



Fund

## **Fund Council**

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### ***WORKING DOCUMENT***

*Options for funding core activities of the  
CGIAR GeneBanks, 2017 – 2021*

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## Options for funding core activities of the CGIAR GeneBanks, 2017 – 2021

### Background

During FC12, FC members discussed the vital importance of safeguarding and properly managing the unique germplasm conserved in the CGIAR's genebanks. Members asked about plans for continuation of the existing genebank CRP which ends in December 2016. It was noted that many CGIAR genebanks might not have reached the Global Crop Diversity Trust (GCDT) performance standards by 2016 that would allow them to be eligible for GCDT endowment funding.

GCDT aims to increase its funding of CGIAR genebanks in line with targets for growing its endowment fund and as CGIAR genebanks reach the minimum quality standards to be eligible for GCDT support.

The FC Chair suggested that the Fund Office (FO) conduct an analysis of the situation, identify potential implications, propose a plan, and submit the work to the PRT for their review and inputs regarding financing options. In order to protect the collections, a funding mechanism may need to be found until the GCDT endowment reaches the required level and all relevant genebanks are eligible for support.

This paper presents some funding options discussed during a teleconference held on 7 April between the PRT, FO, CO and a representative of the GCDT.

### Introduction

The CGIAR genebanks are a global resource of vital importance to humanity. They have often been described as the 'jewel in the crown' of the CGIAR. However, despite their recognised importance, the genebanks, as a CRP, elicited relatively modest Window 2 interest from donors.

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Japan		0.20	0.40	0.03
Switzerland		1.07	1.69	1.64
<b>Total Window 2</b>	-	<b>1.27</b>	<b>2.09</b>	<b>1.67</b>
Window 1	13.08	16.93	16.31	16.93
<b>Total Contribution</b>	<b>13.08</b>	<b>18.20</b>	<b>18.40</b>	<b>18.60</b>

Consequently, the genebank CRP has been maintained by a proportionately large amount of Win 1 support.

The PRT believes that there must be a fundamental revision in the way the donor community regards the CGIAR genebanks. They are, in our opinion, a shared asset for the benefit of the entire system

and should thus be regarded as having parity with the system entities (ISPC, IEA, CO and FO). As a shared asset they should be supported on a shared basis. System entities are supported by the 2% Cost Sharing Percentage (CSP) and our first thought was that the CSP should cover part of the genebanks. However the PRT has endeavoured to keep system entities costs within the stipulated 2%, and little surplus remains of any significance for support of the genebanks. Indeed the cost of the system entities could exceed 2% once the on-going Task Force arrives at a model for strengthening the ISPC, acting on the FC 12’s decision on the MTR recommendation regarding this entity.

**Table 2. CGIAR System costs as a Percentage of Total Expenditures**

	2013 Actual	2014 Budget	2015 Budget
System Costs - CGIAR Fund	17	18	18
Total Expenditures	984	1,077	1,034
CSP rate applied	2%	2%	2%

FC members will note that the CGIAR Genebanks Options Paper for FC 13 describes two indicative budget options for core requirements (p. 17, Table 7). The PRT has based its calculations on Option 2, which includes Collecting, Outreach and Partnership activities. The PRT considered these activities essential to core requirements and that they should be supported in parallel, thereby avoiding any time lag between e.g. Collection and genebank achievement and maintenance of standards.

Our first Option (**Option 1**) would be simply to add the Gene Banks as a Special Initiative (please refer to table 3). This would initially increase the CSP to 4.13% (which may have to be adjusted upwards when the budget implications of the ISPC Task force recommendations are known). With time, however, the CSP would fall to ca. 2.62 % (2021) due to the increasing support from the GCDT Endowment Fund.

**Table 3: Option one – Genebanks treated as a special initiative and CSP raised above 2%  
in \$ million**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Fund Office	4.00	4.00	4.00	4.00	4.00
Consortium Office	6.60	6.60	6.60	6.60	6.60
ISPC (CGIAR Fund Financed portion)	2.33	2.33	2.33	2.33	2.33
IEA	3.94	3.94	3.94	3.94	3.94
Trustee	0.62	0.62	0.62	0.62	0.62
<b>Total System Entities' costs</b>	<b>17.49</b>	<b>17.49</b>	<b>17.49</b>	<b>17.49</b>	<b>17.49</b>
<b>Special Initiatives</b>					
Genebanks	23.79	20.78	16.50	12.21	8.72
<b>Total Systems Cost</b>	<b>41.28</b>	<b>38.27</b>	<b>33.99</b>	<b>29.70</b>	<b>26.21</b>
<b>Estimated CGIAR 2015 Funding contributing to CSP</b>					
<b>CGIAR Fund</b>	<b>500</b>				
<b>Bilateral</b>	<b>500</b>				
<b>Cost Sharing Percentage</b>	<b>4.13%</b>	<b>3.83%</b>	<b>3.39%</b>	<b>2.97%</b>	<b>2.62%</b>

*Assumptions:*

1. Flat budget for systems entities
2. No other special initiatives. Any additional special initiatives will increase the CSP further
3. That we are able to recover full CSP from bilateral funding
4. Funding remains at \$1 billion

Combining the current 2% CSP with the costs of the Genebanks may however lead to confusion regarding allocation, and require frequent modification of the CSP rate which is administratively complex.

Our **Option 2** is a further development along the CSP theme, but involves the introduction of a time-bound, system wide levy in addition to the current 2% system costs CSP for existing system entities. In table 4, we have examined % scenarios for this system wide levy. The deficit is made up of a draw down from Win 1. As the Endowment Fund comes up to speed, any excess generated by the levy is returned to Win 1 for use at the discretion of FC.

**Table 4: Option two – specific system wide levy for genebanks**  
*in \$ million*

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
Genebanks budget	30.54	29.84	28.03	25.56	23.75	137.72
Contribution from Endowment	6.75	9.06	11.53	13.35	15.03	55.72
Contribution from CGIAR Fund	23.79	20.78	16.5	12.21	8.72	82.00
<b>Scenario 1</b>						
Genebanks Levy at 2%	20.00	20.00	20.00	20.00	20.00	100.00
Balance to be funded by (excess to be returned to) window 1	3.79	0.78	(3.50)	(7.79)	(11.28)	(18.00)
<b>Scenario 2</b>						
Genebanks Levy at 1.5%	15.00	15.00	15.00	15.00	15.00	75.00
Balance to be funded by (excess to be returned to) window 1	8.79	5.78	1.50	(2.79)	(6.28)	7.00
<b>Scenario 3</b>						
Genebanks Levy at 1%	10.00	10.00	10.00	10.00	10.00	50.00
Balance to be funded by (excess to be returned to) window 1	13.79	10.78	6.50	2.21	(1.28)	32.00

**Notes:**

1. Estimated CGIAR Funding 1,000 1,000 1,000 1,000 1,000
2. To be presented as a fixed levy for 5 years, separate from system costs
3. Net excess at the end of 5 years, can be earmarked and used only upon approval of the Fund Council

The preferred scenario is a 1.5% levy on all CGIAR funding, mainly because this would not produce highly excessive collection, but also because it would be a good optics ratio to distinguish from the admin 2%. However, if the Endowment Fund performs below the predicted level, there is a risk that Window 1 would have to pay more.

Our third option (**Option 3**) examines similar system wide percentage scenarios but these are calculated on a reduced projected total income of 900 m USD (see table 5).

**Table 5: Option three (same as option two) with 10% reduced CGIAR funding projection**  
*in \$ million*

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
Genebanks budget	30.54	29.84	28.03	25.56	23.75	137.72
Contribution from Endowment	6.75	9.06	11.53	13.35	15.03	55.72
Contribution from CGIAR Fund	23.79	20.78	16.50	12.21	8.72	82.00
<b>Scenario 1</b>						
Genebanks Levy at 2%	18.00	18.00	18.00	18.00	18.00	90.00
Balance to be funded by (excess to be returned to) window 1	5.79	2.78	(1.50)	(5.79)	(9.28)	(8.00)
<b>Scenario 2</b>						
Genebanks Levy at 1.5%	13.50	13.50	13.50	13.50	13.50	67.50
Balance to be funded by (excess to be returned to) window 1	10.29	7.28	3.00	(1.29)	(4.78)	14.50
<b>Scenario 3</b>						
Genebanks Levy at 1%	9.00	9.00	9.00	9.00	9.00	45.00
Balance to be funded by (excess to be returned to) window 1	14.79	11.78	7.50	3.21	(0.28)	37.00

Notes:

1. Estimated CGIAR Funding                    900    900    900    900    900
2. To be presented as a fixed levy for 5 years, separate from system costs
3. Net excess at the end of 5 years, can be earmarked and used only upon approval of the Fund Council

In Option 3 **the preferred scenario is a 2% rate**. The advantages here are that a moderate excess would be generated, which could be used as a buffer should the Trust not get up to speed with its commitments as projected.

Our **Option 4** could be any of the above options but including the costs for strengthening Germplasm Health Units (GHUs) associated with the Genebanks, as recommended by ISPC. The rationale (outlined in the CGIAR Genebank Options Paper for FC 13) is as follows:-

The costs of testing and, to a small degree, disease-cleaning of germplasm to and from the genebanks is already included in the essential operating costs of the genebanks. What the Options paper is asking to be considered in addition to this is the following:

- External review and establishment of minimum quality management systems for GHUs (CIP and CIMMYT are ISO certified/accredited and so already have a strong QMS). Cost: approx USD500,000/yr

- Capacity building of national phytosanitary units in host countries. Cost: approx USD 150,000/yr
- Upscaling rate of throughput and upgrading equipment. Cost: approx USD500,000/yr
- Research for better diagnostics, disease cleaning, protocols, etc. Cost: approx 700,000/yr

Total (additional) cost of option 4 would be USD 2,220,000/yr or USD 11,100,000 for 5 yrs.

**Option 5** would be any of the above options but includes a guaranteed percentage or amount (e.g. \$5m/yr) to be earmarked for Genebank support from appropriate new funding mechanisms such as the possible RCF (**Returnable Capital Fund**) presented to members in the IF paper at FC 12.

**Option 6** would be any of the above but with an additional initial investment of \$2.5m intended to accelerate bringing selected genebanks up to standard performance targets so that they are eligible for Endowment Fund support sooner. Specifically, the investment would explore new ways of improving the efficiency of genebanks particularly those that are difficult to maintain such as clonal crops, absorb a lot of labour and land costs and are not in the short term going to meet eligibility criteria for funding from the Trust. Selected genebanks would benefit from having material genotyped and phenotyped to validate identity, quantify diversity, eliminate duplicates and validate geo-referenced material.

**Option 7** would be business as usual i.e. Top slicing Win 1, and leaving open a sub window in Win 2 earmarked for Genebank support.

**Table 6. Summary table of options**

	2017	2018	2019	2020	2021	Total
All options – projected \$m from Trust	6.75	9.06	11.53	13.35	15.03	55.72
All options – minimum required \$m from Fund	23.79	20.78	16.50	12.21	8.72	82.00
<b>Option 1 – Increase CSP</b>						
New CSP %	4.13	3.83	3.39	2.97	2.62	
<b>Option 2 – Genebank levy 1.5%<sup>1</sup></b>						
\$m balance funded by W1/W2 (or excess returned to W1)	8.79	5.78	1.50	(2.79)	(6.28)	7.00
<b>Option 3 – Genebanks levy at 2%<sup>2</sup></b>						
\$m balance funded by W1/W2 (or excess returned to W1)	5.79	2.78	(1.50)	(5.79)	(9.28)	(8.00)
<b>Option 4 Plus funding GHUs</b>						
Additional cost (\$m)	2.22	2.22	2.22	2.22	2.22	11.10
Impact on Option 1	4.35%	4.05%	3.62%	3.19%	2.84%	
Impact on Option 2	11.01	8.00	3.72	(0.57)	(4.06)	18.10
Impact on Option 3	8.01	5.00	0.72	(3.57)	(7.06)	3.10
<b>Option 5 – \$5m from new source<sup>3</sup></b>						
Impact on Option 1	3.63%	3.33%	2.90%	2.47%	2.12%	
Impact on Option 2	3.79	0.78	(3.50)	(7.79)	(11.28)	(18.00)
Impact on Option 3	0.79	(2.22)	(6.50)	(10.79)	(14.28)	(33.00)
<b>Option 6 – Trust eligibility sooner</b>						
Additional cost to fund (\$m)	1.25	1.25	0	0	0	2.50
Revised Trust funding <sup>4</sup>	6.75	9.06	13.35	15.03	16.71	60.91
Revised required from fund	25.04	22.03	13.00	10.53	7.04	77.64
<b>Option 7 – top slice W1 plus W2</b>						
Basic required from fund	23.79	20.78	16.50	12.21	8.72	82.00
Plus option 4 additional cost <sup>5</sup>	26.01	23.00	18.72	14.43	10.94	93.10
Plus option 5 new resources <sup>6</sup>	18.79	15.78	11.50	7.21	3.72	57.00

<sup>1</sup> Based on \$1 billion total annual CGIAR funding

<sup>2</sup> Based on \$900m total annual CGIAR funding

<sup>3</sup> Guaranteed % or amount from a new source such as possible RCF

<sup>4</sup> By bringing Trust contributions forward by one year starting 2019

<sup>5</sup> GHU additional cost \$2.22m/yr

<sup>6</sup> Additional \$5m/yr from innovative source e.g. RCF



## Recommendations

1. For the 5 year period (2017-2021) the Fund Council should commit to providing a minimum of \$82m for core genebank functions [or \$93.1m including strengthened Germplasm Health Units.]
2. Given that genebank core functions are fundamental to the entire CGIAR research effort, all CGIAR funders should contribute. The fairest method, to avoid free-riding, is to apply a specific levy to all funding in a similar fashion to the current CSP. This should be agreed as a matter of principle (i.e. option 1, adding to CSP, is not recommended).
3. The level of the levy to be applied should be set for a period of 5 years, starting in 2017. This could be anywhere between 1% and 2% depending on the projected total CGIAR funding, projected Crop Trust contribution, availability of resources from new funding mechanisms, and any W1 “top-up” contribution agreed by the Fund Council (options 2 and 3).
4. Strengthening Germplasm Health Units (GHUs) should be accepted as an integral part of core genebank functions which raises the cost of any option by \$2.22m/yr. (option 4).
5. Tapping into new funding mechanisms for specific contributions for genebanks should be built in where appropriate and feasible (option 5)
6. Contingent on projections of Crop Trust contribution availability, additional early investment (\$2.5m) in upgrading some genebanks to make them eligible for Trust funding earlier should be considered as a means of reducing overall costs to the CGIAR Fund. (option 6 – rough estimates show a saving of \$4.4m for an investment of \$2.5m)
7. If none of the above recommendations are deemed acceptable, PRT recommends that the current funding mechanism of top-slicing W1 to make up for W2 and Crop Trust shortfalls for genebank core functions should be guaranteed by the Fund Council in order to ensure adequate long term protection and rising standards of CGIAR genebanks and collections, recognising that this recommendation does not solve the free riding issue (option 7)

## Acknowledgement

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