

**Ad Hoc Committee on Funding the System Priorities: Progress report for ExCo 12,  
Madrid, May 2007**

1. **Background:** This report summarises progress made by the ExCo Ad Hoc Committee on Funding the System Priorities (AHC) since it last reported to ExCo11 and the Members Coordination Forum at AGM06. This is a brief account, and a draft of a fuller report of the AHC is nearing completion that describes the committee's activities and outputs since its inception, leading through to a series of options for funding mechanisms to support the system priorities, whilst retaining flexibility.
  
2. This summary outlines: (i) the outcomes of the Member Coordination Forum and their relevance for the AHC; (ii) information obtained so far from pilot studies on four of the 20 system priorities (SPs) undertaken by the Alliance and the Science Council on behalf of the AHC, and (iii) further progress in refining the options for funding mechanisms taking into account the outputs just referred to. Additional information obtained recently at the Alliance-AHC-Science Council-donor members meeting in Rome on 27 April, together with the first framework plans on six of the 20 SPs, including the 4 pilots, has also been factored into the options.
  
3. **Evaluations of pilot studies:** The four pilot priorities were selected because they represented a spectrum of the way that the system operates in terms of comparative advantage, numbers of centres involved, and levels of investment. They were: 1C (*Conservation of indigenous livestock*), 3A (*Increasing income from fruit and vegetables*), 4B (*Sustaining and managing aquatic ecosystems for food and livelihoods*) and 5D (*Science and technology policies and institutions*). The AHC hoped that the analyses would reveal generic issues that had a bearing on all 20 SPs, and would therefore provide guidance to the Committee in the development of funding options. As noted earlier, particular emphasis was placed on deriving information on the following issues: the system priorities and coherence of research; identifying gaps, duplications and overlaps in terms of research being undertaken and level of investment; assessing the likely developmental value of research on the priority; and lastly, the level and source of donor investments in individual priorities. Additional assessments of two of the priorities (3A and 5D) were undertaken by several AHC members.
  
4. Key issues of relevance to funding options that emerged from the evaluations were:  
(i) The differences between the four pilot SPs reflected, at least partially, those that existed between all 20 priorities; (ii) Virtually none of the SPs could be considered in terms of stand-alone programmes, that is, as isolated columns in the SP x centre/challenge programme matrix; all revealed varying degrees of dependence on other SPs when assessed in terms of the outcomes they were expected to deliver; (iii) This means that most SPs need to be considered as coherent clusters of varying configurations – again all linked to the outcomes they are to achieve. The clusters will in effect represent the core of outcome-oriented programmes. Clearer definition of the SPs through the frame-working planning exercise currently underway will assist this process.
  
5. **Research gaps** were identified in all four pilot SPs, particularly in 1C and 4B which in part reflected the relatively low level of investment in livestock conservation and management of aquatic systems, respectively. However, the assessments indicated that meaningful identification, prioritisation and funding of research gaps would not be possible until all SPs had been fully defined and ranked in terms of their importance within the system agenda, taking into account their interdependence and issues of coherence referred to above - and most importantly, the likely benefits from investments in these perceived gaps. In terms of *duplication and overlaps*, the evaluations could not reveal clear evidence of this in the four pilot SPs. The work undertaken by different centres and their partners within the same SP was considered to be complementary and

reflected differing agro-ecologies and mandates. The Alliance argued that the prevailing perception amongst some stakeholders of widespread duplication and overlap in the system's research agenda was not borne out by the evidence.

**6. Outcomes of Members' Coordination Forum (MCF):** The funders' forum at AGM06 provided an opportunity for members 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 represent clusters of priorities coherently assembled to achieve outcomes. This approach remains central to the AHC's current approach, except that it is now nuanced by the emerging framework plans (FWPs) and the various possible entry points available to donor members –as described in paragraphs 10 onwards. The FWPs are being developed for the SPs and/or clusters of these to more clearly define them, to help guide their implementation and ultimately to ensure their developmental impact as well as accountability for investors and other stakeholders.. To aid readers, the scenarios are summarised below:

*Scenario 1:* Status quo: Current centre, CP and SWP activities, but incorporating the SPs.

*Scenario 2:* As Scenario 1, but with additional SPs supported as CPs.

*Scenario 3:* All SPs supported as CPs or SWPs.

*Scenario 4:* Adapted by the AHC from a programmatic approach proposed over a decade ago. Content of individual SPs retained, but 'packaged' into four main categories on the basis of 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
- 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.
- c) Medium-term collaborative programmes with CGIAR and partners, with 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. 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 entity.

7. **Key messages** emerging from the Members' Coordination Forum of relevance to the AHC included a reminder that the SPs were a *means to an end* and not an end in themselves. They had therefore to be outcome-driven, and linked to best practice by both funders 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 were emerging challenges, cross-cutting and multi-disciplinary. A few members 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

8. **Framework planning:** FWPs for six SPs, including the four pilots, were presented at the joint meeting of the Alliance, AHC, Science Council, EIARD and other donors in Rome in April. From the AHC's perspective, the most relevant issue to emerge was the acceptance that most SPs had to be clustered in various ways into coherent programmes to achieve meaningful outcomes. Examples amongst the pilots included: Priority1C (*Conservation of indigenous livestock*), which was closely linked to 2D and 3B, and more broadly to thematic areas 4 and 5. Priority3A (*Increasing income from fruit and vegetables*) was strongly linked to the four other priority areas, Area 1 (IA and IB), area 2 (2C and 2D), Area 4 (4c and 4D), and lastly, Area 5 (5B and 5C). Only

relatively few SPs appeared to lend themselves to stand-alone FFWs. Pilot priority 4B was presented on its own, but this FFW was at a less advanced stage of preparation, and its linkages may still be under review.

## 9. Implications for funding mechanisms :

**Assumptions:** In considering the impact of the developments on funding options since the last AHC report to ExCo11, a number of assumptions have to be made:

- That the objectives of any funding mechanisms remain as before, to ensure that:
  - a) The system agenda comprising the agreed SPs is effectively funded on the basis of FFWs aligned with medium term plans (MTPs). In doing so, there must also be prioritisation of the SPs/FFWs
  - b) Prioritization has to be based on outcomes.
  - c) FFWs should be funded primarily, but not exclusively, through centres with longer-term unrestricted funding or through fully costed restricted support
  - d) There is provision to counter the unpredictability of funding outside regular centre reserves
  - e) Transaction costs are minimised.
- That, as noted earlier, the SPs should be regarded as a means to an end and not as an end in themselves. They are vital for ensuring scientific quality and developmental relevance, but are generally highly interdependent, and only provide significant outcomes if they are clustered into coherent programmes. The FFWs provide a means of achieving this.

10. **Translation into funding mechanisms:** Members' funding to the CGIAR system is currently directed through three main entry points, although three additional ones can be envisaged for greater flexibility (Table 1), where A>F represent decreasing levels of restriction. Because of their legal status, all funding currently comes to the centres, even where, for example, this is channelled through the multi-donor trust fund of the World Bank. Only entry points A, B and C are currently used by donors, as D, E and F would require a system allocation mechanism. Scenario 5 (see Paragraph 6) represents a mechanism for system distribution, but requires a legal entity to do so. The Alliance has recently floated several options for creating such an entity<sup>1</sup>

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<sup>1</sup> 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

Table 1 Entry points for donor funding in order of decreasing restriction (see Figure 1)

| Entry point | Description  | Level of restriction  | Notes  |
|-------------|--|---|--|
| <b>A</b>    | Directed to Centres for specific projects                              | Highest level of restriction                                  | Acceptable if aligned with SPs / clusters and fully costed ,   |
| <b>B</b>    | Directed to specific SPs / clusters within Centres                     | Medium restriction  | Some donors already do this                                    |
| <b>C</b>    | Directed to specific Centres to be used at their discretion            | Limited restriction   | The majority of unrestricted donors currently fund in this way |
| <b>D</b>    | Allocated to a specific SP or cluster                                  | Some restriction, but not significant from Centre perspective | Requires a distribution mechanism for allocation to Centres    |
| <b>E</b>    | Directed to a predetermined group of SPs/clusters                      | Slight restriction  | - Ditto --   |
| <b>F</b>    | No restriction – any SPs or SP cluster within the agreed system agenda | No restriction  | - Ditto --   |

11. In order to meaningfully allocate funding to the system agenda and its 20 constituent SPs, whilst also factoring in the outcome-oriented FWP clusters, it will be necessary to modify the matrix of SP x centre/CP as originally conceived by the Science Council. This could be envisaged as requiring a two-step process: Firstly to allocate SPs to clusters represented by framework plans (FWPs). The clusters are in effect programmes, and thus fall into one or other of the options within Scenario 4. Most, but perhaps not all, SPs would be allocated into such clusters (**\*\* Note also that the so-called non-priority 20% of the 80:20 split is not addressed here, but is considered in the main report).**

Figure 1 Framework Plan x Centre/CP funding matrix showing Centre involvement (shaded) and donor funding entry points A to F (Table 1)

| Centre/CP        | System Priority based Framework Plans <b>F</b> |                |          |               |       |               | Centre/CP Total \$ |
|------------------|--|----------------|----------|---------------|-------|---------------|--------------------|
|                  | FWP Cluster 1 <b>E</b>                         |                |          | FWP Cluster 2 |       | FWP Cluster n |                    |
|                  | FWP 1 <b>D</b>                                 | FWP 2          | FWP 3    | FWP 4         | FWP 5 | FWP n         |                    |
| CIAT             | ..   |                |          |               |       |               |                    |
| CIP              |  |                | <b>B</b> | ..            | ..    |               |                    |
| IRRI             |  |                |          |               |       |               |                    |
| ILRI... <b>C</b> |  | <b>A A A A</b> |          |               |       | ..            |                    |
| Centre n         | ..   |                |          |               |       |               |                    |
| CP 1             |  |                |          |               |       |               |                    |
| CP2 <b>C</b>     | ..   |                |          |               |       | ..            |                    |
| CP n             |  |                |          |               |       |               |                    |
| FWP Total \$     |  |                |          |               |       |               |                    |

12. The second step will be to develop a matrix of clusters/FWPs x Centres /CPs. (Fig 1) The challenge will then be to allocate funding to perceived gaps and for reducing oversubscription. Some SPs within a cluster will clearly be more important than others, and inadequate support for them would strongly influence the others. Ranking the relative contributions of each interdependent SP to the cluster/programme outcome would form the basis for allocation.

13. From the donors' perspectives, the process would, in most cases, need to be simplified as far as possible, by considering the cluster/programme as the unit rather than the individual SP. Allocations to centres/ CP to carry out the research required to address each cluster/programme would be based on their relative contributions to the outcome (as shown in the framework plan).

▪ **Possible steps for this funding process**

- a) Framework plans developed for each SP cluster; this effort does not need to be repeated annually.
- b) Centre, CP and regional MTPs and budgets aligned with FWPs, and approved by SC. This comprises the “**Annual Demand Matrix**” (ADM).
- c) Donors declare what they will be funding next year (and as many subsequent years as possible) via A, B, C and CP entry points Centres need to allocate type C funds across FWPs
- d) Summation of all pledged contributions by Centre comprises the first approximation of an “**Annual Funding Matrix**” (AFM).
- e) Subtraction of the ADM from the AFM should reveal any oversubscribed cells (+ve values), and any undersubscribed cells (-ve values) (***unrestricted funding of type D, E, F has not yet been included***).
- f) If any cells are significantly oversubscribed the Centre and respective donors to consider whether and how to re-allocate funds to other FWPs within the Centre.
- g) The final step is for donors willing to support this process to meet to allocate their unrestricted funding (D, E and F) to the under-funded cells. This could be through simply topping up all cells to the same % ADM level, or through prioritization.

14. These issues are obviously complex, and the extent to which any options will be taken up will be “nuanced” by, for example, the extent of incentives to both donors and centres to do so, including recognition of good performance. It is hoped that these issues will elicit discussion at ExCo12 to further guide the AHC in completing its final report on funding mechanisms.