

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

September 21, 2007

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.