



Implementing the 2019-2021 CGIAR Research Financing Plan W1/2 Partial de-linking principles to expand current funding rules

Purpose

This document presents a W1/2 de-linking modality to implement the 2019-2021 CGIAR Research Financing Plan as recommended by the System Management Board based on deliberations at its 13th meeting in April 2019.

Action Requested by the System Council

The System Council is invited to review and if considered appropriate, **approve** the implementation guidance set out in Part C of this paper as a further enhancement of the 2019-2021 CGIAR Financing Plan that was approved by the System Management Board in December 2018, and approved electronically by the System Council in January 2019.

Document category: Working document of the System Council

There is no restriction on the circulation of this document

Prepared by: The System Management Office

Part A: Background on Linked Window 1 and Window 2 (2017-2018 Process)

1. Since 2017, all Window 1 and Window 2 financing was fully linked for allocation purposes. Planning allocations for combined Window 1 and Window 2 financing were approved annually by the System Council on the recommendation of the System Management Board ('SMB').
2. Any CGIAR Research Program ('CRP') or Platform that received more in-year Window 2 funding (in comparison to the approved annual planning allocations) would experience an equivalent reduction in allocated Window 1 funds for the year. Conversely, any CRP or Platform that received less in-year Window 2 funding (in comparison to the approved annual planning allocations) was eligible to receive additional Window 1 as compensation, to the extent there was available Window 1 funds to support this.
3. This fully linked mechanism had the advantage of providing a certain level of shared funding stability across the portfolio, as Window 1 funds were used as a smoothing agent to distribute funding reductions in a proportionate manner across the research portfolio.
4. However, fully linking Window 1 and Window 2 funds also provided a strong disincentive for Funders to invest additional funds to the research portfolio via Window 2 because the additional contribution would be offset by an automatic corresponding reduction in Window 1 allocations to the specific CRP or Platform. This unintended disincentive was identified as a barrier for new or additional funding to be directed towards CGIAR's pooled funding mechanism (i.e. Window 1 and Window 2).

Part B: 2019-2021 CGIAR Research Financing Plan - Relevant Highlights

5. The 2019-2021 CGIAR Research Financing Plan (['2019-2021 FinPlan'](#)¹) included three key elements:
 - a. It is based on **multi-year indicative allocations communicated by Funders**;
 - b. **It targets growth in the Window 1 Liquidity and Stabilization Fund** if fundraising targets are achieved; and
 - c. **It introduced a shift from fully-linked to partial de-linking of Window 1 and 2 funds** to address a significant incentive problem that was identified as a causal factor limiting growth in pooled funding.

¹ Approved by the SMB at its 12th meeting on 13 December 2018 (SMB/M12/DP7), and the System Council by no-objection electronic decision with effect from 10 January 2019 (SC/M7/EDP1)

Part C: Implementation Guidance on partial de-linking of W1/W2 Funds and use of Liquidity and Stabilization Fund

6. **For partial de-linking** (see paragraphs 21-26 of the 2019-2021 FinPlan), in the event there are variances between the indicative allocations and assumptions used in the 2019-2021 FinPlan and the actual funding received from an individual Funder, the following guidance will be applied² :

4 Scenarios - Description	Implementation Guidance
1. Shift in funding between Windows (i.e. Funder contributes same as was planned, but via W2 instead of W1 – or vice-versa)	Neutral effect on funds allocated to an individual Program or Platform
2. Net increase in W2 funding for a specific Program or Platform (i.e. Funder contributes more than the planned and the extra amount is restricted to a specific Program or Platform).	Additional W2 allocation will be made to the affected Program or Platform
3. Shift in funding within W2 between specific Program(s) or Platform(s) (i.e. Funder contributes the same amount as planned to W2, but shifts it from one Program to another)	Additional W2 allocation will be made to the affected Program (CRP) or Platform receiving the extra allocation. <i>Shortfalls to specific Program(s) or Platform(s) will be offset by use of W1 Liquidity and Stabilization Fund (subject to limitations outlined in paragraph 7)</i>
4. Net reduction in funding overall (i.e. Funder contributes less than planned for)	Affected Program(s) or Platform(s) will be impacted proportionately. <i>Shortfalls to specific Program(s) or Platform(s) will be offset by use of W1 Liquidity and Stabilization Fund (subject to limitations outlined in paragraph 7)</i>

7. **For the Window 1 Liquidity and Stabilization Fund** (see paragraphs 17-19 of the 2019-2021 FinPlan, with a 31 December 2018 balance of \$31.2M): Recognizing the need to balance growth with near-term predictability, this Fund will be used to provide a partial guarantee of 90% of original combined W1/2 FinPlan targets to each CRP/Platform, subject to the following limitations:
- Balance of fund is not drawn down more than \$10M in any one year, and
 - There remains a minimum balance of \$10M in the Fund at the end of each year.

² to exempt from partial delinking treatment for any additional W2 contributions for which the funder has expressly communicated that their desired outcome is to reduce the amount of W1 otherwise allocated to the Program or Platform

8. **Application of guidance:** The SMB will apply the above implementation guidance in the management and distribution of funding and will review at its year-end session in 2019 the success of these measures in terms of promoting growth in funding alongside providing near-term predictability to Centers of funding for the research portfolio.