Funding, Financing and Designations FAQ

Resource for 15th System Council Meeting

This document was developed in response to questions raised by CGIAR's Funders in advance of the 15th System Council meeting and is shared as a background resource.

IDC/Overhead costs and CSP:

1. *Overview of the 2022 IDC/overhead rates for each center including any IDC rate that is charged for transferring funds from one center to another.*

Budgeted overhead rates for each entity for 2022 are listed below, with the average providing a 'CGIAR rate' for the year. As the concept of "Lead Center" has been removed, going forward, no IDC charges will be levied by one Center to another Center when transferring Window 1 funds.

Table 1: 2022 estimated IDC/overhead rate for each Entity

Entity	Estimated overhead rate (%)	Overhead rate charge to other Centers (%)
AfricaRice	15%	0
Bioversity International	12%	0
CIAT	14%	0
CIMMYT	11%	0
CIP	15%	0
ICARDA	16%	0
IFPRI	16%	0
IITA	11%	0
ILRI	13%	0
IRRI	13%	0
IWMI	15%	0
WorldFish	15%	0
CGIAR AVERAGE	14%	0

The estimated overhead rates above do not include any charge back or transitional costs for delivering on the transition to operating as One CGIAR[1]. If these are included, the projected 2022 average is 24%, which is 2% higher than in 2020 as a result of the transitional costs.

2. Whether a CSP rate is applied in addition to the IDC rates.

The current CGIAR policy position (as re-affirmed by the CGIAR System Council at its first meeting in July 2016) is that the System Organization determines the annual cost sharing percentage, based on a pre-determined formula (Section 2 of the policy). With the move away from Window 2, to increasing undesignated Window 1 funds, the System Organization's intent is to set the CSP at zero in due course. This will be triggered by a level of sufficient Window 1 undesignated funding that can meet the funding requirements for system-wide costs (including for the operations of the System Council, System Organization, Advisory Services Shared Secretariat, the ISDC, SPIA and others).

3. How would you advise funders to budget for 2% CSP?

The designations should include 2% over and above the designations as this will be removed to cover costs mentioned above.

4. How will overhead/IDC costs be calculated?

IDC costs are calculated by Centers by dividing the Indirect cost (total of cost not directly attributable to project) over the total of Direct costs. The CGIAR Cost Principles Indirect Cost Guidelines ('Cost Principles') that apply to all Centers is accessible here.

5. What amounts are charged to the overhead calculation and will all funds be subjected with overhead?

As detailed in the Cost Principles under paragraphs 7-9, indirect costs are those that are not directly attributable to a project. The cost of a researcher is a direct cost, as is the cost for a finance officer working for an Initiative. Indirect costs are those related to the general management and administration of each entity. Direct costs can be directly charged, charged back or through cost drivers.

All funds are subject to overhead rate to ensure the sustainability of the entities. A detailed review of CGIAR overhead rates will be performed in 2022 aiming a common overhead consistently applied by all entities on W1 funds and on bilateral projects.

[1] Charge back costs in this context include Facilities, Utilities, IT and Communications that is allocable to a project required for its execution.

6. Where and how will they be applied?

Indirect cost rates are applied to the total direct cost of every Initiative, Platform and bilateral project and vary from Center to Center based on their size and operational structure.

7. Will the overhead/ICD rate be audited annually?

Indirect cost rates are presented as one of the Annexes of the Audited Financial Statements of Centers. The CGIAR overhead rate will be the average of all entities across the CGIAR.

8. Will there be one common CGIAR-wide overhead rate or will each center apply their own overhead rate?

Yes, there will be a common overhead rate. However, at the moment, each center needs to have their own rate for audit purposes, due to Center bilateral projects in place and there not being an operational structure with financial authorities in place yet. With time, we can have one common and auditable CGIAR rate. As stepping stone towards having a common overhead rate, we have a CGIAR rate which is the average of the overhead rates applied by all entities across the CGIAR.

9. How will transfer of funds from one center to the next work? Currently a 5% IDC rate is applied to transfer of funds. With the OneCGIAR we expect that this transfer-rate will be removed. Is that the case?

Yes - with respect to pooled funding, there should no longer be a need to transfer funds from one Center to another since CGIAR Initiatives do not have a 'Lead Center' that disburses funds to Centers participating in the Initiative as was the case with CRPs. Instead, we have a flow of funds through each entity, for the work to be delivered under the authority of the Science Groups on each Initiative Work Package. If short term services are required from one entity to another (under 6 months), the charges are invoiced at cost. The policy on this is under development and will be finalized later this month.

However, with respect to the management of W3/Bilateral projects, internal IDC transfer rates are still in place between some entities. As we map and operate bilaterals into the CGIAR operating structure (as opposed to Centers), these arrangements will reduce and eventually be eradicated.

Audits and Reporting:

1. Are the initiatives audited annually?

Annual statutory audits are conducted each year for each Center, where a risk base sample of transactions are taken. The sample in the past included CRPs and will in future include Initiatives and Platforms. In addition to this, in the CGIAR operating structure, there is a Financial Quality Assurance function which is responsible for conducting financial risk assessments and spot checks. This will include annual checks on Initiatives and Platforms to confirm that activities have been carried out in line with agreed work packages and there is sufficient evidence. We expect this to kick start in 2023 when people, processes and systems are in place.

2. When are corresponding financial reports from centers to the initiatives due and when is an entire financial report for each initiative due?

Aggregated high level financial data will be provided on a quarterly basis, with the first consolidated data set expected to be provided at end July 2022. As people, processes and systems transition into place, more detailed data sets will become available from 2023 onwards. A financial reporting timetable will be shared by end Q2, 2022.

3. Will we receive financial statements about expenses of the initiatives?

CGIAR will produce aggregated financial reports for the Initiatives and provide these to Funders on an annual basis. This will provide Initiative/Platform budget, the corresponding annual spend by budget category, any carry over, as well as a commentary.

Funding Agreement or Arrangement:

1. What is the duration of the contracts? Is this fixed?

Funding Agreements or Arrangements ('Funding Agreements') signed between the System Organization and each Funder making contributions through the Trust Fund, set out the rights and obligations of the Funder and the System Organization. This is with respect to funding provided to the System Organization and Centers. Funding Agreements are for an indefinite duration. These Funding Agreements do not set out the amounts and timing of each Funder's contributions through the Trust Fund.

Contribution Agreements or Arrangements ('Contribution Agreements') signed between each Funder providing contributions through the Trust Fund and the World Bank as Trustee. They set out the amounts and timing of the Funders' financial contributions to the Trust Fund. Some Funders are able to make multi-year contributions. Others can only make contributions on annual basis and will therefore need to sign a new Contribution Agreement every year.

The Trustee Agreement signed between the World Bank as Trustee and the System Organization sets out the terms and conditions for the administration of the Trust Fund. This defines the role of the Trustee in the administration of the funds. Currently, the Trust Fund has an end disbursement date of December 31, 2024. This means that the Trustee cannot make any new transfer from the Trust Fund after this date. It is expected that the System Organization, with prior approval of the System Council, will request the extension of this date.

2. If we aim to support the same initiative within one year with two different tranches (e.g. when new funding becomes available), will it be possible to adapt the existing funding agreement, or will we have to sign a new Funding agreement and Operational designation form?

A new Funding Agreement will not need to be signed by the Funder. However, the Funder will either need to sign a Contribution Agreement with the World Bank as Trustee, setting out the various tranches of funding and the dates for their payment or, if these tranches cannot be committed in advance, the Funder will need to sign a new Contribution Agreement once the supplemental tranche can be committed (this is done through the signing of an amendment to the prior Contribution Agreement).

3. Is it possible to reduce the contributions for initiatives (contractual), e.g. when initiatives under-perform?

Preferably not given the significant risks that unstable funding brings to the successful implementation of the interconnected prospectus of Initiatives. To proactively mitigate the risk of under-performance during science delivery, we are establishing an operating structure within CGIAR that has the right expertise in the right places to significantly enhance research and grant management quality. If there were prevailing ongoing concerns, we would propose that they be tabled through CGIAR's leadership to focus on issue resolution.

4. Is it possible to conclude a separate funding agreement or arrangement for each initiative designation?

No. The agreement to use here is the template Contribution Agreement or Arrangement. In parallel, a Funder can send a Designation Form to the System Organization that identifies the Funder's preferred designation by Initiative.

While it is possible to sign one Contribution Agreement or Arrangement per CGIAR Initiative for W1 funds, the agreement does not identify the Initiative. For W1 funds, the designation will be through the Designation Form submitted by the Funder to the System Organization.

Dashboard

1. In addition to the public dashboard, will there be access for our finance team to obtain more details about expenses, audits etc.?

The dashboard is currently under development to provide more detailed information. This will be available by Q2. In the interim, audited financial statements for each Entity is available in this **link**.