

Cover Paper - Supporting CGIAR's Genebanks and Engagement with the Global Crop Diversity Trust

Purpose

This paper is a companion document to three separate resources which are available to the System Management Board ('Board'), and which identify a number of important questions that arise in respect of: (i) the funding and governance context of the new Genebanks Platform planned for implementation across 2017 – 2022, and (ii) more broadly, the overall operational relationship with the Global Crop Diversity Trust ('GCDT'), recognizing its important role in respect of the day to day management of CGIAR's genebanks.

Action Required

Board members are invited to discuss the range of topics arising from the materials shared under cover of this paper, with particular focus on:

1. **Genebanks and GCDT governance matters:** Discussion of means to resolve the different issues identified, whether (i) through discussion by the Board itself, or (ii) convening the planned SMB Working Group, or (iii) other CGIAR fora.
2. **Identifying CGIAR's representative to attend as a non-voting ex-officio member of the GCDT Executive Board;** and
3. **Possible additional options to strengthen communications and resource mobilization efforts between the CGIAR System and the GCDT.**

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Part A – Executive Summary

1. Agenda Item 5 of the Board's 4th meeting raises for discussion (and as relevant, decision) by the Board, the appropriate scope of the Board's engagement and/or oversight on matters concerning the Genebanks beyond the necessary contract that will be entered into between System Organization and GCDT as 'Lead Center' to deliver financing from the CGIAR Trust Fund for implementation of the Genebanks Platform.¹ The Lead Center contract, termed a 'Financial Framework Agreement', sets out the reporting responsibilities and contractual duties of Lead Centers.
2. For Agenda Item 5, the Board has three different information sources as follows:
 - **Document SMB4-5A – Letter of 15 November 2016 from GCDT** suggesting possible arrangements concerning governance and resource mobilization.
 - **Document SMB4-5B: GCDT 9 December 2016 Issues Brief submitted by Ann Tutwiler** as Board member, in respect of certain governance matters arising under the expanded scope of the Genebanks Platform for 2017 – 2022.
 - **Document SMB4-5C: Margret Thalwitz's 27 October 2016 report from attendance at GCDT Executive Board in October 2016** with proposals in regard to, amongst other matters, appointment of CGIAR's non-voting ex-officio member on the GCDT Executive Board (*as submitted also as a background document to SMB3*).
3. **This cover paper provides high level background in advance of a review of the three materials:** Recognizing both the interrelated nature of the materials (e.g. with collaboration, resource mobilization and governance arising in all three), and that detailed knowledge may be required to consider the questions arising, this paper aims to provide high-level background to help navigate those papers.
4. The information is also shared in the context of the Board establishing in September 2016 a Board-level *ad hoc* Working Group No. 6 – 'Positioning and engagement on genetic resources' based on deliberations from 1 July through to the Board's 2nd meeting held in Mexico on 25-26 September 2016. As reported in the Summary for that meeting², the Board withheld naming the membership of that working group until it had considered the Issues Brief (document SMB4-5B) now tabled for discussion.

¹ All 'Lead Centers' (or entities acting in the capacity as Lead Centers) will be required to enter into a 'Financial Framework Agreement' that provides the legal basis for the CRP or Platform to receive funding from the CGIAR Trust Fund. Pursuant to upstream obligations owed by the CGIAR System Organization to Funders who contribute to the CGIAR Trust Fund, no disbursement for CRP or Platform implementation can take place without this new agreement being signed by the Lead Center.

² Available at this link: http://cgiarweb.s3.amazonaws.com/wp-content/uploads/2016/07/SMB2-10_Final_2nd-MeetingSummary_SMB-1.pdf

5. Without seeking to limit the scope of discussions/potential actions arising for determination by the Board, the following may be some of the points that are helpful to be considered during review of this cover paper and the three more detailed materials:
- a. **Whether the Board now wishes to formerly convene Working Group 6: Positioning and engagement on genetic resources to address the governance issues related to the Genebanks Platform**, taking into consideration the information contained in the Issues Brief (including a suggestion in the document that *“it does not seem necessary to constitute an adhoc working group (with outsiders) on the SMB”*³, and the mandate agreed in September 2016 for the Board’s Working Group 6, Positioning and engagement on genetic resources that working group:
 - i. If no, it will remain for the Board to consider the range of topics raised in the Issues Brief and make determinations concerning the various discussions points, recommendations, and decisions points suggested therein; or agree a timetable and process for addressing them over a specified period; or
 - ii. If yes, it is recommended that the group be convened as soon as possible, either through a determination on 17 December of the appropriate membership; or agree a timetable for convening the group.
 - b. **Pending discussion and decisions on the various items, whether the Board wishes to provide additional guidance on the most appropriate contracting strategy for the Genebanks Platform**. That is, the event that the governance questions related to the Genebanks Platform are not resolved prior to the proposed signature date of the Financial Framework Agreement (during early January 2017), should the signing date be delayed pending finalization and the Board’s approval of the relevant solutions to the issues raised (with potential consequences for funding); or should signature be achieved at the same time as all other CRPs and Platforms, but potentially subject to qualifications and/or amendments that may be may be required to put in place any final arrangements that are approved between the Board and the GCDT.
 - c. **The most effective means by which the CGIAR System Organization and its member Centers can support ongoing GCDT resource mobilization efforts for the endowment**, the appropriate timing for that conversation, and whether the conversation should be had at Board level, via a Working Group, or otherwise.

³ See recommendation in the “For Discussion” section of Issue 4 re ‘Governance of the Policy Module’.

- d. **What would constitute the most strategic decision in terms of CGIAR representation as a non-voting ex-officio member of the GCDT Executive Board,** and when and how that decision should be taken having regard to the GCDT Executive Board meetings planned for 21-23 March 2017 (IRRI, Philippines), and 24-25 October 2017 (Trust's Headquarters, Germany).
6. With that introduction, the information that follows is divided into the following Parts:
- **Part B** – Factors driving a strong engagement model with GCDT
 - **Part C** – Funding of the 2017-2022 Genebanks Platform and related topics
 - **Part D** – CGIAR Genetic Resources Policy decisions
 - **Part E** – Proposed mandate of the Board's *ad hoc* Working Group 6

Part B – Summary of factors driving a strong engagement model with GCDT

7. **11 CGIAR Centers are legally bound to adhere to a Treaty on Plant Genetic Resources for Food and Agriculture, as host Centers of CGIAR's Genebanks.** Based on agreements signed between 11 of CGIAR's Centers individually, and the Food and Agriculture Organization of the United Nations ('FAO'), the 11 Centers, as 'Article 15 Centers' are contractually bound to conserve and make available certain ex situ crop and tree collections according to the provisions of the International Treaty of Plant Genetic Resources for Food and Agriculture ('ITPGRFA'). Official 'CGIAR' submissions/positions are coordinated and submitted to the Treaty's biannual meetings, committees and working groups. Such submissions/positions can give rise to international obligations in the maintenance and functioning of the genebanks (e.g. in provision of seeds or other means of propagating stored accessions, and in observing benefit sharing agreements), and thus System-wide reputational matters related to performance and compliance with international standards.
8. **For the five years from 2011 through until 31 December 2016, the GCDT has carried oversight and financial responsibility for the 11 Genebanks.** This was via the '*Program for Managing and Sustaining Crop Collections*', and contractually achieved through Bioversity serving as 'Lead Center', but with a more limited role than typical. Namely, receiving funding from the CGIAR Fund and disbursing those funds to the Participating Centers following instructions received from the GCDT as Project Manager⁴. CGIAR financing complements existing long-term funding provided by the GCDT to most of the genebanks. The existing Genebanks Program has helped ensure funding is adequate and predictable until the endowment is complete.

⁴ Under the arrangements to 31 December 2016 only CGIAR Research Centers may serve as Lead Centers. There is no similar restriction in the new governance arrangements for CGIAR.

9. **As a key element of the new 2017 – 2022 CGIAR Portfolio, the CGIAR System has endorsed the GCDT formally taking on the ‘Lead Center’ role for the new Genebanks Platform**, which provides a unique and critical service in supporting CGIAR and Partner research. This will be the first occasion that a non-CGIAR Center is officially leading a Platform or CRP. Beyond the important work of conserving the genebanks, the 2017 – 2022 Genebanks Platform also now includes a module on overall plant genetic resources policy, and an activity for the implementation of germplasm health units to ensure safe transfer of materials.
10. **The 2017 funding allocation from the CGIAR Trust Fund to the Genebanks Platform of US\$ 24.9 million represents the largest 2017 allocation for any CRP or Platform within the CGIAR Portfolio** (overall 2017 System Council allocation of US\$ 191.1 million). The Genebanks Platform proposal discusses the goal of increasingly drawing down on the endowment, so that by end-2022 the reliance on the center CGIAR Trust Fund is in the order of 50%. For 2017, the CGIAR Trust Fund support represents about 80% of Genebanks Platform budget.
11. **Sustainable funding for the Genebanks for the foreseeable future has been an often discussed, but not a fully addressed topic.** The role of the genebanks in CGIAR research and the importance of the germplasm held in trust for the global community have been repeatedly recognized by CGIAR. The GCDT was created to develop an endowment which could cover the maintenance of the genebanks and the collected germplasm for the foreseeable future. The GCDT’s capacity to grow its endowment and draw more fully upon it, reduces reliance on the pooled funding that is required to be provided from the CGIAR Trust Fund.

Part C – Funding of the 2017–2022 Genebanks Platform and related topics

12. A fundamental issue for both the GCDT, and the CGIAR System as a whole, is that the GCDT endowment is not growing at the rate initially envisaged.
13. Annex 1 to this paper (extracted from Annex 2 of the July 2016 Genebanks Platform full proposal) describes the situation following a pledging conference in April 2016. The annex refers to amounts pledged to the GCDT and to the endowment.
14. The GCDT is therefore in the position of having two concurrent roles: (i) raising funding for the endowment; and (ii) for the furtherance of projects implemented by the GCDT. However, the GCDT undertakes to make contributions to the Genebanks Platform on an increasing scale over 2017 – 2021 as set out in table 1 below.

Table 1: Relationship of W1-W2 funding to endowment funding (source: Genebanks Platform comments to the ISPC on the revision of the Platform full proposal, July 2016, p6), US\$ millions

Genebanks Platform budget	2017	2018	2019	2020	2021	Subtotal	2022 *
Total Direct Costs	31.61	30.12	30.28	28.62	28.24	148.88	26.86
Contribution from endowment	6.75	9.06	11.53	13.35	15.03	55.72	15.03
Funds required from CGIAR Trust Fund	24.86 ⁵	21.06	18.75	15.27	13.21	93.16	11.83 *

* *Note: The agreement arising from the FC meeting Bogor (for US\$ 93 million) covers five years to end 2021. There is no agreement on funding allocations for 2022 from the CGIAR Trust Fund.*

15. In parallel, and seemingly not having been well communicated throughout the System by relevant stakeholders, in November 2015, the Fund Council decided that in addition to existing mechanisms to provide financial support to the Genebanks, a new 3% levy be applied to all 'relevant' CRPs. Decisions of the former Fund Council need to be upheld unless expressly overturned by the System Council.
16. Set out at [Annex 2 to this paper](#) is an extract from the April 2015 ('FC13') and November 2015 ('FC14') Fund Council meeting records.
17. At its last meeting held virtually on 23 November 2016 ('SC3'), the System Council was reminded of the former Fund Council's decision, with the former Chair of the Fund Council's 'Peer Review Team' ('PRT') confirming that the proposal had been generated during the PRT's deliberation on the US\$ 93 million genebank funding requirements.
18. Whilst a fundamental issue for the System as a whole, the Board is not required to make determinations on the appropriateness of the 3% levy at its forthcoming 4th meeting. Rather, the System Council has suspended application of this earlier Fund Council decision whilst it considers the much broader question on the overall funding window modalities; appropriate uses of Window 1 and 2 funding; and, more generally, whether the current funding mechanisms are serving the CGIAR System well.
19. Thus, more importantly for the Board, potentially also as a topic that is taken out to all the Centers more broadly, is what is the Centers' position on the levy; the funding mechanisms generally, and if it is to be instituted, what is the appropriate means of identifying the 'relevant' CRPs in the new CGIAR Portfolio, and what would be the appropriate implementation model. By way of summary, should the 3% levy apply, the Fund Council proposal was that it be imposed on all W2, W3 and bilateral projects from 2016 to contribute to Genebank costs.

⁵ Additional funding above the 2017 ceiling agreed during the Center's Rome meeting in October 2015 was to support plant health unit activities which were not included in the FC13 decision (Charlotte Lusty email to the System Office answering a question of the Joint System Council/Board Funding Allocations Working Group).

20. In the context of a broader discussion on sustainable funding for the Genebanks for the foreseeable future, the GCDT's proposal that it revisits the earlier costing study of the Genebanks, would appear to be an important input into those broader discussions. The Board may therefore wish to express its strong support for the GCDT to take that review forward at the earliest opportunity.

Part D – CGIAR genetic resources policy decisions

21. The July 2016 Genebanks Platform full proposal recognizes the inherent tension in the Platform being led by the GCDT as an organization 'external' to the CGIAR System yet housing a key instrument of CGIAR genetic resources policy (i.e., the policy module expected to be managed by Bioversity International), and the overall important role that the Board has in regard to official CGIAR positions.⁶
22. Taking note that the Genebanks Platform was submitted concurrently with the movement to a new CGIAR System of governance, and that the CGIAR System Framework as adopted for the System from 1 July 2016 now mandates different policy approval processes depending on whether there is an element of maintaining the reputation of the CGIAR System, there is an opportunity for the Board to consider:
- a. The role that is appropriate for the Board to play in terms of decision making over CGIAR plant genetic resources policy;
 - b. Which entities and mechanisms would be expected to contribute to issues identification and potential new policy; and
 - c. Whether there are particular governance arrangements of the Genebanks Platform that would best provide the Board with the means of gaining and maintaining effective information flow between the System Organization and the GCDT beyond the matters requiring Board review and decision.

Part E - Board Working Group 6: Positioning & Engagement on Genetic Resources

23. At the Board's 1st meeting held on 11 & 13 July 2016 ('SMB1'), the Board identified the need for a number of working groups to support the Board in its efforts to ensure timely discussion and resolution of pending items at the time of the June/July 2016 transition to the new governing arrangements. Through electronic discussions following SMB1, and as a result of decisions taken at the Board's 2nd meeting held on 25 – 26 September 2016 in Mexico ('SMB2'), the Board has initiated 7 working groups.
24. **Working Group 6: Positioning and engagement on genetic resources** was identified by the Board to have the following scope:

⁶ As mentioned at page 16 of the full proposal, under the heading 1.0.5 – Platform leadership, management and governance.

- a. **Overseeing the development of a memorandum of understanding with the GCDT and CGIAR**, to further clarify the relationship between CGIAR/Centers and the GCDT, and developing, as required, agreements that deliver on the principles outlined in the MOU;
 - b. **Guiding the formation of a multi-stakeholder Plant Genetic Resources Policy Group (“PGR Policy Group”)** in respect of the Genebank Platform that was submitted as part of the proposed 2017 – 2022 CGIAR Portfolio, with a clear Terms of Reference, and which is able to support the work of the CGIAR System Organization and ensure more effective engagement with the GCDT;
 - c. **Identifying the appropriate accountability framework for the proposed PGR Policy Group**, committee oversight, routine reporting, and performance considerations; and
 - d. **Reviewing and providing input into a proposed framework of how to develop CGIAR System Organization positions on behalf of the Centers** to feed into critical international treaty frameworks on an ongoing basis.
25. As noted at paragraph 5 above, it is appropriate for the Board to consider the need for the envisaged Board-level *ad hoc* working group, and if determined necessary, its membership and any revised scope in advance of the work of that group being taken forward as soon as possible.



Annex 2. Projections of the annual income from the endowment fund

* As extracted from the Genebanks Platform Full Proposal available at this link: http://library.cgiar.org/bitstream/handle/10947/4451/2.%20GENEBANK%20%20Platform%20-%20Full%20Proposal%202017-2022_FINAL.pdf?sequence=1

Status of the Endowment

The Crop Trust was set up by the FAO and the CGIAR to transition from ad hoc funding for the world's most important genebank collections towards sustainable funding, by raising a sufficient endowment to provide permanent financial security. This point of departure has been reaffirmed by the CGIAR Fund Council in 2011 when considering and endorsing the 2012-2016 Genebanks CRP and again in 2015 in considering the 2015 Genebanks Option Paper.

As set out in the 2012 proposal for the Genebanks CRP, "The subject of how to build the endowment and bring sustainable funding to the collections .. must be concretely addressed by the broad alliance of the Trust, Consortium, Centers, Fund Council and other CGIAR donors". At that time, the alliance was already considering the need for a separate mechanism for the "provision of annual supplementary funding" to cover the costs of genebank expenses.

Donors still have a considerable path ahead of them to live up to their commitment to ensure sustainable funding of the genebanks. In a challenging environment for fundraising, in 2014-2015 the Crop Trust has re-connected with current partners and has targeted new governments as future donors. In total, more than 50 governments have been invited to contribute towards raising the endowment fund to reach the USD 500 million target that is required to sustain the crop collections protected under Article 15 of the International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA), including the 11 CGIAR collections.

This fundraising drive by the Crop Trust took place in a macro-economic and political setting where many European donors are diverting available overseas aid funding toward addressing the refugee migration crisis affecting the continent. Low oil prices have also constrained the ability of oil-exporting countries in the Gulf and elsewhere to contribute towards public causes. Weak economic conditions in major emerging countries of the G-20 are also compounding challenges towards raising foreign assistance resources.

Despite these headwinds, the Crop Trust carried through in its commitment to invite the world community to contribute to the endowment fund. A Pledging Conference took place on 15 April 2016 in Washington DC, in conjunction with the IMF/World Bank Spring Meetings. It brought together a diverse group of donor partners and laid the foundations for an eventual doubling the endowment to USD 313.9 million; yet with USD 175 million currently paid into the endowment, donor partners still have considerable efforts to undertake to follow through on their pledges. Total donor pledges to the Crop Trust, including for the endowment, for projects implemented by the Crop Trust and for operational expenditures of the Crop Trust Secretariat, increased to USD 512.2 million.

Updates since the Pledging Conference

Since the conference, further governments have made financial commitments towards the endowment fund, including G-20 countries as first-time donors to the Crop Trust; some of these are non-signatories of the ITPGRFA, thus broadening the base of political support. Nevertheless, many of the current donors of the CGIAR have yet to come through as donors to the endowment fund, or they have provided funding at a lower level than proposed by the Crop Trust as an appropriate burden-sharing donation with respect to their GDP size and per-capita income.



The Pledging Conference kicked off a campaign to solicit support from those governments that were not yet ready to pledge funding for the endowment but have shown an interest. As a means to increase public visibility the Crop Trust is building an alliance of eminent persons in support of the UN Sustainable Development Goals (SDGs), and specifically in support of SDG Target 2.5 that calls for the conservation of global crop diversity by 2020.

To complement grant funding for the endowment, the Crop Trust Donors' Council and Executive Board approved the new Concessional Borrowing Framework. On this basis, Crop Trust management is currently in discussion with German government lender KfW about a possible first soft loan. Loan proceeds would be invested in the endowment over the life of the loan, generating additional investment income - after payment of loan interest - in support of the annual operating expenditures of the CGIAR crop collections.

Going forward

The outcome of the Pledging Conference points towards the need for a multi-faceted strategy to mobilize resources in support of the running costs of the CGIAR genebanks. This includes outreach towards foundations, private corporations and industry associations, as well as wealthy individuals and private households, with the latter two groups both as donors and investors. For example, banking partner Deutsche Bank has re-affirmed its commitment towards the innovative financial mechanism of the Investment Sharing Facility, enabling capital market investors to contribute a share of their investment income to the Crop Trust. World Coffee Research, the seed industry and entrepreneurs in media, entertainment and technology, represented by METal International have also pledged financial support. Some of these resources will benefit directly the CGIAR collections.

The results from the Pledging Conference do not yet enable the Crop Trust to deliver the projected endowment income over the 2017-2022 horizon of the Genebank Platform, as envisaged at the 13th Fund Council meeting in April 2015. Nevertheless, the Crop Trust stands by its commitment to provide annual funding as a contribution to the Genebank Platform, as follows: USD 6.75 million for 2017; USD 9.06 million for 2018; USD 11.53 million for 2019; USD 13.35 million for 2020; and USD 15.03 million for 2021. These financial contributions therefore remain unchanged from those promised.

Such transfers would be partly sourced from investment income earned on the endowment and partly from other sources of funding. With respect to income to be drawn from the endowment, the caveats as stated above remain and the actual annual investment income will vary around the long-term average target return of the endowment portfolio of 4.0% plus the rate of US dollar inflation. Such a return may, however, not be achievable over the next six years, given historically low capital market interest rates on bonds and high volatility in world equity markets, driven by high levels of liquidity from central banks and an uncertain world economic outlook. Should sustained investment returns dip below the average long-term target, a restriction in income distributions from the endowment to the CGIAR crop collections may have to be considered so as to protect the capital value of the endowment fund.

The Crop Trust will undertake every effort to mobilize other short-term grant funding from public and private partners to complement investment income to be withdrawn from the endowment, in order to meet the projected overall annual contributions by the Crop Trust to the Genebank Platform over the period 2017-2022. Such other sources of funding will have to be supported by the donors. Donor funds would be allocated through Window 2 and Window 3, or they could be channeled directly by donors through the Crop Trust to selected CGIAR collections. Such near-term resource mobilization efforts will be deployed in parallel to the medium-term objective of building up the endowment fund further to the target level.

[Annex 2:](#)
Former Fund Council decisions – Funding the Genebanks

1. Introduction for System Management Board members

Extracted below, starting with FC13 (Bogor, April 2015) are the decisions that have been adopted by the Fund Council in regard to the levy question (with highlighting for ease of reference). No decision was made at FC14 (Washington, D.C., November 2015) as to the “relevant CRPs”. But in the Fund Council’s *Peer Review Team presentation* to the meeting and supporting [paper](#), it was proposed that once the new portfolio is clear, the “relevant CRPs” could be jointly identified by the former Consortium Office and former Fund Office. The topic was not revisited at the final Fund Council meeting at FC15 (Rome, May 2016).

Now that the System has transitioned to the new arrangements, and there is a substantially re-defined new CGIAR Portfolio that does not have the same CRPs as existed at the time the Fund Council took its decision in November 2015, there would be benefit in re-identifying an appropriate means of identifying the “relevant CRPs” should the System
Emphasis is added in blue shading.
former Fund Council.

2. Former Fund Council meeting decisions

B.1. Extract: April 2015: Fund Council 13th meeting

<http://library.cgiar.org/bitstream/handle/10947/3942/FC13%20Summary%20FINAL.pdf?sequence=1> (see page 47)

1. The Fund Council noted the vital importance of the genebanks and recommitted – in both the short and long term – to make it a priority to secure funding for them in line with existing agreements on the partnership nature of support to the genebanks. Recognizing the Council’s continuing short-term financial responsibilities for 2017-2021, the following decisions were taken:
 - The Fund Council agreed to commit \$93.1 million for the period 2017 - 2021, per recommendation #1 of the PRT Report.
 - The Fund Council agreed to a blended approach to funding to reduce the pressure on Window 1 funds, while recognizing that W1 funds will remain a safety net.
2. The Fund Council requested the Global Crop Diversity Trust (GCDT) to provide as soon as possible clear and transparent financials to support building the endowment, and requested the GCDT to complete a detailed costing exercise for FC14 to provide more accurate information on cost.
3. Beginning in 2017, genebank support should be applied to the relevant CRP research as a line item in Windows 2 and 3, where appropriate, taking care to

design this to ensure no disincentives to use of the collections. No fees should be applied for material transfer agreements with third parties.

4. The Fund Council will apply an across-the-board levy in the event of a funding short fall. The mechanism and exact amount of the levy will be determined by the Fund Council upon the recommendation of the PRT at its next meeting.
5. A table which further clarifies the breakdown of expenditure items and sources of financing will be appended to the minutes to describe possible solutions. The PRT agreed to prepare the table.

B.2. Extract November 2015, Fund Council 14th Meeting

<http://cgiarweb.s3.amazonaws.com/wp-content/uploads/2014/04/Summary-of-CGIAR-FC14-Final.pdf> (page 30)

1. The FC decided that a 3% levy would be applied to Window 2, 3 and bilateral funds, applicable only to the relevant CRPs and should be included as a line item in CRP budgets.
2. The FC agreed to initiate implementation of the levy next year rather than in 2017, pending advice from the Trustee and attorney and agreed that existing contracts should not be reopened.
3. The Consortium CEO will inform the Centers of the FC's decision, pending advice from the World Bank attorney and pending agreement on messaging to ensure that the levy is appropriately presented as a direct cost, embedded in the programs, not as overhead