

3-Year System Business Plan Companion Document

Action 2 – 2019-2021 CGIAR Research Financing Plan (2019-21 FINPLAN)

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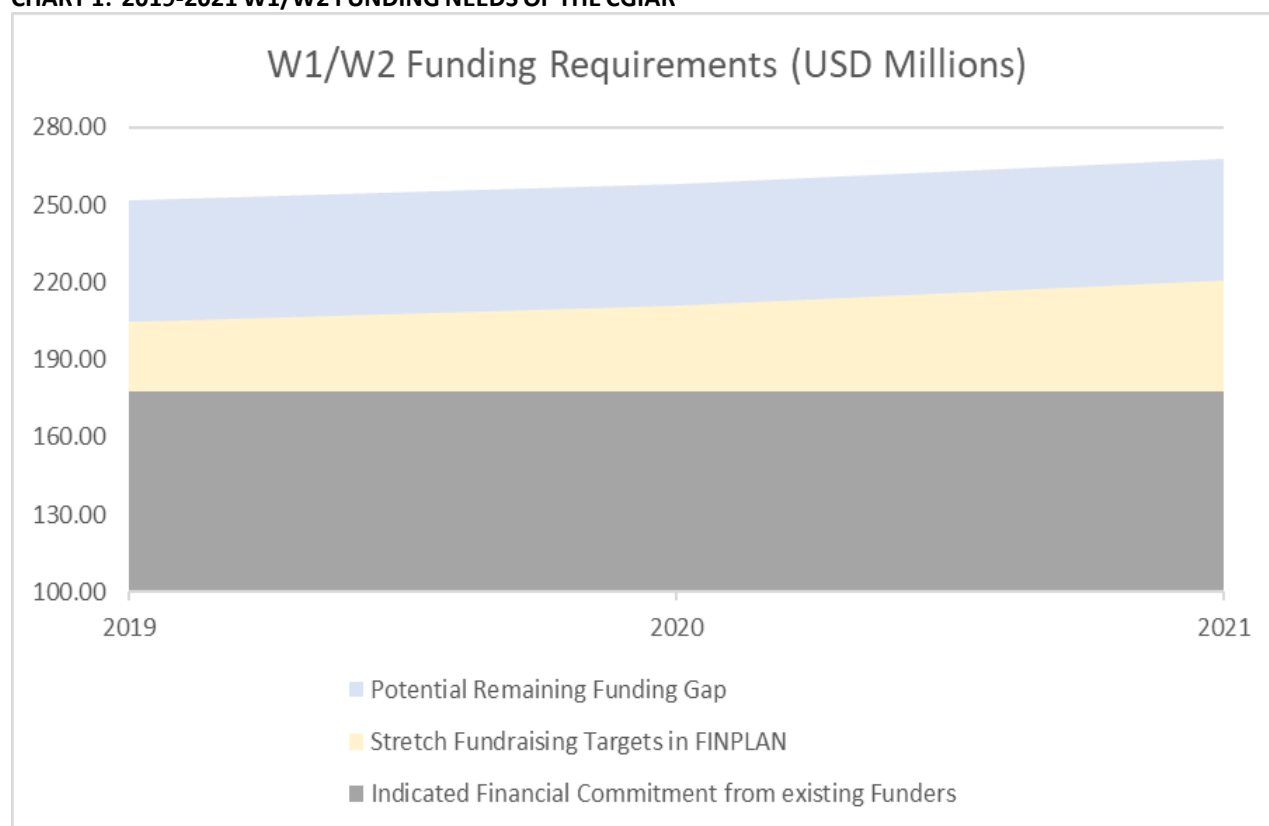
Overview

1. The objective of the 2019-2021 FINPLAN is to agree to a realistic, transparent and achievable plan shared by Funders and Centers ensuring the CGIAR research priorities identified are sufficiently resourced during the 2019-2021 period. This plan provides a 3-year indicative outlook to facilitate review and discussion.
2. While this FINPLAN provides a 3-year outlook, the allocations of Window 1 funds will be updated annually to reflect latest available information.
3. Underpinning this plan is a concerted effort to increase the volume, predictability and stability of available funding which is required to address the sustainable financial viability of CGIAR Centers that the Audit and Risk Committee (ARC) of the System Management Board (SMB) is closely monitoring. To address these needs, the System will require:
 - (a) The entry of new Funders to support the pooled funding mechanism (W1/W2) of the CGIAR Research Portfolio. This plan targets \$15.0 Million in 2019, \$20.3 Million in 2020 and \$25.9 Million in 2021 to W1/W2 from new and/or lapsed Funding partners
 - (b) Existing Funding partners commitment to maintain collective pooled funding (W1/W2) through 2019 – 2021 at current levels. Maintenance of funding at current levels requires built-in increments for inherent increases in ongoing costs (i.e. inflation)
 - (c) Additional funding for specific initiatives (i.e. gender platform, additional research initiatives, CGIAR center alliance opportunities) being secured without cannibalizing existing funding streams
 - (d) System Funders providing greater clarity in the form of multi-year funding pledges or notional *Statements of Funder Intention* to improve the predictability of total available funding for CGIAR research as well as programmatic level allocations
 - (e) Funders and Centers agreeing to transparent and consistent reporting and disclosure of infrastructure and indirect costs and that a viable and sustainable CGIAR requires full-cost recovery of these essential costs across all funding channels.
4. The reliability of this plan is entirely dependent on the level of accuracy with which we can project funding to be available from Funders, by Window and with respect to Window 2 funds, by CRP/Platform allocation.
5. As there is risk implicit in projecting available funding in an uncertain environment, this FINPLAN proposes a systematic replenishment of the Window 1 Liquidity and Stabilization Fund (formerly labelled 'Balancing Fund') as well as intentional restraint by ensuring research spending is at a lower level than targeted fundraising to

accommodate the possibility of stretch fundraising targets not being uniformly achieved.

6. This plan presents a realistic and attainable set of funding targets for the 2019-2021 period. However, it is important to note that meeting these fundraising targets will not fulfill the funding requirements of the CGIAR, which remains under-resourced as captured in Chart 1 below:

CHART 1: 2019-2021 W1/W2 FUNDING NEEDS OF THE CGIAR



Guiding Principles

I. Figures presented in USD

All amounts are presented in USD. Those contributions originating in non-USD currencies have been converted to USD for presentation in this paper and are subject to foreign exchange volatility. The effects of this volatility will be closely monitored and communicated to stakeholders throughout the period that this plan covers.

II. Maintain existing W1/W2 funding commitments to GENE BANK Platform

GENEBANK Platform W1/W2 requests shall remain at existing established funding levels as follows:

- a. 2019 \$18.75M
- b. 2020 \$15.27M
- c. 2021 \$13.21M

This steady reduction in W1/W2 funds allocation is dependent on the achievement of commensurate increases in co-funding from the Crop Trust¹.

III. CSP Included in Revenues

Unless otherwise stated all figures in this paper are presented on a gross basis inclusive of the 2% CSP that is applicable to all W1/W2/W3 funding and bilateral funded project activities that are aligned with the [CGIAR Strategy and Results Framework 2016-2030 \(SRF\)](#).

IV. CRP and Platform Period

The 2019-2021 Business Plan shortens the current portfolio such that it will end in 2021 vs. 2022 as previously planned.

V. No budget ceiling

No overall budget ceiling at CRP or Platform level is imposed for W3 and Bilateral contributions.

VI. Carry-over from phase 1

W1/2 carry-over from 2016 phase 1 CRPs is excluded from the annual System Council allocation but the cumulative amount of allocated funds shall not surpass the original CRP/Platform total 5-year (formerly 6-year) W1/2 funding request.

VII. Carry-over within phase 2

Carry-over of W1/2 funding within the 5-year period (formerly 6-year period) of a CRP or Platform is possible if the original CRP/Platform total W1/2 funding request is not surpassed.

VIII. Indistinguishable W1/2 funds at Lead Center and thereafter

W1 and W2 funds for a specific CRP or Platform will be treated as indistinguishable in terms of financial and performance reporting once received by the Lead Center.

IX. W2 Flagship (FP) funding

Funders may allocate W2 funding to specific FPs within CRPs or Platforms.

X. Methodology for within-year modifications to System Council (SC) indicative allocations

SC can at any point within the year decide to change the CRP/Platform funding targets. Instances where SMB may revert to SC to recommend an alteration to the existing targets and/or to recommend additional allocation could include, for example:

- i) additional funding made available for potentially modified flagships as part of a Funder-led initiative to improve breeding efforts
- ii) any additional system-level funding to finance new or continued special initiatives (e.g. Gender Platform or Center Alliances co-funding)
- iii) interest from Funders in shifting existing or potential CRP/Platform financing from W3/bilateral channels to W1/W2 for significant research activities that fit within the existing or altered scope of a CRP/Platform. Changes to SC indicative W1&2 allocation should be preceded by program modification proposals, if necessary.

¹ See risks in Table 7

- iv) any major new Funder investments in W3 that are provided on an unrestricted basis for programs at the flagship or CRP/platform level, such that the call on W1 or 2 for these programs diminishes as a result.

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Fundraising Targets for W1, W2, W3 and Bilateral

Windows 1 and 2

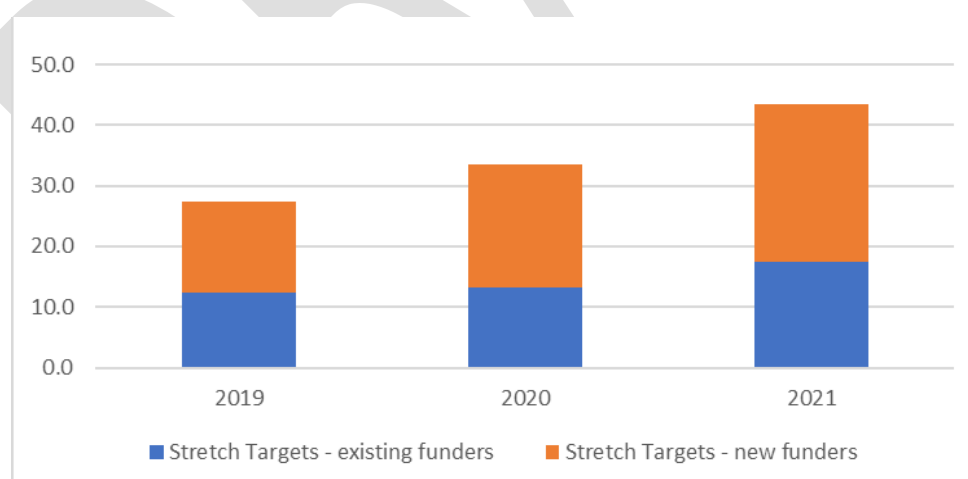
7. Based upon preliminary consultations with System Council members and an assessment of the opportunities to attract additional funders and funding to the CGIAR Fund, an indicative fundraising target for the CGIAR 2019 - 2021 Portfolio is set out in Table 1 below.

TABLE 1: 2019-2021 FUNDRAISING TARGETS

2019 - 2021 Fundraising Targets (all figures in \$ USD Millions)	2019 Projections			2020 Projections			2021 Projections		
	W1	W2	W1/W2	W1	W2	W1/W2	W1	W2	W1/W2
Baseline funding (existing Funders)	88.9	88.6	177.5	88.9	88.6	177.5	88.9	88.6	177.5
Stretch Targets									
Stretch Target A - Inflation (existing funders)	2.0	2.4	4.4	1.6	1.6	3.3	2.8	2.8	5.5
Stretch Target B - additional research initiatives (extra CRP/PTF fund)	0.0	5.0	5.0	0.0	5.0	5.0	0.0	5.0	5.0
Stretch Target C - new Center alliances (existing funders)	3.0	0.0	3.0	5.0	0.0	5.0	7.0	0.0	7.0
Stretch Target D - funding for all of the above (new funders)	7.5	7.5	15.0	10.1	10.1	20.3	12.9	12.9	25.9
	101.4	103.5	204.9	105.7	105.4	211.0	111.6	109.3	220.9

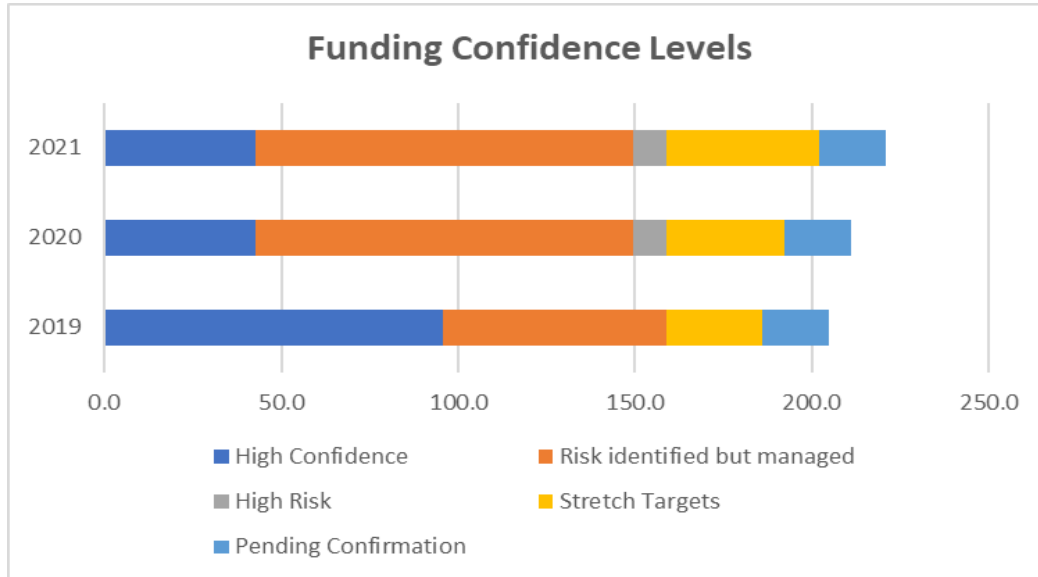
8. The fundraising strategy calls for increasing stretch targets over and above the current baseline funding projected from existing Funders. The stretch fundraising targets over the course of the 3-year business plan are shown in Chart 2 below:

CHART 2: 2019-2021 STRETCH FUNDRAISING TARGETS



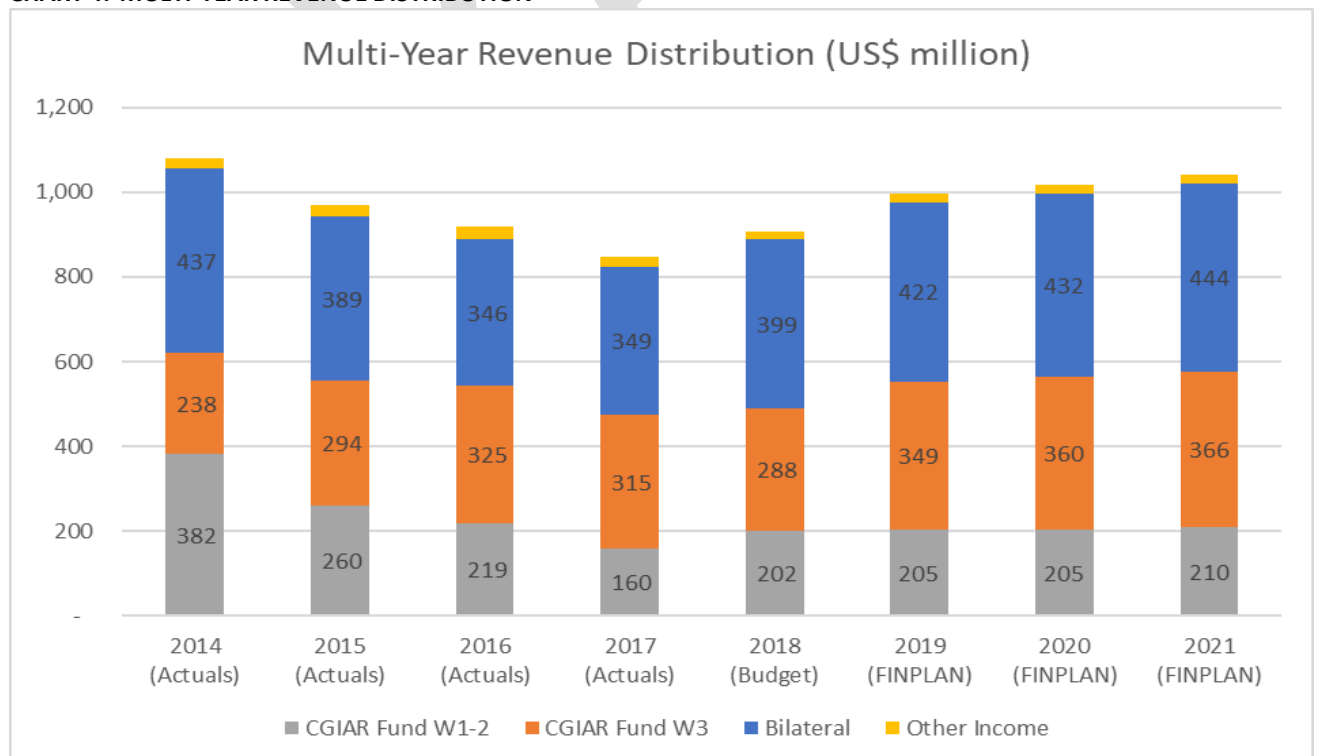
- The revenue projections in the FINPLAN were built off consultations with current W1/W2 funders and an assessment of the confidence levels of targeted funding as set out in Chart 3 below.

CHART 3: 2019-2021 FUNDING CONFIDENCE LEVELS



- The projection demonstrates realistic progress towards increasing the total proportion of funding that is coming from W1/W2 to [20.2%], as detailed in Chart 4 below. The long-term ambition is to increase this to 30% by 2030.

CHART 4: MULTI-YEAR REVENUE DISTRIBUTION



11. Based upon this revenue distribution, Table 2, below indicates the amount of Cost Sharing Percentage ('CSP') projected to be available.
12. The CSP model and rate will be monitored annually with consideration given to lowering the CSP rate if certainty of funding of System Entity costs is realized.
13. The figures below are presented as budget **ceilings** to allow time for the development of a comprehensive Plan of Work and Budget (POWB) for the SMO which will be developed following finalization of the 2019-2021 Business Plan.

TABLE 2: BUDGET CEILINGS FOR SYSTEM ENTITIES IN 2019-2021 (ALL FIGURES IN US\$ MILLIONS)²³

Year	Projected CSP Generated in System	Indicative System Council Mandate Budget Ceiling ⁽²⁾	SMB Mandate Budget Ceiling ⁽³⁾	Contingent Surplus (Deficit)
2019	17.5	TBC	10.5	TBC
2020	17.9	TBC	11.0	TBC
2021	18.3	TBC	11.4	TBC

² 'System Council Mandate' used as term to describe grouping of indicative costs of ISDC, SPIA, External independent evaluations, Shared Secretariat and the System Council.

³ 'SMB Mandate' used as a term to describe grouping of indicative costs of SMO, SMB, General Assembly, CGIAR System Internal Audit arrangements, Partnership Forum, and trustee fees

Window 1 Liquidity & Stabilization Fund Purpose and Projections

14. The 2018 FINPLAN identified indicative funding of \$180.1M plus a stretch target of \$18.0M.
15. The 2018 FINPLAN encouraged programs to under-execute for the stretch target component unless it was realized.
16. The current projected fundraising for W1/W2 for 2018 is \$178.4. The stretch fundraising targets for 2018 are not expected to be realized.
17. [The Balancing Fund will provide \$1.7M of funding in 2018 to ensure indicative funding of \$180.1M is provided to programs.]
18. The 'Balancing Fund' will be re-named the 'Window 1 Liquidity & Stabilization Fund'. Other innovative financing mechanisms will also be explored to address the challenge of pre-financing of research activities in the first part of the fiscal year.
19. A multi-year target of [\$50M (+/- 10%)] for the Fund has been established. This represents a little less than one-quarter of the projected annual W1/W2 requirements.
20. The dual purpose of the Window 1 Liquidity & Stabilization Fund is to provide a reliable source of pre-financing cash flow for a portion of W1 funding to research programs during the first quarter of the fiscal year (a period in which Funder contributions are typically low) and to provide a contingency fund if stretch fundraising targets are not realized each year.
21. The System Management Board may recommend to System Council to make strategic use of the Window 1 Liquidity & Stabilization Fund if there are significant (more than 20% of total Window 1 or Window 2) shortfalls projected in year.
22. The multi-year Window 1 Liquidity and Stabilization Fund projections, linked to the fundraising and research implementation plans presented in this FINPLAN are as depicted in Table 3 below:

TABLE 3: BUILD-UP OF LIQUIDITY AND STABILITY FUND 2019-2021 (ALL FIGURES IN US\$ MILLIONS)

	2019	2020	2021
Projected Opening Balance	15.8	30.6	41.2
Possible CSP contingent surplus (deficit)	0.4	0.0	(0.9)
W1/W2 contributions	204.9	211.0	220.9
W1/W2 funds distributed to centers	(190.4)	(200.4)	(210.4)
Projected Ending Balance	30.6	41.2	50.8

Window 2 Preliminary Allocations from Funders

23. Existing Funders have indicated interest in providing stable W2 funding as outlined in Table 4:

TABLE 4: FUNDER W2 PRELIMINARY ALLOCATIONS (ALL FIGURES IN US\$ MILLIONS)

Research Programs	2019	2020 (Provisional - subject to annual review and updating)	2021 (Provisional - subject to annual review and updating)
Grain Legumes and Dryland Cereals	2.3	2.3	2.3
Fish	4.4	4.4	4.4
Forests, Trees and Agroforestry	2.6	2.6	2.6
Livestock	7.2	7.2	7.2
Maize	4.0	4.0	4.0
Rice	8.9	8.9	8.9
Roots, Tubers and Bananas	8.1	8.1	8.1
Wheat	8.5	8.5	8.5
Agriculture 4 Nutrition and Health	10.8	10.8	10.8
Climate Change, Agriculture and Food Security	12.4	12.4	12.4
Policies, Institutions and Markets	7.4	7.4	7.4
Water, Land and Ecosystems	5.2	5.2	5.2
Genebanks	3.6	3.6	3.6
Excellence in Breeding	1.0	1.0	1.0
Big Data	0.8	0.8	0.8
Gender Platform	1.4	1.4	1.4
Existing Research Portfolio	88.6	88.6	88.6

24. Any Window 2 funds received in 2019 for a specific CRP or Platform that are more than the above allocations will be considered additional funds available for use by the program and will not result in a downwards adjustment of the planned allocation of Window 1 funds for the year.
25. If total Window 2 funds received in 2019 for a specific CRP or Platform are less than the above allocations, no additional Window 1 funds will be allocated.
26. This will enable greater transparency into annual W1 allocations on a program by program basis and remove any disincentive for Funders to contribute funds towards W2.
27. Window 2 funds will be passed on to lead Centers as they are received from funders during the year.

Window 1 Proposed Allocations

28. A key variable in the 2019 – 2021 FINPLAN is how best to use W1 in support of achieving the strategic funding objectives of the System Council.
29. Window 1 funds will remain linked to Window 2 funds on an annual planning cycle. They will be allocated in the annual FINPLAN only after taking into consideration the planned W2 allocations by funders.
30. If less Window 1 funds than expected are received for the year and the System Council decides not to utilize the Liquidity and Stabilization Fund to make up the difference, then Window 1 allocations to each CRP and Platform will be reduced proportionately.
31. Based upon the expected Window 2 allocations provided in Table 4 above, the following Window 1 allocations are found in Table 5 below:

TABLE 5: WINDOW 1 ALLOCATIONS (ALL FIGURES IN US\$ MILLIONS)

	2019	2020 (Provisional - subject to annual review and updating)	2021 (Provisional - subject to annual review and updating)
Research Programs			
Grain Legumes and Dryland Cereals	6.2	6.9	7.5
Fish	1.4	1.9	2.4
Forests, Trees and Agroforestry	6.8	7.6	8.2
Livestock	10.4	11.9	13.1
Maize	5.8	6.6	7.3
Rice	4.5	5.3	5.8
Roots, Tubers and Bananas	11.1	12.5	13.6
Wheat	4.5	5.6	6.5
Agriculture 4 Nutrition and Health	6.3	7.7	8.8
Climate Change, Agriculture and Food Security	5.8	7.3	8.6
Policies, Institutions and Markets	7.9	8.4	9.1
Water, Land and Ecosystems	3.5	4.2	4.9
Genebanks	15.1	11.7	9.6
Excellence in Breeding	0.7	0.9	1.0
Big Data	3.3	2.8	2.8
Gender Platform	0.6	0.6	0.7
Existing Research Portfolio	93.9	101.8	109.8
Additional Research initiatives (extra CRP/PTF Funding)	5.0	5.0	5.0
New Center alliances	3.0	5.0	7.0
Total Planned W1 Allocation	101.9	111.8	121.8

Window 1 and Window 2 Planned Disbursements

32. Aggregating the Funder indicated W2 allocations and the planned W1 allocations discussed above provides the planned amounts for distribution to programs during the 2019-2021 period⁴ as presented in Table 6.

TABLE 6: WINDOW 1 ALLOCATIONS (ALL FIGURES IN US\$ MILLIONS)

	2018 Projected W1/W2 Allocation	2019 Projected W1/W2 Allocation	2020 (Provisional - subject to annual review and updating)	2021 (Provisional - subject to annual review and updating)
Research Programs				
Grain Legumes and Dryland Cereals	7.2	8.5	9.2	9.8
Fish	4.9	5.8	6.3	6.7
Forests, Trees and Agroforestry	9.0	9.4	10.2	10.8
Livestock	15.6	17.5	19.0	20.3
Maize	10.2	9.8	10.7	11.3
Rice	14.3	13.4	14.2	14.7
Roots, Tubers and Bananas	19.7	19.1	20.5	21.7
Wheat	13.2	13.0	14.1	15.0
Agriculture 4 Nutrition and Health	17.3	17.1	18.5	19.6
Climate Change, Agriculture and Food Security	18.5	18.2	19.7	21.0
Policies, Institutions and Markets	16.3	15.2	15.7	16.4
Water, Land and Ecosystems	8.1	8.7	9.4	10.0
Genebanks	19.2	18.8	15.3	13.2
Excellence in Breeding	1.8	1.7	1.9	2.0
Big Data	4.9	4.1	3.6	3.5
Gender Platform	0.0	2.0	2.0	2.1
Existing Research Portfolio	180.1	182.4	190.4	198.4
Additional Research initiatives (extra CRP/PTF Funding)	0.0	5.0	5.0	5.0
New Center alliances	0.0	3.0	5.0	7.0
Total Planned W1/W2 Allocation	180.1	190.4	200.4	210.4

33. It is recommended that CGIAR Centers build budgets and plans of work considering their respective risk appetites based upon the information available in this FINPLAN.

⁴ The above should not be conflated with planned program spending, which has been estimated at \$205M in 2019, \$205M in 2020 and \$210M in 2021. The differences in spend projections reflect the expected utilization of deferred revenues in Centers as at December 31, 2017.

Risk Management of Portfolio

34. There remain a series of risks that all parties in the CGIAR System will collectively manage with respect to funding of the Portfolio, as described in Table 7 below.

TABLE 7: RISKS IN 2019-2021 FINPLAN

#	Risk Embedded in 2019-2021 FINPLAN	Risk Owners	Mitigation measures
1	Total funding identified not received in each of 2019, 2020, 2021	Collectively, Funders, System Council, System Organization (SMB + SMO) Center Boards of Trustees, Center Management	<ul style="list-style-type: none"> • Advance calls with Funders to understand level of confidence in targets. • Frequent monitoring and updates provided across System on latest funding developments. • Projected deferred revenue heading into 2019 of \$20M can be used to fund shortfalls. • Projected Liquidity and Stability fund can be used to fund shortfalls. • Planned Alliance funded work is subject to additional funding being provided in advance. • \$5M of additional research initiatives is subject to additional funding being provided in advance. • Monthly communications to CRPs, Platforms and Centers to share latest intelligence on funding allocations. • Request for Funders to provide final allocations during Q4 of 2018.
2	Total funding in a given year is received, but with differing W2 allocations than the FINPLAN is built upon		
3	Baseline funding achieved, but stretch targets not achieved		
4	Genebanks co-funding from Crop Trust may not be realized, creating additional pressure on W1/W2 resources	Crop Trust (CT)	<ul style="list-style-type: none"> • CT to identify alternative funding sources for the required co-contribution to Genebanks portfolio

Comparative Analysis of Annual Allocations

35. The CGIAR Portfolio remains underfunded in this plan with respect to the multi-year work plans contained within the approved CGIAR research program and platform proposals.
36. The allocations for 2019 and the provisional allocations for 2020 and 2021 reflect the following levels of underfunding as outlined in Table 8 below.

TABLE 8: COMPARATIVE ANALYSIS OF FUNDING SHORTFALLS

	Base Requests from CRP Approved Portfolio			Funding Allocation in FINPLAN			Proportion vs. Original Baseline		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Research Programs									
Grain Legumes and Dryland Cereals	10.8	11.3	11.9	8.5	9.2	9.8	79%	81%	82%
Fish	7.4	7.8	8.2	5.8	6.3	6.7	79%	81%	82%
Forests, Trees and Agroforestry	12.0	12.6	13.1	9.4	10.2	10.8	79%	81%	82%
Livestock	22.3	23.5	24.6	17.5	19.0	20.3	79%	81%	82%
Maize	12.5	13.1	13.8	9.8	10.7	11.3	79%	81%	82%
Rice	17.1	17.5	17.9	13.4	14.2	14.7	79%	81%	82%
Roots, Tubers and Bananas	24.3	25.3	26.3	19.1	20.5	21.7	79%	81%	82%
Wheat	16.5	17.4	18.2	13.0	14.1	15.0	79%	81%	82%
Agriculture 4 Nutrition and Health	21.8	22.8	23.8	17.1	18.5	19.6	79%	81%	82%
Climate Change, Agriculture and Food Security	23.2	24.3	25.5	18.2	19.7	21.0	79%	81%	82%
Policies, Institutions and Markets	19.4	19.4	20.0	15.2	15.7	16.4	79%	81%	82%
Water, Land and Ecosystems	11.0	11.6	12.2	8.7	9.4	10.0	79%	81%	82%
Genebanks	18.8	15.3	13.2	18.8	15.3	13.2	100%	100%	100%
Excellence in Breeding	2.2	2.3	2.4	1.7	1.9	2.0	79%	81%	82%
Big Data	5.2	4.5	4.3	4.1	3.6	3.5	79%	81%	82%
Gender Platform	0.0	0.0	0.0	2.0	2.0	2.1	n/a	n/a	n/a
Research Portfolio	224.4	228.5	235.3	182.4	190.4	198.4	81%	83%	84%
Additional Research initiatives (extra CRP/PTF Funding)	0.0	0.0	0.0	5.0	5.0	5.0	n/a	n/a	n/a
New Center alliances	0.0	0.0	0.0	3.0	5.0	7.0	n/a	n/a	n/a
Total Planned W1/W2 Allocation	224.4	228.5	235.3	190.4	200.4	210.4	85%	88%	89%