

CIAT in Transition:

A request for support for planning CIAT's future while preserving and strengthening its programmes

9 March 2008

Executive Summary

CIAT, one of the oldest Centres of the CGIAR, has encountered a number of difficulties in recent years due to a combination of injudicious management decisions and external forces beyond its control. Although a wide range of measures have been instituted to redress the situation, the Centre continues to find itself in a difficult financial situation with a high risk of losing key staff, severe weaknesses in a number of key programme and support areas, and insufficient funds to manage the situation in the most effective way. This all comes at a time when the CGIAR as a whole is going through a process of evaluation and reform.

This proposal seeks to secure the resources needed firstly to carry out an in-depth, participatory strategic planning exercise, involving the full range of CIAT's partners and stakeholders around the world, and secondly to stabilize the situation and ensure that those critical elements of the current research programme that will be needed in the future are not lost, whatever institutional arrangements emerge from the planning process.

CIAT recognizes that it is not 'business as usual'. The planning exercise will take a hard look at the ongoing need for the Centre's programmes and will explore whether some or all of them, might be delivered more efficiently and effectively through alternative institutional arrangements. Determining the Centre's future, however, cannot take place overnight or in a vacuum, and should not be based just on opportunism – a reaction to the current, temporary, financial situation. It needs to be fully embedded within the ongoing discussions of change and reform within the CGIAR system as a whole.

Thus this request is also for additional funds to ensure that the most important elements of CIAT's programmes, widely recognized for their relevance, scientific excellence and positive impact, survive through the period it will take to determine the Centre's institutional future. Funds are thus being sought, in particular, to bridge the contracts of key staff over periods when restricted funds are unavailable, underwrite further staff consolidation, help complete the reconstitution of senior management, maintain critical research and IT infrastructure, stabilize capacity in key programme areas and regenerate relationships with Colombia and other Latin American countries.

1. Introduction

CIAT was created 40 years ago to respond to the needs of complex agricultural systems in the tropics. Because of its unique experience and record of success, not only in research on commodities, but also its pioneering role in fostering participatory approaches, building alliances to link farmers to markets, and in innovation and creation

of agroenterprises, CIAT has some of the best prepared programmes to address the development challenges of the 21st century.

CIAT's 2007 EPMR reported, "CIAT ranked highly among CGIAR centers in publications and citations and had an impressive array of germplasm products coming from its core beans, cassava, forages and rice programs. In addition, the Genetic Resources Unit was rated as among the best in the world and activities at the Tropical Soil Biology Fertility Institute (TSBF) were rated as exceptional."

In large measure because of the quality of its programmes and their substantial impact, there has been an increased demand for CIAT's services, and strong donor support has enabled the Centre to expand significantly over recent years. Its total income, which was \$31 million in 2000, increased to \$43.3 million in 2007. However, CIAT failed to respond adequately to the changing nature of this funding: the percentage of unrestricted core funds fell over this same period, from 60% to 33%. CIAT's budgeting systems and controls did not keep pace with the changing circumstances and this, coupled with other internal and external factors resulted in a situation whereby at the end of 2006, CIAT's reserves had been reduced to an amount equivalent to only 18 days of spending, against CGIAR target levels of 75-90 days.

This document describes in more detail how this situation arose and the measures that have been taken to address it. A set of actions for the future are proposed. However, this plan does not aim just to restore CIAT to its former situation. The current crisis provides an opportunity to take an innovative, forward looking approach to the Centre's future. A process is outlined by which CIAT, together with its partners, will take a hard look at how the most essential elements of the current research programs can best be delivered over the next decade, through the most appropriate institutional mechanisms and with the most appropriate partners. This exercise, which will result in a new strategic plan for CIAT's programmes, will be carried out over the coming year in the context of, and as an integral part of, the whole ongoing process of change and reform in the CGIAR.

In addition to describing the proposed planning process, this document also presents a plan for ensuring that whatever institutional programmes and structures emerge, the essential elements of the Centre's current programmes, on which this future will be built, are preserved so that they remain available to continue to contribute efficiently and effectively to the achievement of the CGIAR's mission, irrespective of the institutional arrangements that are eventually put in place.

2. A Perspective on CIAT's Financial Situation

While CIAT's total income has increased by about 30% since 2000, the Centre's financial health, as measured by a number of indicators, has deteriorated sharply over this same period. As shown in Annex 1, the unrestricted funds that the Centre received fell both in absolute terms (from US\$18.6 million in 2000 to US\$14.4 million in 2007) and in percentage terms (from 60% of the total income in 2000 to 33% in 2007). CIAT failed to respond to this situation in an adequate and timely manner, e.g. through ensuring that the full costs of projects financed through restricted funds were included in project

budgets. Overheads to cover institutional costs (indirect project costs), for example, were often not included at realistic levels (largely a result of limitations imposed by donors) and direct costs, prior to June 2007, were rarely covered fully. This resulted in a situation whereby unrestricted funds had to be used to cover much of the direct and indirect costs of research projects and as unrestricted funds declined so it became harder and harder to cover these critical costs. As a result CIAT's reserves and capital funds became increasingly compromised making it difficult to maintain even some of the basic operations of the Centre.

In addition to this, over the period prior to 2006, inadequate controls were in place to check programme growth and geographic expansion and a number of positions were established outside the normal budget process (for example, a position with GFAR in Rome, a social scientist for TSBF in Africa and a leader for the tropical fruits project). Although these activities have now either terminated or their costs been fully absorbed within the regular budget (largely through making countervailing cuts elsewhere), such unplanned expenditures nevertheless exacerbated the situation considerably. Measures have now been implemented to prevent a similar situation arising again in the future through strengthening budget control responsibilities within Corporate Services.

Largely as a result of these factors, coupled with the failure of a key donor to provide income at the level expected in 2006, at the end of that year CIAT's reserves had been reduced to US\$1.82 million, amounting to only 18 days of spending (against CGIAR target levels of 75-90 days) and liquidity was at 36 days (compared to CGIAR targets of 90-120 days). Under this situation it became impossible to allocate sufficient funding for the maintenance of capital assets, and investment in research equipment and other Centre infrastructure has essentially had to be frozen in 2006 and 2007 in order to conserve reserves.

Greatly exacerbating this situation was the significant strengthening of the Colombian Peso, from 2,900 Pesos/US\$ in January 2003 to 2000 Pesos/US\$ in December 2007, compounded by an average annual inflation rate of 5%. As approximately 50% of CIAT's budget is spent in Pesos, this resulted in cost increases to the Centre of approximately \$10 million over this period (see Table and Graph in Annex 2). Every 100 Peso increase in the value of the Peso compared to the US\$ effectively costs CIAT an additional US\$0.5 million per year.

The situation facing CIAT was highlighted by the EPMP, which came at a time when the Centre was experiencing its greatest financial stress. In response to the recommendations of the Panel, the Board pointed out that: "*The current Board has spent a large amount of time analyzing the roots of CIAT's crisis and, with management and external consultants discussed the changes to be implemented. We agree the Boards that have been in place since the last EPMP, share responsibility for the recent period of distress.*"

Responding to the situation, CIAT's Board and management have instituted, starting even prior to the EPMP, a large number of measures to remedy the situation. These have included:

- Strengthening the Board's financial oversight capacity: The Board has taken steps to significantly strengthen its ability to oversee the financial management of the Centre. The CGIAR nominated a finance and business expert to join the Board in mid 2005

and he was joined by a second financial expert in May 2007. A third expert, another CGIAR nominee joined the Board at the end of 2007.

- Strengthening CIAT's financial management capacity: At the end of March 2006 the Director of Finance left the position at CIAT and was replaced for a period of 12 months by an Acting Finance Director, assisted in March and April 2007 by an external consultant with extensive experience in the CGIAR. With the assistance of the consultant, financial measures were put in place aimed at ensuring a speedy recovery. A new, very well qualified and experienced Deputy Director General for Corporate Services was subsequently appointed and took up his position in July 2007. Recruitment is now also underway for a new, permanent Head of Finance to further strengthen CIAT's financial management capabilities.
- Downsizing staff: One early action taken was to downsize the staff complement. While its staff is the heart of CIAT and continuity of staffing is of critical importance for any research institution, downsizing the total staff complement was unavoidable. While this has been somewhat of an ongoing process for a number of years, special additional steps were necessary as a result of the sharply deteriorating financial situation. Thus in 2006 a total of 65 staff members had to be laid off and in 2007 there was a further reduction of 75 staff members. Because of the very high cost of laying off staff under Colombian law, a total of US\$6.6m had to be spent in 2006 and 2007 to reduce staff numbers. In addition 62 person-years were shifted from unrestricted to restricted budgets. By the end of 2007 CIAT had a total staff complement of 746, a reduction in its workforce of more than 20% since 2005.
- Contract notice periods: At the end of 2006 and in 2007 steps were implemented to reduce contract terms and notice periods for internationally recruited research scientists, for all except for certain key positions, from indefinite and 3 years contracts with 6-12 months notice periods to 1 year contracts with 3 months notice periods. Of necessity, these contracts now have to be driven in large measure by the availability of resources from special projects. Today, almost 70% of IRS staff is on a contract of one year or less while almost 50% has a notice period of just three months. This action has generated additional insecurity both for research and administrative staff and has disproportionately increased the workload of the Human Resources Department. It is hoped that this contract situation can soon be improved, as the funding and reserve situation improves, as it impacts significantly on staff retention and institutional efficiency.
- Extraordinary financial assistance: During the first quarter of 2007 the acting Director of Finance assisted by the external finance consultant formulated a request to the World Bank to help support the costs of laying off staff. In recognizing CIAT's efforts to restructure, the World Bank provided a Special Support payment of US\$0.75 million in May 2007. A set of milestones was established allowing the financial targets for 2007 to be tracked and management's effectiveness in accomplishing agreed objectives to be evaluated. The milestones included specific targets relating to the generation of an operating surplus, donor income, restricted project execution, unbudgeted direct cost recovery, constraints on capital spending and establishing a balanced 2008 budget. These milestones have been met with only very minor departures. For example the operating surplus target was met (except for unbudgeted extraordinary items related to changes resulting from the EPMP review),

restricted donor income exceeded the target significantly by almost US\$1.5 million, the newly implemented direct cost recovery target was exceeded by 11%, capital spending was reduced to less than US\$0.2 million and a balanced budget for 2008 was presented and approved by the Board in November 2007. Restricted project execution reached 98% of the initial target of \$30 million.

- Cost recovery from special projects: To the extent allowable under individual donor contracts, a significant effort has been made to recover unbudgeted direct project costs from existing project budgets to help cover the cost of items otherwise covered by CIAT's unrestricted core resources. This process involves the detailed examination of over 200 contracts and has required continual interaction between the Grants Management Office, the respective Project Manager and, where needed, the donor as it has entailed the transfer of resources originally foreseen as available for research operations. So far this process has resulted in the identification of US\$1.0 million in 2007 and a target of US\$1.4 million has been established for such cost recovery in 2008. This represents 30% recovery of the direct research support costs in 2007 and 50% for 2008.
- Enforcement of project budgeting policies: Clear rules and procedures have been established to ensure that all new unrestricted projects include budgetary provision to cover full direct costs as well as indirect costs to the maximum extent allowable. In May 2007 a Grants Management Office was established to oversee the process and the Grants Management Coordinator is required to certify that all new grant applications include full cost recovery. For 2008 all new project proposals will be approved by the Grants Management Office prior to submission to donors. It is planned that within 3-4 years all projects will have fully costed budgets.
- Cost reducing measures: Many cost-reducing measures have been implemented over the past couple of years including: introducing travel restrictions and energy saving measures; reducing non-critical infrastructure maintenance; reducing the library, design and graphics services; downsizing the management of the Agronatura Science Park; and the elimination of certain other non-essential support services. In spite of these measures, it has still been necessary to make drastic cuts in the research programs. It is estimated that in 2007, savings in administration and research support amounted to approximately US\$0.75 million. A significant effort is underway to look at how further savings can be achieved -- in particular in the cost of administration and research support. Reduced administration costs, amounting to US\$500,000, have been included in the 2008 budget. While the full details are still to be worked out, the following actions are among those being considered in order to reach this target: downsizing of the Bogota support office; reorganizing the Cali mail and support office; review and possible outsourcing of the Miami purchasing and dispatch office; revision of staff transportation arrangements; further reduction of IRS positions and other positions in the Corporate Service area; a reduction/elimination of non-essential support services; and reallocation of office space so as to be able to mothball certain buildings.
- Director General: Recognizing the seriousness of the situation, the Director General's contract was terminated early, in December 2007. He has been replaced by an interim DG given the particular task of trying to stabilize the funding situation and moving forward expeditiously with the process of planning the Centre's future.

He will remain in position until a new permanent DG is in place. Recruitment of the new DG has begun.

3. Continuing Challenges and Opportunities

In spite of the many, and often very painful, measures that have been undertaken already to address the situation, a number of concerns and challenges remain. Some relate to determining the most appropriate future directions for the Centre and its programmes while others are vital for stabilizing the current situation and ensuring the survival of those key staff and programme elements needed for the future. Many actions are needed urgently and cannot wait until future plans have been fully determined.

3.a. Future directions: not business as usual

The 6th External Programme and Management Review (EPMR) stated, as its first recommendation:

The panel recommends that CIAT management initiate as a matter of urgency a strategic planning process that re-invigorates the mission of the institute, analyses the environment in which it operates, enumerates its comparative advantages and strengths, and identifies the major problem areas and targets to focus its research for development agenda on achievable outcomes.

This call for a new strategic plan was endorsed by the Board, the Science Council and ExCo and its development is now underway. The exercise recognizes that significant, even radical changes are needed and a full range of innovative options will be explored.

The new strategic plan is being developed within the context of the CGIAR system priorities and has adopted a wider Alliance perspective, being integrated closely with the CGIAR renewal and change process. This will entail considerable interaction with, and input from, other Centres – in addition, of course, to that of other key partners and stakeholders. Neither the timing nor full direction of the CGIAR reform process, nor the evolution of the Alliance, are fully determined yet. Nevertheless CIAT cannot afford to just sit back and wait for these events to play out if it is to maintain the confidence of staff, partners and donors. It will thus move forward in close lock-step with these other CGIAR processes and is initiating key studies and analyses relevant to its own specific situation. It is embarking on a process of consultation with other Alliance Centres and with other key partners and stakeholders, both through ongoing wider process (e.g. the development of the new CG programmes on climate change and high value products) as well as through specific consultations organized by CIAT (e.g. with partners in Latin America and the Caribbean).

The development of the Strategic plan will be guided by the following principles:

- It is not 'business as usual' for CIAT
- All options are open to consideration
- The process will be fully in line with the CGIAR Change Process
- CIAT will take a proactive approach to determining its future
- CIAT will look at both programmatic as well as institutional options for the future

- The process will involve wide consultation with all key partners and stakeholder groups inside and outside the CGIAR
- Special attention will be given to the role of the CGIAR in Latin America

The plan will address, *inter alia*:

- The global context for international agricultural research, and evolving priorities relevant to the work of CIAT's programmes.
- The actual and potential role of other key actors and of CIAT's partnership arrangements with them. This will include other Centres of the Alliance as well as national agricultural research systems, community based and other rural organizations, other international organizations, advanced research institutions, private sector organizations and the like.
- An analysis of the key assets and comparative advantage that CIAT brings to international agricultural research for development and how such assets and advantages can best be deployed in the achievement of the Centre's and CGIAR's mission. These assets include such things as:
 - CIAT's large, diverse and well-documented and well used genetic resources collection.
 - The strong breeding programmes that are effectively linked to informatics, molecular biology and participatory research.
 - Scientific excellence based on years of experience of research in genetic improvement, crop health, the use of geographical information systems, soils and soil fertility, socio-economics and marketing.
 - Strong partnerships with a wide range of institutions throughout the world.
 - An institutional culture and established track record in creativity, multidisciplinary research, partnerships and adaptation to a changing world, to ensure delivery of high impact products to end users.
 - Strong and effective regional programmes, backed up by staff at HQ in Colombia, especially in Africa but also in S.E. Asia and Central America.
- An analysis of the continuing need for the outputs and services that CIAT currently provides through its programmes and the identification of any additional ones that could, or should, be provided in the future. In this regard special attention will be given to such areas as climate change, biofuels and high value crops.
- The identification of optimum mechanisms for conducting the needed research and delivering the outputs and services. This will include a detailed analysis of whether they might be better provided through new institutional arrangements; through new strategic partnerships or by alternative providers – other Alliance Centres or other institutions. The fundamental question will be to address whether or not CIAT should continue to exist as an independent Centre of the CGIAR, or whether alternative institutional mechanisms might be able to deliver the outputs and services more efficiently and effectively.
- While CIAT has a global reach and has significant programmes in Africa and Asia, it invests more in Latin America and the Caribbean (LAC) than it does in all other regions combined. It also invests more in LAC than does any other Alliance Centre.

However, recent financial constraints have led to a weakening of relationships with institutions in the host country, Colombia, and with other countries in the region. The EPMP Panel commented on this and recommended that steps be taken to reinvigorate CIAT's relationships within LAC. The desire for a new relationship with CIAT – and with the CGIAR as a whole - has also been expressed by the leaders of a number of Latin American NARS who foresee the CGIAR playing a very different strategic role in the region in the future than it plays today. Thus a key element in the process of planning for the future will be to map out potential new roles and relationships for the CGIAR as a whole in Latin America and the Caribbean, and within this context to define more precisely any potential role for CIAT in the region and how any such role will support or be balanced with activities elsewhere in the world.

The following timetable is proposed for carrying out the strategic planning exercise. N.B. this is subject to change depending, in particular, on the timetable adopted for the CGIAR Change Process:

- Preparatory phase: February-April
 - initial issues analyses and preparation of briefing papers
 - initial consultations with, and survey of partners and stakeholders, including other CGIAR Centres (especially Bioversity, CIMMYT, CIP, IITA, ILRI and IRRI)
 - interactions with CGIAR External Review and Change Process
 - visioning: options for the future
 - in-house discussions and BOT meeting, mid April
- Development phase: April - September
 - further in-depth studies
 - further consultations with partners and stakeholders, including other CGIAR Centres
 - further interactions with CGIAR Review and Change Process
- Decision and writing phase: tentatively September-December (The timing and process for finalizing and adopting the plan will only be decided once the timetable for the CGIAR Change Process is known).
 - first draft of the plan prepared Sept./Oct., with involvement of new DG
 - draft plan shared with Science Council, Alliance, and relevant working groups and others involved in the CGIAR Change Process
 - plan finalized and adopted by BOT by the end of 2008

3.b. Urgent needs for stabilizing the situation

The process of developing the strategic plan for CIAT's programmes will take a number of months to complete. Meanwhile there are several urgent issues that cannot await the outcome of this exercise but must be addressed immediately. These include:

- Reconstituting CIAT's leadership and senior management: While it might be argued that the appointment of a new DG should await the outcome of the strategic planning process and a decision with respect to the future programmatic and institutional arrangements, this is not considered a realistic option for CIAT at this time. The current interim DG is not available for what could turn out to be an extended period and it is important that CIAT maintains a strong and effective leadership throughout the entire period of rethinking and planning its future role – and that of the CGIAR as a whole. It is also strongly believed that any reform of structures within the CGIAR

should take place as a result of rational analysis of global needs and the advantages and disadvantages of different mechanisms, and not as a result of hasty action based on the predicament of a particular Centre at a particular point in time.

CIAT's strength lies in the excellence of its staff and programmes. If these are allowed to wither through attrition as a result of inadequate leadership, it will be extremely difficult if not impossible to rebuild again in the future. It is thus considered essential that the recruitment of the new DG proceed expeditiously - as should that of the other members of senior management. The EPMR recommended¹ that CIAT reconstitute its leadership and management and it is considered vital that the position of Head of Finance be recruited soon. Likewise, the BOT seeks an orderly transition between the current DDG-Research and the new incumbent of that position, to be recruited in the second half of 2008. With these changes, the entire senior management of CIAT will have been reconstituted.

- Retaining key staff: The recent troubles at CIAT have exacted a toll on staff morale. Given the uncertain environment, many staff members feel insecure and have begun to look for employment elsewhere. Several key staff members have already left the Centre and several more are actively looking for alternative employment. This situation is serious and could have severe long-term repercussions. Addressing this problem, in particular, is a major reason underlying this appeal for additional resources.

While compensation alone is not necessarily the principal driver of staff departures, it needs to be recognized that IRS staff have received no inflation adjustments over the period 2001 to 2007 and purchasing power in Colombia has dropped by one third over the past 4 years as a result of the weakening US\$.

The situation is highly complex and needs to be addressed in a number of ways including taking steps that would help provide assurance:

- to all key staff that there is a worthwhile and productive future to be had, however the programmes are constituted and managed in the future. Complete assurance, of course, can only result from a successful completion of the strategic planning exercise, a fact that argues strongly for its expeditious conclusion;
- that funding for research will improve substantially even over the short-term; and
- that terms and conditions of employment will come to reflect the true value that CIAT puts on its staff.

Probably the single most important way to improve the retention of key staff is to rekindle excitement about the role of the programmes in science and development. The strong involvement of all staff, at both headquarters and the regions, in the strategic planning process will hopefully contribute substantially to this.

- Further reducing costs: There remains further work to be done to reduce costs, especially in research support and administration. However, CIAT faces a particular

¹ Recommendation 13: The Panel recommends (Strongly) that the CIAT Board take rapid and bold actions to reconstitute CIAT leadership and management in the short term. The Panel also recommends that a specific action-plan be put in place to follow up on the implementation of this recommendation by 1 March 2008 in close consultation with the CGIAR.

problem in trying to downsize its locally recruited administrative and research support staff in that it is very expensive to lay off some of the longer serving national staff members who are employed under indefinite contracts that, under Colombian law, are difficult, expensive and time-consuming to sever. While the problem will diminish over time as the staff concerned reach retirement age, in the meantime this remains a major impediment to reducing staff numbers in certain areas, and a significant source of concern among those – slightly more than half - who are not so favoured and are employed under fixed-term contracts.

- Recovering funds from restricted projects: While special efforts will be made in discussion with donors to try to reverse the trend towards continuing reductions in unrestricted core income (a problem that is common to all the CGIAR Centres), CIAT will continue to make every effort to recover funds from its existing special projects. This will continue to negatively impact anticipated research activities for the next 2 to 3 years, but will diminish over time as new, fully costed restricted projects replace the old ones.
- Current and future infrastructure requirements: The decline in unrestricted core funds has resulted in the inability of CIAT, over several years, to allocate sufficient resources to the adequate maintenance of its infrastructure, the regular replacement of obsolete capital items, and the acquisition of new ones. In addition, until recently CIAT implemented an accounting policy that overestimated the residual value of many asset categories, creating additional barriers to the regular replacement of capital items. Equipment needs are most acute in relation to laboratory equipment and IT services and the current situation results in both reduced efficiency and job satisfaction, exacerbating further the problem of staff retention in key programme areas.

In some cases lack of maintenance of infrastructure has led to a situation whereby CIAT has had to assign significant, largely unbudgeted resources for the maintenance of essential infrastructure and services, in some cases to avoid compromising the welfare and safety of employees or visitors (e.g. the maintenance of the main water supply well, repair of leaking roofs in meeting rooms and the flooding of offices due to damaged waste water pipes). Some urgent cases remain and the necessary action will be taken by CIAT within the proposed 2008 budget and cannot be dependent on the outcome of the strategic planning exercise or securing additional resources.

Although the future requirements for CIAT's facilities will be determined in the strategic planning process, CIAT is in any case looking at possible savings that could accrue, even in the short term, from consolidating staff within fewer physical facilities and 'mothballing' or finding alternative uses for any facilities so vacated. This could include, for example, hosting partners in new research or training platforms, renting to other institutions, or hiring out facilities for special events. Within the context of the strategic planning exercise, the desirability and feasibility of developing the Cali campus into a leading environmentally friendly 'green' research facility will be explored.

- Alignment with other Latin American Centres: CIAT, CIMMYT and CIP have all expressed the desire to find common ground for consolidating operations and services to the extent appropriate and feasible. In the first half of 2008, special

attention will be given to exploring opportunities for greater alignment among the three Centres, initially focusing on administration and research services, but later to also include research implementation and the delivery of research outputs and services.

- Strengthening relationships with Colombia and other Latin American countries: Although there has been a marked swing in CGIAR donor interests away from Latin America in recent years, as pointed out in the World Development Report there are important concentrations of rural poverty in Latin America and the Caribbean that are as serious as any elsewhere in the world. At the same time, LAC has a series of assets with which to contribute to research on international public goods for tropical agriculture worldwide, including a wealth of genetic resources; strong research programs in key countries like Brazil; and a vibrant private sector willing to participate in agricultural research and development. There is, therefore, an important opportunity to better mobilize these assets for the international agricultural research system. As part of an approach that goes beyond business as usual, it is important to go forward with not only a series of consultations, but also some critical research studies of common interest for the region and the CG. The funding of stipends and other costs to enable researchers to spend time studying or conducting thesis research either in Colombia or elsewhere in the regions, would have a major impact on building mutual commitment from key researchers in the region.
- Ensuring programme strength is maintained in key areas: With the extreme pressure that has been put on human resources over recent years, in many key areas of the Centre's research programme staff is now only 'one person deep'. There is no back-up should, for example, a scientist leave at short notice – an occurrence that is, unfortunately, all too likely in the current climate at the Centre. In addition several senior staff members are due to retire very soon and there is an urgent need to recruit their replacements in advance of their departure to help ensure continuity. The most urgent areas include virology, entomology, value chain analysis and impact assessment. All of these are traditional and important areas of strength at CIAT and are vital for future research. Whatever programme structures and delivery mechanisms emerge from the planning process, these are areas that need to be preserved.

4. The Main Request

This proposal presents two alternative scenarios. In the main scenario, CIAT is seeking special financial support in the amount of US\$4.91 million to enable it to confront the main challenges described in Section 3 above, i.e. planning the future while ensuring critical capacity is stabilized and maintained. Not all of the challenges described require additional resources and a considerable amount can be handled by CIAT within the confines of its current 2008 budget (e.g. the move to greater alignment with other Latin American Centres, the continuing effort to recover full costs from existing restricted projects and ensuring the adequate preventive maintenance of infrastructure). The request is for special one time assistance in 2008, to help support the strategic planning exercise and to help stabilize and consolidate the Centre so as to make sure that at least the most important components of the Centre's programmes survive the time taken to undertake the planning.

The second scenario, presented in Section 7, indicates how CIAT would propose to address its most urgent needs should an additional amount of US\$2.5 million be made available in 2008. Under this scenario only the most essential and critical planning and consolidation needs can be covered. As it would not be possible to carry out the other activities proposed under the first scenario, the risk of the Centre losing key staff resources would be considerably increased.

4.a. Strategic planning

The new strategic plan will be developed taking into account the CGIAR system priorities and embedded within the CGIAR reform and change process. It will take full account of regionally differentiated development challenges and priorities, such as those identified in the World Bank's World Development Report for 2008. It will be initiated under the leadership of the interim DG but it is intended that the new DG will oversee its conclusion.

During the first half of 2008 a series of studies will be carried out, by staff and by external consultants – or small groups of experts - on a range of topics critical to CIAT's future, including:

- Updating and analyzing statistics on production, consumption, international trade etc. with respect to commodities of interest to CIAT;
- Poverty mapping, especially in Latin America;
- Projected impacts of climate change;
- Projected impacts of energy prices and prospects for biofuels;
- Prospects for high value crops;
- Analysis of current and prospective partnerships;
- Development of alternative institutional scenarios and options for programme delivery;
- Future options for CIAT's headquarters site in Cali.

It is anticipated that some of the studies will be carried out by CIAT staff but that a total of five studies will need to be specially commissioned, at an average cost of US\$20,000 per study.

In addition, a series of consultations will be held with stakeholders and partners, including other Alliance Centres, to explore development challenges and priorities in the different regions as well as opportunities for new partnerships and alignments. The following consultation meetings are envisaged:

- Two meetings with partners and stakeholders in Latin America and the Caribbean (tentatively one in Costa Rica and one in Uruguay).
- One meeting each with partners and stakeholders in Africa (tentatively Uganda or Kenya) and Asia (tentatively Laos or Vietnam).
- Two meetings in Cali and/or Bogota, Colombia, with key partners and stakeholders, especially to consider alternative institutional scenarios and new partnership arrangements.

It is anticipated that a total of six consultation meetings will be convened, at an average cost of US\$40,000 per meeting.

In addition to the studies and meetings, it is proposed to engage a consultant or consultants for a total of approximately 80 days to facilitate the planning process—especially of selecting among the various scenarios and options—and to write the plan.

Developing a new strategic plan		
Activity	Basis of cost estimate	US\$
Special studies	5 studies x US\$20,000 per study	100,000
Consultation meetings	6 meetings x US\$40,000 per meeting	240,000
Facilitation and writing	80 days of consultancy at US\$500 per day	40,000
Total		380,000

- Priority and timing of the activity: It is of highest priority that CIAT embarks on the proposed strategic planning exercise. This exercise will be take place throughout 2008.
- Consequences if no, or only partial additional funding is provided: Preparing a strategic plan for the future of the Centre is essential and whatever funding scenario eventuates, CIAT would still have to go ahead with preparing a new plan – however the basis for developing it would be weakened. It would be difficult to base it on the best possible information and analyses, and it is likely that it would have to make do with less than desirable levels of input from partners and stakeholders.
- Associated risks: There is a strong desire among CIAT’s Board, management and staff to devise an appropriate and forward looking plan. The institute is ready for change and recognizes that it is not “business as usual”. Well prepared background studies and analyses, together with broad and effective consultations with partners and stakeholders should help ensure the plan is both relevant to the needs of the coming decade and has broad acceptance internally, among donors, sister Centres of the Alliance, and other partners and stakeholders. For all these reasons, the risks of failure in this planning exercise are considered low.

4.b. Stabilizing and maintaining critical programme capacity

Section 3.b. above lists the most urgent needs for stabilizing the situation at CIAT. As indicated earlier, not all of them will require additional resources beyond those already budgeted in the 2008 budget. This section will consider only those items for which additional resources are being requested and which are urgently needed in the short-term to ensure that the capacity needed for future programme delivery is maintained.

4.b.i. Reconstituting CIAT’s leadership and senior management: The costs of reconstituting the entire leadership and senior management of CIAT are considerable.

Because of the number of positions involved, the costs are significantly larger than the amount that a Centre would normally expect to pay in any given year as a result of regular senior management turnover. Many of these additional costs have already been assumed by CIAT in 2007, including the recruitment of the Deputy Director General for Corporate Services and the termination of the Director General².

The major additional cost anticipated in 2008 is the cost of the search for, and recruitment of a new Director General. The process entails the appointment of consultants to manage the search process, a meeting of the Board Search Committee, interview costs and recruitment and relocation costs. These have been conservatively estimated at US\$60,000, excluding relocation costs. Further costs in 2008 associated with the reconstitution of senior management will include the cost of relocating the interim DG to and from Cali, and the search for and relocation to Cali of the new DDG-Research and Head of Finance.

Reconstituting leadership and management		
Activity	Basis of cost estimate	US\$
DG recruitment	Search and interview process	60,000
Hiring interim DG	Relocation and establishment costs	10,000
Hiring DDG-Research	Search process and relocation	20,000
Hiring Head of Finance	Search process and relocation	10,000
Total		100,000

- Priority and timing of the activity: CIAT is committed to reconstituting its Senior Management in line with the EPMP recommendation. For reasons discussed earlier, CIAT cannot afford to be leaderless at this very crucial time in its – and indeed the CGIAR’s – history, regardless of the outcome of the strategic planning exercise. All the costs associated with installing the new senior management will be assumed in 2008.
- Consequences if no, or only partial additional funding is provided: CIAT would still have to go ahead with the recruitment of the positions identified and the funds would have to be generated by cutting back in other areas. It might be possible to make some savings in the process (e.g. by interviewing fewer candidates), but given the importance of the task it is not possible to significantly cut corners.
- Associated risks: Failure to recruit a strong and effective senior management team would leave CIAT in a very weak position to determine – and implement – the best course of action for the future of its programme, whatever transpires with respect to CIAT as an institution. Attrition of the best scientists, already a very high risk, would almost certainly result.

² The costs of providing termination benefits to the previous Director General derived solely from the legal requirements of his contract with CIAT.

4.b.ii. Bridging staff contracts: Although CIAT has had success in implementing its core strategic research through restricted funds, which now account for more than half of total centre income, the time bound nature of these funds creates a challenge in maintaining continuity of financing for both international and national personnel. Much of the time there is not a perfect fit between the end of one special project and the beginning of another, thus creating frequent gaps in financing for those key positions that CIAT needs to maintain over the longer term – and that will still be needed in the post-planning period. CIAT has been managing some bridging funds to deal with this, but the importance of special project funding has grown to the point that in the current financial difficulties available bridging funds are not adequate. As a result, contract periods and notice periods for contract termination have had to be substantially reduced, undermining staff confidence. Over time, the situation will improve as full cost recovery measures generate ever more revenues for such bridging action. However, in the meantime CIAT continues to risk losing valuable staff, both through having to lay them off as a result of insufficient bridging funds or through their leaving in search of more secure employment opportunities elsewhere.

At the beginning of the year roughly 12% of the time of staff currently on restricted projects is not covered by existing special projects. Around 12 IRS and 50 NRS are currently in a situation of uncertainty as to whether their positions can be fully funded in 2008. Naturally this exacerbates CIAT’s ability to retain key staff members. During the year some additional special projects are expected to be obtained and it is normal that some staff on special projects will rotate out at the end of their contract in any case. Nevertheless, experience suggests that bridging funds equal to 6% of the total cost of staff on restricted projects are needed solely to cover gaps in strategic positions. With a current cost of scientists on special projects of \$8.3 million for 2008, to cover strategic gaps \$498,000 would be required. Available resources in the bridging fund are currently \$180,000. Consequently CIAT is requesting a special assistance with bridging funds of US\$320,000 in 2008 to maintain strategic international and national scientific staff positions.

Bridging staff contracts		
Activity	Basis of cost estimate	US\$
Bridging funds for research staff	A total of US\$ 500,000 is required to bridge staff contracts in 2008. It has been possible to only include US\$180,000 in the approved 2008 budget.	320,000
Total		320,000

- Priority and timing of the activity: CIAT’s staff is by far its major asset. While further downsizing will be necessary, especially in the administration and research support areas, it is critical that the Centre not lose those staff members – from whichever part of the institute - considered the most vital for its future. While the availability of contract bridging funds is not the only factor involved in staff retention, it is an important one and such funds would allow for much better management of the

situation than is possible at present. The request is only for special funding in 2008. It is expected that additional income generated through greater cost recovery and reduced overall staffing needs arising from the strategic planning exercise will enable the situation to be managed more effectively from 2009 onwards.

- Consequences if no, or only partial additional funding is provided: While it is impossible to predict exactly what the impact on staff retention would be if this item were not funded, clearly it would make managing the situation far more difficult. Contract terms and pre-notice clauses might have to stay at currently short levels for an extended time period. Even availability of, say, 50% of the requested amount would at least provide the opportunity to safely extend terms and conditions to a larger group of key staff.
- Associated risks: As indicated earlier, the existence of funds for contract bridging alone is not sufficient to guarantee the retention of the most valuable staff. Many other factors impinge on the desire and commitment of staff to remain at CIAT, such as the ability to provide an interesting and exciting work environment at an internationally competitive compensation level. However, within the context of the whole reinvigoration package, the availability of such funds, coupled with funding for other key elements of the package, should go a long way towards keeping the problem of staff retention within manageable proportions.

4.b.iii. Consolidating human resources: Funds are urgently needed to support the reduction of staff numbers in administration and research support, as part of the continuing effort to increase efficiency and reduce medium-term costs. Downsizing presents particular problems as a result of the nature of the contracts under which a number of local staff are employed. Such contracts are extremely difficult and expensive to break under Colombian labour law for anything other than cause. It is estimated that it costs on average about \$60,000 for each staff member laid off – the actual amount depending on the individual’s salary and the number of years remaining until mandatory retirement. Support is also being sought to help cover the costs of further staff reductions that will be needed in certain programme areas. Providing funding is available, it is anticipated that a total of about 35 staff positions will be lost in 2008.

Consolidating human resources		
Activity	Basis of cost estimate	US\$
Staff severance packages	Approx. 35 staff members x US\$ 60,000	2,100,000
Total		2,100,000

- Priority and timing of the activity: It is of high priority that CIAT further reduce its overall staffing complement, especially but not exclusively in the areas of administration and research support. Significant downsizing will take place during 2008.

- Consequences if no, or only partial additional funding is provided: It is well known that in order to save costs in the longer term, it is often necessary to incur additional costs in the short term. Unfortunately CIAT is in a very weak position to be able to absorb any additional short-term costs. In the absence of additional funding, CIAT will be forced to retain certain staff members that it would otherwise wish to let go—with both longer term budget implications and shorter term consequences for human resources management and staff. In the event of receiving only partial support, CIAT would have to proceed with the downsizing in a slower and more select way.
- Associated risks: If funds are made available to cover staff severance costs then the risks of not being able to move ahead with appropriate staff reductions are minimal. However, as in all cases of staff reduction, the situation must be handled with tact and sensitivity if it is not to backfire and generate unnecessary unease among those, the large majority of staff, one wishes to retain. Losing institutional memory is also a risk that is closely associated with staff reduction.

4.b.iv. Strengthening research infrastructure: As described in Section 3.b above, the recent financial crisis has meant that CIAT has been unable to adequately maintain and update much of its infrastructure and equipment, both at headquarters and in the regions. This request concentrates on the two areas most in need of urgent attention: research equipment and IT upgrading. These two areas impact heavily on staff retention and efficiency. Other requirements for maintenance and upgrading that cannot be accommodated within the normal budget over the next 1-2 years will be addressed after the strategic planning exercise has been completed as this will determine future infrastructure needs.

Research equipment: funding is being sought as a matter of priority for the purchase of specific, urgently-needed items of equipment, especially for genotyping, phenotyping, gene discovery, bioinformatics and tissue culture work in the amount of \$0.85 million. Equipment for advanced GIS work and the soils lab in Nairobi needs strengthening at an estimated cost of \$0.4 million. Further details of the proposed equipment purchase are contained in Annex 9.

IT system upgrade: CIAT's IT infrastructure is ageing and much of the equipment is fast becoming obsolete. Funds are being sought to make the network faster and more reliable as well as for strengthening back-up and security systems. This will cost \$0.2 million. Prior to such investments, third party provided server services will be evaluated. Further details of the proposed IT equipment requirement are contained in Annex 10.

These investments are planned for 2008 and if it proves possible to proceed with them, fixed asset depreciation of US\$0.175 will need to be included in the financial plan.

Strengthening research infrastructure		
Activity	Basis of cost estimate	US\$
Research capital	Purchase and installation of urgently needed research equipment (details in Annex 9)	1,275,306
IT system upgrade	Purchase and installation of IT equipment (details in Annex 10)	200,000
Total		1,450,000

- Priority and timing of the activity: The upgrading of research and IT equipment is very important both for the ongoing effectiveness and efficiency of the research as well as for retention. It is desirable, if possible, that the equipment all be purchased and installed within 2008.
- Consequences if no, or only partial additional funding is provided: If it is not possible to purchase any new research equipment, CIAT risks falling behind the cutting edge of research. As confirmed by the EPMR, CIAT currently has a very good reputation for the quality, relevance and scientific excellence of its research. However without continued investment, the ability to stay at the forefront of science will be compromised, especially in the fields of biotechnology and soils research, and it will become increasingly difficult to retain the top level scientists that CIAT currently employs in these areas. In the case of lack of IT investment, data security will become an increasing problem and the efficiency of research and administrative operations will be compromised. If only partial funding becomes available for strengthening the research infrastructure, priority would be given to the purchase of equipment for Biotechnology applications and for IT.
- Associated risks: If funds are made available to cover the costs of new equipment as requested, the risk of failing to purchase and install the equipment is very low. However, the items listed represent only those that are most urgently required – and significantly more investment will eventually be needed (in both the research and IT areas) before CIAT can be satisfied that its infrastructure is fully up to the needs of a modern scientific institution undertaking cutting edge research in the 21st century, supported by a robust IT infrastructure with fast and secure communication technology. A full, detailed and prioritized equipment list is available separately that also includes other areas of concern to CIAT, such as field operations, infrastructure, training etc.

4.b.v. Strengthening relationships with Colombia and other LAC countries: The EPMR strongly recommended that CIAT expand and renew its research collaboration in Latin America. Such a strengthened relationship is considered to be extremely important for the CGIAR as a whole and will remain so whatever the future holds for CIAT as an institution. The strategic planning exercise will give special attention to this. Focus will be on research topics of priority interest to the region and could include such matters as high value crops, adaptation to climate change, environmental services and bioenergy. Funding is therefore being sought to support stipends and related research and

operational costs to enable researchers, especially from Colombia and other LAC countries, to spend time studying or conducting research at CIAT's headquarters or in the regions on topics of agreed priority interest. Significant leverage opportunities are anticipated where, for example, there is a potential for matching funds from Colciencias, the national science funding agency in Colombia. An amount of \$360,000 is requested to support a total of 10 stipends for regional scientists in 2008, as well as the associated operational and support costs.

Strengthening relationships with Colombia and other LAC countries		
Activity	Basis of cost estimate	US\$
Providing opportunities for regional scientists to study and conduct joint research at CIAT	10 stipends (with at least 4 from Colombia) x \$12,000 p.a., plus operations expenses (\$80,000) and support staff (\$40,000)	240,000
Total		240,000

- Priority and timing of the activity: As recommended by the EPMR, it is important and urgent that CIAT, on behalf of the CGIAR and Alliance, strengthen its relationship with its host country as well as with other countries in the region. This ideally should not wait until after the outcome of the strategic planning exercise. It requires engaging the commitment and financing of national and regional institutions in LAC around the priority research agenda for a new century. In the past Colombia was a significant investor of unrestricted funds to CIAT and it continues to fund a significant range of restricted projects. This activity is seen, in large measure, as an investment in the longer-term future of CGIAR Alliance research in the region that would produce results of relevance not only within the region but also globally in the tropics. It is proposed that special efforts in this regard be made between now and the end of 2008, with this effort being envisaged as a test of a new model for the joint implementation of research with partners in the region. Research would begin in mid 2008 and some activities would carry over into 2009.
- Consequences if no, or only partial additional funding is provided: The resources do not currently exist to offer research opportunities of the kind proposed. These opportunities constitute one of the most promising avenues for strengthening relationships between the CGIAR and Colombia and other LAC countries. The lack of such opportunities would continue to hamper efforts to engage the commitment of LAC with the CGIAR on the basis of a new model. If partial funding becomes available, priority will be given to research with Colombia.
- Associated risks: Assuming funds are made available for this activity, there is little risk that it would not be successful in providing much needed opportunities for joint research on a new agenda in LAC that would result in additional results that are relevant to the mission of the CGIAR. It should also have a strong positive impact on renewing the commitment of LAC to the CGIAR which should lead to enhanced mobilization of regional resources. However, this scheme alone is unlikely to have such an impact unless, as planned, it goes hand in hand with other practical

measures such as involving Colombian researchers and institutions, as well as those from other key LAC countries, extensively in the strategic planning exercise.

4.b.vi. Preserving staff capacity

Section 3.b. above lists the highest priority areas for buttressing staff capacity based, in particular, on recent departures or expectations of staff vacancies that due to impending retirement. The following four areas are considered the most urgent, and funds are being sought in this reinvigoration plan to enable CIAT to move ahead with recruitment of a postdoctoral fellow or junior scientist in each area so as to ensure critical programme capacity is not lost during the period it will take to determine CIAT's future:

- **Entomology:** With the retirement of two senior entomologists, CIAT will soon be without a senior scientist in entomology. This position would place priority on supporting the breeding programmes particularly in cassava and forages.
- **Virology:** With the imminent retirement of the senior virologist, CIAT will soon be without a senior scientist in virology. This position would place priority on supporting the breeding programmes in beans and rice as well as working with regional scientists on tropical fruits.
- **Value Chain Analysis:** Building on CIAT's experience in agroenterprise development, a postdoc would be recruited to work on value chain analysis for high value crops to replace a recently departed senior staff member. This work would complement that of the forthcoming CGIAR high value product challenge programme.
- **Impact Assessment:** With the reassignment of the impact economist to the Water Challenge Program, CIAT is now without a full time economist to conduct either *ex ante* or *ex post* impact assessment. This is a critical strategic gap that has to be filled.

It is intended that the positions will all be recruited in 2008.

Strengthening staff capacity		
Activity	Basis of cost estimate	US\$
Postdoc/Junior scientist recruitment	4 postdoc fellows/junior scientists for one year x US\$80,000	320,000
Total		320,000

- **Priority and timing of the activity:** The four positions listed above are regarded as the most important and urgent to see CIAT through the period of planning and into implementing whatever lies ahead. It is proposed to proceed with recruitment as soon as the necessary resources have been secured, with all four positions being recruited and covered in 2008. They will be provided with 2-year contracts, with the second year being covered through staff retirements and redundancy and increased cost recovery.

- Consequences if no, or only partial additional funding is provided: If it is not possible to go ahead with any or all of the four positions, it will not be possible to guarantee an orderly staff succession in these areas. However, efforts would be made, outside of this reinvigoration effort, to secure the necessary funds to strengthen all of the key areas identified.
- Associated risks: The main risk of going ahead with recruitment of these positions now, before the outcome of the strategic planning exercise is known, is that they will turn out to have a lower priority and might not even be needed in the future. However, the risk of this is considered minimal. The four positions identified are all likely to be of critical importance whatever directions the programme ultimately takes and whatever new arrangements are put in place for programme delivery.

5. Overview of the Full Request

Annex 3 presents the base budget assuming no additional funds are received. The effect of this scenario on the reserves is presented in Annex 4 which shows that it will be difficult to make any significant inroads into building up the reserves at least until 2010.

The following table provides a summary of the request:

Activity	US\$ x 1000
Developing a new strategic plan	380
Reconstituting leadership and management	100
Bridging staff contracts	320
Consolidating human resources	2,100
Strengthening research infrastructure	1,450
Strengthening relations with Colombia / LAC countries	240
Strengthening staff capacity	320
Total	4,910

If funding is made available to CIAT to cover the activities listed above, the situation should be stabilized in 2008, however with very little possibility of increasing reserves in that year. However, other things being equal, it should be possible to begin to build reserves from 2009 onwards, reaching more than 60 days by 2010. It should then be possible to be back in line with CGIAR standards of 75–90 days by 2012 (see Annex 5).

The budget plan for the time period 2008 to 2010 under the assumption of full funding as per above table of activities is presented in Annex 6.

6. Implementation and Monitoring

In moving ahead a number of indicators and milestones will be used by Management and the Board to monitor progress. Assuming the full funding is received, these will include:

1. Strategic Plan

- The Board will take stock of progress and make a major input at its meeting in April 2008.
 - Most background studies will have been completed by end July 2008 and at least three of the consultation meetings by the end of September
 - Assuming the new Director General is in place as intended, the strategic plan will be finalized by end of 2008 and implementation start in early 2009.
2. Reconstituting Leadership and Management
The new Head of Finance will be in place by end June 2008, the new DG by end October 2008 and the new DDG-Research by end November 2008.
 3. Consolidating human resources
 - By end of 2008 the phase-out of 35 individuals in process or completed.
 4. Strengthening research infrastructure
 - All equipment ordered by July 2008.
 - All equipment installed and operational by end 2008.
 5. Strengthening relationships with Colombia and other LAC countries
 - 10 researchers undergoing research/training at CIAT by end of 2008.
 6. Strengthening staff capacity
 - By July two postdocs appointed.
 - By end of 2008 the remaining two postdocs appointed.
 7. Indirect overhead and direct R&TS budgeting
 - 2008: A tracking system to be developed that allows accurate forecasting and monitoring of cost recovery rates of all restricted projects.
 - In 2008 reach 65% of the maximum indirect cost recovery potential and 50% of the direct cost recovery potential.
 - 2009: Both indirect and direct recovery rates to reach 70% of the potential.
 - 2010: Indirect and direct recovery rates to reach at least 85% of the potential.
 8. Administrative efficiency
 - Oracle will remain the Centre's finance and reporting system. Implementing a simplified and automated default process should enable month-end closure to occur consistently within 10 days after month end in 2008 and within 5 working days thereafter.
 - In 2008, identify and evaluate 2-3 service areas that have potential for outsourcing and measures in place to achieve this by the end of the year.

- \$0.5 million of savings achieved in administration in 2008 through eliminating, outsourcing or direct charging for services.
- At least 3-4 operations or service areas identified where combining activities with other Latin American Centres can provide benefits. Consolidation of at least 1 service area initiated by the end of 2008.

9. Build-up of reserves

- By 2010 a minimum of 60 days of reserves should be attained.

10. Oversight and reporting

The board will identify two members to support the management team to carry out a formal six monthly review of progress. A brief 2-page progress report will be produced and submitted to the full Board as well as to the CGIAR ExCo. Formal reviews will be continued at least until the end of 2009 at which time a decision will be made as to the need and form over further reviews.

7. Alternative plan—a reduced funding scenario

It is recognized that it may well not be possible to secure the full amount requested and a second, considerably reduced budget scenario is presented below and in Annexes 7 and 8. It is based on a total additional income of US\$2.5 million.

Under this scenario it is planned just to go ahead with the full strategic planning exercise as described above; reconstitute leadership and management; bridge staff contracts; and downsize the total staff complement, but at a reduced level of only 25 staff rather than the 35 planned for in the full scenario. It is proposed to also proceed with just the IT system upgrade as this will be needed whatever the future holds for the Centre and is, in any case, largely transportable to a new location should the need arise. This reduced scenario would not enable the Centre to take on any additional staff – even in areas considered most essential for the future; would not allow for the purchase of any new research equipment; and would not allow CIAT to go ahead with plans for strengthening its and the CGIAR's relationship with Colombia and other LAC countries through the provision of visiting researcher opportunities. All of these could have negative consequences for staff retention in key areas.

Activity	US\$ x 1000
Developing a new strategic plan	380
Reconstituting leadership and management	100
Bridging staff contracts	320
Consolidating human resources	1,500
Strengthening research infrastructure	200
Strengthening relations with Colombia / LAC countries	-
Strengthening staff capacity	-
Total	2,500

If funding is made available to CIAT at the level of US\$2.5 million, it is unlikely that the Centre will be able to build its reserves to more than about 39 days by 2010 (see Annex 7). Under this scenario it might take as long as 2014 before it is possible to be fully back in line with CGIAR standards of 75–90 days, unless additional measures are implemented.

The proposed budget plan for the timeframe 2008 to 2010 under the reduced funding scenario is shown in Annex 8.

8. Conclusions

This funding request recognizes that it is not “business as usual” for CIAT, and that the current funding situation provides an opportunity to take a hard look at the future of the Centre. Indeed, a first priority is to establish whether or not there is an ongoing need for CIAT or whether some or all of its programmes, widely recognized for their relevance, scientific excellence and positive impact, might be delivered more efficiently and effectively through alternative institutional arrangements.

Such a process of determining the Centre’s future cannot take place overnight and should not be based just on opportunism—a reaction to the current, temporary, financial situation. It needs to be fully embedded within the ongoing discussions on change and reform within the CGIAR system as a whole.

Thus this request seeks to secure the resources needed firstly to carry out an in-depth, participatory strategic planning exercise, involving the full range of CIAT’s partners and stakeholders, and secondly to preserve and strengthen the most critical elements of the current research programme that will be needed in the future, whatever institutional arrangements emerge from the planning process.

CIAT is extremely thankful to the large number of donors that have continued to provide very generous funding support over many years, and hopes that it will prove possible to make available the resources needed to ensure that the human and other capital that has been built up over the years is not lost, but can be used as a solid basis for whatever lies ahead.

Annex 1

CIAT Income Unrestricted and Restricted 2000-2007

Year	Total income *	Unrestricted	%	Restricted	%	Centre generated income
2000	31.0	18.6	60%	11.4	37%	1.0
2001	30.5	15.8	52%	12.6	41%	2.1
2002	32.0	14.7	46%	16.0	50%	1.3
2003	32.7	14.7	45%	17.0	52%	1.0
2004	37.0	15.2	41%	20.8	56%	1.0
2005	41.5	12.9	31%	27.3	66%	1.2
2006	38.0	12.0	32%	24.6	65%	1.4
2007	45.6	14.7	32%	29.0	64%	1.9

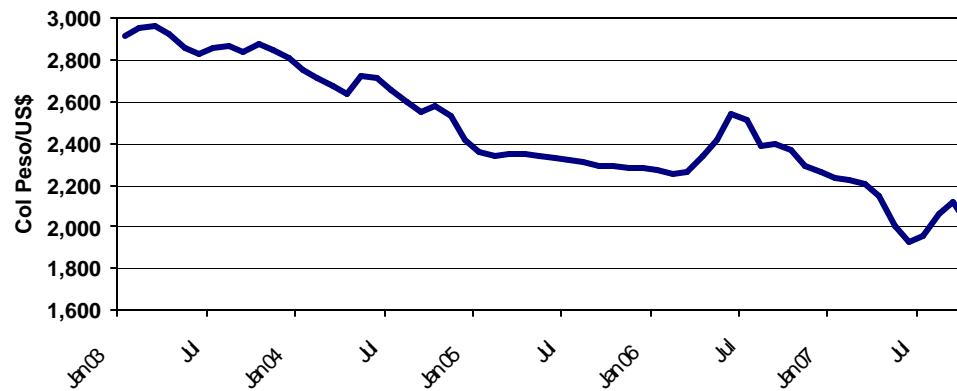
* EC & Japan reported as Unrestricted.

Annex 2

Colombian Peso and Inflation Impact

Year	Indicators					Impact US\$ millions				
	Expenses	\$Col	\$Col per USD	Variation	Inflation	Exchange rate impact	Inflation Impact	Combined total	Impact to the unrestricted budget	Impact to the restricted budget
2004	36.4	50%	2,622	-9%	6%	-\$1.6	-\$1.0	-\$2.6	-\$1.7	-\$0.9
2005	42.4	50%	2,320	-12%	5%	-\$2.5	-\$1.0	-\$3.6	-\$2.3	-\$1.2
2006	41.9	50%	2,360	2%	4%	\$0.4	-\$0.9	-\$0.5	-\$0.3	-\$0.2
2007	43.0	50%	2,070	-12%	5%	-\$2.6	-\$1.1	-\$3.7	-\$2.4	-\$1.3
Total						-\$6.3	-\$4.0	-\$10.4	-\$6.8	-\$3.6

Exchange Rate - Month Avg



Annex 3

CIAT Business Plan 2006-2010					
Base case-without additional funding					
Constant exchange rate 2100 COP/USD	In US\$000				
INCOME	2006 actual	2007	2008	2009	2010
Unrestricted contributions ⁽¹⁾	11,976	14,700	11,880	11,700	11,700
Restricted contributions implemented by CIAT	20,233	21,600	22,000	22,000	21,500
Restricted contributions outsourced to partners	4,397	7,400	8,000	8,000	8,500
Self generated Income	1,411	1,860	1,100	1,000	1,020
Total Income	38,017	45,560	42,980	42,700	42,720
EXPENDITURES					
Unrestricted operations ⁽²⁾	17,366	14,349	16,800	17,156	18,014
Restricted operations including outsourced to partners	24,630	29,000	30,000	30,000	30,000
Total Operating Expenditures	41,996	43,349	46,800	47,156	48,014
Extraordinary phase out charges	2,814	3,500	300	-	-
Exchange rate provision (incl. Colombian pesos) ⁽³⁾	-	2,044	750	500	250
Total Expenditures ⁽⁶⁾	44,810	48,893	47,850	47,656	48,264
Indirect costs recovery	(2,719)	(2,900)	(3,400)	(3,500)	(3,800)
Research & Technical Support Recovery ⁽⁴⁾	(222)	(800)	(1,400)	(1,500)	(1,800)
Net expenditures	41,869	45,193	43,050	42,656	42,664
Net Change in Reserves	(3,852)	367	(70)	44	56
Year End Reserves ⁽⁵⁾	1,816	3,183	3,113	3,157	3,213

⁽¹⁾ Includes EC & Japan contributions, which are reported as restricted in the Audited Financial Statements.

⁽²⁾ 2007 includes USD300K for DG severance and repatriation.

⁽³⁾ Additional costs due to the Colombian peso revaluation for 2008 and on are incorporated in the unrestricted operations expenditures.

⁽⁴⁾ R&T Support Recovery is reported in the financial statements as a reduction of the unrestricted expenditures.

⁽⁵⁾ Includes savings in the capital reserves: 2006, \$0.5m; 2007, \$1m.

⁽⁶⁾ Does include fixed asset adjustment

Annex 4

CGIAR Financial Indicators 2005-2010								
Base case-without additional funding								
Year	US\$ millions					Indicators in days		
	Total * expenses	Daily costs	Surplus/ (Deficit)	Liquidity	Net reserves	Liquidity	Adequacy of reserves	
2005 (a)	40.46	\$0.111	(0.89)	6.77	5.172	61	47	
2006 (a)	37.67	\$0.103	(3.85)	3.73	1.82	36	18	
2007 (e)	40.29	\$0.110	0.37	5.10	3.18	46	29	
2008 (e)	41.35	\$0.113	(0.07)	5.24	3.32	46	29	
2009 (e)	41.26	\$0.113	0.04	5.28	3.37	47	30	
2010 (e)	41.26	\$0.113	0.06	5.33	3.42	47	30	
(a) Actual; (e) Estimated.						CGIAR Target	90-120	75-90
* Excluding depreciation and extraordinary phase out costs.								

Annex 5

Estimated Financial Indicators 2005-2010 with additional funds of US\$4.91 million								
Year	US\$ millions					Indicators in days		
	Total * expenses	Daily costs	Surplus/ (Deficit)	Liquidity	Net reserves	Liquidity	Adequacy of reserves	
2005 (a)	40.46	0.111	-0.89	6.77	5.172	61	47	
2006 (a)	37.67	0.103	-3.85	3.73	1.82	36	18	
2007 (e)	40.29	0.110	0.37	5.10	3.18	46	29	
2008 (e)	43.26	0.119	0.65	5.96	3.83	50	32	
2009 (e)	39.80	0.109	1.48	7.44	5.31	68	49	
2010 (e)	41.01	0.112	1.59	9.02	6.90	80	61	
(a) Actual; (e) Estimated.						CGIAR Target	90 - 120	75 - 90
* Excluding depreciation and extraordinary phase out costs.								

Annex 6

CIAT Transition Plan 2006 - 2010					
with additional funds of \$4,910 ¹					
Constant exchange rate 2100 COP/USD	In US\$ 000				
INCOME	2006 actual	2007	2008	2009	2010
Unrestricted contributions ⁽²⁾	11,976	14,700	16,510	11,700	12,000
Restricted contributions implemented by CIAT	20,233	21,600	22,000	22,000	22,500
Restricted contributions outsourced to partners	4,397	7,400	8,000	8,000	8,500
Self-generated income	1,411	1,860	1,100	1,180	1,200
Total Income	38,017	45,560	47,610	42,880	44,200
EXPENDITURES					
Unrestricted operations	17,366	14,349	18,910	16,098	17,064
Restricted operations including outsourced to partners	24,630	29,000	30,000	30,000	31,000
Total Operating Expenditures	41,996	43,349	48,910	46,098	48,064
Extraordinary phase out charges	2,814	3,500	2,100		-
Exchange rate provision (Colombian Pesos)	-	2,044	750	500	250
Total Expenditures ⁽⁵⁾	44,810	48,893	51,760	46,598	48,314
Indirect costs recovery	(2,719)	(2,900)	(3,400)	(3,600)	(3,900)
Research & Technical Support Recovery ⁽³⁾	(222)	(800)	(1,400)	(1,600)	(1,800)
Net expenditures	41,869	45,193	46,960	41,398	42,614
Net Change in Reserves	(3,852)	367	650	1,482	1,586
Year End Reserves ⁽⁴⁾	1,816	3,183	3,833	5,315	6,900

⁽¹⁾ For simplicity, all one off funding is assumed as income in 2008.

⁽²⁾ Includes EC & Japan contributions, which are reported as restricted in the Audited Financial Statements.

⁽³⁾ R & T Support recovery is reported in the financial statements as a reduction of the unrestricted expenditures

⁽⁴⁾ Includes savings in the capital reserves: 2006, \$0.5m; 2007, \$1m

⁽⁵⁾ Does include fixed asset adjustment

Annex 7

Estimated Financial Indicators 2005-2010 with reduced funds of \$2.5 million								
Year	US\$ Millions					Indicators in days		
	Total * expenses	Daily costs	Surplus/ (Deficit)	Liquidity	Net reserves	Liquidity	Adequacy of reserves	
2005 (a)	40.46	0.111	(0.89)	6.77	5.172	61	47	
2006 (a)	37.67	0.103	(3.85)	3.73	1.82	36	18	
2007 (e)	40.29	0.110	0.37	5.10	3.18	46	29	
2008 (e)	42.10	0.115	0.10	5.41	3.49	47	30	
2009 (e)	40.94	0.112	0.44	5.85	3.94	52	35	
2010 (e)	41.10	0.113	0.50	6.35	4.43	56	39	
(a) Actual; (e) Estimated.						CGIAR Target	90 - 120	75 - 90
* Excluding depreciation and extraordinary phase out costs.								

Annex 8

Alternative Transition Plan 2006 - 2010 (Plan B)					
with reduced funds of \$2,500 ¹					
Constant exchange rate 2100 COP/USD	In US\$000				
INCOME	2006 actual	2007	2008	2009	2010
Unrestricted contributions ⁽²⁾	11,976	14,700	14,100	11,700	11,900
Restricted contributions implemented by CIAT	20,233	21,600	22,000	22,000	21,500
Restricted contributions outsourced to partners	4,397	7,400	8,000	8,000	8,500
Self-generated income	1,411	1,860	1,100	1,180	1,200
Total Income	38,017	45,560	45,200	42,880	43,100
EXPENDITURES					
Unrestricted operations	17,366	14,349	17,650	16,936	17,952
Restricted operations including outsourced to partners	24,630	29,000	30,000	30,000	30,000
Total Operating Expenditures	41,996	43,349	47,650	46,936	47,952
Extraordinary phase out charges	2,814	3,500	1,500		-
Exchange rate provision (Colombian Pesos)	-	2,044	750	500	250
Total Expenditures ⁽⁵⁾	44,810	48,893	49,900	47,436	48,202
Indirect costs recovery	(2,719)	(2,900)	(3,400)	(3,500)	(3,800)
Research & Technical Support Recovery ⁽³⁾	(222)	(800)	(1,400)	(1,500)	(1,800)
Net expenditures	41,869	45,193	45,100	42,436	42,602
Net Change in Reserves	(3,852)	367	100	444	498
Year End Reserves ⁽⁴⁾	1,816	3,183	3,283	3,727	4,225

⁽¹⁾ For simplicity, all one off funding is assumed as income in 2008.

⁽²⁾ Includes EC & Japan contributions, which are reported as restricted in the Audited Financial Statements.

⁽³⁾ R & T Support recovery is reported in the financial statements as a reduction of the unrestricted expenditures

⁽⁴⁾ Includes savings in the capital reserves: 2006, \$0.5m; 2007, \$1m

⁽⁵⁾ Does include fixed asset adjustment

Annex 9

Capital Investment for Research Facility and Equipment

Research area	Cost (US\$)
Genotyping	\$168,000
Phenotyping	\$212,000
Gene discovery	\$108,000
Bioinformatics	\$43,000
Lab remodeling	\$10,000
Tissue Culture	\$20,000
New methods for the detection of diseases of quarantine importance (GHL)	\$39,200
Multiplication of seed germplasm (field collections)	\$33,000
Analytical services	\$96,500
Geographical Information Systems	\$162,000
Soils Lab in Africa	\$170,000
Procurement, transportation and taxes	\$188,300
Total	\$1,250,000

Annex 10

Capital Investment for IT infrastructure improvement

IT area	Cost (US\$)
NAS (Network Attached Storage) Server, file server, 10 GB Ethernet.	\$25,000
Giga switches Ethernet uplink 10 GBps, load balance and performance.	\$40,000
2 Ultrium IV tape backups, institutional backups	\$35,000
2 Solaris Servers - replacement	\$50,000
VPN web solution for remote users.	\$30,000
20TB disk storage.	\$20,000
Total	\$200,000