

## System Entity Budgets 2018

### Purpose

This document provides the underlying details for the proposed 2018 System entity<sup>1</sup> budgets as summarized in SC5 meeting document SC5-09A (Presentation - 2018 Budgeting).

Annex 1 to this paper (separate file), provides the work plan information for support for the System Council Chair, and the proposed workplans for ISPC and IEA. Work plan information for the System Management Office and Internal Audit Function are proposed to be developed following and based on System Council deliberations at this 5<sup>th</sup> meeting, with the business planning cycle concept (Agenda item 4), if adopted, being a significant workstream for the System, and therefore the System Management Office in 2018.

### Draft decision for System Council consideration:

The System Council is invited to consider, and if thought appropriate, approve the following decision:

1. **The System Council approves US\$13.87 million as the combined ceiling for 2018 System entity budgets**, with the work plan for the CGIAR System Organization and Internal Audit Function [and any revisions to other System entity workplans as may be requested by the Council], to be presented for electronic approval by not later than 15 January 2018 considering the deliberations at SC5 on roles and priorities within the System, and deliberations of the System Management Board at its 8<sup>th</sup> meeting on 11-12 December 2017.

### Document category: Working document of the System Council

There is no restriction on the circulation of this document

Prepared by: CGIAR System Management Office in consultation with CGIAR System functions and entities

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<sup>1</sup> At SC3 the System Council approved the use of the CGIAR cost sharing percentage mechanism to finance system entity costs (Decision Ref: SC/M3/DP5).

## Part A - Introduction

1. Annually, the System Council approves System entity/function budgets based upon a proposal submitted by the System Management Board.<sup>2</sup>
2. Based on decisions of the System Council in 2016, the System operates according to the following budgeting framework for System entities and functions:

System entity/function	
Entity No	Sub-group 1 'System Council' budget group
1	<b>System Council</b> - includes SC Support, SC and committee meeting costs
2	<b>Independent Science and Partnership Council</b>
3	<b>Independent Evaluation Arrangement</b>
	Sub-group 2 'System Organization' budget group
4	<b>System Management Board</b>
5	<b>System Management Office</b>
6	<b>Trustee costs for CGIAR Trust Fund</b>
7	<b>CGIAR System Internal Audit Function</b>
8	<b>General Assembly of Centers</b>
9	<b>CGIAR System Partnership Forum</b>

3. Based on the System Council's decision at SC3, financing of the 2018 System entity costs will be met through the continued application of the CGIAR System cost sharing percentage ('CSP') mechanism. Namely, the W1 funds disbursed for 2018 budgets will be replenished from collecting CSP on all CGIAR Research taking place during the same calendar year. If additional funding sources become available to any System entity, this shall consequently reduce the amount of W1 funding required and received.
4. As relevant to each entity or function's operating practices, it is proposed that the approved budgets be paid out of Window 1 ('W1') funds by end-January 2018, after relevant entities deduct from their respective payment request any balance of funds held at 31 December 2017 from the 2017 year.
5. The System Organization will report to the System Council on the final 31 December 2017 figures for each System entity by February 2018. This report will include information on funds disbursed out of the CGIAR Trust Fund, as adjusted for end 2017 balances held by System entities.

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<sup>2</sup> Article 6.1(t)

## Part B - Overall budget analysis (\$US)

6. **The proposed CGIAR System budget ceiling for 2018 is \$13.87 million**, or approximately 1.6% of the proposed CGIAR Portfolio for 2018 (estimated at \$850 million - including all funding sources, W1/2, W3 and bilateral). This represents a minimum System entities budget decrease of \$2 million, or 14%, against the 2017 budget of \$16.24 million<sup>3</sup>.
7. **A summary of main line items by the 'CGIAR System'** (for all System entity and functions for 2018) and **then by the two sub-groups, 'System Council' and 'System Organization'** (as defined in Part A above) is presented in Table 1 below.

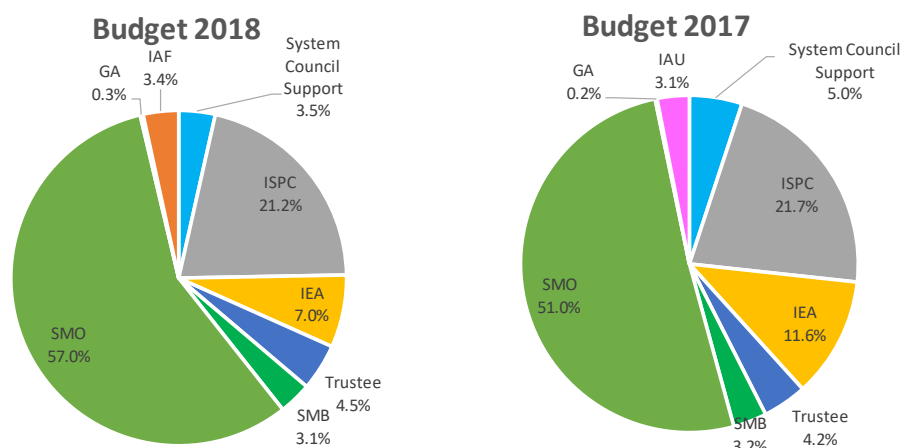
**Table 1** Proposed budget ceilings for the 'CGIAR System' budget group by main line item (US\$ million)

Budget Header	CGIAR System	System Council	System Organization
Personnel	7.98	2.49	5.49
Board Fees & Insurance	0.55	0.35	0.21
Consultants	2.40	0.83	1.57
Travel	0.79	0.25	0.54
Operating Expenses	1.09	0.03	1.07
Site Mgmt. and Operation	0.22	0.00	0.22
Publication	0.08	0.05	0.03
Depreciation	0.07	0.00	0.07
Partners	0.12	0.11	0.01
Capacity Building	0.10	0.05	0.05
Meetings and Workshops	0.49	0.25	0.24
<b>Total</b>	<b>13.87</b>	<b>4.40</b>	<b>9.47</b>

8. Appendix 1 to this paper provides the same line item information for each of the 9 agreed System entities/functions. Appendix 2 provides a description of the 'budget header' categories.
9. Figure 1 (following) shows a comparison of the proposed 2018 budget ceilings with the approved 2017 budget and the relative share for each System entity/function.

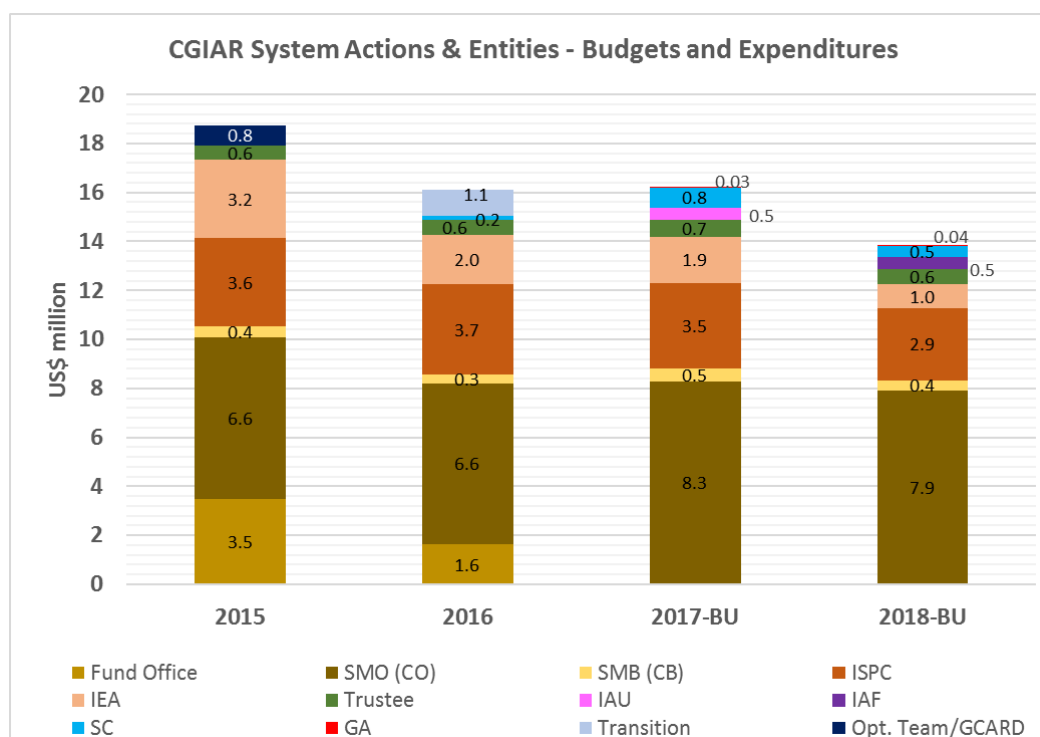
<sup>3</sup> The 2017 budget was approved by the System Council in November 2016. [http://www.cgiar.org/wp-content/uploads/2016/11/SC3-04\\_2017-FundingSystemEntities\\_17Nov2016.pdf](http://www.cgiar.org/wp-content/uploads/2016/11/SC3-04_2017-FundingSystemEntities_17Nov2016.pdf)

**Figure 1** CGIAR System entities/function costs 2018 (budget ceilings) compared to 2017 (budget) (% of total System Entities budget)



10. Figure 2 below shows a comparison of 2015 and 2016 expenditures, 2017 budget and the 2018 proposed budget ceilings by System entity.

**Figure 2:** CGIAR System costs in 2015 (actual), 2016 (actual), 2017 (budget) and 2018 (proposed budget ceilings) by entities (US\$ million)



\* Note – In respect of both Figure 1 and Figure 2 - System costs to support the Centers Shared Services CGIAR Internal Audit Unit were incorporated in 2015 and 2016 into the former Consortium budgets. The Consortium paid as a system cost a contribution of \$0.5 m in 2015 and \$0.6 million in 2016 towards the System-wide internal audit service, with Center sources co-funding operating expenses, and certain capacity building elements in addition. The 2017 amount shown in Figures 1 and 2 was also a contribution towards the total budget for the CGIAR IAU function (which will end on 31 December 2017, and does not reflect the full cost to the System of the former shared service function. The 2018 proposed budget ceiling for the new System Internal Audit Function is the full amount proposed for the service. A 25% reduction on 2016 actuals thus arises.

11. What follows is an analysis by the sub-groups that make up the proposed combined budget ceiling envelope for the CGIAR System entity/function costs for 2018, pending discussions at SC5 on moving to a possible 4-year business planning cycle approach (refer agenda item 4, document SC5-04). If the business cycle proposal is adopted by the System Council, the System Management Board will provide for the approval of the System Council at its November 2018 meeting, multi-year business plans and budgets for a 4-year period starting January 2019 as part of a new business cycle.

## Part C - Consideration of specific system actions and entities for 2018

### Budget Sub Group 1 – ‘System Council’

12. **The proposed System Council sub-group budget amounts to \$4.4 million for 2018**, and is comprised of the following System entities/functions:
- System Council Support
  - ISPC
  - IEA
13. **This sub-group represents 32% of the overall 2018 CGIAR System costs budget.** A summary by main line items is presented in Table 2. A comparison to the 2017 budget is given with additional detail in each individual entity section that follows.

**Table 2** Proposed budget for the System Council budget sub-group by major line item and entities (US\$ million)

Budget Header	System Council	System Council Support	ISPC	IEA
Personnel	2.49	0.31	1.64	0.55
Board Fees & Insurance	0.35	0.01	0.34	-
Consultants	0.83	0.03	0.43	0.37
Travel	0.25	0.11	0.12	0.03
Operating Expenses	0.03	0.001	0.02	0.01
Site Mgmt. and Operation	-	-	-	-
Publication	0.05	0.001	0.04	0.01
Depreciation	-	-	-	-
Partners	0.11	-	0.11	-
Capacity Building	0.05	-	0.05	-
Meetings and Workshops	0.25	0.03	0.22	-
<b>Total</b>	<b>4.40</b>	<b>0.49</b>	<b>2.94</b>	<b>0.97</b>

14. To summarize, the ‘System Council’ sub-group budget is comprised of personnel (\$2.49 million); board fees & insurances (\$0.35 million); consultants (\$0.83 million); travel (\$0.25 million); operating expenses (\$0.03 million); publications (\$0.05 million); partners (\$0.11 million); capacity building (\$0.05 million), and meetings and workshops (\$0.25 million), with Appendix 2 sharing details of these categories.

**a. System Council Support**

15. The proposed 2018 budget for the System Council is **\$0.49 million** (refer Table 2 before) and comprises \$0.37 million to support costs to the System Council Chair's office pursuant to the Terms of Reference for the Chair approved at the 1<sup>st</sup> System Council meeting; \$0.05 million for five developing country representatives including alternates to attend System Council meetings as set out in the CGIAR System Framework; a provision of up to \$0.01 million honoraria for non-CGIAR affiliated independent members of the System Council's planned Assurance Oversight Committee<sup>4</sup>; a provision for consultancy services that may be required to support the work of the System Council during 2018 in the amount of \$0.03 million; and meetings and workshop costs of \$0.03 million. In addition, small operational and publication amounts are included (\$0.002 million).
16. The support to the Chair's office of \$0.37 million includes the following:
- a. Personnel costs spread across several individuals at diverse grade levels (secretarial, 'mid-level' and 'senior level');
  - b. Occasional short-term specialist consultants as required; and
  - c. Travel based on a total of 4 CGIAR trips/year by the Chair and support staff.
17. These costs exclude the Chair's personal time expended on CGIAR matters, estimated by the World Bank to average around a day a week. They also exclude the time of World Bank staff working on CGIAR system-wide matters in its role as a Funder, or as the Trustee of the CGIAR Trust Fund (with the latter covered below).

**b. Independent Science and Partnership Council**

18. The proposed 2018 budget ceiling for the ISPC is **\$2.94 million** (the ISPC's 'scenario 2' as set out in the separate Annex 1 for this paper, and discussed below), and is comprised of personnel (\$1.64 million); board fees and insurance (\$0.34 million); consultants (\$0.43 million); travel (\$0.12 million); operating expenses (\$0.02 million); publications (\$0.04 million); partners (\$0.11 million); capacity building (\$0.05 million) and meetings and workshops (\$0.22 million). This represents a decrease of \$0.58 million, or 16% against the 2017 budget of \$3.52 million. The actual expenditure by the ISPC in 2016 was \$3.73 million, refer *Figure 2 above*.
19. By reason that the System Council intends to put in place updated terms of reference for its scientific advisory function (with decision making expected on the scope of this function at SC5), ISPC proposed two different budget versions.

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<sup>4</sup> Whilst the CGIAR System Framework proposes a System Council 'Audit and Risk Committee', this is identical nomenclature to the System Management Board's 'Audit and Risk Committee'. In SC5 meeting papers on a CGIAR System Risk Management Framework (agenda item 10), the proposal is made to change the name of the System Council's committee to both avoid confusion, and better reflect the higher-level assurance function provided by the System Council's committee.

20. As noted above, 'Scenario 2' is used in this budget proposal with 'Scenario 1' being slightly higher at \$3.14 million. A revised figure for 2018 may need to be determined following the November System Council discussion the terms of reference for the System's science advisory function.

**c. Independent Evaluation Arrangement**

21. The proposed 2018 budget ceiling for the IEA is **\$0.97 million**, and is comprised of personnel (\$0.55 million); consultants (\$0.37 million); travel (\$0.028 million); operating expenses (\$0.01 million); and publications (\$0.01 million). This represents a decrease of \$0.91 million, or 48% against the 2017 budget of \$1.88 million. The actual expenditure by the IEA in 2016 was \$1.98 million, refer Figure 2 above.
22. As for the ISPC, the System Council's deliberations at SC5 are expected to include decision making on the scope of the System's independent evaluation arrangements on a forward-looking basis. A revised figure for 2018 may need to be determined following the November System Council discussion on the scope of those arrangements.

**Budget Sub Group 2 – 'CGIAR System Organization'**

23. **The proposed System Organization sub-group budget amounts to \$9.47 million for 2018**, and is comprised of the following System entities/functions:
- a. System Management Board;
  - b. System Management Office;
  - c. Trustee services costs;
  - d. Internal Audit Function (including associated Internal Audit Support Service);
  - e. General Assembly of Centers; and
  - f. Partnership Forum.
24. **This sub-group represents 68% of the overall 2018 CGIAR System entities/functions budget.** A summary by main line items for each entity is presented in Table 3 (following).
25. By way of summary, the 'System Organization' sub-group budget, is comprised of: personnel (\$5.49 million); board fees & insurances (\$0.21 million); consultants (\$1.57 million); travel (\$0.54 million); operating expenses (\$1.07 million); site management (\$0.22 million); publications (\$0.03 million); depreciation related to the System's agreed conversion to the IFRS accounting standards (\$0.07 million); partners (\$0.01 million); capacity building (\$0.05 million); and meetings and workshops (\$0.24 million).

**Table 3** Proposed budget ceiling for the 'System Organization' budget sub-group by major line item and entities (US\$ million)

Budget Header	System Organization	System Management Board	System Management Office	Trustee	Internal Audit Function	General Assembly	Partnership Forum
Personnel	5.49	-	5.12	-	0.36	-	-
Board Fees & Insurance	0.21	0.21	-	-	-	-	-
Consultants	1.57	0.03	1.50	-	0.04	-	-
Travel	0.54	0.12	0.39	-	0.02	0.01	-
Operating Expenses	1.07	0.04	0.37	0.63	0.03	-	-
Site Mgmt. and Operation	0.22	-	0.22	-	-	-	-
Publication	0.03	-	0.03	-	-	-	-
Capital	-	-	-	-	-	-	-
Depreciation	0.07	-	0.07	-	-	-	-
Partners	0.01	-	-	-	-	0.01	-
Capacity Building	0.05	-	0.03	-	0.02	-	-
Meetings and Workshops	0.24	0.04	0.18	-	-	0.03	-
Overhead	-	-	-	-	-	-	-
Contingency	-	-	-	-	-	-	-
<b>Total</b>	<b>9.47</b>	<b>0.44</b>	<b>7.90</b>	<b>0.63</b>	<b>0.47</b>	<b>0.04</b>	<b>-</b>



**a. System Management Board**

26. The proposed 2018 budget for the System Management Board is **\$0.44 million**, and is comprised of board fees and insurance (\$0.21 million); consultants (\$0.03 million); travel (\$0.12 million); operating expenses (\$0.04 million); and meetings and workshops (\$0.04 million). This represents a decrease of \$0.08 million or 16% over the 2017 budget of \$0.52 million.

**b. System Management Office**

27. The proposed 2018 budget ceiling for the System Management Office is **\$7.9 million**, and is comprised of personnel (\$5.12 million); consultants (\$1.5 million); travel (\$0.39 million); operating expenses (\$0.37 million); site management and operations (\$0.22 million); publications (\$0.03 million); depreciation as a result of the System's agreement under the CGIAR Financial Guidelines to complete IFRS conversion<sup>5</sup> (\$0.07 million); capacity building (\$0.03 million); and meetings and workshops (\$0.18 million). This represents a decrease of \$0.38 million or 5% against the 2017 budget of \$8.28 million.
28. If the proposed 2018 budget is realized, this will deliver a reduction of 21% (2018 proposed budget compared to 2015 actual) in nominal terms compared to the combined Fund Office and Consortium Office actual expenditures of \$9.97 million in 2015 (with 2016 a transition year and hence not directly comparable).

**c. CGIAR Trust Fund services (costs associated with the Trustee)**

29. The proposed 2018 budget for the Trustee is **\$0.63 million**, and is comprised entirely of operating expenses. This represents a decrease of \$0.06 million, or 8.7% against the 2017 budget of \$0.69 million, refer Figure 2 above. In view of Funder discussions on the possibility of introducing Flagship-earmarking through Window 2, the Trustee expressed concern that such an initiative, if possible for the Trustee to manage, would increase transaction costs.

**d. Internal Audit Function**

30. The proposed budget ceiling for the CGIAR System's new Internal Audit Function, to be established with effect from 1 January 2018, is **\$0.47 million**. The budget is comprised of: personnel (\$0.36 million); consultants (\$0.04 million); travel (\$0.02 million); operating expenses which includes payment of a System-wide software platform to underpin quality and comparability across the System (\$0.03 million); and Center-facing capacity building (\$0.016 million). The budget proposal includes a modest Internal Audit Support Service role to provide continuing professional practice guidance to

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<sup>5</sup> In CGIAR Financial Guidelines Series No.2, Accounting Policies and Reporting Practices Manual, the System agreed all non-US based Centers to transition from generally accepted accounting standards to the International Financial Reporting Standards. Between the Centers, agreement has been reached to achieve IFRS conversation for the 2017 financial statements, which will be approved in 2018. The System Organization's financial statements will similarly be converted to IFRS reporting, which results in additional depreciation requirements.

Center/regional Internal Audit functions to support these functions continuing to meet international standards.

31. As background to the establishment of this new CGIAR System Internal Audit Function, the CGIAR System Framework (“Framework) and Charter of the CGIAR System Organization (“Charter”) contemplate that the System Management Board will approve terms of reference and the process for fulfilling the Internal Audit Function, based upon input received from the System Council and considering the audit arrangements of the Centers.<sup>6</sup> The System Management Board’s Audit and Risk Committee (“ARC”) has been mandated to develop that proposal in full collaboration with the Centers.
32. **The proposed TOR for the CGIAR System’s Internal Audit Function is presented for System Council inputs at SC5 (meeting document SC5-10, Annex B.2) before final consideration at the System Management Board’s 11-12 December 2017 SMB8 meeting.** Approval by the System Management Board of the new Internal Audit Function terms of reference will end the service of the CGIAR Shared Services Internal Audit Unit (‘CGIAR IAU’), the work flow of which has been reducing over time as Center-own and/or regional internal audit functions take up Center-specific needs. Based on the transition nature of 2017, 2016 budget actuals (\$0.64 million) are a more appropriate comparator of costs. The proposed 2018 budget represents a budget efficiency for System internal audit and assurance services of 26%.

### General Assembly of Centers

33. The proposed budget for 2018 is increased (**\$0.04 million**) from the 2017 budget (\$0.03 million) based upon 2017 activities. One General Assembly meeting took place in January 2017 in London and an adhoc workshop was attended by Center Director Generals and Board Chairs in July 2017 in Amsterdam. The budget is comprised of: travel (\$0.005 million); partners (\$0.01 million); and co-funding of meetings & workshops (\$0.025 million). Most of the costs of the General Assembly are travel costs, and these are paid by the Centers themselves.
34. The System Management Office will continue to provide overall operational and meeting venue support as requested by the General Assembly. Therefore, the small budget will cover meeting venue costs and other expenditures. (Table 3, above)

### Partnership Forum

35. Article 12 of the Framework describes the Partnership Forum, with Article 12.2 specifying that the “Partnership Forum shall be convened by the System Organization at least every three years”. Recognizing that 2017 and 2018 are the first two years of operation of the new CGIAR governing arrangements, and the research activities are focused on the launch in January 2017 of the 2017-2022 CGIAR Portfolio, it is not anticipated that a Partnership Forum will be held during the 2018 year. Therefore, as for 2017, no budget provision is proposed for 2018.

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<sup>6</sup> Article 8.1(i) of the Charter

Part D - Means of funding System entities and functions

36. In 2016, System entity/function costs of \$16.1 million were paid with \$15.6 million CSP collected from all funding sources, which represents a coverage of 97%. For 2017 it is anticipated that System entity/function costs will be fully paid with the collected CSP.
37. To provide funds to System entities which do not carry reserves, Window 1 ('W1') funds shall be disbursed at the beginning of each calendar year, or as and when necessary. Such W1 funds will be replenished from collecting CSP on all CGIAR Research taking place during the same calendar year. If additional funding sources become available to any System entity/function, they are reported accordingly and consequently reduce the amount of W1 funding required.
38. The System Management Office carries the responsibility to provide assurance to the System Management Board and the System Council that all bilateral projects (except for the few remaining legacy projects and for research outside of the SRF) submit CSP annually in a timely fashion, and to provide cashflow as needed to relevant System entities/functions in line with the System Council approved budgets.

## Appendix 1 - CGIAR System master group budget for 2018 by entity (in US\$ million)

Budget Header	CGIAR System	System Council Support	ISPC V2	IEA	System Management Board	System Management Office	Trustee	Internal Audit Function	General Assembly	Partnership Forum
Personnel	7.98	0.31	1.64	0.55	-	5.12		0.36		
Board Fees & Insurance	0.55	0.01	0.34		0.21	-				
Consultants	2.40	0.03	0.43	0.37	0.03	1.50		0.04		
Travel	0.79	0.11	0.12	0.03	0.12	0.39		0.02	0.01	
Operating Expenses	1.09	0.00	0.02	0.01	0.04	0.37	0.63	0.03		
Site Mgmt. and Operation	0.22		-		-	0.22				
Publication	0.08	0.00	0.04	0.01	-	0.03				
Capital	-		-		-	-				
Depreciation	0.07		-		-	0.07				
Partners	0.12		0.11		-	-			0.01	
Capacity Building	0.10		0.05		-	0.03		0.02		
Meetings and Workshops	0.49	0.03	0.22		0.04	0.18			0.03	
<b>Total</b>	<b>13.87</b>	<b>0.49</b>	<b>2.94</b>	<b>0.97</b>	<b>0.44</b>	<b>7.90</b>	<b>0.63</b>	<b>0.47</b>	<b>0.04</b>	<b>-</b>

Appendix 2: Budget category descriptors

Category	Costs
Personnel	Basic salary (grossed up for internal tax); Fringe benefits including insurance, pension, education and other allowances; Repatriation costs; Admin charges (AIARC in relation to pension plan); Recruitment costs including travel to and from appointment and other related expenses, relocation costs, search fees, costs of advertisement, interview costs (including travel of all candidates) and Redundancy costs as relevant.
Board Fees & Insurance	Honoraria payments as relevant, and premium costs for director and officer's liability insurance and travel insurance, as relevant.
Consultants	Consultants, i.e. individuals or organizations with specific expertise engaged for a clearly defined period to perform a professional task with measurable outputs. Consultancy fees, and other costs as specified on the contract i.e. travel costs to and from appointment and other related expenses, housing, etc. Professional Fees, including: External audit; Fees paid for Internal audit; External Legal Fees; Other professional fees.
Travel	Staff and consultants' expenses on entity own-directed travel: Fares; Local transportation; Accommodation; Per diems and other related travel expenses (i.e. visa, etc.); Taxis; Office-based meeting costs.
Operating expenses	Includes stationery and supplies for the office including: Advertising items; Subscriptions; Books; Journal and periodicals; Postage and courier; Photocopy charges.
Site Management & operations	Costs related to the building including repair and maintenance; cleaning; gardening; Security; Utilities; Property/building insurance; Landlines and internet Building rent; IT Licenses; Cost of IT server.
Publications	All costs relating to official publications, such as the Annual Report; Finance Report and Intellectual Asset Report; Editor fees; Layout fees; Printing; Distribution.
Capital	Capital investment for items over \$3,000 per item. Excluding depreciation.
Depreciation	Depreciation cost for capital items. Capital items purchased with project funding (Bilateral) is fully depreciated at the time of purchase according to CGIAR Financial Guidelines Series, No.2. Under IFRS all capital items in use need to be depreciated.
Partners	Funds transferred to external agencies for the implementation of a major project or task. Funds transferred to a CGIAR Center for the implementation of a major project or task.
Capacity building	Trainer fees and other related expenses for in-house training; Course fees for external training.
Meetings and Workshop	Costs related to meeting and workshops; Room hire; Catering for large meetings; Taxi/bus hire for participants; Consultancy/ professional services fees specifically contracted for the meetings/ workshops.
Overhead	Proportional charges of site management & operations and operating expenses applied as applicable.