

CABI EXECUTIVE COUNCIL

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Author: Trevor Nicholls/Daniel Elger
For Information

Business Progress Update, Q3 2020

Purpose

The purpose of this note is to summarize the key points of the Progress Briefing provided to CABI Member Country Executive Council representatives and Liaison Officers. This was the first of what is hoped will be a regular series of briefing to inform CABI Members of the progress achieved plus risks and opportunities faced by the organisation as it implements its agreed strategy. The commitment to provide these briefings was part of the agreed Management response to the findings of the KPMG Review of CABI's Governance.

This briefing also provided the opportunity to make the handover from the outgoing CEO, Dr Trevor Nicholls, to his successor Dr Daniel Elger.

COVID-19 impact

The organisation has met the challenge of Coronavirus well and continues to deliver against most of its pre-COVID objectives. CABI has put the health and safety of its staff, partners and families as its top priorities, developing Principles, Policies and Procedures to ensure safe working practices. Most of our staff have been able to work from home with relatively limited impact on productivity and we saw an increase in return to offices/labs/fieldwork as COVID restrictions eased during the summer, although there is current uncertainty with prospects for the autumn and winter periods. As a result very few of our operational activities have had to be cancelled completely although most have been delayed or modified to some extent.

To make good use of time during the lockdown period, CABI undertook a strategic review to prepare for possible scenarios in the post-COVID "new normal" world. Five teams were established, looking at Publishing, Digital Development, the Donor Funding environment, Africa and Asia so as to enable a mixture of geographic, financial and product based approaches. They were asked to develop multiple scenarios and to identify the opportunities and threats arising from each of those and then to focus on CABI's USP¹s and competitive advantage to adapt to those opportunities and threats. From that analysis they looked at how we might need to change the Medium Term Strategy. Each team then prioritized strategic options and developed action plans to address them. These will be reflected in the budgets and plans for 2021-23 that come forward to the Board and Executive Council.

The CABI-wide 'Your View Survey', carried out in August, had a 91% response rate from staff worldwide and showed good levels of staff confidence, engagement and morale had been maintained during the lockdown period. Use of the furlough schemes within the UK and Switzerland saved CABI around £250k which has been a valuable top up for the finances.

¹ unique selling proposition

Business Progress

Executive Council approved (by e:mail) the CABI management responses to the KPMG Review and these are being implemented. So far membership fees totalling over £1.9m have been received from 19 Member Countries including all 6 of the more developed countries. By the end of the year expected collection of fees is over £2.1m against a total invoice value of £2.65m. Ethiopia has now joined as a full Member Country. India and Mauritius are likely to remain as members following positive discussions, but sadly Cyprus and Bermuda have initiated processes to withdraw due to the fee increase.

CABI's Knowledge Business is performing strongly in both core Publishing sales and Digital Development project activities with revenue close to the original budget and operating surplus well ahead due to cost savings. The revenue risk to our core CAB Abstracts and Global Health databases has been significantly reduced by the negotiation of extended contracts with two major vendors – EBSCO and Clarivate – to develop enhanced databases providing greater full text content and analytical capability. Further enhancements to functionality and performance are planned to help retain subscription renewals through offering customers greater value for money. The Books business has seen improved performance relative to 2019 but with a shift in product mix from print to e-books. Commissioning of new titles is on track to hit the target of 72, although there is some slowdown in manuscript submission as authors are re-configuring their university courses for online delivery.

Two new products – The CABI Agriculture and Bioscience journal and the agriRxiv (pronounced agri-archive) pre-print repository were launched in June and are making good progress. An Author Services offering is being developed to provide English language editing, translation, transcription and infographics to help authors polish their papers for submission and will offer reduced rates for authors from CABI's less developed Member Countries. CABI is also developing a database of case studies in Tourism for launch in mid-2021. This will draw on successful experience from many partners to create a global resource which will help to restore a sector which has been hard-hit by COVID-19 in many member countries.

International Development business is slipping behind budget as delays to project implementation mount, although we have begun to resume fieldwork in countries where we have a physical presence. No significant project work has been cancelled but some activities have had to be modified or postponed until 2021. We are now seeing fewer requests for proposals in the development sector with some calls being cancelled, some on hold, and planned funding channelled to COVID-19 emergency interventions. The pipeline of opportunities has fallen but we still have a number of active proposals in play totalling £7.5M, excluding the major Plantwise Plus proposals (see below). Scientific output has been maintained with 83 peer-reviewed publication YTD, of which 38 are in journals with an impact factor of 2 or more. We will conduct our 5-year independent science review in Q4 with help from an international team of independent scientists who will assess CABI's scientific performance and strategy.

Our major programmes, Action of Invasives and Plantwise have made good progress despite the challenges of the pandemic. The Action on Invasives team has been heavily involved in fighting the large locust outbreak in Africa, India, Pakistan and South America through use of Green Muscle, a biopesticide developed by CABI and significant sales have taken place. There has also been good progress in development and trials of biocontrol agents against Fall Armyworm, Papaya Mealybug and Japanese Knotweed. Plantwise has introduced and evaluated a number of digital solutions for plant doctor training and delivery of advice to farmers. An impact evaluation, conducted by the Royal Tropical Institute (KIT) of the Netherlands on behalf of DGIS², came to a number of very positive findings on the impact of the programme as well as making useful suggestions to improve impact and coverage.

² DGIS: Directorate-General for International Cooperation, the Dutch Ministry of Foreign Affairs

These recommendations, and others from donors, will be addressed through the amalgamation of Plantwise and Action on Invasives into a new global programme, Plantwise Plus. This **10-year** programme aiming to reach **50 million women and men farmers in 20 countries** with help to make their farming more sustainable and to improve the quality and safety, as well as the quantity, of the food they grow with advice to:

- enhance knowledge and uptake of climate-smart plant health practices through responsive digital advisory tools.
- develop capacity and systems for local production and distribution of low-risk plant protection products
- increase supply of safer food through enterprises driven by women and youth to meet growing demand by consumers in rural, urban and peri-urban markets
- strengthen systems for detection and response to pest outbreaks

The programme will help deliver a vision of the future plant health system which will have the capability to predict, prevent and prepare for pest and disease outbreaks so as to reduce the damage caused through early and rapid responses to outbreaks and incursions. An important tool in this programme will be the CABI Bioprotection Portal, a free online resource funded by both donors and private sector organisations, offering information on biological control agents and other low-risk alternatives to use of pesticides. There has been positive donor support for long term funding of Plantwise Plus (up to 10 years) with signed commitments already in place with EU DG DEVCO³ and FCDO⁴ for £15m and further funding from DGIS and SDC⁵ in discussion.

The new Wallingford HQ has now been completed within budget and staff began to work from the new building from October 19th onwards. CABI received the final £6M payment from CALA on July 3rd having taken the decision to exit our old building early and have staff work entirely from home for a period of 3 months. The Egham site development proposals are to be reviewed by Runnymede Planning Committee in their November meeting (delayed from September due to COVID-19). The IT Team delivered the required computing infrastructure for the new building whilst also maintaining good cybersecurity with no significant breaches this year.

Financial Progress

Net revenue, at £22.6m, is £(2.2)m unfavourable to budget with a 9% decline on the prior year. Overall, there is Knowledge Business growth of 6% due to strong demand for digitally based project work so that project net revenue shows a 41% increase on the prior year while core Publishing Sales show 1% growth despite Covid-19. International Development is £(2,170)k behind budget due primarily to disruption and delays in implementation as a result of Covid-19, giving a 9% decline on prior year. Corporate net revenue is close to budget.

The total Operating Surplus at £268k is £484k ahead of budget, driven mainly by the Knowledge Business which is £497k ahead of budget with cost savings in addition to the solid revenue performance. However, these cost savings have been achieved by delaying new product development activities and may therefore impact long term growth. International Development is £(386)k adverse to budget, due to the substantial revenue shortfall, albeit with

³ EU DG DEVCO: The European Commission's Directorate-General for International Cooperation and Development

⁴ FCDO: UK Foreign, Commonwealth & Development Office

⁵ SDC: Swiss Agency for Development and Cooperation

some cost savings. Corporate is £373k favourable to budget due to significant cost savings and foreign exchange gains arising from the continued weakness of the pound.

Sept YTD	Revenue			Operating Profit		
£'000	Actual	Budget Var	Growth vs 2019 (%)	Actual	Budget Var	Growth vs 2019 (%)
Knowledge Business	9,048	2	6	3,396	497	35
International Development	11,209	(2,170)	(8)	209	(386)	45
Corporate	2,417	(66)	(19)	(3,337)	373	(4)
Total	22673	(2,234)	(9)	268	484	>100

The cash position, at net £14.7m, has strengthened significantly over the year due to the Wallingford development payment from CALA, although a significant proportion is also held on behalf of donors awaiting programme /project implementation. Looking ahead to 2021 and beyond, the donor funding in place should give an initial boost to revenue assuming full programme implementation is possible. However, reductions in future funding are highly probable and already visible. **Due to the low interest rates being used by the UK government to mitigate the impact of Covid-19, the liabilities of the UK Defined Benefit Pension Scheme will have increased significantly and we are therefore expecting a further increase in the scheme deficit when the statutory valuation takes place at the end of 2020.**

Introducing The New CEO

Dr Daniel Elger joined CABI as CEO on 1 September. Dr Elger studied medical sciences and gained a PhD in cancer biology. He then worked for a few years in STM (scientific, technical and medical) publishing before entering the biotech and pharmaceutical industry. For the past 18 years he held roles encompassing commercial, research and development, financial, business development, stakeholder relations and communications responsibilities in entrepreneurial biotech companies. Most recently he was Senior Vice President R&D and Chief Commercial Officer at Summit Therapeutics, a company specialising in the development of novel antibiotics.

Daniel Elger was attracted to CABI by its mission to apply science for human benefit and the breadth of its activities in support of this goal. He has been impressed by the gifted, committed and diverse team at CABI and the strong endorsement of the organisation's work that he has heard from Member Countries and other stakeholders.

Dr Elger's aspirations are to see CABI further expand the impact of its international development work; to identify, promote and exploit the ways in which CABI can offer distinctive value to its stakeholders, notably its Member Countries; to establish CABI as the best or 'go-to' organisation or partner of choice in its areas of work; to make membership of CABI indispensable; to promote innovation that can benefit CABI's stakeholders; and to put the organisation on a more solid and resilient financial footing for the future.

Some of the challenges faced were highlighted, under the categories of **Funding, Focus and Future**:

- **Funding:** how CABI procures the resources to support its mission.

- **Focus:** how CABI marshalls those resources to achieve impact.
- **Future:** how CABI adapts to meet future challenges
- **COVID-19** impacts all these areas and, whilst the impact on health and livelihoods has been very bad, it has also opened new opportunities to do things differently and to contribute to the agenda of 'build back better'.

Regarding **Funding**, the near-term outlook is challenging, as described above. Effort will be made to identify ways to diversify the organisation's revenue streams for the longer term, including new activities with higher margins that could enhance the organisation's financial position, reducing risk associated with the pension scheme and providing additional resources to support investment in development activities, e.g. through the CABI Development Fund. The experience with Conidia provides a good example of what can be achieved based on innovation from CABI.

Turning to **Focus**, the strategic review of the 'new normal' highlighted CABI's unique selling points. The organisation is well known for its core expertise in agronomy, entomology, microbiology, and extension. It is important to continue to invest in and renew the skills that underpin CABI's reputation and ability to deliver in these areas. At the same time, CABI's programmes are increasingly driven by a more holistic approach, looking at the whole plant health system, considering the value chains within which smallholder farmers operate, and with goals that encompass wider social priorities such as climate change and gender equity. To respond to this need, CABI has already made key hires in the areas of gender and climate change. The challenge is to evolve the organisation's skill base to meet new demands in a way that fits with and enhances the historic core offering, avoiding overreach and dilution of the USPs. Careful thought would be given to how this could be done in a flexible way, such that CABI was left well placed to meet evolving stakeholder needs and take advantage of the opportunities now available.

Looking to the **Future**, CABI needs to be positioned optimally for a fast changing world. Key themes to highlight here are:

- **scientific, product and service innovation**, which will be vital to staying competitive and developing any new revenue streams. In particular, CABI needs to adapt to ever more sophisticated use of data, modelling and digital approaches;
- **resilience**, both at a programme level – a sense that delivery will be achievable even in the face of disruptions such as those seen with COVID – and for the whole organisation, in terms of ability to manage through external financial shocks; and
- **relevance**, staying customer focused, listening to donors, customers, end-users of services and, crucially, Members to make sure CABI continues to serve their needs.

Dr Elger committed, as the new CEO, to build on the strong relationships built with Members during Trevor Nicholls' tenure, and to continue the exploration of how CABI can best meet individual Member Country needs. A revised benefit package for Members is to be launched by the end of January, building on the feedback from the recently returned questionnaires. In addition, following the recommendation of KPMG, an Executive Council Sub-Committee on Finance and Risk will be established, which will meet at least twice a year via teleconference.

Dr Elger's view is that despite real current challenges he felt very optimistic about what CABI could achieve in the future with the talents of its team, and looked forward to working closely with all Member Countries, donors and other stakeholders towards future achievements.