



Managing Carry-Over of Window 1 & 2 funds from 2016 to 2017

Purpose

This paper presents for System Management Board review, and if considered appropriate, approval of the guidelines and procedures that are to be followed and will be implemented by the System Management Office to:

1. Allow commitments of Window 1 and 2 funds to phase 1 CGIAR Research Programs (“CRPs”) at the end of 2016 for deferred payment in 2017.
2. Account for unspent and uncommitted Window 1 and 2 funds from phase 1 CRPs and how such funds will be managed, allocated and accounted for in phase 2 CRPs and global integrating platforms (“Platforms”) as approved by the System Council.

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Recommended Decision Points

1. Pursuant to the discussion below, the System Management Office puts forward for review, and if considered appropriate, approval by the CGIAR System Management Board (“Board”) of the following decisions:

Commitment of 2016 Window 1 and 2 funding before 31 December 2016

1. **The System Management Board approves**, for the purpose of ensuring that phase 1 Window 1&2 (“W1&2”) funding is managed effective and efficiently towards the end of 2016, and under the delegated authority of the System Council, the 2016 W1&2 commitment guidelines set out in table 1 of this paper (“2016 commitment guidelines”) as CGIAR guidelines that are applicable to all Centers and phase 1 CGIAR Research Programs (“CRPs”);

Use of unused and uncommitted 2016 funding in 2017

2. **The System Management Board:**
 - a. **Agrees** that for the purposes of implementation of the System Council’s decision that unused and uncommitted funding at 31 December 2016 (“Unused Funding”) be transferred to, and utilized by, the most appropriate phase 2 CRP (“carry-over amounts”) in consultation with Lead Centers, and that any such carry-over amounts be considered as part of, and not additional, to the W1&2 program budget for a particular phase 2 CRP or coordinating platform (together “phase 2 Portfolio”).
 - b. **Delegates** to the System Management Office authority to monitor and assure that carry-over amounts added to the disbursed amounts shall not exceed the overall approved budget or the equivalent of W1&2 funds by the end of the System Council approved contract period for the phase 2 Portfolio, if the System Council decides to establish overall or specific funding window ceilings.

Background

2. The 2016 CGIAR Financing Plan dated 14 December 2015 stipulates that carry-over of Window 1&2 funds (“W1&2”) from 2016 to 2017 is not possible.
3. However, at its first meeting in Paris on 12 July 2016, the System Council agreed that carry-over amounts could be transferred and used in 2017, delegating to the CGIAR System Organization the authority to manage the reallocation of those amounts. The System Council, in the same decision, also delegated authority to the System Organization to develop guidelines that specify the parameters under which Centers will be able to commit W1&2 funding for 2017 during the remainder of 2016.¹

¹ Decision Point: SC/M1/DP8, titled Phase 1 CRP Portfolio Unused Funding at 31 December 2016.

4. At the time of making its July 2016 decision, the System Council noted that it would review the application of the delegation of authority, through its review of system-wide financial reports and the System Management Board's proposals for the allocation of Unallocated Funding, as defined in the CGIAR System Framework.
5. As the decision making body of the CGIAR System Organization, the Board requested that the System Management Office present for Board approval at its 2nd meeting, proposed guidelines to govern the implementation of the System Council's decision in regard to both the 2016 commitment approach, and the use of carry-over amounts.
6. The Board's authority to approve such guidelines is set out in Article 8.1(r) of the Charter of the CGIAR System Organization, which provides as follows:
 - (r) *Adopt, and monitor compliance with, all necessary CGIAR Policies, procedures and **guidelines** and research standards for the CGIAR Portfolio, ... and take corrective action when required*
7. With the Board's approval of the two sets of proposed guidelines:
 - a. Centers will be able to clearly identify the amount of Unused Funding for which the System Management Office proposes to apply the carry-over amounts guidelines from the phase 1 CRP to the phase 2 Portfolio; and
 - b. There will be a level-playing field amongst all the Centers, creating additional confidence that the CGIAR System is maximizing efficiency and effectiveness throughout.
8. Since the portfolio of CRPs and Platforms for the second phase is not yet final, the process of managing and directing the Unused Funding will require the identification, reporting, tracking and finally re-allocation to the relevant CRPs or Platforms that are in place in 2017, after approval by the System Council of the new CGIAR Portfolio.
9. Prior to presentation to the Board for review, a draft of the Guidelines in parts A and B as now proposed below were shared with Center Corporate Services Executives for input.

Part A - Proposed 2016 Commitment Guidelines

10. The following guidelines are presented to assist the respective Lead Centers to determine if certain commitments of W1&2 funds in 2016 by a Participating Partner Center are justified to be deferred for payment in 2017.
11. On 16 December 2016, Lead Centers will submit a summary of commitments with details by Center.

12. It is recognized that certain services, purchases of equipment, or sub-grants might have been contracted in 2015 or 2016 but that delivery of the goods and services may only take place by early 2017 because of supplier or partner related planning cycles and/or delays. This type of situation would be supported by appropriate documentation that is already in place, which provides information on the initially agreed upon delivery intention.

13. A Lead Center may request the necessary documentation from a Participating Partner Center in case of disagreements about certain commitments. Likewise, the Lead Center may request the Participating Partner Center to justify certain pre-payments if deemed unreasonable.

14. Table 1 below sets out the proposed conditions under which goods and services can be committed with W1&2 funds in 2016 for payment in 2017 or pre-paid in 2016 for goods and services delivered in 2017 related to phase 1 CRPs.

Table 1: Proposed 2016 Commitment Guidelines – W1&2 funds

Appropriate	Inappropriate or not to be considered
<ul style="list-style-type: none"> • Seminars, training courses and capacity building events including related expenses that for certain reasons had to be delayed and are required in order to deliver promised CRP phase 1 results, as long as such events were planned prior to 26 October 2016 which is 30 days after the approval of this document by the System Management Board, expected by 27 September 2016. • Purchase of capital items as long as purchase contracts were signed prior to 26 October 2016, but delivery is delayed because of supplier related issues • Letters of Agreement or consultancies that had to be extended prior to 26 October 2016 because delivery of services was not feasible in 2016 due to circumstances beyond the control of the CRP or Center and its fulfillment is required to meet established targets in the Phase 1 CRPs (2010-2016). • Other items or services not listed may be considered by the Lead Center. 	<ul style="list-style-type: none"> • Salaries and benefits • Additional consultancies • Redundancy or severance payments • Pension accruals • Repatriation costs • Travel • Per diems • Hotel bills • Mayor capital purchases or service agreements commencement of purchasing process before 26 October 2016 but contracted after 26 October 2016 by the System Management Board ² • Depreciation charges

² Capital equipment: a list of items with a value of at least USD 3,000 and a useful life of more than one year. Goods that do not fit this definition should be included under Supplies and Services. Items assigned to a specific position (e.g. vehicles, office computers, space etc.) cannot be budgeted as capital equipment but rather be charged based on usage to Personnel or Supplies and Services.

Part B - Proposed Carry-over Guidelines

15. The System Management Office will fully account for all W1&2 funds made available to the CRPs for the years 2015-2016 as follows:
 - a. Lead Centers to report on total W1&2 funds received and disbursed to Participating Partner Centers. In addition, on 16 December 2016 Lead Centers to report to the System Management Office as to which Participating Partner Centers held the commitments approved as carryover for the CRP at the end of 2014 (*Refer to Exhibit 1 to this paper, and specifically column e in the provided table*).
 - b. All Centers to report on total W1&2 spending by CRPs in their Centers audited Financial Statements. Unspent balances should be reported as advances from the CGIAR Fund or from Lead Centers in the respective Centers audited Financial Statements as of end of 2016 (as is the current practice). Any overspent amount in 2016 will not be reimbursed by the CGIAR Fund and cannot be carried forward for payment in 2017 with phase 2 W1&2 funds.
 - c. The System Management Office will consolidate (a) W1&2 funds received and expensed by Centers, including amounts undisbursed by the Lead Centers (if any) at the end of 2016 and (b) commitment reports submitted on 16 December 2016. The report will indicate the amount of unspent and uncommitted funds by Centers and the amount undisbursed by the Lead Centers (the System Management Office will reconcile total funds received by Lead Centers and Participating Partner Centers against total funds disbursed from the CGIAR Fund).
 - d. After final approval of the phase 2 Portfolio, and after Participating Partner Centers for each CRP and Platform have been identified and accepted, the System Management Office, after consultation with the respective Lead Centers, will provide additional recommendations to the System Management Board on the proposed re-allocation of the phase 1 carry-over amounts. This will take into account the Center where the funds are kept and which CRP or Platform the Center holding the unspent W1&2 funds participates in. It is assumed that the unspent W1&2 funds are small enough to conclude that these funds can be treated as W1 funds in its entirety, such that these funds are considered fully unrestricted and re-allocation at CRP or Platform level is straightforward. In the event that unspent funds held by a Center are substantial enough to consider that there could be W2 funds in the mix, further analysis will be conducted by the System Management Office to identify and segregate W1&2 funds. This will be done to preserve the integrity of the earmarked funds from W2 for a particular theme or priority area as was the intention by the Funder when providing these funds, so that the same consideration can be given during the re-allocation of such funds to phase 2 Portfolio.

- e. Should the System Council decide to apply annual or overall (6 year) W1&2 funding ceilings for phase 2 CRPs/Platforms, the System Management Office will ensure that W1&2 carryover from 2016 will not exceed the approved overall W1&2 funding ceiling, as may be the case, in accordance with the decision taken by the System Council in July 2016.

SMB2-03, Exhibit 1
Extract of Memo between the CGIAR Consortium and the Fund Office
5 June 2015 (Revised)

Interpretation note:

This Exhibit 1 is an extract of a memo between the former CGIAR Consortium and the former Fund Office that set out the agreed framework for commitments approved as carryover for the CRP at the end of 2014. The full memo is held as an administrative record of the CGIAR System Organization.

[By reference to the table that follows]...The Consortium submitted accounts for all Window 1 and Window 2 funds disbursed from the CGIAR Fund from inception for each CRP to 31 December 2014.

It was also agreed that 2015-2016 extension phase is a continuum of the multi-annual CRPs that commenced operating before the end of 2014. Therefore, any committed funds exceeding the balance remaining as per column "c", in the table, should be eligible for funding using a part of their 2015-2016 budget, on condition that the approved limits for the 2015-2016 are not breached.

Therefore:

1. AAS, GRISP and FTA overspend in 2014 can be charged against their 2015-16 W1-2 budget as indicated in the 2015 and 2016 FinPlans and is not additional to it (or be funded from other center income or reserves).
2. That the commitments indicated in column (e) can be funded from the W1-2 funds already disbursed to CRPs as indicated in column (a) for the period to 31 December 2014.
3. That the remaining commitments indicated in column (f) can be charged to their W1-2 budgets for the period 2015-16 as indicated in the 2015 and 2016 FinPlans and is not additional to it.
4. That the remaining W1-2 that is unused as indicated in column (g) will need to be physically returned to the CGIAR Fund, with the exception of the Genebank program that has not been subject of the extension, but is a continuous contract.

Table: from 5 June 2015 memo

in \$ million							
	W 1 & 2 Disbursed from Fund	Cumulative Expenses as at 31 December 2014	Balance Remaining	Commitments Funding Requested by Lead Center	Commitments to be Funded from W1&2 for the Period to 31 December 2014	Commitments to be Funded from 2015-16 W1&2	Amount remaining from W1&2/Unused
	<i>a</i>	<i>b</i>	<i>c = a - b</i>	<i>d</i>	<i>e = lower of c and d; zero if c is negative</i>	<i>f = d - e</i>	<i>g = c - e if positive or zero if negative</i>
Dryland Systems	40.73	38.93	1.80	0.64	0.64	-	1.16
Humid Tropics	36.59	33.97	2.62	1.93	1.93	-	0.70
AAS	37.82	38.21	(0.39)	0.35	-	0.35	-
PIM	72.01	66.94	5.07	5.68	5.07	0.61	-
Wheat	40.97	40.31	0.66	0.87	0.66	0.21	-
Maize	49.85	49.09	0.76	0.50	0.50	-	0.26
GRISP	138.52	139.60	(1.08)	-	-	-	-
RTB	85.21	82.75	2.46	2.42	2.42	-	0.04
Grain Legumes	45.06	43.58	1.48	1.79	1.48	0.31	0.00
Dryland Cereals	20.54	19.60	0.94	1.79	0.94	0.85	-
Livestock and Fish	44.83	34.34	10.49	2.40	2.40	-	8.09
A4NH	69.25	61.95	7.30	2.87	2.87	-	4.43
WLE	85.26	70.99	14.27	26.69	14.27	12.42	-
FTA	95.90	98.14	(2.24)	-	-	-	-
CCAFS	165.67	164.78	0.89	0.66	0.66	-	0.23
Genebanks	69.23	58.77	10.46	0.01	0.01	-	10.45
Total	1,097.44	1,041.95	55.49	48.58	33.85	14.74	25.35