

Consultancy on Common Administrative, Financial and Research Support Services in the new Consortium of the CGIAR Centres

Background

BACKGROUND

The CGIAR launched a change management initiative in 2007 to enhance the CGIAR's effectiveness and efficiency. The reform document titled '[A revitalized CGIAR – A New Way Forward](#)' was presented to and approved by the CGIAR Members during the December 2008 Annual General CGIAR Meeting in Maputo. The reform proposal includes a new legally structured [Consortium of the CGIAR-sponsored Centres](#), and a Fund managed by donors. These two new pillars of the system are linked through a Strategy and Results Framework and a scheme of Program Performance Contracts. This new model separates the governance and management roles of the system, establishes a contractual relationship between the Fund and the Consortium based on program performance, and provides for clear decision making and accountability.

While building on the successes and competencies of the past 37 years, the revitalized CGIAR will make significant changes in the way it carries out its mission. One key aspect of the change, applicable to all elements of the System, is the move towards more efficient operations while maintaining or increasing effectiveness.

[Moving towards a cost effective Consortium.](#) As a first order of business, the new Consortium Board will evaluate the current organization against the needs of the Consortium and its programmatic research agenda over the years to come. The intent is to reduce overlaps, increase efficiency and make structural adjustments as appropriate to optimize the ultimate delivery and impact of the work of the Consortium. It will develop a plan to transition research agendas and competencies to align them with the new Strategy and Results Framework and to develop new competencies as needed. Reporting systems will be harmonized and focused on performance and delivery of results, through mega-programmes and the Strategy and Results Framework. Performance contracts will ensure strong fiduciary accountability for the Consortium Board and centre management.

In this context, a move to shared administrative and financial services, such as human resources management, IT, communication/knowledge management, monitoring and evaluation, intellectual property, reporting, financial and procurement systems is a basis to reduce costs and enhance managerial effectiveness. Likewise, the provision of common research support functions through specialised research facilities and services (such as GIS, research

laboratories, biometrics, foresight studies...) offers further opportunities for increasing overall effectiveness.

The CGIAR Centres view the provision of shared financial and administrative services and of common research support functions as an essential and strategic part of the overall role of the Consortium. Indeed, some Centre Boards consider that the value addition of the Consortium itself rests in great measure with the cost savings and increased effectiveness of shared services and research functions on the one hand and with the unified and single reporting back mechanism that the Consortium Board will negotiate with the Fund. Other recognised benefits include reduced workloads by eliminating overlaps and improved quality of management procedures and resource management policy. In recent discussions of the reform with CGIAR donors (at CGIAR Executive Council meeting, beginning of June), the issue of shared services and research support functions was raised numerous times. Expectations in the donor community are on par with those in the Alliance, that economies of scale and synergies will be substantial and that it will be an important part of the value addition of the Consortium to provide such services and functions.

The Deputy Directors General for Finance and Administration of the 15 Centres have estimated that just the shift to a common financial system alone could create significant savings in annual licence fees (of around 500K per annum) and implementation costs. The use of one common financial system, which some Centres have started to discuss, could also create additional savings from standardizing and streamlining reporting and back office procedures and if a fully centralised financial shared service is established over time this would have significant cost-saving impact (around \$4 million annually in direct expenses). Similar types of cost savings could be achieved from better procurement practices, central negotiations on travel, and improved communications infrastructure. Although it is hard to estimate the savings at this time, the potential overall annual savings could reach \$10 million, as a conservative estimate. The opportunity cost of the current system of reporting back was estimated in a 2007 study done by the Alliance Deputy Executive; it was estimated that the cost of the time of staff involved in reporting back on performance was \$11 million annually.

These savings would be used to increase funding to the mega-programmes and the Consortium's research agenda. In other words, the unrestricted funds thus saved will then be used by the Consortium to increase support to research activities in the mega-programmes. The spin offs on the research agenda of the Consortium will thus be significant and will last over many years. Savings of this order would be roughly equivalent to the additional research funds needed to reach out to 200 million people and ensure a commitment to gender equity in all aspects of agricultural research and policy by including women in extension and innovation¹.

We do not have comparable estimates regarding common research support functions and their associated savings. In a recent meeting to discuss the

¹ IFPRI (2008) International Agricultural Research for Food Security, Poverty Reduction and the Environment: What to Expect from Scaling Up CGIAR Investments and "Best Bet" Programs

planned 6 to 8 mega-programmes, however, the Deputy Directors General for Research of the 15 Centres concluded that common research support functions were essential to the success of these programmes.

Over and beyond the financial savings expected by individual Centres from the provision of shared services, expectations of increased quality and effectiveness of these services and research platforms, through their centralised provision, are very much driving this consultancy.

PURPOSE OF THE CONSULTANCY ON SHARED SERVICES

An essential element in the design of the new Consortium is a review and analysis of the opportunities for common administrative, financial and research support services. The consultancy will inform the inaugural Consortium Board, and the 15 Centres, on the type of shared services and research support functions which the Consortium needs to provide to the Centres and on the most effective and efficient way of providing these services, including the location of the shared services units.

The **objectives of the consultancy** are to:

- (i) Identify the needs, at Consortium level, for shared financial, administrative and research support services over the coming few years, in particular for supporting the consortium level research agenda
- (ii) Review and assess the current arrangements of shared services at the System level, including drawing lessons from our previous experiences at the System level
- (iii) Assess the current costs and benefits of the individual provision by each centre of financial and administrative services to its research programmes and scientists
- (iv) Assess the current costs and benefits of the individual provision by each centre of research support functions to its research programmes and scientists
- (v) Propose the most effective and efficient options to:
 - o increase the quality and effectiveness of all these services so they provide enhanced support to staff, programmes and the Consortium in general, and at the same time
 - o Increase the efficiency of the provision of these services, to strengthen delivery systems and impact of the Consortium research agenda through appropriate shared delivery mechanisms, including the possibility to outsource some of these services and functions. This will include a list of the services best provided in a shared manner, those that should continue to be provided at centre level and those that should be outsourced. It will also provide indicative staging and sequencing of transitions from current arrangements to shared or outsourced services.
 - o Locate geographically those shared services that are not outsourced. Proposals for location should take into consideration the distributed nature of the 15 Centres and the virtual functioning of any shared service unit at the scale of the Consortium. Notwithstanding the strong presence of the Centres in some

locations (e.g., East Africa and Nairobi), all potential locations should be carefully assessed on their own merits in terms of effectiveness and efficiency of provision.

SCOPE OF WORK

The consultancy will carry out a detailed strategic review of the opportunities for shared services among the 15 Centres, including further leveraging those currently provided individually by each centre and those provided through existing shared services, including the [System Office Units](#) –internal audit, ICT-KM, gender and diversity, CAS-IP- and AIARC. The consultancy will initially focus on the functions carried out at the centre HQ locations but will also seek to identify quick wins in terms of shared locations or services in regional offices. It should build on analyses currently underway by the DDG-finance in the Centres who have started to consider the opportunities available for a common financial system and a central delivery function for core financial services to the Centres. In addition to finance, examples to be considered are the selection of a common system for project management, accounting and reporting to donors across all Centres, as well as a common HR system. In the research support area, a common virtual GIS, a central research methods support function, a central impact assessment function and common laboratories are a few other examples of possible shared services.

This consultancy will determine the most effective and efficient way to deliver these services to the Centres in future. Benchmarking with other institutions that have put in place shared services (e.g., NetHope, OneUN programme) will strengthen the options and recommendations presented by the consultant. The consultancy will provide recommendations about how to transition to and operationalise these shared service delivery mechanisms organisationally, also considering outsourcing of activities as an option where this is more cost effective and does not affect the quality of the service, taking into consideration the geographically distributed nature of the System.

For the past few months, the Alliance has been working with the Boston Consulting Group (BCG) to design the Consortium Constitution. The work will continue into a second phase (June-October) during which BCG will conduct a cost-benefit analysis of the Consortium and its operations.

The consultancy on common administrative, financial and research support services in the new Consortium of the CGIAR Centres will complement the second phase of BCG's consultancy.

SPECIFIC DELIVERABLES AND TIMELINE

The consultant will consult with the Centres, System Office Units, and produce a **draft report** for the Alliance of the CGIAR Centres **by October 15, 2009**. The report (prefaced with an Executive Summary) will contain the following:

1. *A baseline analysis of the costs and benefits* of the current provision of financial, administrative and research support services among the 15

- Centres (including the current System Office Units mentioned above since they are either partially or wholly funded by the Centres);
2. *Clear efficiency and effectiveness criteria* for determining which services the Consortium should provide (in a common manner), which should be provided 'locally' by individual Centres and which should be outsourced. The criteria will have been agreed upon with the Alliance, and will draw upon the consultant's experience with relatively similar large, international research and commercial institutions;
 3. *Analysis of the saving potential and of the increased effectiveness potential of the provision of these services through different delivery mechanisms.* It is important that the report clearly establish the immediate benefits for Centres, as well as the longer-term benefits for those services recommended for common provision through the Consortium and for outsourcing. The report will also estimate the upfront costs of the recommended delivery mechanisms, as well as the longer-term costs after initial establishment. Finally, the report will make recommendations on possible geographical locations for the shared services. Not all shared services may be located jointly, nor they may all be located with the Consortium Office. Again, effectiveness and efficiency should be the primary criteria used for making such recommendations.
 4. *Implementation and transition plan, starting with the situation today.* A detailed plan for implementing the recommended delivery mechanisms will be provided. This will include recommendations for the upfront investment required. BCG, in its phase 2 consultancy on Consortium design will determine the most effective way for the Consortium to be funded by the Centres; the recommendations from this consultancy will therefore be an input into the overall BCG proposal to the Alliance/Consortium in this respect.

The consultant will discuss the draft report with the Alliance, during a face-to-face meeting of the Alliance Board and Executive in late October 2009. After receiving the Alliance's inputs, the consultant will prepare a **final report** and send it to the Alliance by **November 10, 2009**. This final report will be shared by the Alliance/inaugural Consortium Board with all donors at the Business Meeting, and will be part of the documentation provided by the Alliance/Consortium on the establishment of the Consortium, for final approval by the donor community at the Business Meeting.

The consultant will work closely with and report directly to the Consortium Planning Team (CPT), providing regular progress reports to the CPT. The CPT will organise the discussions/consultations with the Alliance Executive and the Alliance Board, at appropriate times during the process. The consultant will work through the Alliance Office to access relevant information within the Centres. The consultant will interface with the System Office Unit Heads, Deputy Directors General-Finance and Administration and the Deputy Directors General-Science of the 15 Centres when collecting relevant baseline data and evaluating options. The Alliance Office is responsible for overall strategic support, coordination with the other work streams in the Alliance/Consortium and for monitoring of the overall timeline.

APPENDIX 1: OVERVIEW OF CURRENT FINANCIAL AND ADMINISTRATIVE SERVICES IN THE 15 CENTRES

The 15 Centres are independent legal international organizations established by International Agreement. The Centres will keep their independent legal status and are forming a Consortium to which specific powers will be delegated by member Centres. The Consortium will be a separate international legal entity. A draft Constitution for the Consortium, and draft terms of reference and profiles for Consortium Board members and for the CEO of the Consortium have been discussed with donors and are in the process of being finalised.

The fifteen Centres all carry out programmatic activities through a global network of regional and sub regional offices. Today each centre operates its own back office support functions that generally include: finance, HR, administration, IT, communication, travel, procurement etc except in the case where a regional or sub regional office of one centre is hosted by another centre. In such cases, the hosting centre provides back office functions. It is estimated that the total yearly cost of the back office functions of the fifteen Centres is approximately between \$45m and \$50m². Spending on travel within the 15 Centres today is estimated to be in the region of a further \$45m. A conservative estimate would put possible financial savings through shared services and a single consolidated reporting back function at \$20 million (this figures include the current opportunity cost of the multiple layers in reporting back) with further opportunities to be identified as part of this consultancy, in particular for subsequent years. One of the tasks of the consultancy will be to determine more accurately these cost savings, cost drivers and further opportunities.

We do not have comparable estimates of the current costs of all the research laboratories, libraries, GIS units, etc... which are borne individually by each centre. These costs are generally apportioned to the different research activities that they support, and it will be part of the assessment conducted in this consultancy to assess these costs.

The cost savings and efficiencies will come from several sources. Savings in headcount from shared services and functions, savings from shared office space and facilities and cost reductions from combined procurement activities; economies of scale are expected to be significant. More difficult to assess monetarily, but no less important for the Consortium and for the impact of its research agenda is the expected increased effectiveness, coming from the increased relevance and quality of the services and research support functions provided by the Consortium to the Centres in a demand led and performance based manner.

One characteristic of the System is its geographically distributed mode of operations. As noted by the recent External Review of the System (Final Report

² On average the back office strength of each centre is between 75 to 100 people. With finance numbering 25, HR 10, IT/MIS 15 & Procurement and other admin numbering a further 25 people. These numbers, budgets and exact job functions, together with support levels in regional offices will need to be closely examined as part of the evaluation process

of the Independent External Review of the CGIAR System, December 2008, page 109):

“Collectively, the 15 Centers have over 203 regional or country offices in 68 countries worldwide. Seventy-five percent of all regional or country offices are in Sub-Saharan Africa (41 percent) and East Asia and the Pacific (34 percent). All Centers have offices in Sub-Saharan Africa, and 13 have offices in East Asia and the Pacific. Only six Centers are in either Latin America or Central and West Asia and North Africa. Of the 203 regional or country offices throughout the world, Centers indicate just over half share facilities, services, or resources with, or are hosted by, other CGIAR Centers or national research partners.

Table A1.5 Numbers of CGIAR Centers, regional offices, and countries by region

Region	Centers with Regional Offices	Regional Offices	Countries	Locations
Sub-Saharan Africa	15	84	21	Benin, Burkina Faso, Cameroon, Côte d'Ivoire, Democratic Republic of Congo, Ethiopia, Ghana, Guinea, Kenya, Malawi, Mali, Mozambique, Niger, Nigeria, Senegal, South Africa, Sudan, Tanzania, Uganda, Zambia, Zimbabwe
East Asia and the Pacific	13	69	19	Bangladesh, Bhutan, Cambodia, China, Fiji, India, Indonesia, Lao PDR, Malaysia, Myanmar, Nepal, New Caledonia, People's Republic of Korea, Philippines, Republic of Korea, Solomon Islands, Sri Lanka, Thailand, Vietnam
Central and West Asia and North Africa	6	27	16	Afghanistan, Egypt, Georgia, Iran, Jordan, Kazakhstan, Lebanon, Morocco, Oman, Pakistan, Syria, Tunisia, Turkey, United Arab Emirates, Uzbekistan, Yemen
Latin America	6	16	8	Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Mexico, Nicaragua, Peru
Europe and North America	3	7	4	Belgium, France, Italy, United States
Total	93	203	68	

Source: Personal communication with Center staff.

Table A1.6 Numbers of CGIAR regional and country offices, combined, by region

Center	Africa	East Asia and the Pacific	Central and West Asia and North Africa	Latin America	Europe and North America	Total
Africa Rice	5	0	0	0	0	5
Bioversity	4	4	2	2	3	15
CIAT	6	3	0	4	3	16
CIFOR	6	3	0	2	0	11
CIMMYT	3	4	5	2	0	14
CIP	5	9	1	3	0	18
ICARDA	1	1	16	0	0	18
ICRISAT	5	2	0	0	0	7
IFPRI	5	2	0	0	1	8
IITA	11	0	0	0	0	11
ILRI	6	5	0	0	0	11
IRRI	3	12	0	0	0	15
IWMI	4	9	2	0	0	15
World Agroforestry	16	7	0	3	0	26
WorldFish	4	8	1	0	0	13

Source: Personal communication with Center staff.

End of quote from the Independent Review.

Current Shared Services

Today, the Centres have implemented some shared back office functions. These include the establishment of the following system wide units: internal audit, information technology unit (ICT-KM), intellectual property advisory service (CAS IP), gender and diversity. All are small units, providing their services on a user pay basis. These units also issue guidelines and best practice recommendations. The internal audit unit, ICT-KM and gender and diversity are used by 14 Centres and CAS IP by 13 Centres. In addition, some of the Units are used by organizations external to the CGIAR.

Another example was the creation of the Association of International Agricultural Centres (AIARC) as a joint venture (NGO in the USA) of the 15 Centres. Established in the early 1990s AIARC provides payroll, health, insurance and retirement fund services to the internationally recruited employees of most of the Centres as well as some other like-minded organizations, and for the national staff of a few Centres. The 15 Centres and a few other organisations outside of the system use the AIARC unit.

These shared services were voluntarily adopted and continue to be funded in this manner. Only AIARC and the internal audit unit are fully funded by the 15 Centres. The other units receive partial funding and are expected to seek external sources to cover their expenses. It is estimated that the internal audit unit saves at least 15 to 20 headcount and a minimum of \$500K per year across the system. All these units started on a small scale and gradually expanded to full (or nearly full) acceptance as the value became clear both financially and in value added services to individual Centres and as they obtained external funding.

There have been overtime other examples of shared services in the CGIAR system, with varying degrees of buying in, for a variety of reasons. These were in the areas of strategic human resources (a unit supported by 5 or 6 of the Centres, now closed), public awareness and targeted fund raising (Future Harvest Foundation, now closed) and shared corporate services in a bilateral manner (between IWMI and WorldFish and ILRI and ICRAF).

A successful example of collective action, which supports research, is provided by the Consortium of Spatial Information (CSI) (<http://csi.cgiar.org/index.asp>). The CSI was developed in 1999 by the scientists, in different Centres, working on Geographic Information Systems (GIS) and Remote Sensing (RS) for sustainable agricultural development. This was a totally bottom up effort, to respond to the need felt by these scientists to link all of the CGIAR's GIS/RS laboratories, and the many geospatial scientists and researchers within the CGIAR system with scientists and institutions from around the world. The CSI facilitates and creates mechanisms for standardizing data sets within the CGIAR, sharing methodologies and solutions, and promoting inter-center collaborations. The CSI also serves as a platform for joint efforts in GIS-/RS-based agricultural research at global, regional, and local levels. It has been funded from various ad hoc sources, found by the scientists involved. When the Alliance was formed, in 2006, the CSI hoped to receive funding from it but the Alliance Executive (the DGs of the 15 Centres) considered that CSI should continue to seek external funding.

A second example of shared research support services, though very limited in scope (two Centres only are involved) is the shared research methods unit of ILRI and ICRAF in Nairobi. The unit became fully operational in 2006; the proposal to create this unit, was made in 1998 to the senior management of each centre by the scientists concerned. The ILRI - ICRAF Research Methods Group (RMG) provides project level support in research design, data management, analysis and reporting, and GIS to staff and students at ICRAF and ILRI and their research partners. The group is also responsible for, and committed to, providing institutional level support, advice and monitoring of research quality systems. They provide support to ILRI and ICRAF globally and to their partners within the East and Southern Africa (ESA) region. As such, they provide an interesting example of shared research services which also benefit regional and local partners -scientists and institutions- which the Consortium many want to reproduce in other regions. Evolution of the RMG to include other CGIAR institutions and partners in this region is anticipated. The unit is jointly funded, self-managing, comprising specialist research methods staff from ILRI and ICRAF. Duties and activities of individual staff are determined by needs and competencies, rather than by institution.