

**FINAL REPORT OF EXCO AD HOC COMMITTEE
ON FUNDING SYSTEM PRIORITIES**

September 21, 2007

Membership of the ad hoc Committee

1. Jonathan Wadsworth	UK	(Chair)
2. Finn Christensen	Denmark	(left 2006)
3. Kevin Cleaver	World Bank	(left 2006)
4. Eija Pehu	World Bank	
5. Jean Lebel	Foundations	
6. Franklin Moore	USA	
7. Njabulo Nduli	South Africa	(left 2006)
8. Charles Haines	Canada	(co-opted 2007)
9. George Rothschild	Consultant	

Resource persons

1. Ruben Echeverria	Science Council
2. Anne Marie Izac	Alliance Office
3. Shey Tata	CGIAR Secretariat

Acknowledgement

The chair would like to acknowledge countless discussions between committee members and stakeholders, donors, interlocutors and friends of the CGIAR which have contributed to this work. Particularly the staff of the Alliance Office, Science Council Secretariat, and CGIAR Secretariat for specific inputs in addition to those mentioned above. Thanks are due to DFID for providing financial support for the consultant and WB for funding associated committee costs.

Jonathan Wadsworth
London
September 2007

TABLE OF CONTENTS

Executive Summary	4
Introduction	6
Background	6
<i>Task Force on funding system priorities</i>	
<i>Ad Hoc Committee on funding system priorities (AHC)</i>	
Survey of perceptions on funding SPs across the system	8
<i>The 20 system priorities</i>	
<i>Matrix: alignment of system priorities with MTPs</i>	
<i>Transaction Costs</i>	
<i>Funding –general issues affecting donor choices</i>	
<i>Unrestricted Funding</i>	
<i>Restricted Funding</i>	
<i>CGIAR audited overhead rates</i>	
<i>Reserves</i>	
Pilot studies on SPs and FPs	11
<i>Coherence</i>	
<i>Gaps, duplication and overlaps</i>	
Members coordination forum at AGM06	12
<i>Funding options / ‘scenarios’</i>	
<i>Key messages from the Members’ Coordination Forum</i>	
Framework plans (FPs) – implications for funding mechanisms	13
Translation of findings into SP-based funding mechanisms	14
<i>Entry points</i>	
<i>Proposed step-wise allocation process</i>	
Concluding comments	17
Recommendations	19
Annex 1	20
<i>Terms of Reference of the Ad Hoc Committee on Funding</i>	
<i>System Priorities and list of Committee members</i>	
Annex 2	22
<i>Terms of reference for consultant (George Rothschild)</i>	
<i>to the Ad Hoc Committee</i>	
Annex 3	23
<i>List of individuals and institutions contacted in AHC survey</i>	

Executive Summary

a) The CGIAR AGM05 requested that ExCo establish an Ad Hoc Committee on Funding the System Priorities (AHC) to build on the work carried out by an earlier Task Force which had examined options for coordinated action by the CGIAR in funding the System Priorities (SPs). The AHC was tasked with moving the debate further by developing mechanisms for action with particular emphasis on how to fill funding gaps in a CGIAR research portfolio based on SPs.

b) This report describes the convoluted road we have travelled. It has taken us over some well-mapped ground, through uncharted territory and along dead-ends. However, we believe we have arrived at a significant, if not final, destination. A feasible course has been plotted and the CGIAR today finds itself in the best position for many years to take bold steps forward.

c) The AHC realised at an early stage that the relatively simple problem of how to fill funding gaps in the SPs is inextricably linked to, and dependent on, a wide array of other critical issues. Our consultations with stakeholders uncovered multiple layers of weakness, ambiguity, contradiction, misunderstanding and opposing views across the entire system that, not surprisingly, conflate to make any task related to resource allocation highly complex. We therefore had little option but to interpret our TORs broadly.

d) Consequently the AHC looked in-depth at perceptions regarding the content and formulation of the SPs; danger of SPs becoming research 'silos'; potential for cross-cutting research; development of Framework Plans (FPs) to operationally link centre and Challenge Programme Mid term Plans (MTPs) with SPs; and, analysed four 'pilot' SPs to get a feel for coherence, gaps, duplication, overlaps, developmental relevance, and funding sources. We found that consolidated FPs present a feasible instrument for bringing together all SP-directed research of the CGIAR, which includes outcomes, impact pathways, resource requirements, and funding needs.

e) On the funding side we found that the system is rapidly veering toward increased funding vulnerability due to excessive reliance on restricted funds; ambiguities around full cost recovery in restricted projects; definition and use of unrestricted funds; and the perceived function, use and appropriate level of centre reserves. However, it is the combined effect of the interaction between 'funders and the funded' influenced by each actor's primary interest, which explains why the CGIAR finds it so difficult to function as an effective system.

f) The current state of affairs is well summarised by quoting from Hayami, Lipton and Mule (2003)¹ :

“At present the CGIAR faces a “tragedy of the commons.” Each donor furthers its aims by providing funds restricted to those aims. Each Centre goes its own way, partly to get such funds, partly because doing so frees it from pressures to work with the System as a whole. The results are lack of System-wide strategy, little sense of overall ownership, and loss of System efficiency. Donors and

¹ Advisory Committee Report on The CGIAR at 31: An Independent Meta-Evaluation of the CGIAR, page 4.

Centres each acting on their own priorities, together produce results that harm the priorities and productivity of all.”

g) The AHC concluded that any attempt to improve on current funding practices must conform to seven key principles: (i) incentives for donors to invest in SPs and increase unrestricted funding, (ii) funding the system agenda through centres, (iii) donor harmonisation, (iv) improving stability of funding and full cost recovery, (v) incentives for inter-centre collaboration, (vi) transparency and reduced transaction costs, and (vii) effective information sharing among donor members.

h) The proposed mechanism developed by the AHC has been designed after looking at a number of possible scenarios; it complies with or has the potential to strengthen the above principles. It recognises that many donors have only limited degrees of freedom. And, it allows for long-term funding of strategic ‘core’ areas of research that underpin other, more applied or time-bound research.

i) As things stand at present there are only three effective entry points for donor inputs to the system, and these are all centre or CP based. The proposal pinpoints another three possible entry points for donors wishing to allocate their resources to SPs (outcomes) as opposed to centres (inputs).

j) Through a step-wise process the mechanism would:

- construct a matrix of demand for funds by centre / CP against SPs and/or clusters of SPs from realistic budgets detailed in the Framework Plans and MTPs. This matrix, being based on approved MTPs constitutes an ‘offer contract’ to donors in return for resources;
- based on declarations of donor intent draw up a second matrix, expressing funding supply for the coming year and as far into the future as is possible. This constitutes a first approximation of funding available and level of restriction,
- identify which cells are over-, under- or adequately funded by subtraction of the demand matrix from the supply matrix. This allows centres and CPs to assess the financial feasibility of undertaking MTP activities. If any within-centre / CP cells are oversubscribed negotiation with donors can seek to redistribute funds based on an overall programmatic and funding picture,
- the final step is for donors wishing to allocate all or some of their unrestricted funds through SPs to agree on coordinating their contributions, aiming to top-up under-funded cells and reduce funding uncertainty.

k) Initially all that would be needed is for willing donors to agree on harmonising their own funding decisions, working together in good faith and transparently. This constitutes a ‘virtual pooling’ of resources at system level. If successful it could develop into ‘real’ pooling through a more formal arrangement.

l) The report makes six recommendations and would particularly emphasise that a Standing Panel on Funding should be established to provide for informed discussion and oversight of long term, strategic funding issues of the CGIAR.

Introduction

1. This report describes the work of the ExCo Ad Hoc Committee on Funding System Priorities (AHC) since its formal establishment in May 2006. It largely focuses on the AHC's core task of developing options for funding the CGIAR system priorities (SPs) and develops a story line based on extensive consultation with CGIAR stakeholders. A possible funding mechanism is proposed that takes into account pilot studies of selected SPs, the first set of Framework Plans (FPs) as well as feedback of the CGIAR Members' Coordination Forum at AGM06.

2. During the course of AHC deliberations a number of other changes across the CGIAR have happened, and important initiatives of relevance to our work have started. The CGIAR now has new Chair and Director; the Centre Alliance has consolidated its secretariat and executive, promoting debate on the future vision and structure of the CGIAR. ExCo has initiated an external system wide review, and has also embarked on a consultative process to scope the potential for change. These developments are highly significant and AHC has interacted with and participated in them all. The AHC believes the CGIAR now finds itself in the best position for many years with respect to shared vision and purpose. Today the time is right for clear analysis and informed debate to translate this into a doable process for enabling coordinated funding of SPs in the short term.

Background

3. **Task Force on funding system priorities (SPs):** Following a suggestion by Denmark at AGM04, ExCo8 set up a Task Force (TF) on "*Funding system priorities: coordination action by CGIAR*". The TF, chaired by Denmark, examined the scope for developing a mechanism(s) to fund the 20 SPs. The main focus was on assessing the scope for donor coordination and harmonisation of contributions.

4. The TF considered that several key criteria had to be met if the CGIAR was to succeed in coordinated funding of a prioritised system agenda over the longer term. Firstly, the level of unrestricted funding had to be increased; secondly, greater flexibility needed to be exercised with restricted funding, and wherever possible such funds should be directed towards the SPs. Lastly, readily accessible information needed to be available on the full costs of implementing the medium-term plans (MTPs). The TF felt that a matrix of SPs (columns) and centre programmes/projects (rows) would provide members with yearly information on activities that were under or over-funded.

5. The TF came up with several options for coordination of funding, rather than actual mechanisms for allocating funds to the SPs. To address the latter issue ExCo at AGM05 established the present Ad Hoc Committee (AHC) on funding the system priorities. AHC Terms of Reference and composition are given at Annex 1.

Ad Hoc Committee on funding system priorities (AHC)

6. The Committee's main task has been to develop options ('mechanisms') for funding the SPs, thereby "*translating technical assessment into funding decisions*". Special emphasis was placed on how to fill in "*gaps in funding*" the SPs. Terms of reference for the consultant assisting the AHC (Annex 2) ensured that "*the Ad Hoc Committee's discussions, decisions and recommendations are fully aligned with the CGIAR decision*

(at AGM05)". Since May 2006, the AHC has held seven meetings, of which two were virtual (video-conferences), and has presented progress reports at ExCo11, ExCo12 and AGM06.

7. The AHC sought views on issues related to financing the CGIAR from a number of donor members and stakeholders², as well as from all centres, challenge programmes (CPs), and the SC³. On the basis of the survey and our analyses we concluded that additional work was required before it would be possible to develop meaningful options for funding the SPs, and that the Committee's TORs had to be interpreted more widely. The AHC considered that a pragmatic approach was required in its main task. Also that whatever mechanisms were considered, these had to be outcome-oriented and able to add significant value to what already existed.

8. In order to develop realistic options for funding a system agenda, the AHC considers that seven key principles should be adopted (Box 1) and catered for in any proposed mechanism.

Box 1. Essential principles of CGIAR funding

1. Incentives are required for donors to invest in system priorities through unrestricted funding or appropriate targeting of restricted funding; taking a longer term perspective wherever possible.
2. Funding of the system agenda should be through centres whichever mechanisms are adopted.
3. Encouragement should be provided for donors to harmonize funding of key priorities whilst recognising that each is a sovereign entity whose flexibility of action may be limited by realities of political economy.
4. Improving stability ('smoothing') of funding for the system, as well as for individual centres through harmonization amongst donors; and ensuring that full economic costs of delivering outputs are met.
5. Incentives are required for centres to increase collaboration.
6. There has to be transparency in funding processes, and, wherever possible low transaction costs.
7. Effective information sharing among donor members is crucial.

9. The AHC also recognised that the medium term plans (MTPs) of centres and CPs could only be properly aligned with the SPs if these were clearly defined. Framework plans (FPs) to help achieve this objective had yet to be developed at that time. This together with the as-yet unresolved issue of the interdependence and coherence of the 5 System Priority Areas (and the 20 sub priorities), were perceived by the AHC to be of major importance for the development of funding options.

10. With limited information and the FPs yet to be drawn up, the AHC considered that

² Full list of persons contacted is given at annex 3.

³ Rothschild, G. Consultants background report to AHC including survey of alliance and other stakeholders, September 25 2006, London.

there would be merit in focusing its attention on four of the 20 sub priorities as pilots to determine if there were lessons to be learned that could be applied more broadly to the remaining SPs. The pilots were selected on the basis of the following criteria:

(i) probability of over- or under-funding; (ii) number of centres and CPs engaged in work on the priority, and (iii) whether their respective contributions represented “traditional” or “new” research. SPs selected for pilot analysis were

- 1C (*Conservation of indigenous livestock*),
- 3A (*Increasing income from fruit and vegetables*),
- 4B (*Sustaining and managing aquatic ecosystems for food and livelihoods*)
- 5D (*Science and technology policies and institutions*).

11. At the request of the AHC, the Alliance Office and the SC provided their perspectives on the four pilots in terms of: (i) coherence of research; (ii) gaps, duplications and overlaps; (iii) developmental value of research activities, and (iv) sources of funding. These perspectives were used as the basis for developing preliminary funding options (scenarios) presented at the Members Coordination Forum at AGM06. Points raised by members contributed to AHC appraisal of how far the CGIAR as a whole might be prepared to change its funding practices.

Survey of perceptions on funding SPs across the system

12. **The 20 system priorities**: Views on the SPs still differ, but to a lesser degree than when they were formally endorsed at AGM05. It is now widely accepted that SPs provide a useful description of the whole CGIAR system agenda so that it is possible to appreciate the contributions of each of the centres and CPs, as well as the balance of funding between thematic areas. This is of particular value to smaller donors with limited technical support. There is also consensus that the SPs have been developed to facilitate donors to coordinate their funding and to increase their unrestricted support – or to direct their restricted support strategically towards the system agenda.

13. A common concern is that the SPs are too broad, and that greater focus is needed if the CGIAR is to build upon its comparative advantages. Additionally, many feel it is unclear how the priorities would deliver outcomes that were relevant to the CGIAR’s mission and the MDGs. Furthermore, that the SPs contain little or no reference to development / impact pathways. We believe that these concerns are now adequately addressed by FPs (see Box 2).

14. There was a widespread view that the complexity of the issues underlying poverty, hunger and sustainability means that they can only be addressed through multidisciplinary systems approaches. Whilst it is acknowledged that each of the 20 SPs is of value, the strong interdependence of many requires that they be clustered in various ways. The same view applied to cross-sectoral issues including agriculture and health, climate change and energy.

15. **Matrix⁴: alignment of SPs with MTPs**: The process of allocating the ‘correct’ amounts of funding to each SP and to particular cells within the matrix was frequently raised. Clarification was sought on who would decide if certain cells were over- or under-funded, and on what grounds. Clearly it is entirely appropriate that some cells

⁴ As proposed by the earlier Task Force, see para 4.

would be allocated substantially more than others and that relative proportion of funds are likely to change over time in response to research progress and emerging trends.

16. **Transaction Costs:** Everyone is concerned about escalating transaction costs. These were regarded as costs rather than investments because of the perceived lack of significant returns in terms of value adding. Transaction costs would be greatly reduced if, among other things, centres and donors entered into longer-term arrangements to achieve particular outcomes and impact.

17. **Funding – general issues affecting donor choices:** It is unrealistic to expect that the matrix will automatically result in a fully funded set of SPs with greater funding flexibility at centre level. This is because:

- a) Donors are sovereign, autonomous entities with their own constituencies, politics and priorities.
- b) Most donors have strong and differing preferences for themes, centres and CPs, and position on the research - development continuum. These preferences are due to various factors including, self-interest, historical funding patterns, linkages with bilateral programmes, and geographic mandates.
- c) Many donors need to attribute returns on their investments in terms of impact, if they are to successfully bid for funds in the increasingly competitive environment within their own government organizations.
- d) Some donors represent ministries for development, and see research as just one component of the development process.
- e) Even if donors are willing to commit fully to the funding modalities proposed by the CGIAR, many have only limited degrees of freedom.
- f) Smaller donors without specialist advisers expect to see short-term impact from their investments, and do not appear to be sufficiently aware of the long-term nature of research and the lead time required to translate outcomes into developmental achievements.
- g) Even those donors who do accept that long-term support is needed nevertheless require that there are clear impact pathways leading from the research.

18. The above considerations (a-g) must be understood in the context of their influence on funding choices. And donors themselves need to appreciate their effects on the overall system when taken in conjunction with all other unilateral funding decisions made by the CGIAR membership at large.

19. **Donor coordination:** It is commonly accepted that greater harmonisation of donor support is desirable. But some doubt this is likely in the short term. The AHC adopted a practical approach focussing on where coordination would be most likely to yield greatest benefit to the system and therefore having most chance of success. We acknowledge that more than one funding mechanism may be required to do this.

20. **Unrestricted Funding (URF):** The CGIAR must face up to the fact that for many years the ratio of Unrestricted Funding (URF) to Restricted Funding (RF) has been

shifting in favour of the latter. This has been somewhat disguised within a constantly increasing budget which shows the absolute level of URF to be stable. However this only applies in nominal terms. When constant dollar values are plotted there has been significant decline in URF at all centres. However, as concluded previously⁵, it is the declining ratio of URF to RF that poses by far the greatest threat to CGIAR effectiveness.

21. In the early days of the CGIAR, centres functioned largely with URF or “core” funding from donors, and URF:RF ratios of 70:30 were not uncommon. Over the past 15 years there has been a gradual rise in RF, from 36% of CGIAR budget in 1992 to 64% in 2005. URF:RF ratios at centre level now vary from a “best” case of 50:50 down to a dangerously untenable 30:70. Most consider that a 50:50 ratio is the minimum needed to permit system and centre financial sustainability. This is fundamentally because without URF it is impossible to undertake longer-term strategic research, as RF is by definition highly prescriptive toward donor programme/project requirements.

22. **Restricted Funding (RF):** Some consider that URF is more volatile than RF, and therefore it is RF that provides greater stability as well as opportunities for multi-year support. This argument may reflect more on donor behaviour than funding type and is only valid where full costs are met. Almost all centres considered that the failure of many donors to provide full costs (FC) for RF projects to be one of their greatest problems - as inevitably centres are tempted to use scarce URF to “subsidise” under-funded restricted projects. This amounts to a perverse incentive, reducing the scope for strategic research and encouraging centres to accept inappropriate RF projects.

23. **CGIAR audited overhead rates:** A joint analysis by several centres indicated that a realistic FC (audited overhead rate) would be 50%. This contrasts with figures derived from the CGIAR approved calculation method of around 20–22%. There is clearly a need for re-assessment of the method used to derive centre FC rates if these are expected to cover the full proportionate costs of long-term strategic research which underpins restricted projects and to avoid ‘free riding’. This is all the more relevant in light of different institutional limits on overhead levels of donors and varying interpretations of permitted budgeted lines. There is clearly a need for greater transparency and harmonisation amongst donors and common understanding with and across centres in order to meaningfully allocate funding to the 5 SP areas and its corresponding 20 sub priorities.

24. **Reserves:** The amount required for reserves needs to be tailored to meet the contingencies likely to arise not only from instability in donor funding, but also from local political, economic and natural phenomena. However the AHC strongly refutes the notion that reserves can be used to successfully stabilise high RF:URF ratios over the long term. Donors’ responsibility is to provide the opportunity to centres, through URF and cost recovery, to enable them to take responsibility for managing funding instability.

⁵ Hayami, Lipton and Mule (2003) Advisory Committee Report on The CGIAR at 31: An Independent Meta-Evaluation of the CGIAR state “At present the CGIAR faces a “tragedy of the commons.” Each donor furthers its aims by providing funds restricted to those aims. Each Centre goes its own way, partly to get such funds, partly because doing so frees it from pressures to work with the System as a whole. The results are lack of System-wide strategy, little sense of overall ownership, and loss of System efficiency. Donors and Centres *each* acting on their own priorities, together produce results that harm the priorities and productivity of all.”

Pilot studies on SPs and FPs

25. The AHC commissioned the Alliance to undertake pilot studies of four of the system priorities (see para 11), and also requested the Science Council to provide additional feedback to that given in its earlier review of the priorities. In attempting to align MTPs with the SPs, the Alliance pointed out that the definitions of the scope and objectives of the 20 SPs were still being refined within the Framework Plans (FPs).

26. The Alliance regards the SPs as broad thematic areas that are not ranked within an overall system agenda. They equate to a general statement of CGIAR competence and comparative advantage. Also, the centres have never been structured or funded on the basis of SPs. For these two main reasons, the Alliance argues that adequate time is required for effective “self reorganisation” if meaningful decisions on funding are to be made on the basis of SPs.

27. **Coherence:** The Alliance recognised that the greatest opportunities for developing coherent research agendas were to be found in SPs with relatively few players; examples included priorities 1C and 4B for livestock and aquatic resources, respectively. However, as the outcomes addressing the highly complex issues of poverty, hunger and sustainability can only be derived through cross-cutting research, the Alliance pointed out that most centres had adopted programmatic approaches with their partners which embraced a range of SPs. It was considered that framework planning based on clusters of SPs would be preferable to FPs based on individual SPs in isolation from one another.

28 **Gaps, duplication and overlaps:** The Alliance studies revealed research gaps in all four pilot SPs, particularly in 1C and 4B. It was argued that these reflected the relatively low level of investment by the CGIAR in livestock conservation and management of aquatic systems, respectively. However, the Alliance believed that meaningful identification and funding of research gaps would not be possible until all SPs had been fully defined in terms of their importance within the system agenda, taking into account their interdependence and issues of coherence. This process would then permit prioritisation of research gaps. Additionally, it was argued that investments in the perceived gaps needed to factor in the likely returns in terms of benefits. This requires greater attention to outcomes.

29. The Alliance found no obvious evidence of duplication and overlaps in the four pilot SPs. The work undertaken by different centres and their partners within the same SP was invariably complementary and reflected differing agro-ecologies and mandates. The Alliance considered that the perception amongst some stakeholders of duplication and overlap in the system’s research agenda was not borne out by the evidence.

30. However, there was acceptance by the Alliance that further refinement of the SPs and framework planning might reveal examples that did require rationalisation. It was argued that this would be most likely to occur in a new area such as 3A that addresses high value fruits and vegetables. Here, although the Alliance centres had undertaken relevant research, most of the key players are outside the CGIAR system. A ‘settling in’ period would be required for all partners to best exploit their respective comparative advantages

31. Working together the SC and Alliance have developed and initiated a process to produce FPs for all SPs by the end of 2008. Structure, content and purpose of FPs have

been defined and essential elements determined (Box 2).

Box 2. Essential Content of Framework Plans (proposed by SC)

1. Forward
2. Introduction
3. Definitions
4. Vision – including exit strategy or ideal end-point statement
5. Scope
6. Pathways to impact
7. Specific goals – reviewed and revised from CGIAR Systems Priorities document
8. Exciting and focussed targets – including 5-year and longer-term targets
9. Partners and partnerships
10. Capacity building
11. Minimum and optimum resource needs

Members Coordination Forum at AGM06

32. ***Funding options / ‘scenarios’***: The Forum at AGM06 gave donors the opportunity to provide feedback on funding options presented as five “*Scenarios*” by the AHC. Whilst the scenarios did not identify specific SPs, they were intended to demonstrate the possibility of clustering SPs by research typology⁶ to achieve CGIAR goals. This approach remains central to the AHC’s thinking, except that it is now nuanced by the emerging realisation that initially, at least, FPs will be developed for each SP, and programmatic clustering will be at the level of the main five SP areas:

- ***Scenario 1***: Status quo: Current centre, CP and System-wide Programme (SWP) activities, but incorporating the SPs.
- ***Scenario 2***: As Scenario 1, but with some SPs supported as Challenge Programmes (CPs).
- ***Scenario 3***: All SPs supported as CPs or System Wide Programmes (SWPs).
- ***Scenario 4***: Adapted by the AHC from a programmatic approach proposed over a decade ago⁷. Content of individual SPs retained, but ‘packaged’ into four main categories based on: content, desired output, and comparative advantages of centres. The categories that may overlap are:
 - a) Long-term programmes based on mandated core agendas of centres, with partners. Not time-bound (‘permanent’)
 - b) Long-term but time-bound multi-centre programmes with partners. Could include regional initiatives with potential for significant international spillovers. Management options include consortia, CPs, SWPs or other modalities.

⁶ (e.g. long-term strategic “core” research; short term research on specific regional problems; etc.)

⁷ Conway, G., U. Lele, J. Peacock, M. Pineiro. 1995. A Vision for the CGIAR: Sustainable Agriculture for a Food Secure World, pp. 41-71. In *Renewal of the CGIAR: Sustainable Agriculture for Food Security in Developing Countries*. Ministerial Level Meeting, Lucerne, Switzerland, February 9-10, 1995.

- c) Medium-term collaborative programmes with CGIAR and partners, using competitive funding. Could be managed through CPs, SWPs or other collaborative approaches
 - d) Short- to medium-term programmes on regional problems of a more specific nature. Generally NARS-led. May be components of centre and CP agendas.
- **Scenario 5:** Proposed 'International Fund for Agricultural Research' ("IFAR") based on a global mechanism along the lines of the International Fund for Agricultural Development (IFAD). This option is included, but would not currently be feasible as the CGIAR system is not a legal entity⁸.

33. **Key messages from the Members' Coordination Forum:** The main points of relevance to the AHC to emerge from the Forum included a reminder that the SPs were a means to an end and not an end themselves. The SPs had therefore to be outcome-driven, and linked to best practice by donors and research entities. There was general support for programmatic approaches of the type envisaged in Scenario 4 as these would provide opportunities to address problems that represented emerging challenges, and were cross-cutting and multi-disciplinary. A few donors supported competitive models based on Scenario 3, despite concerns by others that these may not be conducive to collaboration / harmonisation. Information sharing was seen as vital for all funding options. Members were able to appreciate the attraction of Scenario 5, but serious consideration of it would be a major undertaking.

Framework plans (FPs) - implications for funding mechanisms

34. Whilst FPs will ensure scientific quality and developmental relevance, the main interest of the AHC is in their use in developing ways of SP-based funding. The SPs represent the portfolio of the CGIAR's 'core competencies' and where it can best apply its comparative advantage. The FPs on the other hand provide a means of planning how CGIAR research can best be conducted to achieve outcomes leading to impact.

35. Coherent and realistically budgeted FPs will provide the system level operational link between SPs and centre / CP MTPs. In seeking an outcome-based system agenda the FPs are essential for understanding interdependence of research activities, assessing cost/benefit of different options, and assessing trade offs.

36. FPs will also help to predict required funding profiles over time, thus opening the possibility for greater security of longer-term core support either through URF or FC RF, this would counter the unpredictability of funding outside regular centre reserves. Transaction costs incurred by all stakeholders will potentially be considerably reduced.

⁸ Since AGM06 the Alliance presented a paper at ExCo12 (The way forward for the CGIAR System: A statement by the Alliance of CGIAR Centers for discussion in the CGIAR system and beyond, May 2007) – this outlines a number of structural approaches including a possible "IFAR" model.

Translation of findings into SP- based funding mechanisms

37. **Entry points:** Drawing on the above information and analyses, it becomes possible to define the main elements of an SP-based funding mechanism. At present members' funding to the CGIAR system can only enter the system through three possible routes, all of which are centre-based (IV – VI Table 1)

38. A further three SP-based entry points can be envisaged (I – III Table 1). Table 1 summarises possible and existing funding routes where I>VI represent increasing levels of restriction from the perspective of a system-wide research agenda based on SPs.

Table 1 Possible and existing entry points for donor funding to CGIAR

Entry ⁹ point	Description	Level of restriction	Notes
I	No restriction – funds may be used for any SPs or SP cluster within the agreed system agenda	No restriction	Requires a distribution mechanism for allocation to Centres
II	Funds allocated to a specified group of SPs or SP clusters	Slight restriction (not significant from Centre perspective)	Requires a distribution mechanism for allocation to Centres
III	Allocated to a specific SP	Some restriction (not significant from Centre perspective)	Requires a distribution mechanism for allocation to Centres
IV	Funds allocated to named Centres, CPs or SWPs to be used at their discretion	Only restriction relates to choice of centre, CP or SWP	The majority of unrestricted donors currently fund in this way
V	Directed to specific SPs / clusters within Centres, CPs and SWPs	Some restriction	Some donors already do this, but not common
VI	Directed to Centres, CPs and SWPs for specific projects and programmes.	Highest level of restriction	Acceptable if aligned with SPs / clusters and fully costed

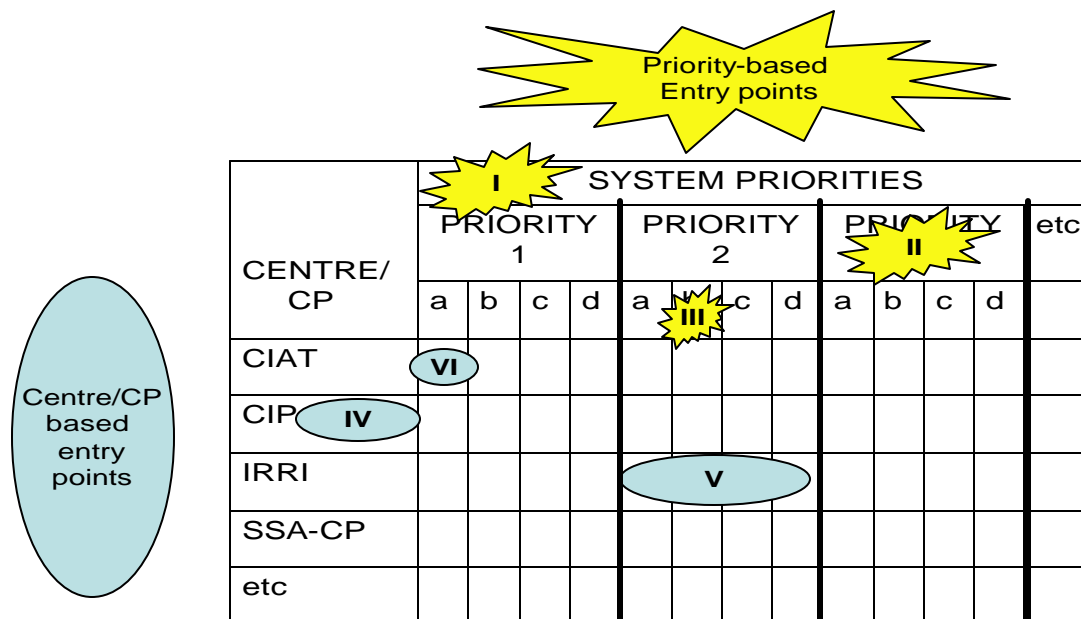
39. Because of their legal status, all funding is currently allocated to the centres by donors, even where, for example, this is channelled through the multi-donor trust fund of the World Bank. Only entry points IV, V and VI are currently used by donors, as I, II, and III would require a system for allocating SP-based funds to centre budgets. It is likely that legal considerations, particularly around the issues of fiduciary responsibility and accountability, will have to be taken into account by donors before entry points I, II and III can be used directly.

40 Scenario 5 (“International Fund for Agricultural Research” see Paragraph 32) represents a mechanism for centralised distribution, but requires a legal entity to do so.

⁹ See Figure 1

The Alliance has recently floated several options for creating such an entity¹⁰. The AHC considers this to be a long-term goal worthy of serious consideration as part of the recently initiated Change Scoping work.. However many structural and legal adjustments will be needed to establish such an arrangement which, realistically, will take some years to complete. Hence, the AHC proposes a mechanism that could be partially enacted immediately through a “coalition of willing donors”, and completed as the pending FPs become available. This mechanism has the potential to grow and evolve during the time it takes to thoroughly explore Scenario 5 options.

Figure 1 Possible CGIAR SP Funding Entry Points (see Table 1)



41. **Proposed step-wise allocation process:** In order to meaningfully allocate funding to the 5 System Priority areas and corresponding 20 sub priorities the AHC proposes the following process:

First step:

42 Once FPs are reviewed by the SC on programmatic content and alignment with Centre and CP MTPs the first step is to develop a matrix of centres and challenge programmes against each of the FPs. The FPs developed for each SP cluster/programme will then have indicative annual budgets disaggregated by Centre / CP for a 3 - 5 year period. This effort does not need to be totally repeated annually, the matrix can be updated in a similar rolling fashion as is the case with MTPs.

¹⁰ Draft Meeting Report. Joint Meeting of the Alliance Board and Alliance Executive with Members of the Exco Ad Hoc Committee on Funding System priorities and members of EIARD. Alliance of the CGIAR Centres. Bioversity, Rome, Italy. 27 April 2007 (see also footnote 7).

43. From this matrix, it is possible to determine the proposed investments by each Centre / CP against the SPs. This represents what can be termed the **ANNUAL DEMAND MATRIX (ADM)** of the system.

44 The ADM, being based on approved MTPs, therefore represents a system-wide bid for funding and lends itself to discussion and approval by CGIAR membership. Because MTPs are results-based, the ADM constitutes an “offer contract” in return for clearly specified resources. It defines funding required to achieve specified objectives in contrast to an approach based on supply of funds currently employed in CGIAR budget ‘approval’.

Second Step:

45. Donors must declare with a degree of certainty what they will be funding in the coming year (and as many subsequent years as possible) via the customary centre / CP entry points (IV, V and VI, Table 1, Figure 1).

46. Precise positioning in the matrix of type V and VI funds are effectively dictated by each respective donor. However, centres and CPs are able, and will have to allocate type IV (centre / CP level URF) funds across SPs – this internal allocation provides some degree of prioritising funding across SPs based on ADM

47. Summation of all pledged contributions represents the **ANNUAL FUNDING (SUPPLY) MATRIX (AFM)**.

Third step:

48. Subtraction of the **ADM** from the **AFM** reveals which cells are over-, under- or adequately-funded. At centre and CP level it now becomes possible to assess the financial feasibility of undertaking each activity contained in the MTP. And at system level overall balance of investment in each of the SPs can be derived and strategic choices can be proposed. If any cells are significantly oversubscribed, centres and donors need to negotiate whether and how to redistribute their funds to under-funded cells.

49 This step relies on a clear understanding and agreement at centre / CP and system level of what constitutes under-, over- and adequate-funding levels for each cell of the matrix. It also requires prior commitment of donors to refrain from oversubscribing to already adequately funded cells in the presence of under-funded cells at the same centre or CP.

50 The AHC suggests that ExCo establish a standing panel on funding (SPF) that would examine and advise on these and other strategic funding issues. An early task of the SPF would be to draw up and institute a code of good donor conduct.

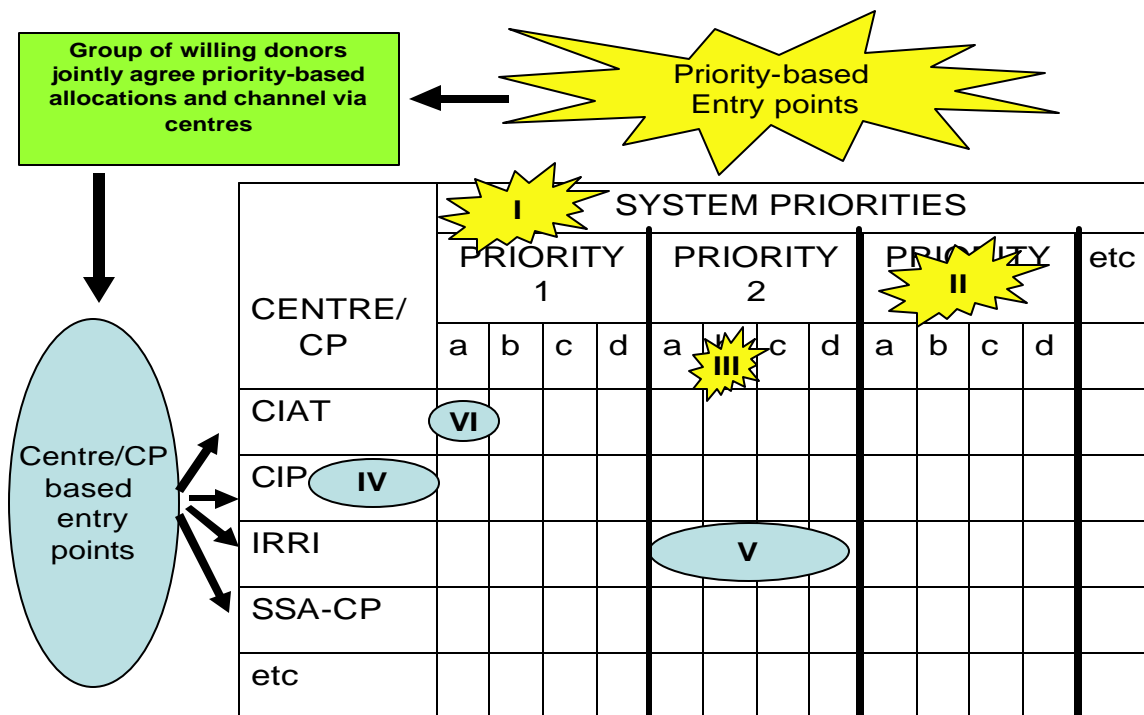
Fourth step:

55 The final step is for donors willing to allocate some or all their URF based on SPs (types I, II and III) and who wish to support this process to agree amongst themselves how to coordinate their contributions (Figure 2). The primary aim being to allocate URF to under-funded cells and reduce funding uncertainty. This could be done through

simply topping up all under-funded cells on the same pro-rata basis. However this could create perverse incentives equated with having a “coalition of last resort”. A more sensible approach would be for the group of willing donors to allocate URF based on priority of need and strength of the case made in the FPs. This could mean that funding some cells of the matrix cannot be justified at the current time and should be postponed for funding consideration at a future date.

56. Initially all that is needed is for willing donors to agree on harmonising their own funding decisions and work together in good faith and transparency. This constitutes a ‘virtual pooling’ of resources. If successful this could develop into a ‘real pooling’ through some type of basket-fund arrangement.

Figure 2 Link between SP-based funding intent and funding flow via Centres through a “coalition of willing” donors



Concluding comments

57. Given the broad range of competing interests, it is not surprising that arriving at a commonly acceptable approach to funding SPs has not been easy. Indeed, we fully expect this to be a challenging, iterative process that must be nurtured over the next 2 years. Nevertheless, the AHC feels that the approach outlined should be feasible if and when: firstly, budgeted FPs are approved jointly by the Science Council and Alliance and endorsed by ExCo. And secondly, there are sufficient donors in a ‘coalition of the willing’ to provide funds that can be allocated on a system-wide basis. It is suggested that the approach be tested at the Members’ Coordination Forum at AGM07.

59. At the outset (Box 1) the AHC prescribed seven principles with which any realistic funding mechanism should conform. It is pertinent in concluding to ask whether the

proposed mechanism adequately addresses the issues and the likelihood that it can deliver plausible solutions:

Are incentives created for donors to invest in SPs?

Yes – the full value of agreed SPs resides in optimal use of CGIAR comparative advantage for IPG research across a balanced system agenda and FPs clarify impact pathways. Donors can reduce transaction costs by harmonised funding and burden sharing.

Does the mechanism channel funding through the centres?

Yes – even if the mechanism evolves into a legal entity with centralised allocation, long-term “core” strategic research requires adequately funded centres.

Is donor harmonisation encouraged?

Yes – each donor can play a significant role based on their relative strengths and approach to funding. Harmonised funding of SPs is win-win.

Will it improve stability of system funding?

Yes – joint responsibility of donors and centres for managing instability is implicit. Over-funding of special projects at the expense of long-term core research will be eliminated by setting upper limits on SP budgets. Donors will be increasingly more comfortable with URF as members of a harmonised coalition.

Does it provide incentives for centres to increase collaboration?

Yes – FPs based on SPs will clearly determine who needs to do what, when and with whom to achieve results and impact. Scope for delivery on SPs will determine funding decisions. Consequently activities that improve research efficiency and effectiveness, such as inter-centre collaboration, should be valued by centres.

Is the mechanism transparent and offer lower transaction costs?

Yes – significantly more transparent than current methods which are based on bilateral donor-centre negotiation. Has the potential to reduce transactions costs, but value to individual system stakeholders will depend on how they choose to use it.

Does it ensure effective information sharing among members?

Yes – for the first time there will be a single up to date budget that compiles donor contributions and approved expenditure, broken down by SP, centre and CP.

60. The AHC believes that the above answers adequately test the proposition made and lead, logically, to the recommendations that follow. However, we are aware that further issues may arise in their consideration or as they are put to the test of implementation. Moreover, three significant on-going pieces of work (Alliance Paper, System Review, Change Scoping Group) may provide different perspectives or additional insights. Thus further refinement may be in order and are to be welcomed.

Recommendations

61. The AHC recommends that:

1. ExCo endorses the principles for funding SPs (Box 1) and AHC suggestion made regarding assessment and computation of CGIAR approved centre audited overhead rates (para 27).
2. ExCo endorses the step-wise process suggested by the AHC, including joint preparation by SC, Alliance and CGIAR Secretariat of the information needed to enable considered discussion by those donors willing to discuss harmonization of all or part of their funding to the CGIAR.
3. The Members' Coordination Forum at AGM07 discusses this final report and possible ways forward. The discussion should address practical implementation and assess member's views, likelihood and timescale for harmonization.
4. A standing panel on funding (SPF) be established by ExCo as a means of continuing to provide a space to discuss system level, medium to long term strategic funding issues of the CGIAR.
5. A code of conduct for donors with respect to funding issues be elaborated and instigated for eventual incorporation in the CGIAR Charter.
6. That the AHC continues to function until AGM07 with a view to assisting the CGIAR Secretariat in organising the Members' Coordination Forum

ANNEX 1

A. Terms of Reference of the ExCo Ad Hoc Committee

Implementation and Coordinated Funding of CGIAR Priorities and Strategies: 2005-2015
- ExCo *ad hoc* Committee Terms of Reference (revised)

Background

At AGM05, the CGIAR agreed to establish an ExCo *ad hoc* committee to move towards implementation of the priorities and coordinated funding. The *ad hoc* committee would be linked to organization of the System funding coordination forum to be held at AGM, starting in 2006. The AGM05 decisions are reproduced below for reference:

CGIAR Priorities and Strategies: 2005-2015

(Decision points not directly related to establishment of the ExCo ad hoc committee not included.)

- To move towards implementation of the priorities and coordinated funding (i.e., translating technical assessment to funding decisions) an ExCo ad hoc committee should be formed, augmented with interested Members, supported by the CGIAR Secretariat and inputs from SC as needed. The Members are requested to provide specific suggestions on the creation of an ad hoc ExCo committee. The CGIAR Secretariat will consolidate their views and offer a detailed proposal for discussion and approval by ExCo.*

Funding System Priorities Task Force

- *On funding System Priorities, the CGIAR endorsed TF recommendation Option 3 (System funding coordination forum), with the understanding that:*
 - *The CGIAR will learn “by doing” as the new process is put into effect. The CGIAR Secretariat, in consultation with the ExCo ad hoc committee established to move towards coordinated funding, will present to ExCo ideas on the implementation of Option 3, including the organization of a forum at the margin of AGM06.*
 - *The issue of different budget cycles should be taken into account as the option is implemented.*
 - *Members should exercise discipline to ensure that the System Priorities are funded.*
 - *All programs and projects in the matrix need to be fully costed.*

(Decisions on funding SC/SC Secretariat not included.)

CGIAR Members have provided suggestions which are incorporated in this proposal.

Terms of Reference

1. Based on the technical assessment (please see CGIAR decision above) and strategic recommendations by the SC, the principal task of the *ad hoc* committee would be to develop a strategy for coordinated donor funding to implement the CGIAR priorities starting with recommendations for mechanisms on how to fill in the gaps in funding.

2. The *ad hoc* committee will also serve in an advisory role as a sounding board to the CGIAR Secretariat, which was tasked by the CGIAR to present ideas to ExCo on organization of a System funding coordination forum to be held at AGM, starting in 2006.

3. The *ad hoc* committee will consider proposals on mechanism(s) for coordination of various inputs in formulating a strategy to move towards implementation of the priorities and coordinated funding, considering that both aspects are crucial and inter-related.

Composition

1. The *ad hoc* committee would initially comprise 6 CGIAR Members (3 ExCo, 3 non-ExCo).

2. Support will be provided by CGIAR Secretariat, with input from SC as needed. A focal point from the Centers will be invited as a resource to the exercise, whenever needed by the ExCo *ad hoc* committee.

3. As much as possible, interactions of the *ad hoc* committee should take place virtually, and face-to-face meetings held only as needed.

Timeline

1. The *ad hoc* committee would be appointed no later than June 1, 2006, and its work sequenced with SC processes which will determine programmatic gaps, excesses and outliers, ensuring coherence in each priority sub-area, including strategic recommendations as decided by Membership at AGM05.

2. At ExCo11 (October 2006), the *ad hoc* committee should report to the full ExCo on its progress and development of a strategy to move towards implementation of the priorities and coordinated funding. It should submit a final report with recommendations at AGM06.

ANNEX 2

Terms of reference for consultant (George Rothschild) to the Ad Hoc Committee

With respect to supporting the ExCo *ad hoc* Committee, and under the direct guidance of the ExCo *ad hoc* committee Chair, Jonathan Wadsworth, and in coordination with the CGIAR Secretariat, on the provision of support to the ExCo *ad hoc* committee, the consultant will undertake the following responsibilities

Tasks:

1. Review CGIAR decisions at AGM05 on issues under the purview of the *ad hoc* committee, work done by an earlier group of CGIAR members on funding alignment, as well as relevant documents of ExCo10 and the Science Council (mainly 2 documents: System Priorities for Research 2005-2015. Science Council, December 2005; and Implementation of the CGIAR Priorities for Research: a working document on the suggested process. Submitted to ExCo, April 30, 2006. Science Council of the CGIAR), To ensure that the *ad hoc* committee's discussions, decisions, and recommendations are fully aligned with the said CGIAR decisions.
2. Monitor and record the flow of information to and from the *ad hoc* committee.
3. Periodically summarize emerging views on the issues under consideration whether such views represent agreement or divergence.
4. Participate in the face-to-face meeting of the *ad hoc* committee tentatively scheduled for July 28, 2006 at the CGIAR Secretariat, Washington DC.
5. Carry out all tasks in close collaboration with the Science Council Secretariat (Ruben Echeverria), the Future Harvest Alliance Office (Anne-Marie Izac), and the CGIAR Secretariat (Shey Tata).
6. Examine the status of current funding of CGIAR research activities (source, type of restriction, and mechanism in use to channel funding).
7. Examine funding mechanisms in use by other global programs where there is donor coordination, particularly on funding decisions and their implementation.
8. Prepare the draft report of the *ad hoc* committee, capturing the essence of its interactions, for presentation by the committee chair/members to ExCo11 (Oct. 17-18) and, based on ExCo's input and decision, to AGM06.

Outputs:

9. A pre-draft report of the *ad hoc* committee, capturing the essence of its interactions, for discussion by the committee chair/members in early September 2006

A draft report of the *ad hoc* committee, capturing the essence of its interactions, for discussion by the committee chair/members to ExCo11 (Oct. 17-18) and, based on ExCo's input and decision, to AGM06 (December 2006).

ANNEX 3

LIST OF INDIVIDUALS AND INSTITUTIONS CONTACTED¹¹ IN AHC SURVEY

CGIAR CENTRAL BODIES

CGIAR Secretariat

Francisco Reifschneider Director
Shey Tata Lead Finance Officer

CGIAR Alliance Office

Anne Marie Izac Chief Alliance Officer

CGIAR Science Council

Per Pinstруп-Andersen Chair
James Ryan Member and Chair SPIA

CGIAR Science Council Secretariat

Ruben Echeverria Executive Director

CGIAR CENTRES

Africa Rice Center

Papa Seck Director General
Kanayo Nwanze Former Director General****
Shellemiah Kaya Assistant Director General
Gaston Grenier Board Chair

Bioversity International

Emile Frison Director General
Paul Harding Assistant Director General

CIAT

Joachim Voss Director General
Douglas Pachico Deputy Director General
Yves Savidan Board Chair

CIFOR

Francis Seymour Director General****
David Kaimowitz Former Director General****

CIMMYT

Masa Iwanaga Board Chair
Peter Ninnes Senior Executive Officer****

¹¹ Interviewed in person (no annotation), by phone (**) or correspondence (****).

CIP

Pamela Andersen Director General
Charles Crissman Deputy Director General****
James Godfrey Board Chair

ICARDA

Mahmoud Solh Director General
William Erskine Assistant Director General

ICRISAT

William Dar Director General
Dyno Keatinge Deputy Director General
Simon Best Board Chair

IFPRI

Joachim von Braun Director General

IITA

Peter Hartmann Director General

ILRI

Carlos Sere Director General
John McDermott Deputy Director General
Bruce Scott Director

IRRI

Robert Zeigler Director General
Ren Wang Deputy Director General
Michael Jackson Director
Kei+jiro Otsuka Board Chair

IWMI

Frank Rijsberman Director General**
Peter McCornick Director for Asia

World Agroforestry Centre

Dennis Garrity Director General
Tony Simons Director
August Temu Team Leader

WorldFish Center

Stephen Hall Director General**
Patrick Dugan Deputy Director General****

CGIAR CHALLENGE PROGRAMMES***Challenge Programme on Water & Food***

Jonathan Woolley Director

Generation Challenge Programme

Jean Marcel Ribaut Director

HarvestPlus Challenge Programme

Howarth Bouis Director

Sub Saharan Challenge Programme

Freddie Kwesiga Coordinator

CGIAR DONOR MEMBERS

Australia

Peter Core Director ACIAR

Canada

Charles Haines Senior Development Officer

Iain MacGillivray Agricultural Adviser CIDA

Denmark

Finn Christensen Chief Adviser, Ministry of Foreign Affairs**

European Commission

Marc Debois Head of Sector

Germany

Marlene Diekmann Research Adviser GTZ

IDRC

Jean Lebel Director Environment and Natural Resources Management

IFAD

Rodney Cook Director, Technical Advisory Division

Shantanu Mathur Grant coordinator

Italy

Marina Puccioni Technical Director Ministry for External Affairs

Norway

Ruth Haug NORAGRIC

Rockefeller Foundation

Peter Matlon Director Africa Regional Program

South Africa

Njabulo Nduli Deputy Director General, Department of Agriculture

Sweden

Eva Ohlsson Head, Natural Sciences for Sustainable Development, Sida/SAREC

Carl-Gustaf Thornström Senior Research Adviser, Sida/SAREC

Syngenta Foundation

Andrew Bennett Executive Director

USA

Franklin Moore Director, USAID
Dana Dalrymple Senior research Adviser, USAID

World Bank

Eija Pehu Adviser

UK ORGANISATIONS

Department for International Development (DFID)

Gordon Conway Chief Scientific Adviser
Jonathan Wadsworth Senior Rural Livelihoods Adviser (Chair AHC)
David Howlett Team Leader, Growth & Livelihoods

NRI (Natural Resources Institute, University of Greenwich)

Guy Poulter Institute Director

University of Wales Bangor

John Witcombe Acting Director CAZS Natural Resources
David Harris CAZS Natural Resources

OTHER ORGANISATIONS

AVRDC

Thomas Lumpkin Director General
Jackie Hughes Deputy Director General

CAB International

Mark Holderness Director Membership and Partnerships

CIRAD

Christian Hoste Coordinator European and International ARD

Crawford Fund for International Development

Robert Clements Executive Director

FARA (Forum for Agricultural Research in Africa)

Monty Jones Executive Secretary
Victor Keraro Head of Finance & Administration
Ralph von Kaufmann Consultant

GFAR (Global Forum on Agricultural Research)

Adel El-Beltagy Chair
Olanrewaju Smith Executive Secretary

Global Crop Diversity Trust

Carrington Fowler Executive Secretary
Julian Laird Director of Development

Global Facilitation Unit for Underutilised Crops
Irmgard Hoesche-Zeledon Coordinator

ICIPE
Christian Borgemeister Director General

International Centre for Underutilised Crops
Hannah Jaenicke Director

International Society for Horticultural Science
Norman Looney President
Josef van Assche Executive Director

Swiss Centre for International Agriculture ZIL
Barbara Becker