

Agenda Item 9
SC5-09A, Revision 1
For Decision

Re-Issued: 6 November 2017



Funding Allocations for 2018

(revision 1 with option 5 and some corrected data)

Purpose: This presentation sets out the building blocks upon which the System Management Board has developed 5 different scenarios for W1/2 allocations to the research Portfolio in 2018. The four actions requested of the System Council is set out in full on the first slide, as supported by other resource documents to this presentation.

Document category: Working document of the System Council.
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Prepared by: System Management Office

For: 5th CGIAR System Council meeting; 9-10 November 2017; Cali, Colombia

Summary of 4 actions requested by the System Council at its SC5 meeting



- 1. Approval of 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 taking into account the deliberations at SC5 on roles and priorities.
- 2. Agreement that the 5 flagships re-submitted in July 2017 (Fish FP2, FTA FP2, Livestock FP3 and FP5, and WLE FP5)** are considered as being eligible for W1&2 funding based on technical merit, with a decision on a W1/2 funding allocation in 2018 for those 5 flagships addressed separately.
- 3. Endorsement of a preferred scenario for indicative W1/2 allocations** for the CGIAR Portfolio of CRPs and Platforms for 2018.
- 4. Endorsement of the proposed guiding principles** for the development of the 2018 CGIAR Portfolio Financing Plan.

Part 1A - 2018 System Entity Budgets Pending Decisions and Operating Principles

Pending decisions to inform final 2018 workplans:

- **System Management Office's 2018 priorities:** a decision of the System Council to adopt 4-year business planning cycle would be a material element of the Office's 2018 work plan – **SC5** (Nov 2017)
- **Advisory needs of the System Council:** SC5 decisions may, but need not, require adjustment for 2018 ISPC and IEA workplans – **SC5** (Nov 2017)
- **Terms of Reference for the Internal Audit Function:** Formal approval by the SMB required, including detailed workplan – **SMB8** (11-12 Dec 2017)

Operating principles in the interim:

- **Overall '2018 ceiling budget for System entities' approved at SC5**
- Adjustments (if any) for System Council entities made post SC-5
- Workplans for System Organization & Internal Audit Function post SM8

Part 1B - 2018 System Entity Budgets Proposed Budgets Ceilings



System entity/function (In order as presented in paper SC5-9B)		US\$ millions		Percent against 2017 Budget
		2017 Approved Budget	2018 Proposed Ceilings	
Sub-group 1 - System Council and advisory functions budget group				
1	System Council - Chair Support	0.60	0.37	62%
	- meetings/other	0.22	0.12	55%
2	Scientific advisory - ISPC	3.52	2.94	84%
3	Evaluations - IEA	1.88	0.97	52%
	Sub-total	6.22	4.40	71%
Sub-group 2 - 'System Organization' budget group				
4	System Management Board	0.52	0.43	84%
5	System Management Office	8.28	7.90	95%
6	Trustee costs for CGIAR Trust Fund	0.69	0.63	91%
7	<u>For 2018</u> - new CGIAR System Internal Audit Function	-	0.47	
	<u>For 2017</u> System contribution to CGIAR Shared Service IAU	0.50	-	Refer note 1 below
8	General Assembly of Centers	0.03	0.04	133%
9	Partnership Forum (not planned 2017/2018)			
	Sub-total	10.02	9.47	95%
	TOTAL	16.24	13.87	85%

Note 1: The 2017 budget represented part only of the 2017 'system' internal audit budget. 2016 actuals of US\$ 637,500 provide a better comparator for 2018. The proposed 2018 budget ceiling represents 74% of 2016 actual costs.

Part 2 - Determination on formal eligibility for W1/2 funding in 2018 of 5 returning Flagships



- **Following 5 flagships were approved for inclusion in the 2017-2022 CGIAR Portfolio at SC2, but were determined not eligible for 2017 W1&2:**
 - Fish FP2; FTA FP2
 - Livestock FP3 and FP5; WLE FP5
- **In September 2017, SMB agreed to present the 5 revised flagships to the System Council as being science-worthy taking into account 2017 ISPC and Funder-perspective assessments.**
- **Funding scenarios 1 to 5 outlined in Part 3 propose options for 2018 W1/2 allocations on the assumption that the Council approves the 5 flagships as formally eligible for W1/2 in 2018 without guaranteeing an actual allocation.**
- **Funding scenarios for the GLDC proposal are also included in Part 3 on the assumption that the Council approved the proposal for programmatic inclusion in the Portfolio from 1 January 2018 during Agenda Item 3.**

Part 3 – Framing 2018 Portfolio Allocations **Projected 2018 W1/2 funding availability**



Estimated 2018 Funder contributions (net of CSP) at October 2017

Projected W1	\$79 million
Projected W2	\$91 million
Net Funder W1/2 contributions	\$170 million

Additional financing

Balancing Fund (discussed next slide)	\$7 million
Potential System entity cost savings 2017/2018	\$3 million

Total W1/2 indicative availability **\$180 million**

Part 3 – Framing 2018 Portfolio Allocations Status of the CGIAR Balancing Fund (us\$)



Starting balance (1 January 2017)	\$25.4 million
SC agreed Balancing Fund use during 2017	-\$ 8.4 million
Ending balance (31 December 2017)	\$17 million
Starting balance (1 January 2018)	\$17 million
Proposed Balancing Fund use during 2018	- \$7 million
<u>Ending balance</u> (31 December 2018)	<u>\$10 million</u>

Part 3 – Framing 2018 Portfolio Allocations

Summary of 5 potential scenarios



Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Indicative W1/2 funding of <u>\$180.1m</u>	Indicative W1/2 funding of <u>\$180.1m</u>	Indicative W1/2 funding of <u>\$180.1m</u>	Indicative W1/2 funding of <u>\$180.1m</u>	Indicative W1/2 funding of <u>\$180.1m</u>
GLDC requested allocation of \$11.5m is reduced by <u>\$3.5m</u>	GLDC requested allocation of \$11.5m is reduced by <u>\$2.0m</u>	GLDC requested allocation of \$11.5m is reduced by <u>\$2.0m</u>	GLDC requested allocation of \$11.5m is <u>not reduced</u> (i.e. equal treatment with other Programs)	GLDC requested allocation of \$11.5m is <u>not reduced</u> (i.e. equal treatment with other Programs)
5 Flagships are approved but <u>no</u> W1/2 funding is provided	5 Flagships are approved but <u>no</u> W1/2 funding is provided	5 Flagships are approved but only management and support funding of total <u>\$1.6m</u> is provided	5 Flagships are approved and 35% or <u>\$4.5m</u> W1/2 provided in addition to management and support funding of total <u>\$1.6m</u>	5 Flagships are approved and 94% or <u>\$11.4m</u> W1/2 provided in addition to management and support funding of total <u>\$1.6m</u>
Stretch funding target of <u>7.0% or \$12.5m</u> (programs encouraged to under-execute unless realized)	Stretch funding target of <u>7.8% or \$14m</u> (programs encouraged to under-execute unless realized)	Stretch funding target of <u>8.7% or \$15.7m</u> (programs encouraged to under-execute unless realized)	Stretch funding target of <u>10.0% or \$18.0m</u> (programs encouraged to under-execute unless realized)	Stretch funding target of <u>10.0% or \$18.0m</u> (programs encouraged to under-execute unless realized)
			CRP and Platform <u>cut of 2.3%</u> is required (except for GENE BANK)	CRP and Platform <u>cut of 6.2%</u> is required (except for GENE BANK)

Part 3 – Framing 2018 Portfolio Allocations

Assumptions for the 5 scenarios



W1/2 Allocation Assumptions:

(Million USD)

	GLDC (low) 5 FG (none)	GLDC + 5 FG (none)	GLDC + 5 FPs partial	GLDC + 5 FPs more generous	GLDC + 5 FPs most generous
Inflation adjustment	none	none	none	none	none
Reduction US\$ 2 m 12 FPs applied in 2017 (SC3-02B para 24 and 25)	yes	yes	yes	yes	yes
Funding GLDC - request of US\$ 11.5 m	yes	yes	yes	yes	yes
FP rating adjustment (FP2 = 0, FP1,3,5 < 6%)	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7
Additional reduction to requested amount	\$3.5	\$2.0	\$2.0	none	none
Funding 5 FPs resubmitted US\$ 13.8 m	none	none	only M&S	35% + M&S	94% + M&S
Operational funds	none	none	none	\$4.50	\$11.4
Management and Support funds	none	none	\$1.6	\$1.6	\$1.6
Stretch Target/ Funding Gap	7.0%	7.8%	8.7%	10.0%	10.0%
CRP and Platform funding cut	none	none	none	2.3%	6.2%

Part 3 – Framing 2018 Portfolio Allocations

Portfolio allocations using the 5 scenarios



	Scenario 1				Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	2017 SC approved allocation	2018 Base request	Proposed allocation	% change from 2018 base	Proposed allocation	% change from 2018 base	Proposed allocation	% change from 2018 base	Proposed allocation	% change from 2018 base	Proposed allocation	% change from 2018 base
GLDC	0.0	11.5	6.8	-41%	8.3	-28%	8.3	-28%	10.1	-13%	9.7	-16%
Fish	3.8	7.1	3.7	-47%	3.7	-47%	4.1	-43%	5.0	-30%	6.3	-12%
FTA	8.8	11.5	8.8	-24%	8.8	-24%	9.1	-21%	9.6	-17%	10.2	-11%
Livestock	14.0	21.2	13.9	-35%	13.9	-35%	14.6	-31%	16.3	-23%	18.7	-12%
Maize	11.3	11.9	11.4	-4%	11.4	-4%	11.4	-4%	11.2	-6%	10.8	-10%
Rice	16.1	16.7	16.4	-2%	16.4	-2%	16.4	-2%	16.0	-5%	15.4	-8%
RTB	22.2	23.4	22.3	-5%	22.3	-5%	22.3	-5%	21.7	-7%	20.9	-11%
Wheat	14.8	15.8	14.7	-7%	14.7	-7%	14.7	-7%	14.4	-9%	13.9	-12%
A4NH	19.4	20.9	19.8	-5%	19.8	-5%	19.8	-5%	19.4	-7%	18.6	-11%
CCAFS	20.8	22.1	20.4	-7%	20.4	-7%	20.4	-7%	20.0	-9%	19.2	-13%
PIM	18.3	18.8	18.6	-1%	18.6	-1%	18.6	-1%	18.2	-3%	17.5	-7%
WLE	7.9	10.5	7.3	-30%	7.3	-30%	7.6	-28%	8.1	-23%	8.8	-16%
GENEBANK	24.9	21.1	21.1	0%	21.1	0%	21.1	0%	21.1	0%	21.1	0%
EiB	2.0	2.1	2.0	-5%	2.0	-5%	2.0	-5%	2.0	-7%	1.9	-10%
Big Data	6.7	5.7	5.5	-2%	5.5	-2%	5.5	-2%	5.4	-5%	5.2	-8%
Total CRP	157.5	191.3	164.0	-14%	165.5	-13%	167.2	-13%	169.7	-11%	170.0	-11%
Total Platform	33.6	28.8	28.6	-1%	28.6	-1%	28.6	-1%	28.4	-1%	28.2	-2%
Total	191.0	220.1	192.6	-12%	194.1	-12%	195.8	-11%	198.1	-10%	198.1	-10%

TOTAL 191.0 220.1 192.6 194.1 195.8 198.1 198.1

Total Funding 191.0 180.10 180.10 180.10 180.10 180.10

Stretch Target /Funding GAP	0.0	-12.54	-14.04	-15.74	-18.01	-18.01
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Part 4 - 2018 Portfolio Financing Plan ('FinPlan') Proposed Guiding Principles



Starting point - Principles for the 2018 FinPlan remain largely unchanged from 2017 - with **highlighted points below** also under SMB consideration for 2018

- Genebank Platform fully funded (***EiB and BIGDATA not exempt from any potential funding shortfalls in 2018***)
- No overall budget ceiling is imposed
- W1&2 carry-over from phase 1 to phase 2 is permitted as long as carry-over does not exceed total 6 year 2017-2022 W1&2 funding request
- W1 and W2 funding, when received by the Centers, is unrestricted and indistinguishable
- Within phase 2, W1&2 carry-over (surplus or shortfall) between years is possible
- W2 allocation by Funders exceeding the SC W1&2 allocation is disbursed, otherwise no additionality
- Final W1 allocation is determined after W2 allocations are confirmed
- W1 funds are disbursed based on the gap between W2 allocated by Funders and SC W1&2 allocation until, W1 funds are exhausted
- If less W1 funding is received than required to close the funding gap (as described above), W1 is reduced pro rata based on the funding gap
- If more W1 funding is received than required to satisfy the approved SC W1&2 allocation, additional W1 funds will remain in the Balancing Fund
- ***December SMB meeting to consider whether 2018 System Council allocation amounts should net off any W3 provided with the express intention by the Funder of programmatic funding at the CRP/platforms level***

Part 4 – Next steps to finalize the 2018 FinPlan

Action	Timeline
Further clarification of overall funding levels and likely CRP preferences where possible	Ongoing
Finalize proposed 2018 FinPlan taking into account SC5 indicative W1/2 allocation	24 November 2017
SMB8 meeting – obtain 2018 FinPlan endorsement	11-12 December 2017
Release final 2018 FinPlan	End-December 2017