

## Policy issues for 2017 CGIAR Research Financing Plan

### Purpose

This document sets out, for System Management Board review and input:

- Policy issues for 2017 CGIAR Research Financing Plan; and
- Annex 1: Draft 2017 CGIAR Research Financing Plan (FINPLAN).

### Action Required:

Under the policy section the Board is asked to provide guidance on 4 policy decisions. Those inputs would inform revisions to the document after SMB5 and a proposed final FINPLAN will be circulated as a final version for approval.

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## Policy issues for 2017 CGIAR Research Financing Plan

These main policy questions emerge from the attached draft 2017 FINPLAN (annex 1) - whether the spending target of US\$191 million remains feasible and if not, what measures could be taken, and how to manage Window 1 to support the achievement of the 2017 funding allocations.

This short note presents information to support decisions needed on:

- DECISION 1: whether to maintain existing CRP/platform financial targets, and if not, what measures should be taken.
- DECISION 2: how best to use W1 in support of achieving the strategic funding objectives of the System Council for 2017.
- DECISION 3: how to treat Platforms in the face of cuts.
- DECISION 4: whether to approve the draft FINPLAN (annex 1) subject to amendments based on the decisions above.

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### **DECISION 1: whether to maintain existing CRP/platform financial targets, and if not, what measures should be taken.**

As set out in the draft 2017 FINPLAN, the central estimates used for the 2017 System Council allocation for W1/2 remain quite ambitious but potentially achievable – see Section 2 of the draft FINPLAN for a more detailed analysis, and handouts shared with the meeting with latest funder forecasts. However, there are several uncertainties around the numbers originating from the USA and other key donor funding and the possibilities of funding shifting between windows (potentially from W1 to W2, and W3 to W2).

The draft FINPLAN contains a brief analysis of funding trends. In addition, the System Management Office recently undertook a risk analysis of exposure to funding from the USA. Headlines (using 2016 data for W1, 2 and 3, but using 2015 bilateral data) are:

- **Overall:** in 2015, USA contribution: 202 US\$ million accounted for 21% of total contributions to CGIAR. In 2016 – assuming they maintain the same level of bilateral funding – will increase their share to about 25%.
- **By window:** in 2016, USA accounted for 15% of W2 and 56% of W3. In 2015 they accounted for 9% of bilateral contributions.
- **By Center:** there is a lot of variance of Center-level exposure - most exposed in 2015 were WorldFish (30% of revenue), IFPRI (29%), CIMMYT (29%), ICRISAT (26%), CIP (22%) and IITA (18%). The rest taper evenly from 10 to 5%.
- **By CRP:** we don't have W3 data broken down at the CRP level yet for 2016. In terms of their \$15.5m W2 funding, most exposed were Wheat (26%), GRISP (23%), Livestock and Fish (19%), with the rest less than 10%.

**Guidance is sought from the Board on whether the following text in the draft FINPLAN aims to provide appropriate and clear guidance:**

“While the overall W1/2 funding picture based on the indicative Funder allocation made in Mexico remains potentially achievable, geopolitical uncertainties combined with possible currency fluctuations and significant (40%) funding pending approval, it seems prudent for Lead Centers and CRPs to avoid fully committing the full System Council 2017 indicative allocation until mid-way through the year when a more accurate projection is available.

A useful guide at this point is the possibility of an approximately 10% variation of the combined W1/2 end of year overall outcome set out in Section 2 below, indicating that **Lead Centers and CRPs may wish to under program by this amount pending clarification during the course of the year.**”

**DECISION 2: how best to use W1 in support of achieving the strategic funding objectives of the System Council for 2017.**

The issue is how to use W1 in the presence of funding gaps between W2 outcomes and System Council indicative allocations (noting that section 1 of the draft 2017 FINPLAN covers the eventuality of more funding being received than planned).

SMB4 discussed this question in the context of 2016 financing – the meeting minutes are as follows:

“18. The following points were raised concerning 2017 and beyond:

[...] (f) Whilst not necessarily the perfect tool in terms of meeting the expectations of all the various stakeholders over the longer term, as matters stand for 2017, it would be prudent for the Board to re-link W1/2 funding as a 2017 measure to bring essential stability whilst the System Council had its broader conversation on funding modalities.”

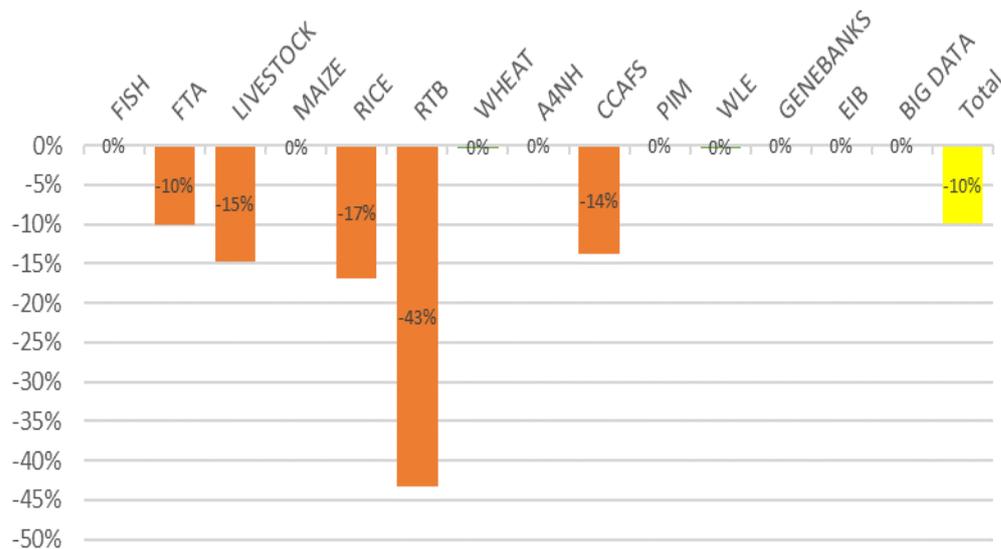
For completeness, a full range of approaches are analyzed below on the use of W1, although **the Board may wish to consider options 3 and 4 because only those options re-link in advance W1 with W2:**

**Approach 1 - “Undefined until year-end”:** an ex post approach which defers a decision on how to address funding gaps until later in the year. This would enable more flexibility in response depending on having clearer information at the end of the year, although would reduce the predictability and potentially therefore the credibility of system-level finance.

**Approach 2 - “Fixed in advance – winner takes all (W2)”:** equal amount of W1 would be allocated to each CRP up to the System Council indicative W1/2 allocation and not adjusted for W2 end-of-year outcomes. This gives a major incentive for W2 fundraising for CRPs by not reducing W1 1:1 for each W2 contribution. However, when applied in 2016 this led to

some CRPs receiving less funding than programmed and only being made aware of this at the end of the year. This approach provides the largest variation between CRP outcomes and System Council indicative allocations.

**Approach 2: assuming a 10% cut to both W1 and W2** (W1/2: 90% = \$172m; W2<sup>1</sup> as per footnote; CRPs each allocated \$5.1 million (up to total W1))



**Approach 3 - “Middle ground – partial filling of funding gaps”:** W1 would be allocated across all funding gaps between W2 and System Council indicative W1/2 allocations such that these are reduced by the same percentage amount until W1 funding is exhausted. This would aim to offer a middle ground between full and zero coverage of the gap with W1, thus creating some incentive for W2 fund-raising while partially helping reduce gaps for all CRPs (just at different rates). Compared to approach 2 above, this would narrow the gap between W2 outcomes and System Council indicative allocations, but still add a greater level of unpredictability to the outcome than Approach 4 below.

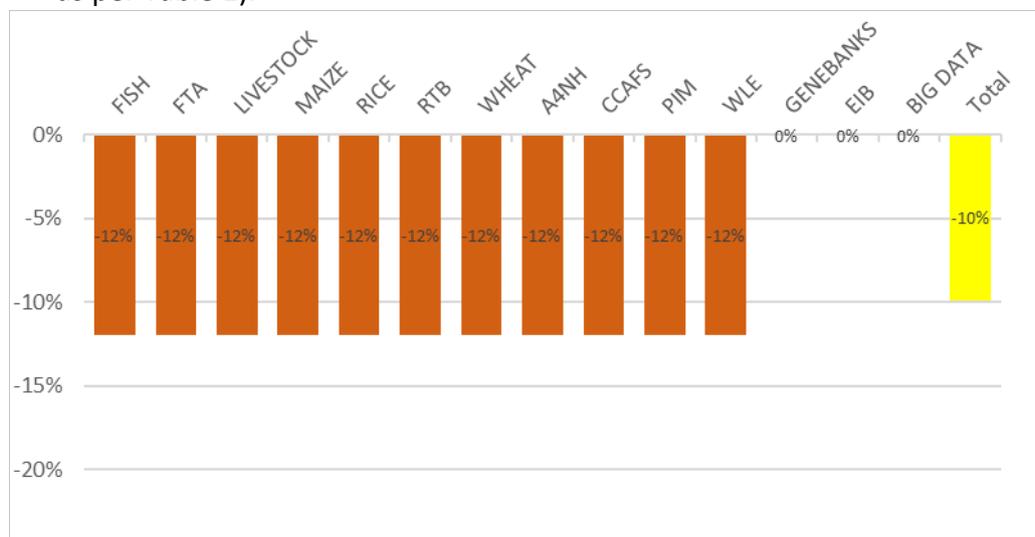
<sup>1</sup> This uses – for illustration purposes - an approximate estimation of W2 allocation by CRPs and Platforms as follows: FISH \$1.3m; FTA \$3.2m; LIVESTOCK \$7.7m; MAIZE \$8.0m; RICE \$9.3m; RTB \$8.4m; WHEAT \$12.5m; A4NH \$17.0m; CCAFS \$14.3m; PIM \$14.1m; WLE \$6.6m; GENE BANKS \$4.9m; EIB \$1.4m; BIG DATA \$1.4m

**Approach 3: assuming a 10% cut to both W1 and W2 (W1/2: 90% = \$172m; W2 as per Table 1)**



**Approach 4 - “Egalitarian – cuts applied equally across CRPs”:** equal application of a possible cut irrespective of the level of W2 funding already received by CRPs. W1 is allocated such that all CRPs face the same percentage reduction of W1/2 from their System Council allocation until W1 funds are exhausted. This has the advantage of being optimal in terms of getting closest to the original System Council allocation, although it does not provide an immediate incentive for CRP fundraising (except when 100% of the System Council can be raised from W2).

**Approach 4: assuming a 10% cut to both W1 and W2 (W1/2: 90% = \$172m; W2 as per Table 1).**



The above approaches take as a starting point that performance is already taken into account in the original CRP/platforms allocations of the System Council, hence they do not themselves seek to add an additional direct performance assessment in the decision on which CRPs/platforms should be cut. It would in any case be quite difficult to assess performance over a matter of months during a year. Further, while *ex ante* performance-based programming is an aspiration of the performance management system workplan, *ex post* performance-based allocation does not make business sense in a situation where Centers will have already programmed most or all of the System Council indicative allocation based on an expectation of the funding being provided by the end of the year. To note,

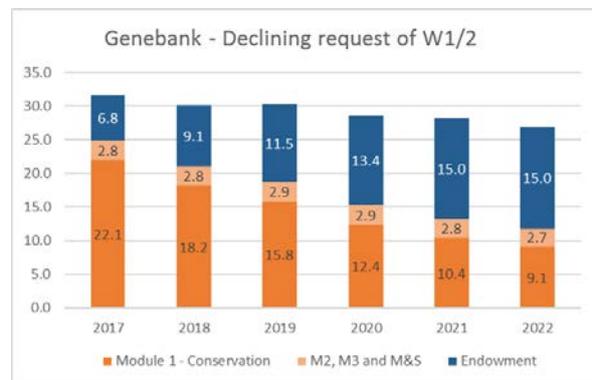
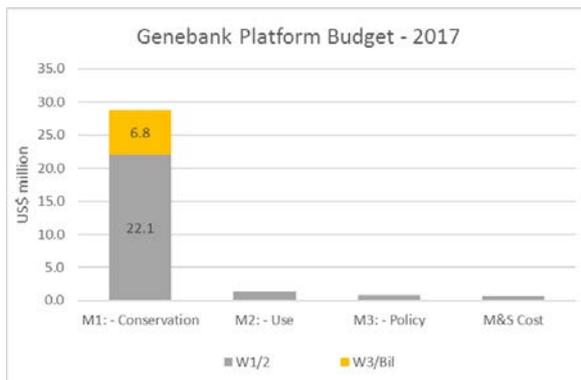
there is an indirect performance element introduced in approaches 2 and 3 in that those with strong W2 contributions are rewarded.

**DECISION 3: How to treat Platforms in the face of possible cuts.** Specifically, whether:

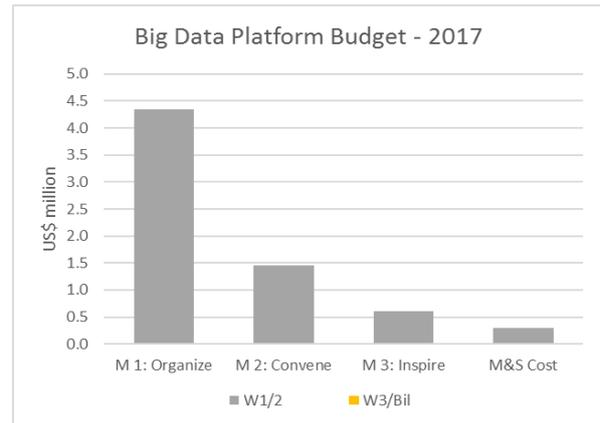
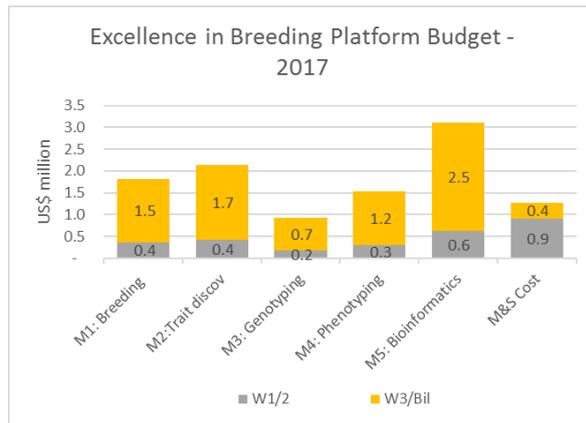
1. Some or all Platforms should have first call on available W1 resources if their W2 allocations are below their System Council indicative allocations, or
2. Some or all Platforms should face the same approach as 1-4 above in terms of using W1 to address any underruns in their W2 allocations.

Some background:

In 2017 the **Genebanks Platform** requires \$24.9 million of W1/2 funding for 4 Modules. Module 1, which supports the conservation effort of 9 Center Genebanks, requires \$22.1m. Module 2 and 3 and Management & Support cost require a total of \$2.8m. The reason for the increased request in 2017 from the average of \$17m during phase 1 to \$22.1m in 2017, is the inclusion of “plant health units” demanded by the ISPC as part of their recommendation. This requirement appears to be frontloaded into 2017. The GCDT is projecting an increase of the endowment contribution from \$6.8m in 2017 to \$15m in 2022 with the consequent reduction of W1/2 requirements, although this depends on the full endowment being raised.



**Excellence in Breeding** and the **Big Data Platforms** are both new platforms. In later years, it may be appropriate to raise expectations of W2 funding and thus limit W1 funding, although this may not be advisable in 2017. Of note, they have markedly different plans for raising W3 finance over the phase 2 period:



**DECISION 4: whether to approve the draft FINPLAN (annex 1) subject to amendments based on the decisions above.** Note that unlike in 2016, if approaches 1, 3 or 4 are taken on Decision 2 above, W1 and W2 allocations will not be predefined in the FINPLAN – instead, System Council indicative allocations will be reasserted, with (pending Decision 1) advice that would be updated regularly on the level of risk of under or over-shooting these allocations.

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Annex 1:     **DRAFT: 2017 CGIAR Research Financing Plan  
(2017 FINPLAN)**

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## 1. FINPLAN 2017 Guiding Principles for 2017 W1 Allocations

The objective of this 2017 FINPLAN is to achieve the 2017 funding allocations approved by the System Council in November 2016. These were in the form of total system-level (Windows 1 and 2 combined) funding allocations of US\$191 million<sup>2</sup>. The document also provides a Center perspective of the overall CGIAR Research plan (W3 and Bilateral projection).

The following guiding principles to achieve this objective for FinPlan 2017 were developed with the help of the Corporate Services Executive (CSE):

1. Platforms shall be fully funded at the System Council approved indicative W1/2 allocation level, if possible [pending System Management Board decision].
2. No overall budget ceiling at CRP or Platform level is imposed for W3 and Bilateral contributions.
3. W1/2 carry-over from 2016 phase 1 CRPs is excluded from the annual System Council allocation ceilings but shall not increase the overall CRP budget such that it exceeds the W1/2 6-year total budget (assuming the System Council will approve the 6-year W1/2 funding envelope).
4. Carry-over of W1/2 funding within the 6-year period of a CRP or Platform is possible if the approved total (6-year) W1/2 funding request is not surpassed (assuming the System Council will approve a 6-year funding envelope).
5. W1/2 funds for a specific CRP or Platform is unrestricted and indistinguishable when received by the Lead Center.
6. W2 provided by donors will be disbursed to Lead Centers, even if the amount is larger than the approved annual W1/W2 allocation. This requires lifting of the W1/2 program funding request in the event disbursements exceed the 6-year approved budget (assuming the System Council will approve the 6-year W1/2 funding envelope).
7. The final calculation of the W1 allocation to each CRP is determined only after the total W2 funding for the portfolio is confirmed (most likely Q3 or Q4).
8. Once total W2 funding for the year is confirmed, all CRPs and Platforms that have less than 100% of the total approved annual W1/2 allocation are eligible for W1 funds (subject to availability of W1 funds, excluding balancing funds).
9. W1 funds will be distributed to those eligible CRPs using a methodology approved by the System Management Board.
10. If less W1 funding is received than required to satisfy the System Council approved indicative W1/2 allocation, the System Management Board approved W1 allocation proposal shall be followed (section 2 below)
11. If more W1 funding is received than the required amount to fund CRPs and Platforms at the System Council approved 2017 W1/2 budget, such additional W1 funds will remain in

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<sup>2</sup> Funders indicative commitment \$180 million, balancing fund and re-allocation \$11 million

the balancing fund with the intention to: a) absorb changes in future funding commitments; b) provide flexibility in case of unforeseen shifts between W1 and W2 funding; c) build up resources allowing increased up-front W1/2 commitments.

## 2. March 2017 – Status of Funding Projections for W1/2, W3 and Bilateral

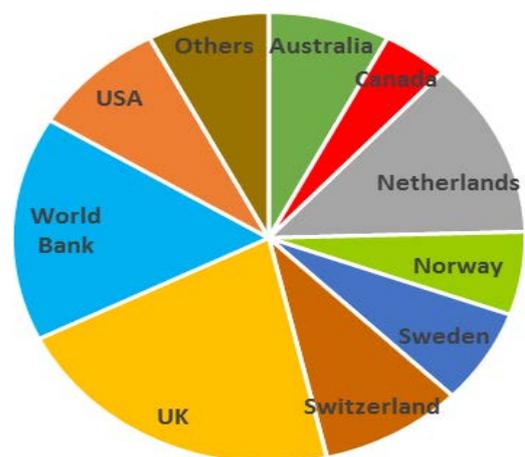
### Windows 1 and 2

During the Mexico System Council meeting the System Council members projected funding the CGIAR 2017 Portfolio with \$180 million of which \$90 million were expected to be contributed to Window 1 and \$90 million to Window 2. A subsequent exercise in form of a survey and various calls to key Funders was undertaken in March 2017 to forecast more accurately W2 funding for 2017 (see projected distribution by Funder – chart 1).

Key messages from this exercise are that as of March 2017:

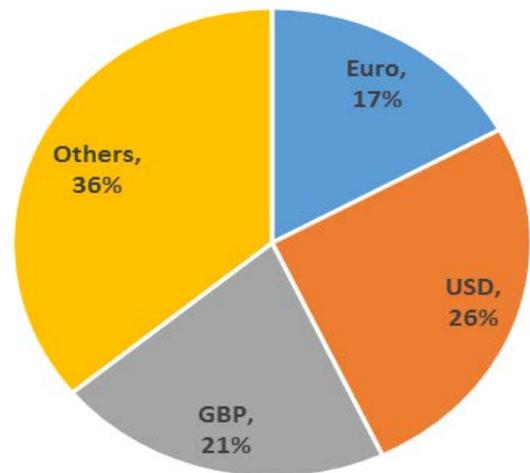
1. With some key exceptions, overall system funding appears to be **holding up reasonably well** against the estimates provided by Funders in Mexico in late 2016.
2. But there are several **uncertainties** around the numbers originating from i) political developments in key donors, ii) possible exchange rate uncertainties, and iii) the possibilities of funding shifting between windows (potentially from W1 to W2, and W3 to W2).

Chart 1  
Funding Projection by Funder

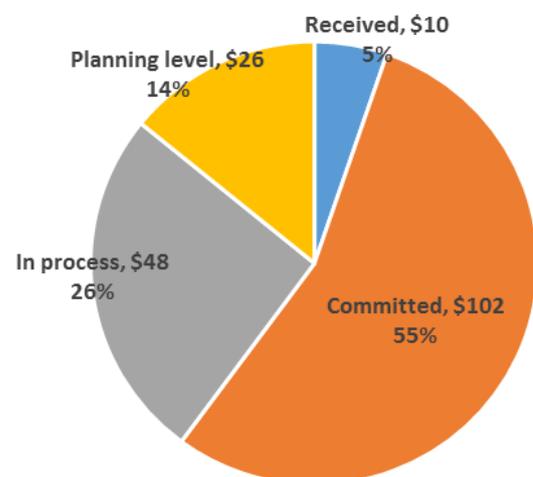


3. These uncertainties suggest a reasonable **confidence interval of 90% on the current assumptions.**
4. In numbers, this means that the central funding assumption remains the \$180 million of new W1/2 funding indicated for 2017 in the Mexico 2016 System Council meeting, **but with a potential under or overshooting of 10% (\$18 million).**
5. **W1/2 funding risks are not all downside:** there remains a potential for additional contributions based on increasing confidence on the CGIAR system in terms of the outcome of its recent governance reforms, its results-management system and processes for prioritization.
6. Compared to the funding assumptions for the 2017 System Council allocation, FINPLAN 2017 projects a shift from W1 to W2 (that the **W1:W2 distribution** will be \$80 million (W1): \$100 million (W2) instead of the \$90 million: \$90 million originally predicted for 2017.)
7. In terms of **currency denomination (chart 2)**, the projected contributions vary widely from USD (26%), GBP (21%), Euro (17%) and others (34%).
8. In terms of **security of funding (chart 3):** only \$10 million (5%) has so far been received in W1/2, but a further \$102 million (55%) is already committed but not formally approved by Funders, and \$48 million (26%) is in the process of approval - leaving \$26 million or 14% at the planning level.

**Chart 2**  
Currency Mix



**Chart 3**  
Level of Security



### **Window 3 and Bilateral Center Projection**

To give an overall CGIAR Research view of projected revenues, CSE directors in January 2017 provided Center projections of both W1/2 and W3 and Bilateral funding. W1/2 matches very closely with the System Council indicative allocated W1/2 funding to CRPs and Platforms (only \$2 million difference). The W3 and Bilateral projections exclude the risk associated with geopolitical developments which some Centers apply to their budgets. However, a significant

difference exists between W3 and Bilateral funding projection made by CRP/Platform and Centers. It is assumed that the actual amount will be in between the CRP/Platform forecast and the Center projection.

	Center 2017 Projection - CSE January 2017				Projected CGIAR Research
	Projected W1/W2	Projected W3 + Bil portfolio	Projected non-portfolio (non-CRP)	Projected non-portfolio on CGIAR Research	
AfricaRice	4.0	12.7	10.3	38%	27.0
Bioversity	8.8	19.7	3.0	10%	31.5
CIAT	22.9	59.4	2.0	2%	84.3
CIFOR	5.3	29.3	8.4	20%	43.1
CIMMYT	27.8	102.5	10.1	7%	140.4
CIP	20.2	37.2	1.5	3%	58.9
ICARDA	5.3	25.2	9.1	23%	39.6
ICRISAT	5.2	29.1	6.4	16%	40.7
IFPRI	23.2	101.4	22.8	15%	147.4
IITA	9.9	102.7	8.9	7%	121.5
ILRI	21.4	35.3	15.0	21%	71.7
IRRI	16.8	46.0	12.0	16%	74.8
IWMI	6.1	8.6	0.5	3%	14.7
ICRAF	8.2	52.7	4.9	8%	60.9
WorldFish	3.8	25.7	na	na	29.5
<b>Total Center</b>	<b>189.0</b>	<b>687.5</b>	<b>114.9</b>	<b>12%</b>	<b>986.2</b>

### Overall Funding Estimates

For the 2017 FINPLAN the following funding levels are estimated:

As of January 2017	W1-2	W3	Total Fund	Bilateral Portfolio incl. from removed CRP and FPs	Non-CRP outside of Portfolio	Total FinPlan
<b>Opening Balance (Balancing Fund)</b>	<b>\$30</b>					
W1 indicative commitment of which \$10 received in advance <sup>3</sup>	\$90					
W2 indicative commitment	\$90					
<b>Total Expected Funding</b>	<b>\$210</b>	<b>\$290</b>	<b>\$500</b>	<b>\$373</b>	<b>\$115</b>	<b>\$988</b>

<sup>3</sup> In December 2016 \$10 million W1 funding was received from two Funders as an advance payment for 2017 - of which \$3.6 million was specifically provided for the 3 Platforms.

### 3. Year-end Expected Fund Status

Given the above assumptions on funding and the indicative funding allocation approved by the System Council, the Trust Fund is projected to have approx. \$17 million left as balancing fund by the end of 2017:

As of January 2017	W1-2	W3 and Bilateral Portfolio	non-Portfolio or non-CRP	Total
<b>Total Projected Funding</b>	<b>\$210</b>	<b>\$688</b>	<b>\$115</b>	<b>\$1,013</b>
W1 (March projection)	(\$80)			
W2 (March projection)	(\$111)			
System Cost (replenished by CSP)	(\$16)			
Balancing Fund CSP adjustment	(\$4)			
CSP income (projected)	\$18			
<b>Total Projected Use</b>	<b>(\$193)</b>	<b>(\$688)</b>	<b>(\$115)</b>	<b>(\$995)</b>
<b>Balance carried forward</b>	<b>\$17</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17</b>

### 4. [2017 CRP Budgeting Considerations]

[While the overall W1/2 funding picture based on the indicative Funder allocation made in Mexico remains potentially achievable, geopolitical uncertainties combined with possible currency fluctuations and significant (40%) funding pending approval, it seems prudent for Lead Centers and CRPs to avoid fully committing the full System Council 2017 indicative allocation until mid-way through the year when a more accurate projection is available.

A useful guide at this point is the possibility of an approximately 10% variation of the combined W1/2 end of year overall outcome set out in Section 2 below, indicating that Lead Centers and CRPs may wish to under program by this amount pending clarification during the course of the year.]

### 5. Allocation of W1 to CRPs and Platforms

A key variable in this FINPLAN is how best to use W1 in support of achieving the strategic funding objectives of the System Council for 2017. Two key parameters are System Council

indicative allocations – which are already known, and actual W2 outcomes – which will only become known at the end of 2017.

The question of how best to use W1 is part of a broader assessment of how to optimize CGIAR funding modalities, with a paper due for the System Council in May 2017.

For 2017, this FINPLAN sets the approach on the relationship between W1 and W2 for either a fully-funded or deficit scenario as follows: [defers a decision on how to address funding gaps until later in the year.] [W1 fixed in advance, the 2016 approach - W1 contributions to each CRP fixed in advance and not adjusted for W2 end-of-year outcomes.] [the funding gap is filled in equal proportions for all CRPs] [W1 is allocated such that all CRPs face the same percentage reduction of W1/2 from their System Council allocation until W1 funds are exhausted].

All Platforms would have [first call on available W1 resources] [face the same approach as 1-4 above in terms of using W1 to address any underruns in their W2 allocations.]

## 6. Disbursement of W1 and W2 Funding

- The System Management Office will request quarterly disbursement of W2 funds or more frequently if fund inflows happen towards the end of the year.
- The System Management Office will request quarterly disbursement of W1 funds on a proportionate (equivalent percentage) basis as per annual W1/2 System Council approved indicative allocation.
- All funds disbursed will be considered as advances only against the final calculated allocation, regardless of the “Window” that the funds are received.
- Initially disbursed W1 funds might be claimed back if replaced by later W2 allocations, allowing to maintain a proportionate basis to the approved annual W1/2 allocation amongst CRPs and Platforms. Options shall be explored to adjust disbursed W1 funding in the following year instead of claiming back. Such flexibility depends on funds available in the balancing fund

The System Management Office is preparing a real-time dashboard showing up-to-date information on CRP and platform-level funding and disbursements to Lead Centers. The dashboard can be visited by clicking on the following link:

<https://public.tableau.com/profile/publish/Funding-Update-2017/Story1#!/publish-confirm>

## 7. System Council Approved W1/2 Indicative Allocation for 2017

	<b>System Council indicative allocation for 2017</b>	
	<b>All Funding Sources</b>	<b>W1&amp;2</b>
GLDC	0.0	0.000
FISH	17.6	3.769
FTA	71.1	8.827
LIVESTOCK	37.3	14.018
MAIZE	65.6	11.311
RICE	78.3	16.113
RTB	113.9	22.224
WHEAT	42.8	14.810
A4NH	90.8	19.446
CCAFS	56.9	20.778
PIM	92.3	18.274
WLE	47.9	7.913
GENEBANKS	31.6	24.861
EIB	10.0	2.000
BIG DATA	6.7	6.705
<b>Sub-total</b>		<b>191.050</b>
OA-OD <sup>1</sup>		-2.624
Balancing fund <sup>2</sup>		-8.400
<b>Total</b>	<b>762.8</b>	<b>180.026</b>

<sup>1</sup> Adjustment for Open Access /Open Data funds held

<sup>2</sup> Contribution from balancing fund