

CGIAR System 3-Year Business Plan (2019-2021) Companion Document

2019-2021 CGIAR Research Financing Plan (2019-20 21 FINPLAN)

Business Plan Action: **1.2 – Implement the 2019-2021 FinPlan**

Purpose: This document sets out a proposed 2019-2021 Research Financing Plan ensuring that CGIAR's portfolio is sufficiently resourced during the 2019-2021 period.

Action Requested: The System Council is requested to provide strategic input and guidance on the FinPlan, before subsequent finalization by the Board at SMB11 (December 2018), followed by circulation to System Council for electronic endorsement.

Document category: Working document of the System Council

There is no restriction on the circulation of this document

Prepared by: CGIAR System Management Office based on cross-System consultations

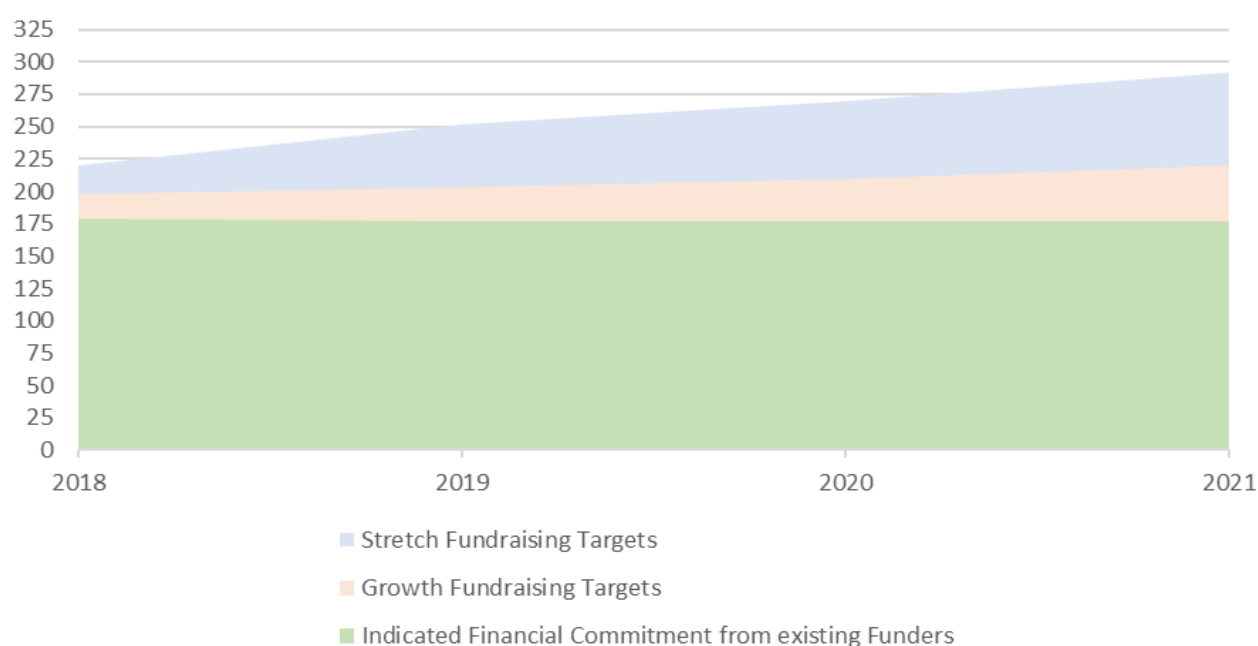
Contents

A. Overview	3
B. Guiding Principles for the 2019-2021 FINPLAN	5
C. Fundraising Targets for W1, W2, W3 and Bilateral	6
D. Window 1 Liquidity & Stabilization Fund Purpose and Projections	9
E. Window 2 Preliminary Allocations from Funders	10
F. Window 1 Proposed Allocations	12
G. Window 1 and Window 2 Planned Disbursements	13
H. Risk Management of Portfolio	14
I. Comparative Analysis of Annual Allocations	15

A. 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 is an essential companion document to the 3-year CGIAR System Business Plan (SC7-02), by providing 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 on funding availability, including on projected Window 2 funding.
3. Underpinning this plan is a concerted effort to increase the volume, predictability and stability of available funding which is required to help address the sustainable financial viability of CGIAR Centers that the Audit and Risk Committee ('ARC') of the System Management Board ('SMB') is closely monitoring.
4. To address these needs, the ambitions of this FINPLAN are:
 - (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 partner support to maintain collective W1/W2 funding 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. elevating gender in research to a Platform as for Big Data etc., special research initiatives such as on climate change or biofortification, Alliance Opportunity Special Initiative) being secured without cannibalizing existing funding streams.
 - (d) System Funders providing greater clarity in the form of multi-year funding pledges or, at minimum, notional *Statements of Funder Intention* to improve the predictability of total available funding for CGIAR research as well as programmatic level projections.
 - (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.

5. The reliability of this plan is entirely dependent on the level of accuracy with which the System can project funding to be available from Funders, by Window and with respect to Window 2 funds, and by CRP/Platform allocation. As such, it will be updated annually to maintain its accuracy and relevance.
6. As there is risk implicit in projecting available funding in an uncertain environment, this FINPLAN proposes a systematic repurposing and rebuilding of the Window 1 Liquidity & Stabilization Fund (formerly labelled 'Balancing Fund') as well as intentional restraint, by ensuring research spending is planned at a lower level than targeted fundraising to accommodate the risk of growth fundraising targets not being achieved.
7. This plan presents a realistic and attainable set of fundraising targets for the 2019-2021 period. However, it is important to note that meeting these fundraising targets will not fulfill the entire funding requirements of CGIAR, which remains significantly under-resourced as captured in Chart 1 below.

CHART 1: 2019-2021 CGIAR W1/W2 FUNDING REQUIREMENTS

B. Guiding Principles for the 2019-2021 FINPLAN

8. There are nine principles underpinning the 2019-2021 FINPLAN:

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 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 Global Crop Diversity Trust¹.

III. CSP Included in Revenues

Unless otherwise stated, all figures 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. No budget ceiling

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

V. Carry-over from the 2010-2016 CGIAR Portfolio

W1/2 carry-over from the former CRPs is excluded from the annual System Council allocation but the cumulative amount of allocated funds shall not surpass the original CRP/Platform proposal W1/2 funding request.

VI. Carry-over within the current portfolio

Carry-over of W1/2 funding within the current implementation period of a CRP or Platform is possible if the original CRP/Platform total W1/2 funding request is not surpassed, noting that the CGIAR System 2019-2021 Business Plan proposes that the current portfolio be brought to an end 1 year earlier (end 2021).

VII. Indistinguishable W1/2 funds at the 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.

VIII. W2 Flagship (FP) funding

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

¹ See risks in Table 7

IX. Methodology for changes to CRP/Platform funding targets

Instances where the SMB may revert to the System Council 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; and/or
- 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.

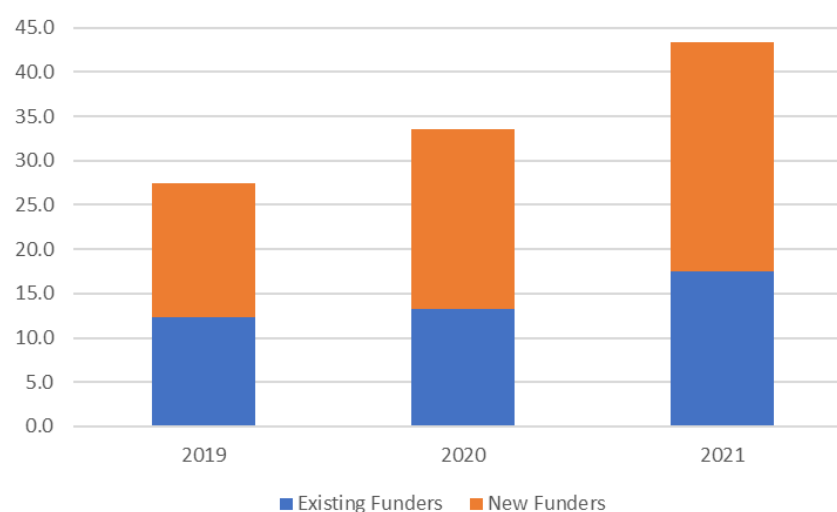
C. Fundraising Targets for W1, W2, W3 and Bilateral**Windows 1 and 2**

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

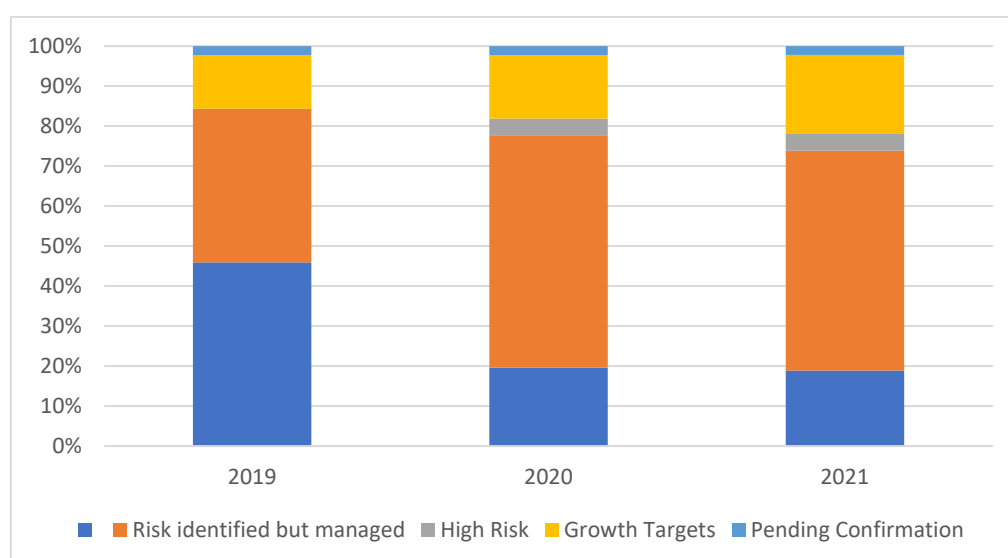
TABLE 1: 2019-2021 FUNDRAISING TARGETS

2019 - 2021 Fundraising Targets (USD Millions)	2019 Projections			2020 Projections			2021 Projections		
	W1	W2	W1/W2	W1	W2	W1/W2	W1	W2	W1/W2
Indication from Funders	87.7	90.1	177.8	87.7	90.1	177.8	87.7	88.4	176.1
Growth Targets	12.5	14.9	27.4	16.7	16.8	33.5	22.7	20.8	43.4
FINPLAN Target	100.2	105.0	205.2	104.4	106.9	211.3	110.4	109.2	219.6

10. The fundraising strategy requires an increase in funding over and above the current baseline projected from existing Funders. The growth fundraising targets over the course of the 3-year business plan are shown in Chart 2 below.

CHART 2: 2019-2021 GROWTH FUNDRAISING TARGETS

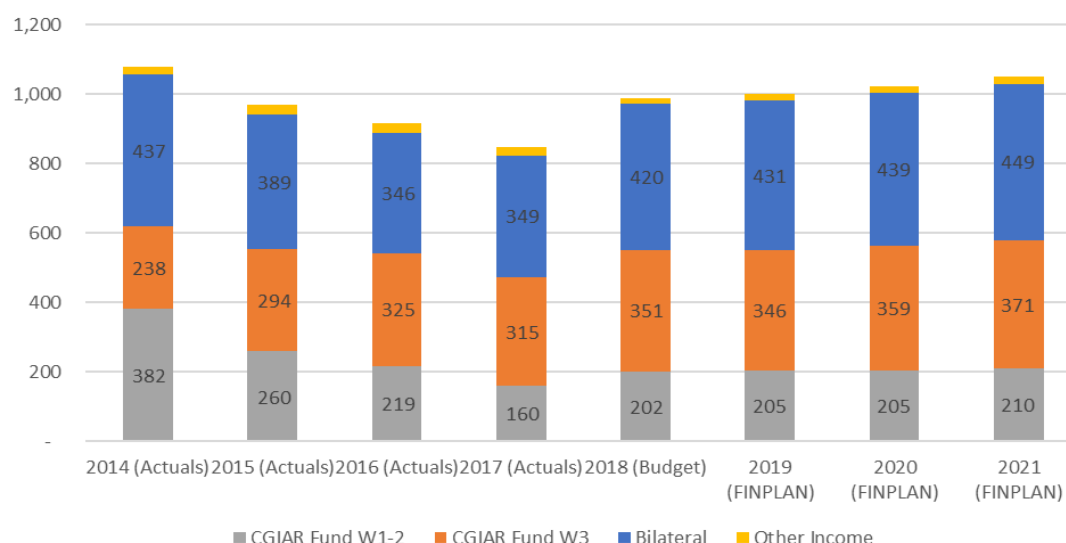
11. The revenue projections in the FINPLAN were built off consultations with current W1/W2 funders and an assessment of the confidence levels of targeted funding as set out in Chart 3 below.

CHART 3: 2019-2021 FUNDING CONFIDENCE LEVELS

12. The projection demonstrates realistic progress towards increasing the total proportion of revenue² that is coming from W1/W2 to 20%, as detailed in Chart 4 below. The long-term ambition is to increase this to 30% by 2030.

² Revenue in this context and in Chart 4 refers to the recognized revenue on the Statement of Activities of the CGIAR Centers and not to funds received or funds raised.

CHART 4: MULTI-YEAR PROJECTED REVENUE DISTRIBUTION



13. Based upon this projected revenue distribution, Table 2 below indicates the amount of Cost Sharing Percentage ('CSP') projected to be available. The CSP model and rate will be monitored annually with consideration given to lowering the CSP rate if greater certainty of sufficient revenue volume is realized alongside greater clarity of System Entity funding needs.³
14. [Table 2 below will be populated with budget amounts/ceilings taking into account guidance from SC7 on elements falling within the 'System Council Mandate Budget' group, and the System Management Board at its 12th meeting in December 2018 on elements falling within the 'SMB Mandate Budget' group].

TABLE 2: PRELIMINARY BUDGET CEILINGS FOR SYSTEM ENTITIES IN 2019-2021 ^{4 5}

	2019		2020		2021	
	'High Scenario'	'Low Scenario'	'High Scenario'	'Low Scenario'	'High Scenario'	'Low Scenario'
Projected CSP Generated in System	TBC	TBC	TBC	TBC	TBC	TBC
Indicative <i>System Council Mandate Budget</i> ⁽³⁾	TBC	TBC	TBC	TBC	TBC	TBC
Indicative <i>SMB Mandate Budget</i> ⁽⁴⁾	TBC	TBC	TBC	TBC	TBC	TBC
Projected Excess (Deficit)	TBC	TBC	TBC	TBC	TBC	TBC

³ As provided for in the 'Policy on CGIAR System Cost Financing'
<https://cgspace.cgiar.org/bitstream/handle/10568/89415/Policy%20on%20CGIAR%20System%20Cost%20Financing.pdf?sequence=1&isAllowed=y>

⁴ 'System Council Mandate' used as term to describe grouping of indicative costs of ISDC, SPIA, External independent evaluations, Shared Secretariat and the System Council.

⁵ '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

15. 'High Scenarios' represent the preliminary maximum budget envelopes requested by the various budget entities. This scenario assumes that all proposed costs of Strengthening Impact Assessment in CGIAR ('SIAC') will be funded out of CSP directly.
16. 'Low Scenarios' presented here limit the growth in the budget on a year-over-year basis to the annual growth rates in the amount of W1/W2 that are planned for distribution in this FINPLAN, which are 5.5% in 2019, 5.2% in 2020, and 4.5% in 2021.

D. Window 1 Liquidity & Stabilization Fund Purpose and Projections

17. *[At the end of 2018 the Balancing Fund is estimated to be \$15.8M. The slight reduction on the end-2017 level was because it provided \$1.7M of funding in 2018 to ensure indicative funding of \$180.1M is provided to programs.]* The 2018 FINPLAN identified indicative funding of \$180.1M plus a stretch target of \$18.0M. The 2018 FINPLAN encouraged programs to under-execute for the stretch target component unless it was realized. The current projected fundraising for W1/W2 for 2018 is \$178.4. The stretch fundraising targets for 2018 are not expected to be realized.
18. The 'Balancing Fund' will be re-named and repurposed to the 'Window 1 Liquidity & Stabilization Fund'. The dual purpose of the Window 1 Liquidity & Stabilization Fund is to provide: (i) 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 (ii) a contingency fund if growth fundraising targets are not realized each year. The SMB 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 any given year.
19. A multi-year target of [\$50M (+/- 10%)] for the Window 1 Liquidity & Stabilization Fund has been established. This represents a little less than one-quarter of the projected annual W1/W2 requirements. The multi-year Window 1 Liquidity & 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 WINDOW 1 LIQUIDITY AND STABILITY FUND 2019-2021

	2018	2019	2020	2021
Targeted Opening Balance	17.5	15.8	28.9	38.3
Projected W1/W2 contributions	178.4	205.2	211.3	219.6
Contingency allocation to Centers to offset fundraising shortfalls		(2.0)	(2.0)	(2.0)
W1/W2 funds distributed to centers	(180.1)	(190.0)	(200.0)	(209.0)
Targeted End Balance	15.8	28.9	38.3	46.8

20. During the Business Plan period, innovative financing mechanisms will be explored to build up the balance of, or create alternatives to, the W1 Liquidity & Stabilization Fund to address the challenge of pre-financing of research activities in the first part of the fiscal year.

E. Window 2 Preliminary Allocations from Funders

21. Existing Funders have indicated interest in providing stable W2 funding as outlined in Table 4 below.

TABLE 4: FUNDER W2 PRELIMINARY ALLOCATIONS

CRPs/Platforms	2019	2020 (Provisional - subject to annual review and updating)	2021 (Provisional - subject to annual review and updating)
Grain Legumes and Dryland Cereals	4.2	4.2	4.2
Fish	3.6	3.6	3.6
Forests, Trees and Agroforestry	2.6	2.6	2.6
Livestock	6.7	6.7	6.7
Maize	4.2	4.2	4.2
Rice	8.5	8.5	8.5
Roots, Tubers and Bananas	10.0	10.0	10.0
Wheat	8.0	8.0	8.0
Agriculture 4 Nutrition and Health	11.3	11.3	11.3
Climate Change, Agriculture and Food Security	12.4	12.4	12.4
Policies, Institutions and Markets	6.9	6.9	6.9
Water, Land and Ecosystems	5.2	5.2	5.2
Genebanks	3.6	3.6	2.0
Excellence in Breeding	0.6	0.6	0.6
Big Data	0.8	0.8	0.8
Gender Platform	1.4	1.4	1.4
Total	90.1	90.1	88.4

22. 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 CRP/Platform and will not result in a downwards adjustment of the planned allocation of Window 1 funds.
23. 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 – although in this eventuality contributions from the Window 1 Liquidity & Stabilization Fund will be considered by SMB subject to Section D above.

24. This will enable greater transparency into annual W1 allocations on a CRP/Platform by CRP/Platform basis and remove a major disincentive for Funders to contribute new and additional funds towards a CRP/Platform through W2.
25. Window 2 funds will be passed on to lead Centers as they are received from Funders during the year.

F. Window 1 Proposed Allocations

26. 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.
27. Window 1 funds will remain linked to Window 2 funds on a multi-annual planning cycle, subject to annual revisions where necessary. They will be allocated in the annual 'FINPLAN updates' only after taking into consideration the planned W2 allocations by Funders.
28. If less Window 1 funds than expected are received for the year and the System Council decides not to utilize the Window 1 Liquidity & Stabilization Fund to make up the difference, then Window 1 allocations to each CRP and Platform will be reduced on a pro-rata basis of the total planned W1 allocation for the year.
29. 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 PLANNED ALLOCATIONS

CRP/Platform/Initiative	2019	2020 (Provisional - subject to annual review and updating)	2021 (Provisional - subject to annual review and updating)
Grain Legumes and Dryland Cereals	4.2	5.0	5.5
Fish	2.2	2.7	3.1
Forests, Trees and Agroforestry	6.8	7.5	8.1
Livestock	10.8	12.3	13.5
Maize	5.6	6.4	7.1
Rice	4.9	5.7	6.1
Roots, Tubers and Bananas	9.1	10.5	11.5
Wheat	5.0	6.1	6.9
Agriculture 4 Nutrition and Health	5.8	7.1	8.1
Climate Change, Agriculture and Food Security	5.8	7.3	8.5
Policies, Institutions and Markets	8.2	8.7	9.4
Water, Land and Ecosystems	3.5	4.2	4.8
Genebanks	15.1	11.7	11.2
Excellence in Breeding	1.1	1.3	1.4
Big Data	3.3	2.8	2.7
Gender Platform	0.6	0.6	0.7
Sub-total	91.9	99.9	108.6
Additional Research initiatives (extra CRP/Platform Funding)	5.0	5.0	5.0
New Alliances Opportunity Special Initiative	3.0	5.0	7.0
Total Planned W1 Allocation	99.9	109.9	120.6

G. Window 1 and Window 2 Planned Disbursements

30. Aggregating the Funder indicated Window 2 allocations and the planned Window 1 allocations discussed above provides the planned amounts for distribution during the 2019-2021 period⁶ as presented in Table 6 below.

TABLE 6: WINDOW 1/WINDOW 2 PLANNED ALLOCATIONS

CRPs/Platforms/Initiatives	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)
Grain Legumes and Dryland Cereals	7.2	8.5	9.2	9.7
Fish	4.9	5.8	6.3	6.7
Forests, Trees and Agroforestry	9.0	9.4	10.2	10.7
Livestock	15.6	17.5	19.0	20.1
Maize	10.2	9.8	10.6	11.3
Rice	14.3	13.4	14.2	14.6
Roots, Tubers and Bananas	19.7	19.1	20.5	21.5
Wheat	13.2	13.0	14.1	14.9
Agriculture 4 Nutrition and Health	17.3	17.1	18.4	19.4
Climate Change, Agriculture and Food Security	18.5	18.2	19.7	20.9
Policies, Institutions and Markets	16.3	15.2	15.7	16.3
Water, Land and Ecosystems	8.1	8.6	9.4	9.9
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
Sub-Total	180.1	182.0	190.0	197.0
Additional Research initiatives (extra CRP/Platform Funding)	0.0	5.0	5.0	5.0
New Alliances Opportunity Special Initiative	0.0	3.0	5.0	7.0
Total Planned W1/W2 Allocation	180.1	190.0	200.0	209.0

31. 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.

⁶ 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 31 December 2017.

H. Risk Management of Portfolio

32. In November 2017, the System adopted a whole of system 'CGIAR System Risk Management Framework'⁷ and agreed to consider opportunities and risks according to five risk families. '*CGIAR loses its central role in Agricultural Research for Development*' comprises risk family 2, resulting from missed opportunities. In the context of this FINPLAN, one of the working 'opportunity indicators' for risk family 2 is that '*Diversity and predictability of funding maintains CGIAR as a global player*'
33. There remain a series of funding risks relevant to that 'opportunity indicator' that all parties in the CGIAR System will need to 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 & Stability Fund can be used to finance 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 growth fundraising targets not achieved		
4	Genebanks co-funding from Crop Trust may not be realized, creating additional pressure on W1/W2 resources	Crop Trust	<ul style="list-style-type: none"> • Crop Trust to identify alternative funding sources for the required co-contribution to Genebanks portfolio

⁷ <https://www.cgiar.org/wp/wp-content/uploads/2018/01/Risk-Management-Framework-APPROVED.pdf>

I. Comparative Analysis of Annual Allocations

34. The CGIAR Portfolio remains underfunded in this plan with respect to the multi-year work plans contained within the approved CRP and Platform proposals.
35. 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

CRPs/Platforms/Initiatives	Base Requests from CRP Approved Portfolio			Funding Allocation in FINPLAN			Proportion vs. Original Baseline		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Grain Legumes and Dryland Cereals	10.8	11.3	11.9	8.5	9.2	9.7	78%	81%	82%
Fish	7.4	7.8	8.2	5.8	6.3	6.7	78%	81%	82%
Forests, Trees and Agroforestry	12.0	12.6	13.1	9.4	10.2	10.7	78%	81%	82%
Livestock	22.3	23.5	24.6	17.5	19.0	20.1	78%	81%	82%
Maize	12.5	13.1	13.8	9.8	10.6	11.3	78%	81%	82%
Rice	17.1	17.5	17.9	13.4	14.2	14.6	78%	81%	82%
Roots, Tubers and Bananas	24.3	25.3	26.3	19.1	20.5	21.5	78%	81%	82%
Wheat	16.5	17.4	18.2	13.0	14.1	14.9	78%	81%	82%
Agriculture 4 Nutrition and Health	21.8	22.8	23.8	17.1	18.4	19.4	78%	81%	82%
Climate Change, Agriculture and Food Security	23.2	24.3	25.5	18.2	19.7	20.9	78%	81%	82%
Policies, Institutions and Markets	19.4	19.4	20.0	15.2	15.7	16.3	78%	81%	82%
Water, Land and Ecosystems	11.0	11.6	12.2	8.6	9.4	9.9	78%	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	78%	81%	82%
Big Data	5.2	4.5	4.3	4.1	3.6	3.5	78%	81%	82%
Gender Platform	0.0	0.0	0.0	2.0	2.0	2.1	n/a	n/a	n/a
Sub-Total	224.4	228.5	235.3	182.0	190.0	197.0	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 Alliances Opportunity Special Initiative	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	190.0	200.0	209.0	85%	88%	89%