \$1 million from IPGRI.

The CGIAR Secretariat is aware of this reality. What this means is that the costs of the transition will have to come entirely from outside sources. Based on earlier estimates made by the IRT and the repayment of the \$1.0 million loan to IPGRI, the specific costs of closing down ISNAR and transferring its program to IFPRI governance stand now at \$5.0 million. The ISNAR and IFPRI Directors of Administration and Finance met with the ISNAR External Auditors to update them on the situation at ISNAR and requested them to review these closing down estimates. Their statement will be available at AGM, as well as the ISNAR report on the financial implications of the transition requested by ExCo5.

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It is clear that, in order to comply with the ExCo recommendation for a rapid transition once formal endorsement of the IRT report is obtained at AGM, it is critical for ISNAR to have the necessary cash to cover the transition costs in January or at latest February 2004. Without a guarantee that the necessary funds will be made available, ISNAR cannot initiate actions including the termination of staff contracts, and the cancellation of the office lease and other contracts. In other words there will be the need to obtain not only the endorsement of the IRT report, but also the commitment by the Group to make cash available early on in 2004 if the transition is to be initiated soon after AGM.

The unavailability of cash in the necessary amount in very early 2004 would result in ISNAR's inability to implement ExCo's (and certainly AGM's) recommendations, and bring to a halt the transition process and the transfer of operations to IFPRI. This in turn would have a range of unfortunate and counterproductive implications, the most important of these being the continued operation of ISNAR as an independent international center, against the wishes of the CGIAR membership. Of course, core funding would be required to continue operating anywhere in the world, but we assume that it would be forthcoming according to the traditional schedule (i.e., financing would be provided over a 12-month period). This traditional schedule would however not make it possible to effect the transition envisaged in the IRT report and recommended by ExCo.

The ISNAR's Constitution does not make provision for the scenario we are currently experiencing. The closing down of operations at ISNAR is an exceptional situation, and although the implementation of the alliance with IFPRI will have sizeable 'up-front' costs, the Group should be made aware that it also holds significant long term benefits for the System.

We look forward to your comments and guidance.

Best regards,

A handwritten signature in black ink, consisting of a large, stylized letter 'J' with a vertical line through it and a small flourish at the bottom.

Jacques Ekebil