

Center Financial Result - 2016

1. Center Revenue, Expenditure and Operating Results - 2016

The System Management Office regularly aggregates financial expenditure projections of year-end results, forecasted by Centers. For 2016 such projections are available comparing the approved 2016 FinPlan with year-end forecast for Q3, and Q4. At the end of February 2017 Centers provided the first draft Statement of Activity (SoA) and on 31 March 2017 the audited Financial Statements (not Board approved) are submitted.

The draft SoA provided end of February projected expenditures remaining about flat with the December projection and 3% down from Q3. The draft result at System level projected a deficit of \$5.4 million. However, this result was favorably impacted by a non-operating income of \$4.3 million reported by ICRISAT, the result of the sale of a piece of property.

Only on Tuesday 2 May 2017, the last draft audited Financial Statement was received. Final System expenditures are \$906.4 million or 94% of the FinPlan (Table 1). CIFOR informed shortly after providing the February draft result that an adjustment of W1/2 revenue will impacted the result to the tune of approximately \$4.8 million. Hence, the final result at System level is a deficit of \$10.4 million, including the ICRISAT non-operational, one-off windfall (Table 1). Non-CRP research amounts to \$151.1 million or 17% of total expenditure.

Table 1

	CGIAR 2016 FinPlan				2016 Centers' Audited FS					Actual vs Finplan
	CRP	Non -CRP	Non -CRP %	Total Budget	CRP	Non -CRP	Non -CRP %	Total Expend.	Surplus (Deficit)	
AfricaRice	19.7	6.2	24%	26.0	17.3	6.7	26%	26.2	(2.2)	101%
Bioversity	31.2	4.3	12%	35.5	21.9	9.9	32%	30.6	1.2	86%
CIAT	72.7	-	0%	72.7	68.9	3.8	5%	73.0	(0.3)	100%
CIFOR	30.7	3.2	10%	33.9	27.4	4.2	12%	36.4	(4.8)	107%
CIMMYT	124.7	29.1	19%	153.8	104.7	17.6	14%	123.9	(1.6)	81%
CIP	49.3	1.4	3%	50.7	43.3	7.4	14%	51.6	(0.9)	102%
ICARDA	30.7	8.7	22%	39.4	27.5	12.9	32%	40.4	0.1	103%
ICRAF	66.5	9.2	12%	75.6	52.4	9.5	15%	63.5	(1.6)	84%
ICRISAT	57.1	4.3	7%	61.5	50.5	12.1	22%	55.0	7.6	89%
IFPRI	103.7	11.7	10%	115.4	107.2	8.7	7%	115.6	0.2	100%
IITA	88.8	8.0	8%	96.8	88.0	9.5	10%	98.9	(1.4)	102%
ILRI	40.0	24.8	38%	64.8	45.1	23.3	34%	69.2	(0.8)	107%
IRRI	68.0	4.3	6%	72.4	56.6	3.4	5%	62.7	(2.7)	87%
IWMI	31.9	1.1	3%	32.9	25.7	2.4	8%	29.8	(1.7)	90%
WorldFish	8.6	20.2	70%	28.8	8.5	19.7	66%	29.6	(1.5)	103%
Total for CRP & NON-CRP	823.7	136.4	14%	960.1	745.0	151.1	17%	906.4	(10.4)	94%
System Entities				18.3				16.2		88%
Total System				978.4				922.6		94%

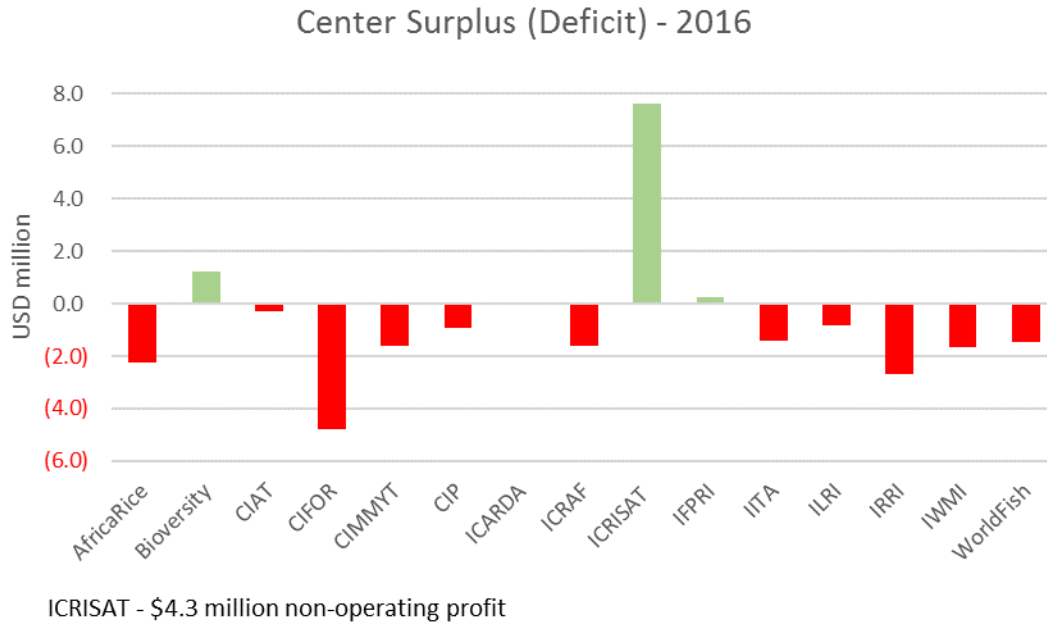
Notes: ICRISAT reported a non-operational gain of \$4.3m resulting from the sale of a property

Cost for System Entities is reported at \$16.2 million compared to the approved budget of \$18.3 million which is 12% below budget (Table 1). For additional System cost information see Chapter 5.

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It is noticeable that in 2016, 11 out of 15 Centers present a deficit (Chart 1). This is an indication of the Window funding structure which no longer provides unrestricted funding.

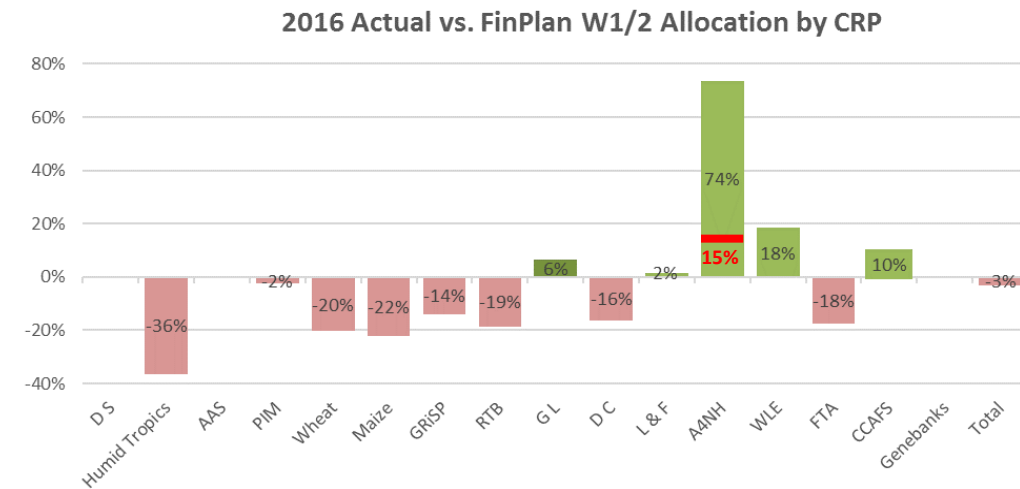
Chart 1



2. Window 1 and 2 allocation - 2016

Overall W1/2 funding was at 97% or \$175 million of FinPlan but due to de-linking of W1 from Funder allocated W2 funding, an under and over allocation resulted between CRPs (Chart 2). It is important to note that the 74% of A4NH additional allocation is a result of incorrectly accounting for W2 allocations in 2015 and that the actual additional allocation would otherwise have been around 15% (red line)

Chart 2



W1/2 expenditure of \$175 million account for 19% of total expenditure of \$906 million. W3 expenditure

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account for \$399 million or 44% and Bilateral and Center own funds made up the difference of \$332 million or 37%.

3. Fund inflow and disbursements - 2016

Charts 3 and 4 show how funds were received and disbursed in 2016. It is evident that most of the funds from the Trust Fund are only available to Centers (Lead Centers for W1/2) during the 2nd half of the year.

Chart 3

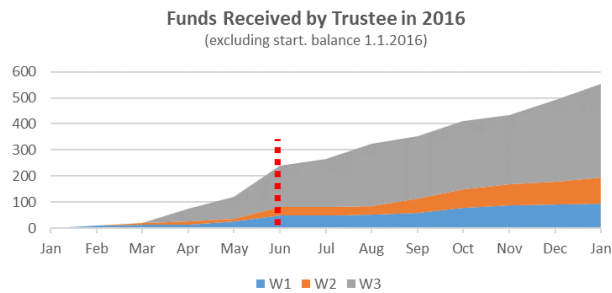
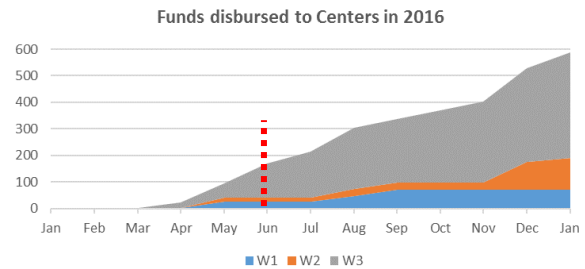


Chart 4

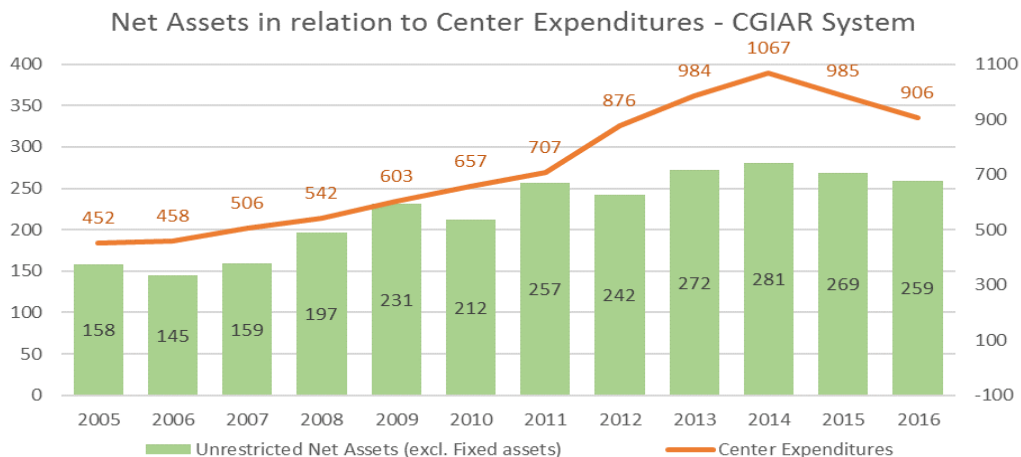


4. Center Financial Health - 2016

Except for Africa Rice, cost for relocation, and CIFOR, continued loss of W1/2, none of the Centers has reported financial difficulties. While ICARDA and IITA in 2015 reported below minimum operating reserves expressed in days of operation with 50 and 40 days respectively, it is assumed that both Centers will remain below the required minimum of 75 to 90 days in 2016.

During the years prior to the reform process (2011 and before) System unrestricted net assets (excluding fixed assets) increased approximately in line with System expenditures as per Chart 5. From 2012 onwards, with the implementation of the Window funding structure, Centers no longer receive (or receive very minimal) unrestricted funding. Replenishing of reserves is now almost impossible. Thus, unrestricted net assets no longer follow the expenditure trend.

Chart 5

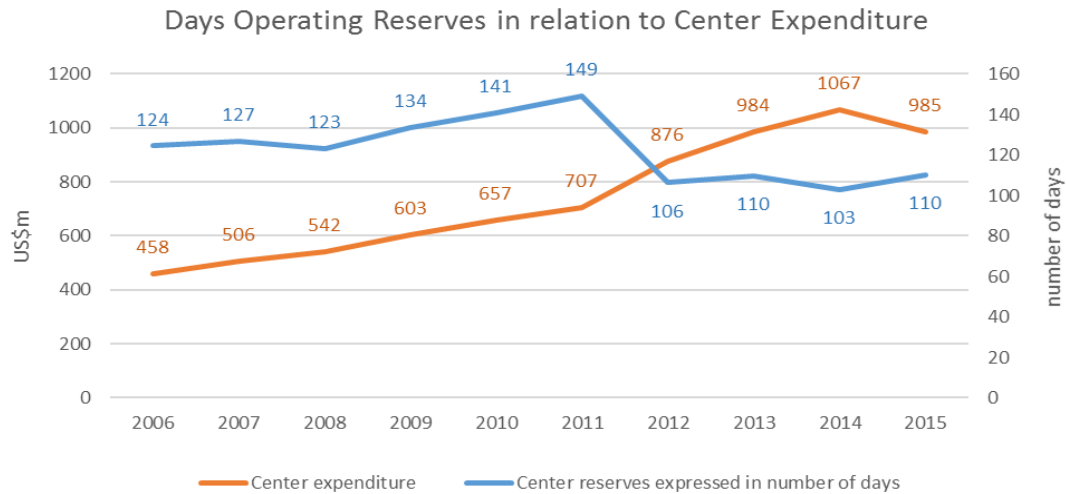


This results in lower operating reserves expressed in number of days and the trend is now reversed. The

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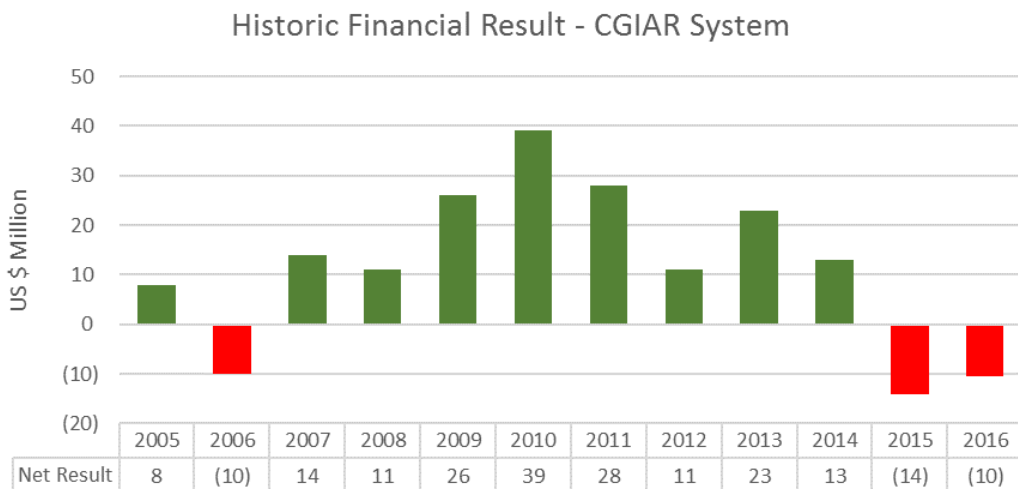
higher the Center expenditure the lower the reserve expressed in number of days of operation as per Chart 6 (estimated 2016 unrestricted net assets). Since reserves provide flexibility to the Centers to absorb temporary funding shocks amongst other purposes, the higher Center expenditure and lower Center reserves increase the risk and exposes the whole System.

Chart 6



This is the second year in a row that the System reports a deficit which, as mentioned before, is an indication of the current funding structure (Chart 7). The 2016 deficit would be higher by \$4.3 million without considering the non-operational income previously mentioned.

Chart 7



5. System Entities Cost - 2016

System cost have decreased from 2015 onwards, year on year (Table 2). In 2016 actual cost were 12% below

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the allocated budget and represent 1.8% of total System expenditure.

Table 2

CGIAR System Entities Budget 2015, 2016, 2017 - Actual expenditure 2015, 2016

System Unit	Budget 2015	Actual Expenditure 2015	Change Actual to Budget %	Budget 2016	Actual Expenditure 2016	Change Actual to Budget %	Budget 2017
Fund Office	3,650	3,020	83%	1,910	1,542	81%	
System Council Support				150	150	100%	820
ISPC	3,910	3,390	87%	3,894	3,725	96%	3,520
IEA	3,940	3,160	80%	2,480	1,984	80%	1,880
Trustee	620	620	100%	630	599	95%	690
SMB (CO-Board)	299	222	74%	558	339	61%	522
SMO (CO-Office)	6,771	6,109	90%	6,893	6,522	95%	8,281
Options Team / Transition	700	540	77%	1,673	1,159	69%	
Other / GA				150	196	131%	30
IAU		697	na				500
Total	19,890	17,758	89%	18,338	16,215	88%	16,243

System cost have been relatively stable at approximately 1.8% over time (Chart 7 and 8) except for the reform period 2010 and 2011 when the Secretariat was closed and the Fund Office and the Consortium Office were established.

Chart 7

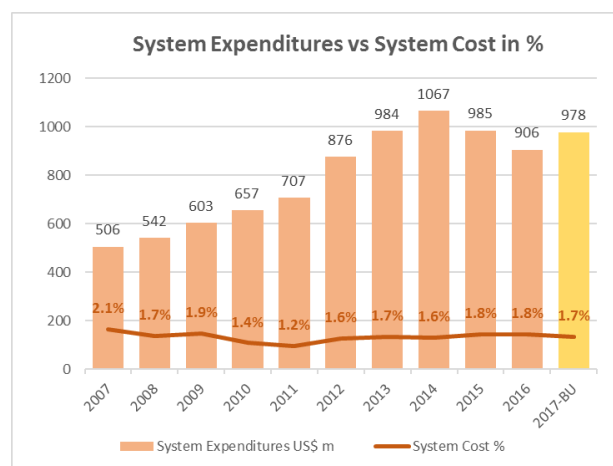


Chart 8

