

CONSULTATIVE GROUP ON INTERNATIONAL AGRICULTURAL RESEARCH

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ICW/75

July 9, 1975

TO: Participants in International Centers Week
FROM: Executive Secretariat
SUBJECT: Commentary on the 1976 Program and Budget of the
International Livestock Center for Africa (ILCA)

Attached for information of members of the Consultative Group and of the Technical Advisory Committee is a paper giving the Secretariat's observations on the 1976 budget submission of the International Livestock Center for Africa (ILCA).

Attachment

The 1976 Program and Budget of the
International Livestock Center for Africa (ILCA)

Observations of the Consultative Group Secretariat

I. INTRODUCTION

1. The creation of an International Livestock Center for Africa (ILCA) was approved by the Consultative Group in 1973, based on the recommendation of TAC and the Task Force of the African Livestock Sub-Committee of the Consultative Group. Over the past eighteen months ILCA has moved toward its formal establishment: a Board of Trustees and Director have been appointed, an overall research program identified, headquarters facilities designed and initial recruitment begun. The Center hopes to be carrying out a full research program by the end of 1976.

2. ILCA's basic mandate is to improve livestock production in tropical Africa. Its research approach will be multi-disciplinary, with an emphasis is on social and economic research, as the constraints to increased production are as much sociological and economic as they are technical. ILCA will also be carrying out almost half of its research activity away from its headquarters, to enable the Center to study the wide range of production systems which exist in Africa and to complement on-going research and development efforts at the national and regional level. ILCA's first priority will also be to inventory and evaluate what is known about existing livestock systems, before starting to synthesize new approaches to animal production. The practical results of ILCA's research effort on food production may therefore have the longest gestation period of any center currently in the system. Consequently ILCA regards its mandate as rather different than the other international centers and is approaching its research program on a different basis.

3. The Center's progress in defining its research strategy is contained in its 1976 Program and Budget Paper, which should be read in conjunction with this Commentary. ILCA donors have also received a progress report dated June 1, 1975 from the Board of Trustees, portions of which are summarized here for the benefit of other CG members.

II. CURRENT STATUS OF ILCA

4. A Memorandum of Agreement regarding the establishment of ILCA was signed in July 1974 by Ethiopia and the World Bank, acting on behalf of the Consultative Group. An amendment to the Memorandum was negotiated and signed on May 13, 1975, by which the Government of Ethiopia accorded ILCA the status of an international organization. With these legal steps completed, ILCA is

proceeding with the acquisition of its headquarters site near Addis Ababa. The present Government of Ethiopia -- through its representative on the ILCA Board, the Minister of Agriculture -- has reaffirmed its welcome and support for the Center.

Physical Facilities

5. Preliminary sketches for ILCA's headquarters complex have been prepared by the Center's consulting architects, Norman and Dawbarn, who were selected in November 1974, and submitted the preliminary designs in March 1975. On the basis of these drawings, the estimated cost of construction of the headquarters complex will be US\$5.0 million, divided as follows:

Table I - Estimated Headquarters Construction Cost

Construction	\$2.3 million
Equipment and Furniture	1.8 million
Fees	0.3 million
Access Road	0.1 million
Contingencies	<u>0.5 million</u>
Total	\$5.0 million

6. The total cost is in line with the 1972 estimate of \$4.5 million in the Task Force Report of the African Livestock Sub-Committee. The Secretariat has closely followed the preparation of the architectural plans, and feels that the layout and building designs are well conceived, functional and economical. It recommends, however, that the estimate for price contingencies be carefully reviewed before contracts are put to tender.

7. The schedule of construction foresees approval of final designs by the ILCA Board Executive Committee at the end of July 1975, issuance of tenders in March 1976, contract award in June 1976 and construction to begin in July 1976. The complex would be completed by March 1978.

8. To keep donors informed of progress in design and current cost estimates for capital development, ILCA plans to inform donors of cost estimates when the final designs and bidding documents are prepared (March 1976) and after receipt of bids but before the award of the construction contract (June 1976).

Staff Recruitment

9. Sixteen senior staff are expected to be in residence in Addis Ababa by August 1, 1975, including the Center Director, Dr. Jean Pagot, who arrived

in September 1974, and the nucleus of the senior administrative staff and the documentation team. ILCA plans to accelerate recruitment to make up for time lost last year resulting from political uncertainties and the lack of a final Memorandum of Agreement with the Ethiopian Government. Its present plans are to engage the full complement of senior scientific staff of 28 by 1977, and achieve the targeted level at full development of 101 senior scientific and associate staff by 1979; this is in line with the Task Force Report in both numbers and timing.

Research Program

10. The Director and Board of Trustees of the Center have established priorities for research. In stating its objectives, the ILCA research program recognizes that improvement of livestock production in Africa is a long term and complicated task; it is long term because substantial changes in social and economic conditions and in farmers' attitudes will be needed and it is complicated because of the complex interactions between socio-logical, economic and physical conditions. While its ultimate research objectives are long term, ILCA plans to undertake a number of shorter term studies as well.

11. Although animal production systems can be set out in a few broad classes, there are many local variations. Such systems must be studied in the field and ILCA has proposals for cooperative programs in four areas: Mali, Kenya, Nigeria and Ethiopia. ILCA regards these areas as typical of important zones of production yet sufficiently different in some essential components to warrant their selection as high priority areas.

12. ILCA plans to concentrate initially on multi-disciplinary research and evaluation of existing domestic livestock production systems in the arid and semi-arid regions of tropical Africa, followed by investigations in the humid and semi-humid areas. As ILCA will not have its own physical facilities until 1978, the initial effort will be carried out through cooperative ventures with national and regional research structures as indicated above. Specific project proposals will be identified and prepared by a multi-disciplinary team to be centered in Addis Ababa and now being assembled. ILCA hopes to have fully defined projects agreed with the Governments concerned as soon as possible. Negotiations with Mali are virtually completed and well advanced with the Kenya Government. Identification of specific project elements in Nigeria and Ethiopia is still at an early stage.

Executing Agency

13. The World Bank, in cooperation with the International Development Research Centre (IDRC), has served as Executing Agency for ILCA during the

initial development phase. It is also fiscal agent for donor contributions to ILCA during this initial period. The recent appointment of senior administrative and financial officers at ILCA should hasten the termination of the Bank's dual role. Before endorsing its rights and obligations as Executing Agency and fiscal agent to ILCA, and transferring donor contributions from the ILCA Special Account to the Center's own accounts, the Bank and ILCA's Board of Trustees must first determine that ILCA's administrative and financial procedures are sufficiently developed to ensure that the Center is capable of taking the steps necessary to fulfill its mandate. In early July, the Bank and ILCA agreed on the final steps to be taken to terminate the Bank's responsibilities.

II. PROGRAM AND BUDGETS

1974 Actual Expenditure

14. Actual expenditures by ILCA in 1974 were \$303,000 including core operating expenses of \$245,000 and capital expenditure of \$58,000. This compares with expected total expenses of \$841,000 anticipated in the 1975 Budget Paper prepared last year. The lower level of expenditure results primarily from a reduced recruitment rate -- 7 senior and associate staff positions filled at year-end, for about 3 man-years, compared with 34 positions estimated last year. Contributions from initial donors to ILCA totalled \$993,000, of which \$375,000 was advanced in 1974 to ILCA by the World Bank, \$24,000 deposited by one donor to ILCA's own account, and the balance held in the IBRD Trust Account. About \$716,000 not expended in 1974 was carried over to 1975.

1975 Budget Estimates

15. The revised 1975 ILCA budget envisages expenditures of \$2,265,000, compared with \$2,848,000 assumed in the original 1975 Program and Budget Paper. Core operating expenditures would be \$1,696,000, a reduction of 25 percent reflecting recruitment experience with 40 senior and associate positions now expected to be filled compared with 67 envisaged in the original budget. Capital expenditure would decline about 5 percent, to \$569,000, including \$219,000 for cooperative program investment.

16. The reduction of about 20 percent in the revised budget reflects a bunching of recruitment during 1975; most staff would now be engaged in the second half of the year. Nevertheless, ILCA plans to hire by the end of 1976 the same number of senior and associate research staff (61) estimated last year, including 34 positions filled during 1975. The assumed fill rate of 60 percent for senior staff (or 12.3 man-years for 19 positions) appears reasonable provided ILCA has already agreed to terms with most of this staff.

17. Although not explicitly stated in its 1976 Program and Budget Paper, ILCA plans to accommodate its research staff in rented office space in Addis Ababa until the headquarters complex is ready. As much of the initial research will be undertaken in the field, its staff will have access to laboratory and other research facilities of host governments participating in the cooperative programs.

18. Donor pledges to ILCA for 1975 total \$1,905,000, of which \$870,000 had been deposited in the IBRD Trust Account as of June 1, 1975. The 1975 cash flow for ILCA would be:

Table 2 - ILCA - 1975 Sources and Uses of Funds

<u>Sources of Funds</u>	(US\$ '000)
Carry over from 1974	716
1975 pledges	
- deposited	870
- anticipated	<u>1,035</u>
Total	2,621
<u>Uses of Funds</u>	
Core operations	1,696
Capital	<u>569</u>
Total	2,265
<u>Net surplus at end 1975</u>	356

19. Funds pledged by initial donors to ILCA (including Australia which recently acceded to the ILCA Memorandum of Understanding), should be fully sufficient to meet the requirements for 1975. The year-end surplus in fact should exceed the amount estimated and is likely to approach the \$650,000 carryover from 1975. Core operating and capital expenses for cooperative programs in 1975 total \$549,000. While recruitment for these programs has been initiated, on site research activity for most of these projects is not likely to begin before the end of the year, and most of the funds, particularly for the Nigerian and Ethiopian components, may be carried over to 1976. Furthermore, ILCA is undertaking an ambitious recruitment program in 1975, with planned increases in senior staff positions (from 6 to 19), overall establishment positions (from 19 to 109) and man-years of services (from 10 to 72.5) -- by the end the year. While the "fill rate" of 60 percent of authorized positions is reasonable, the magnitude of the absolute increase in the positions under recruitment is very large, and ILCA may not be able

to employ the numbers envisaged by year-end. Using a slightly more conservative estimate of recruitment based on experience of other Centers at ILCA's stage of development, and actual experience during the first half of 1975, a reduction of about \$200,000 in the operating budget may be anticipated. On this basis, actual core and capital expenses for 1975 might be about 15 to 20 percent lower than currently envisaged, or about \$1.8 to \$1.9 million.

1976 Budget Request

20. The 1976 Program and Budget Paper envisages the following requirements for 1976, compared with the revised 1975 estimates:

Table 3 - 1976 Budget (US\$'000)

<u>Item</u>	<u>1975 Revised Budget</u>	<u>1976 Request</u>
<u>Core Operating</u>		
Research		
Headquarters	293	1,043
Coop. Programs	330	990
Conf./Training	198	417
Information	265	406
Research Support	39	207
Administration	330	455
Operations	187	508
Other	<u>54</u>	<u>66</u>
Sub-total	1,696	4,092
<u>Capital</u>		
Headquarters	350	1,300
Coop. Programs	<u>219</u>	<u>688</u>
Total	2,265	6,080

21. In its 1976 budget paper ILCA assumes a carryover from 1975 of 356,000, implying that the Center would need \$5,724,000 from the Consultative Group for 1976.

22. The 1976 Program and Budget Paper of ILCA is unlike the submissions of most of the other centers in several respects. First, ILCA conceives of its research activities as a single program -- animal production systems -- the initial elements of which would be the four cooperative programs described in its program and budget paper. For this reason, ILCA has presented in its 1976 budget request aggregate figures of staff development and core financial requirements for research activity, but has not identified separately the staff requirements and detailed costs of each cooperative program.

23. Second, ILCA recognizes that its 1976 budget estimates are somewhat less firmly grounded than the requests of the established centers. ILCA is only now identifying and negotiating the cooperative programs which will comprise its research program. The budget request therefore represents the Center's best estimates of its needs as of May 1975, but the research component figures are essentially nominal. More detailed estimates will be available as the headquarters team prepares and negotiates the individual cooperative programs later in 1975.

24. Third, ILCA's Program and Budget paper differs from most of the other submissions in its assumptions regarding recruitment of support staff. About three-quarters of ILCA's "scientific and supervisory" staff are expected to be expatriates, in addition to virtually all of its senior staff. In most of the other centers the scientific and supervisory staff are locally recruited. ILCA's personnel costs will therefore be higher on a per capita basis than elsewhere within the system.

25. Compared to the research costs, the 1976 budget request for headquarters core operating and capital expenditure has a firmer basis. The consulting architects' estimates form the basis of the headquarters capital request for 1976 of \$1,300,000, which seems reasonable. The headquarters activities for documentation, conferences and training, administration and general operating activities are already operational, and would seem to be growing in 1976 at a reasonable rate. These items together constitute about \$3.2 million.

26. Almost 50 percent of ILCA's budget request, for the headquarters and cooperative program research activities and cooperative programs capital budget, is still in the process of definition. Because ILCA is a new center with a unique approach, the Secretariat believes that the Consultative Group would be interested in a more detailed analysis of the objectives, manpower requirements, costs and proposed implementation schedules of the individual research elements which comprise the research program. It also feels that the Group would wish to have a breakdown of the capital costs for the cooperative programs in some detail, and an elaboration of the Center's justification and likely ownership arrangements for physical facilities to be constructed in the cooperating countries with CG funds, as this is not spelled out in the Program and Budget paper.

27. For these reasons, the Secretariat does not intend to comment on these aspects of the 1976 Program and Budget paper. Rather, to give donors up to date figures on the basis of completed negotiations of two research projects and refined definition of the other two, the Center has agreed to prepare a supplementary budget paper for circulation to the Consultative Group prior to its meeting in October 1975. This paper would include the following information:

- (i) the status of preparation and negotiation of the four cooperative programs;
- (ii) a timetable for the initiation of research activity in the four countries;
- (iii) the Center's current best estimate of the manpower requirements (senior and support staff) and operational costs for each of the four projects in 1976;
- (iv) a breakdown of capital requirements for each of the four elements for 1976 in some detail; and
- (v) ILCA's latest estimate of staff recruitment for 1975/76 and total core expenditures for 1975 and 1976.

III. ISSUES

28. To facilitate consideration of the 1976 Program and Budget of ILCA, the Center has agreed, as indicated above, to prepare a supplementary paper for the October 1975 meeting of the Consultative Group, which would provide more detailed information on the separate elements of the research program as well as revised cost estimates reflecting the project development activity currently underway. It is expected that the 1976 Program and Budget paper, which outlines the general objectives and priorities for research, and the supplementary data on the financial aspects of the program, would together provide the information which the Consultative Group needs to agree on the supportable level of recruitment and consequent total core operating requirements for 1976.

29. If, however, in October there remain less defined elements of the research program, the Consultative Group may wish to consider financing only those portions of the ILCA program which are clearly identified. To avoid inhibiting the development of the full program, an additional amount could be reserved for subsequent allocation, when the research projects for which the funds would be used had, in the judgement of the Board of Trustees, been identified and agreed with the host governments, and the Consultative Group Secretariat had been so notified. This reserve allocation might be in the order of \$600,000, representing ILCA's current estimate of the 1976 core operating and capital costs of the Nigerian and Ethiopian projects, which are probably unlikely to be fully defined by October 1975.

July 9, 1975

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Consultative Group on International Agriculture Research

The 1977 Program and Budget

of the

International Livestock Center for Africa (ILCA)

Observations of the Consultative Group Secretariat

I. INTRODUCTION

1. The establishment of the International Livestock Center for Africa (ILCA) was approved by the Consultative Group in 1973, based on the recommendation of the TAC and the Task Force of the African Livestock sub-committee of the CG. Following the decision to establish ILCA in July 1973, and the selection of its executive officer and Board of Trustees in the fall of 1973, ILCA has moved rapidly to complete its organizational phase. During 1974, its Director was appointed, its general research program presented, its architectural firm selected and an initial complement of five senior staff recruited. In 1975, ILCA was recognized as an autonomous legal entity with full power given to its Board to conduct the center's affairs. In May 1975, the new Government of Ethiopia accorded ILCA the status of an international organization and reaffirmed its welcome and support of the center. By the end of 1975, ILCA had 26 senior and associate staff on duty and initial program implementation had started.

2. ILCA's basic mandate is to assist national efforts to improve livestock production and marketing systems in tropical Africa. Its research approach is multi-disciplinary, with an emphasis on social and economic research, as the constraints to increased production are as much sociological and economic as they are technical. ILCA will also be carrying out almost half of its research activity away from its headquarters, to enable the Center to study the wide range of production systems which exist in Africa and to complement on-going research and development efforts at the national and regional level. ILCA's first priority will be to collect and evaluate what is known about existing livestock systems, before starting to synthesize new approaches to animal production. The practical results of ILCA's research effort on food production may therefore have the longest gestation period of any center currently in the system. Consequently ILCA regards its mandate as rather different from those of the other international centers and is approaching its research program on a different basis. At the same time, it expects to be able to obtain some results in a short time, particularly where production techniques are known but not yet used.

3. The Center's progress in defining and implementing its research strategy is contained in its 1977 Program and Budget Paper, which should be read in conjunction with this commentary.

III. CURRENT STATUS OF ILCA

4. ILCA completed a number of major agreements with cooperating governments during the first half of 1976. In January, the Government of Ethiopia granted ILCA a 99 year lease to the land needed to build the Center's headquarters in Addis Ababa, and in February, allocated 164 hectares at Debre Zeit for a field experiment station. It had earlier granted ILCA the rights of an international organization. In February, ILCA signed a memorandum with the Government of Mali spelling out the arrangements for ILCA's first cooperative research project. This agreement was followed in March by the establishment of ILCA's second cooperative research project with the Government of Ethiopia. Work is underway on both of these projects and a third agreement for cooperative research in Kenya is under negotiation with formal signing expected before October 1976. A fourth agreement, providing for cooperative research in Nigeria is in the early stage of negotiation with implementation currently expected to start in early 1977.

Physical Facilities

5. Preliminary sketches for ILCA's headquarter complex were completed by the Center's architects in March 1975 and detailed construction drawings and specifications were sent out for tender in May 1976. Bids will be opened July 2 and the results are expected to be discussed at a meeting of ILCA donors on Wednesday July 28, 1976 during International Centers Week in Washington. On the basis of these detailed designs, ILCA estimates the cost of constructing the headquarter facilities, including 24 units of staff housing and equipment, at approximately \$8.0 million, including allowance for price changes and physical contingencies.

Table I - Estimated Total Headquarters Capital Requirements 1977-1980
((\$'000))

<u>Construction</u>	<u>Center Budget</u>
A. Central Buildings (Administrative, Central Research Documentation & Training)	1,343
B. Farm Maintenance and Animal Buildings	267
C. Student Hostel and Recreation Facilities	445
D. Staff Housing (24 units)	1,188
E. Site Development, Access Roads & Utilities	602
F. Fees	316
G. Access Road and Lighting	185
H. Contingency (including inflation)	<u>441</u>
Total Construction (Including Staff Housing)	<u>4,787</u>
<u>Equipment and Other Capital Items</u>	
I. Equipment for Central Buildings	1,143
J. Equipment for Farm and Animal Buildings	253
K. Library Films and Simultaneous Interpreting Equipment	279
L. Motor Vehicles and Tools	163
M. Office Equipment and Furniture	526
N. Household Furniture and Equipment	350
O. Inflation ('78 - '80)	<u>200</u>
	<u>2,914</u>
<u>Debre Zeit Station</u>	
P. Building and Equipment (incl. inflation)	<u>300</u>
Total Capital	<u>8,001</u>

6. Last year's original Program and Budget Paper (May 1975) projected Capital costs for the Headquarter facility at \$5.6 million, and the Supplementary Program and Budget Paper prepared in September 1975 estimated costs at \$6.2 million. ILCA indicates this figure excluded provision for inflation of \$814,000. Apart from price and physical contingencies now included in the 1977 Budget Paper, most of the increase over the estimates of September 1975 is accounted for by the addition of 16 units of staff housing (\$727,000) and the inclusion of \$300,000 for buildings and equipment at the Debre Zeit station. Firm figures based on actual bids will be available at the time of Centers Week 1976 which can be reviewed before construction contracts are awarded.

Staff Recruitment

7. In early May 1976, at the time a CG Secretariat review team visited ILCA, there were 32 internationally recruited staff on duty and an additional 12 were expected to report for duty by July or August. ILCA's recruiting plan calls for the international staff to total 71 (28 senior and 43 associate research personnel) by December 31, 1976 and to reach a complement of 84 (30 senior and 54 associate) international staff by December 31, 1977.

Research Program

8. ILCA's mandate to execute a research program on "Animal production systems in tropical Africa" is being carried out by research work at the headquarters in Addis Ababa and in several cooperative sub-programs away from the headquarters. ILCA feels that technical solutions to increased production already exist; management of production systems needs to be improved. Existing production systems have been selected for analysis on the basis of ecological regions: arid and semi-arid, humid and semi-humid and areas with high agricultural potential. Constraints in the arid and semi-arid areas are mainly socio-economic, while in the semi-humid area, they are mainly technical, i.e., related to diseases and fodder production. Attention will be given not only to cattle but to sheep, goats and camels as well.

9. ILCA's research strategy is one of analyzing the existing activities in the chosen 'sample areas', and identifying the possibilities of removing constraints and the opportunities for increasing inputs that would improve production. This research strategy thus differs greatly from the main programs of the other international centers, one of the major implications being the time involved. Crop-oriented centers can take advantage of a good deal of research conducted elsewhere for many years, and supply farmers with better 'building blocks' for improved farming in the shape of improved varieties within a relatively short time (5-8 years). ILCA on the other hand must find its own unique methodology and include not only genetic but all major production factors. Nevertheless, the Center feels that it should be able to show some significant short-term contributions and, consequently, has put considerable emphasis on its information system. The collection, classification and dissemination of existing knowledge should provide those involved in research and production on livestock in Africa, and elsewhere to some extent, with a sound information base and allow closer coordination of the many scattered efforts that already exist.

10. As part of its cooperative program, ILCA plans projects in Mali, Ethiopia, Kenya and probably Nigeria. The areas in Mali (Niono) and Ethiopia (Jigiga) both represent the semi-arid zone affected by drought. The area in Kenya is also in the semi-arid zone, but this has been selected because of a livestock development project which can be monitored. The project in Nigeria would relate to the semi-humid and humid zones.

11. The original proposal for ILCA was set out in the Tribe Report which was considered by TAC and the African Livestock Subcommittee of the CG in February 1973. In both TAC and the Subcommittee, some members expressed views suggesting that it might be desirable for ILCA to build up its program more quickly than contemplated in the Tribe report. ILCA's Board and management have shared these views. The Tribe Report contemplates that the cooperative programs would be based on work with existing institutions to which the Center would second small teams of staff to undertake specific projects for specified periods of time. The Report suggested that these programs would be initiated, for the most part, after a three-year period of initial investigation and research design. ILCA has, however, been able to move faster and the details of the budgets for the projects in Mali, Ethiopia, and Kenya indicate that its proposals for these sub-programs would be initiated earlier and with a much higher degree of capital investment than the Tribe report suggested. The original plan proposed a total of 16 senior and associate staff in the Cooperative Programs by the end of 1977. The present plan is for 25. The implications of the intensification of these programs are discussed more fully in Section IV of this paper.

III. PROGRAMS AND BUDGETS

1975 Program and Budgets

12. Actual operating and capital expenditures in 1975 were \$1.58 million compared with ILCA's May 1975 original budget request of \$2.26 million and October 1975 revised estimate of \$1.76 million. The following table compares the original and revised 1975 budgets with the actual outcome for the year.

Table II - 1975 Budget vs. Actual

	<u>Original Budget (May 1975)</u>	<u>Revised Budget (Oct. 1975)</u>	<u>Actual</u>
<u>I. Staffing (manyears)</u>			
Senior Staff	12.3	10.25	7.04
Associate Staff	13.2	10.80	6.88
All Other	<u>47.0</u>	<u>23.40</u>	<u>11.90</u>
Total	<u>72.5</u>	<u>44.45</u>	<u>25.82</u>
<u>II. Budget (\$ 000)</u>			
Core Operating			
Headquarters	1,366	1,348	1,088
Co-op. programs	<u>330</u>	<u>77</u>	<u>184</u>
Subtotal	<u>1,696</u>	<u>1,425</u>	<u>1,272</u>
Capital			
Headquarters	350	248	306
Co-op. programs	<u>219</u>	<u>87</u>	<u>-</u>
Subtotal	<u>569</u>	<u>335</u>	<u>306</u>
Total	<u>2,265</u>	<u>1,760</u>	<u>1,578</u>
<u>III. Funds Required: (\$ 000)</u>			
Operations and Capital	2,265	1,761	1,578
Working Capital	<u>150</u>	<u>144</u>	<u>130</u>
Total	<u>2,405</u>	<u>1,905</u>	<u>1,708</u>
<u>IV. Funds Available (\$ 000)</u>			
Carryover	716	808	809
Donor Contribution	1,905	1,905	2,059
Earned Income	<u>-</u>	<u>-</u>	<u>2</u>
Total	<u>2,621</u>	<u>2,713</u>	<u>2,870</u>
<u>V. Carryover to Next Year (\$ 000)</u>			
Net Surplus	216	664	1,162
Plus Working Capital	<u>140</u>	<u>144</u>	<u>130</u>
Total	<u>356</u>	<u>808</u>	<u>1,292</u>

13. As the table shows, the lower than budgeted level of expenditures in 1975 is accounted for mostly by the slower than expected rate of recruitment due to a delay in concluding the legal agreement with Ethiopia, and by the fact that it was not possible to complete cooperative research agreements with participating governments on the schedule assumed in the budget. Notwithstanding

the lower than budgeted level of activity in 1975, ILCA made considerable progress in developing its program during the year.

14. Because actual expenditures in both 1974 and 1975 fell well below the budgeted figures, funds pledged by donors have been more than sufficient to meet ILCA's current requirements with the result that ILCA's liquid reserves at the end of 1975 were \$1.3 million, including a working capital requirement of about \$130,000. Most of this liquidity will be drawn down in 1976 based on current estimates of 1976 expenditures.

1976 Program and Budget

15. ILCA's original 1976 budget, as presented at Centers Week 1975, based requirements on aggregate staffing figures priced on the basis of assumed manyear costs. Since the budget did not adequately relate staff and costs to specific elements of the program and because it was not sufficiently detailed, the CG Secretariat was not able to express an opinion on the budget. In consequence the Secretariat requested that ILCA prepare a supplementary budget paper to be considered by the CG at its October 1975 meeting.

16. In September, ILCA submitted a supplementary budget paper which provided greater detail on capital and operating costs for the various elements of the program and clarified the state of program preparation, staffing and cost of the several cooperative programs. In reviewing the Budget Supplement Paper, the Secretariat recommended that the CG approve the Center's budget for those elements of the program which had been clearly defined and whose financial requirement had been estimated in detail. This recommendation covered all elements of ILCA's 1976 program except for the cooperative programs in Ethiopia and Nigeria. With respect to these programs, it was agreed that ILCA could request additional funding in 1976, up to a limit of \$540,000, in the context of the 1977 Program and Budget Paper, providing that ILCA's Board reviewed these programs and their costs in detail and approved their initiation before the end of 1976. At its March 1976 meeting, the Board reviewed and approved the Ethiopia program.

17. After discussion with the Secretariat, and in view of the likely delay in the Kenya and Nigeria programs as well as shortage of funds for the CG network as a whole in 1976, ILCA has found it possible to keep expenditures for 1976 within the amount of funding presently available. Although the Ethiopia program has begun, its 1976 estimated cost of \$252,000 will be financed from available funds. The October 1975 and present (May 1976) budget for 1976 are as follows:

Table III - 1976 Budget Estimates (\$'000)

I. <u>Operating Costs:</u>	<u>Revised</u> <u>(Oct. '75)</u>	<u>Current</u> <u>(May '76)</u>	<u>Change (%)</u>
Headquarters	3,309	2,681	- 19%
Coop. Programs:			
Office of Director	-	116	-
Mali	305	458	+ 50%
Kenya	140	162	+ 16%
Nigeria	110	35	- 68%
Ethiopia	<u>180</u>	<u>252</u>	<u>+ 40%</u>
Total C.P.	735	1,073	+ 46%
Total operating	4,044	3,754	- 7%
II. <u>Capital</u>			
Headquarters	1,629	1,217	- 25%
Coop. Program:			
Mali	519	600	+ 16%
Kenya	20	121	+500%
Nigeria	20	-	-
Ethiopia	<u>230</u>	<u>230</u>	<u>-</u>
Total C.P.	791	951	+ 20%
Total capital	<u>2,418</u>	<u>2,168</u>	<u>- 10%</u>
III. Total Core budget	6,462	5,922	- 8%
IV. International Staff (Manyears)	54.8	47.0	- 14%

18. While the total core budget would be reduced by 8 percent, the Cooperative Program budget would grow by 33 percent, from \$1.5 million to \$2.0 million, or to slightly more than one-third of the total ILCA budget. The Cooperative Program capital requirement in 1976 would be \$950,000.

19. Staff of the Secretariat visited ILCA in late April 1976, and in the course of conducting an annual review of the Center's budget proposals and financial plan, concluded that, based mostly on technical adjustments, ILCA could carry out its 1976 work program, including the Ethiopia program,

without additional funds. ILCA's revised budget for 1976 is consistent with this position. In addition, the Secretariat felt that, given actual staff on duty in May, and firm arrivals scheduled for July or August, it was unlikely that actual 1976 manpower would exceed 45 manyears compared with 47 manyears provided for in the revised budget. It also felt that the unit cost figure used to price a manyear in the 1976 budget was somewhat overstated. Accordingly, even if all other aspects of program implementation are accomplished as scheduled, ILCA should have sufficient funds through December 31, 1976, with perhaps a \$100,000 surplus at year end.

1977 Budget Request

20. The total budget requirement for 1977, as presented in ILCA's Program and Budget paper circulated to the CG for International Centers Week, is \$11.656 million, compared with the revised estimate of \$5.9 million for 1976 and actual expenses of \$1.6 million in 1975. Staff is budgeted to reach 84 international staff (30 senior and 54 associate staff) for 81.5 manyears by December 1977, compared with 71 (for 47 manyears) expected to be on duty by December 31, 1976. A breakdown of the budget is shown in the table below.

Table IV - 1977 Budget Request

	1975 <u>Actual</u> (a)	1976 <u>Revised</u> (b)	1977 <u>Budget Request</u> (c)	<u>Change (c)/(b)(%)</u> (d)
<u>Staffing (manyears)</u>				
Senior	7.0	20.6	30.0	+47%
Associate	6.9	26.4	51.5	+95%
Other	<u>11.9</u>	<u>55.0</u>	<u>79.0</u>	<u>+44%</u>
Total	<u>25.8</u>	<u>102.0</u>	<u>160.5</u>	<u>+57%</u>
<u>Budget (\$'000)</u>				
Core operating				
Headquarters	1,088	2,682	4,110	+53%
Coop. Program	<u>184</u>	<u>1,072</u>	<u>2,137</u>	<u>+99%</u>
Total	<u>1,272</u>	<u>3,754</u>	<u>6,247</u>	<u>+66%</u>
<u>Capital (\$'000)</u>				
Headquarters	306	1217	4177	+243%
Coop. Program		951	741	- 22%
Working Capital (increase)			<u>491</u>	-
Total	<u>306</u>	<u>2,168</u>	<u>5409</u>	<u>+149%</u>
Total Budget	<u>1,578</u>	<u>5,922</u>	<u>11,656</u>	<u>+ 97%</u>

21. As the table shows, ILCA's 1977 budget proposal calls for continued rapid development of the Center, both in terms of its physical facilities and its research program. The increase between 1976 and 1977 would be \$5.7 million, almost equal to total expenditures in 1976. At \$11.656 million,

ILCA's requirement from the CG would be second only to CIMMYT, though one should note that over a third of that total is for capital construction. Operating costs would be somewhat below the level forecast last year for 1977, but capital requirements would be about \$1.3 million above the estimate in the 1976 Supplementary budget submission. The total requirement is \$1 million greater than forecast (due largely to the addition of 16 staff housing units).

22. With respect to Headquarters capital requirements, ILCA is projecting that 51 percent of total construction and equipment costs will be incurred and disbursed in 1977 and is therefore requesting a budget of \$4.18 million. The Cooperative Program capital need is estimated at \$0.74 million. The operating budget proposed for the Headquarters and Cooperative Program work totals \$6.5 million, an increase of 66 percent over estimated 1976 expenses of \$3.75 million. About one-third of the \$3.53 million increase requested is to cover the full year cost of staff recruited in 1976. The balance of the increase is to provide for 15 additional international staff (2 senior and 13 associate) and to proceed with planned implementation of the program at the level approved by the Board of Trustees in March 1976.

23. ILCA points out that the increase in requirements is consistent with the scope and strategy for ILCA's research program as defined in the original Tribe report. In fact, ILCA would recruit 84 staff by the end of 1977, compared with 105 estimated in the original document.

IV. ISSUES

Size and Intensity of the Research Program

24. As indicated above, ILCA interpreted the views of TAC and the African Livestock Subcommittee as encouragement to proceed more rapidly than proposed by the Tribe Report. In its previous and present program papers, ILCA has therefore outlined a program of research and scale of operations which are considerably more intense than originally envisaged. The original concept, as described in the Tribe Report, called for a cautious, two-stage development of the center. The first, covering a period of three years, was to be devoted to gathering research background information and identifying research priorities for cooperative programs and special research projects that would be investigated by the Center itself. The cooperative programs would be introduced toward the end of the first phase. The cost of this initial period (1975 - 1977) was estimated by the Tribe Report in 1972 at about \$11 million, consisting of funds for:

- (a) a basic component of 24 senior scientists and up to 65 research associates at headquarters;
- (b) physical facilities for the headquarters complex; and

- (c) initial work in the third year for one cooperative program involving 4 senior scientists, 12 research assistants and capital investment of \$200,000.

25. The second phase, starting in year four (1978), would be based on a detailed review of the progress made during the first phase, which would define the need for and extent of the longer term cooperative programs. The original plan estimated that Phase II, covering years four to eight (1978 - 82), would cost \$26.5 million. The ILCA staff would reach 46 senior scientists and 138 associates by the end of Phase II.

26. Taken together, ILCA's core operating and capital requirements for the full eight year period were projected to cost \$37 million. This figure included an 8 percent annual escalation in operating costs, including some provision for inflation as well as some real growth in unit staff salary costs.

27. The actual rate of inflation during Phase I period has been considerably above the level originally estimated. ILCA itself as applied a further 10 percent per annum inflation to the Tribe Report figures. The following table compares (a) the estimated cost of the original plan, (b) these costs adjusted by ILCA to reflect increased rates of inflation and (c) ILCA's 1977 budget proposals. As the table shows, ILCA's present plans call for a significantly more rapid rate of implementation at higher cost than originally projected, even though the staff development program will be considerably below the original concept.

Table V - Original, Adjusted and Currently Projected Cost of Phases I & II
(\$ Million)

	<u>Phase I</u> 1975 - 77			<u>Phase II /1</u>			<u>Total</u> 1975 - 1980		
	<u>Orig.</u>	<u>Adj.</u>	<u>Current</u>	<u>Orig.</u>	<u>Adj.</u>	<u>Current</u>	<u>Orig.</u>	<u>Adj.</u>	<u>Current</u>
<u>Operating Costs:</u>									
Headquarters	5.5	8.2	7.9	8.5	16.8	21.0	14.0	25.0	28.9
Coop. Programs	0.4	0.6	3.4	3.6	7.1	9.8	4.0	7.7	13.2
Total	5.9	8.8	11.3	12.1	23.9	30.8	18.0	32.7	42.1
<u>Capital:</u>									
Headquarters	4.6	6.6	5.7	0.5	0.9	2.6	5.1	7.5	8.3
Coop. Programs	0.2	0.3	1.7	0.6	1.2	1.9	0.8	1.5	3.6
Total	4.8	6.9	7.4	1.1	2.1	4.5	5.9	9.0	11.9
Total Costs	10.7	15.7	18.7	13.2	26.0	35.3	23.0	41.7	54.0
<u>Manyears:</u>									
Senior	28.0	-	30.0			32	/2		
Associate	77.0	-	51.5			78	/2		
Total	105.0	-	81.5			110	/2		

/1 For 3 years 1978 - 80 only.

/2 Positions.

28. Even with ILCA's figures on inflation (which appear to be reasonable in the light of the 20-30 percent annual inflation rate expected in 1976 and 1977), the first six years of ILCA's establishment period is projected to cost 30 percent more than envisaged in 1973 when the CG agreed to create the center. While the staff development plan and the overall research strategy and scope are consistent with the original concept, the intensity of development of the cooperative programs and the unit costs of the scientific staff are considerably different.

29. The cost of Phase I of \$18.7 million is 80 percent above the original estimate, and still 20 percent above the original estimates adjusted for higher inflation. In addition to the underestimate of inflation in the Tribe Report and the more rapid implementation of the cooperative programs, there are several other identifiable variances which reflect decisions of the ILCA Board and Management to change the planning of the cooperative research programs. These include:

- (i) The level of capital investment in the cooperative programs which is budgeted to cost \$3.5 million vs. \$1.5 million in ILCA's adjusted figures;
- (ii) The level of operating costs of the cooperative programs which will be \$3.4 million compared with \$0.6 million;
- (iii) The level of internationally recruited staff which is higher and more costly than projected, mostly because ILCA has found it difficult to recruit local graduates and post-graduates, a practice used by the other centers and assumed by the Tribe Report; and
- (iv) A level of local support personnel higher than estimated in the Tribe Report which has been found to be needed.

30. Some of these factors also explain the increase in headquarters costs. For example, associate scientists are budgeted at several times the original cost estimate per manyear since by necessity they are being internationally recruited and receive the same benefit package as the senior scientific staff. Overall, the cost of program of the senior staff is now estimated at about \$125,000 per manyear in 1977, compared with \$70,000 in the Tribe Report (or \$100,000 adjusted by ILCA).

31. The acceleration and intensification of the cooperative programs and the significant increase in the overall cost of the development phase places a considerable burden both on the management of the center and on the donors supporting ILCA. As indicated above, ILCA has perhaps the most difficult mandate and complex administrative requirements of any international center. Servicing up to 30 senior and support staff away from headquarters, and dealing with four host countries is already taxing the management capacity of the center, and is likely to become increasingly complex as the cooperative programs begin to operate. At the same time, the intensification of the program requires a high level of expenditure which ILCA's donors, no matter how supportive of the research program, may find difficult to sustain. This is particularly true in 1977 with ILCA's headquarters' complex construction effort expected to be at its height. If funds for the CG network are scarce in 1977, as expected, ILCA may not received all of the funds requested for the full program envisaged.

32. For these reasons, the chairman of the Board of Trustees of ILCA, the chairman of the Boards' Program Committee, and the Director General agreed in late June to review the proposed schedule of implementation of the research effort, and the cooperative programs in particular. This review would consider, among other things, whether (i) the Nigeria program should be processed in accordance with its current schedule; (ii) the staffing of

the Kenya program might be revised and; (iii) the investment of \$3.5 million might be reduced without impairing the effectiveness of the cooperative programs; and (4) there are other elements of the 1977 program which might be deferred if funds are scarce.

33. The results of this review, and budget adjustments resulting from it, would be circulated to the Consultative Group before its October 1976 meeting, in the form of a revised Program and Budget paper.

Housing

34. In late 1975 Ethiopia nationalized urban housing, effectively eliminating the supply of high quality rental housing for expatriates. ILCA had already entered into long-term leases for about 30 units which the center can apparently continue to use. However, it appears almost impossible to find additional adequate rental properties, and many expatriates with other organizations have in fact been living in hotels for months at a time.

35. ILCA believes the only reasonable solution is to construct some staff housing. Its current request for 24 units is in line with the original Tribe report proposal, which planned to house all senior staff at Headquarters at the end of Phase I (1977). Now that ILCA is faced with international recruitment not only of 32 senior staff but most of the planned associate staff of 112 (by 1980), the problem is seriously complicated.

36. The Secretariat shares ILCA's concern and concurs that some suitable arrangements must be worked out to find adequate housing for ILCA's internationally-recruited headquarters' staff. It supports the Center's request for 24 housing units, and has received ILCA's assurance that every effort will be made to rent the balance required or negotiate some sort of agreement with the Government, as ILCA has the status of an international organization.

Technical Adjustments

37. The May 1976 visit to ILCA by staff of the CG Secretariat identified a number of "technical adjustments" in the 1977 budget submission which could reduce the net financial requirements of the center. Agreement on these points is expected to be reflected in the revised program and budget information to be provided in September/October 1976.

July 7, 1976