2023 W1 Budget Update

Purpose

This document sets out an update to the System Council on the current position on designations of pooled funding, and the finalization of the Window 1 Budget Paper. It also explores the desired budgeting process for the 2024 budgeting cycle.

Action Requested

This document is provided for information purposes, with the System Council invited to provide guidance relating to the challenges identified around designation of funding to support the budgeting process.

Document category: Working document of the System Council.
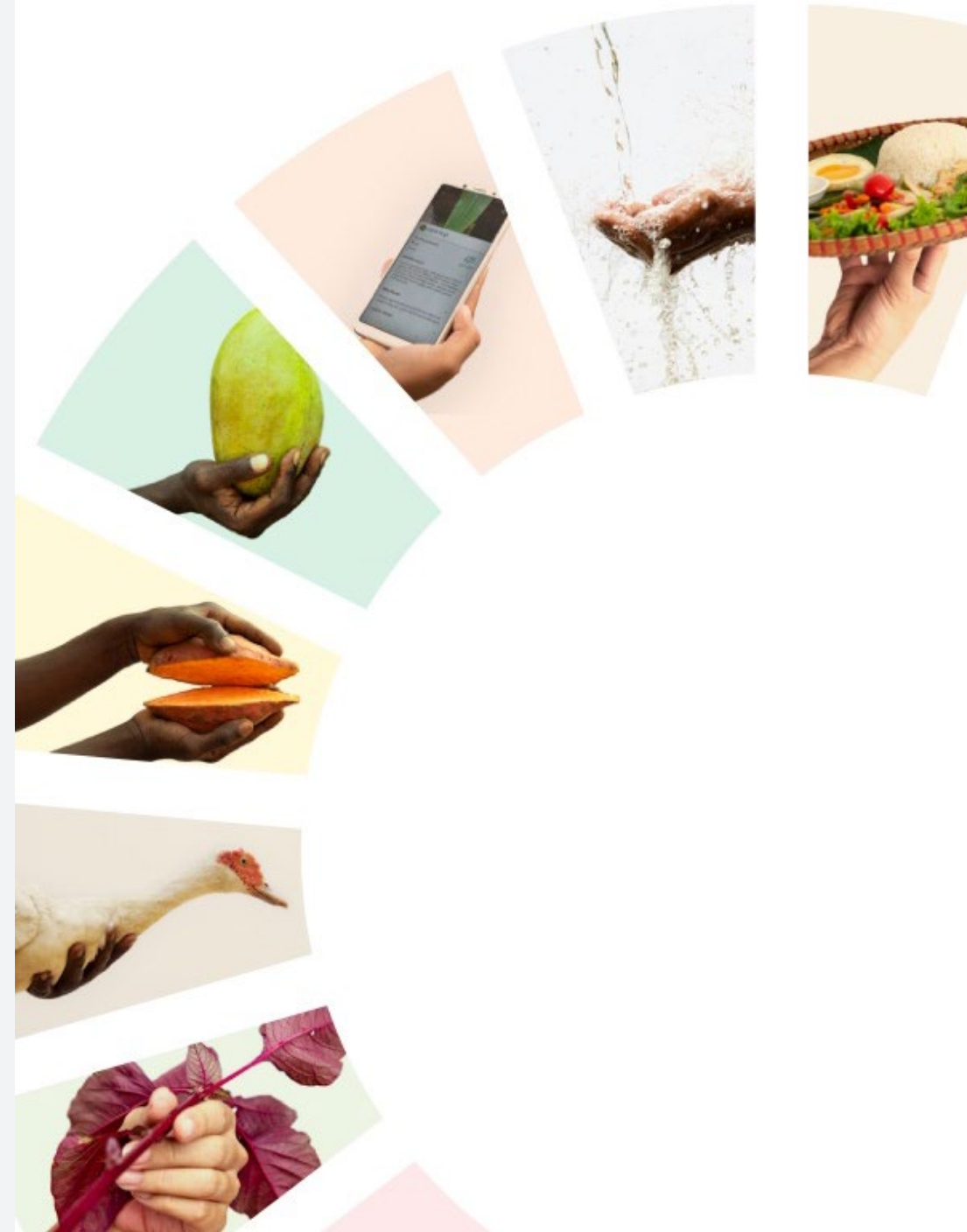There is no restriction on the circulation of this document

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18th CGIAR System Council meeting
11-12 May 2023, Washington D.C.

SC18-13b
Cover Page

2023 W1 Budget Update

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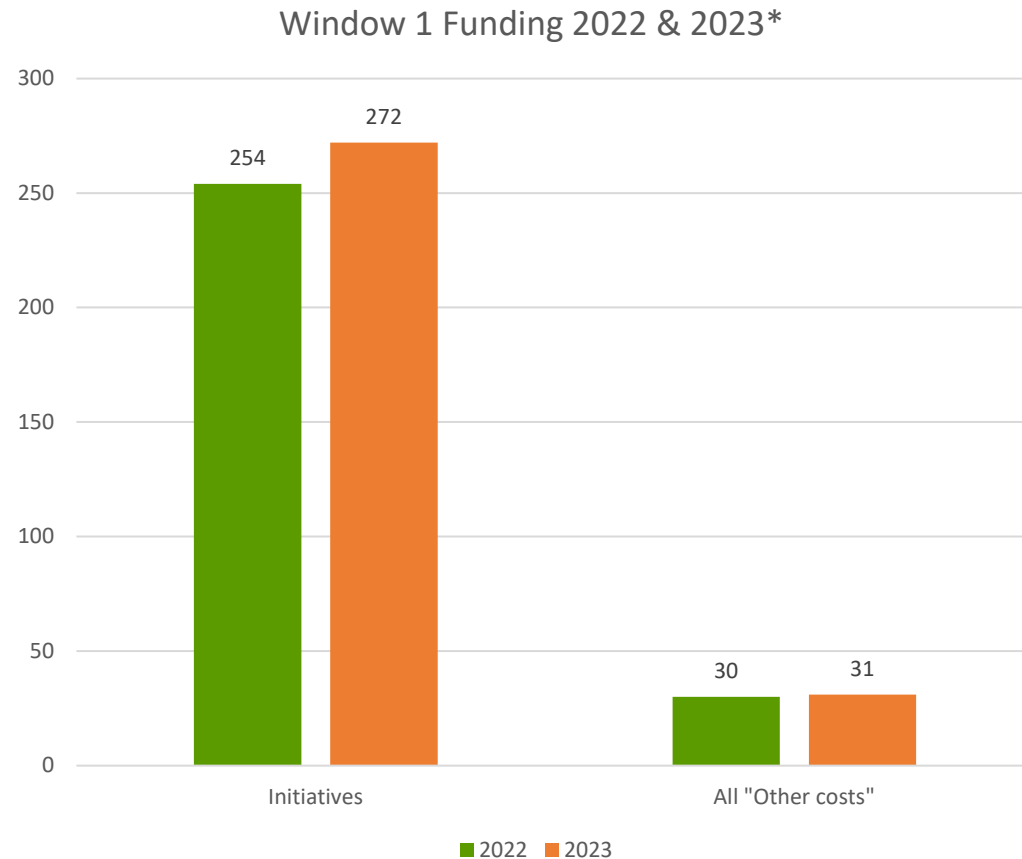2. W1 Budgeting Process for 2024

Context

Funders provided their Window 1 estimates for 2023 in autumn 2022. These informed the W1 Provisional Budget Paper which was approved in January 2023 by the System Council.

From mid-January, Funders were asked to confirm their estimates and advise how their 2023 funding would be designated. This was to be provided by 3 February 2023.

To date we are on track to receive the total expected W1 funding of $303m. We have received partial or complete designations from 16 Funder designations, with the others pending their respective internal approvals. *Provisional* designations were anticipated in March but have not been forth coming. These pending internal approvals are anticipated by May 2023.

In the absence of these designations (worth $84m) we are unable to finalize the Window 1 budget paper.

Macro View of Window 1

Window 1 Funding 2022 & 2023*

Initiatives: 2022 = 254, 2023 = 272
All "Other costs": 2022 = 30, 2023 = 31

Legend: 2022, 2023

*The numbers above excludes carryover

Despite the incomplete designations, the overall estimates show that the funding is on track to meet the $270m funding target for Initiatives as originally stated in the provisional W1 Budget Paper. The funding is also on track to meet $30m portion of "other costs"/System Entities costs, (which include System Board, System Council, CGIAR Integration costs, etc.)

Macro view of Window 1

	2022	%	2023	%
Portfolio (incl transitional support)	120.25	42%	107.1	32%
Total Funding (including Carryover)	288.36		331.9	
Designated	160.81		178.5	
carryover	7.30		27	
Portfolio	120.25		107.1	
unallocated			19.3	
Total Fund	**288.36**		**331.9**	

Total available funding for Window 1 has increased from $288m in 2022 to $332m in 2023.

Portfolio funding has reduced to $107m in 2023 to $120m in 2022.

The impact is that while there is more available funding across Initiatives, some are over subscribed, and others under subscribed, with limited portfolio funding to fully subscribe them. As a result, some Initiatives may not receive sufficient funding in 2023, unless adjustments are made.
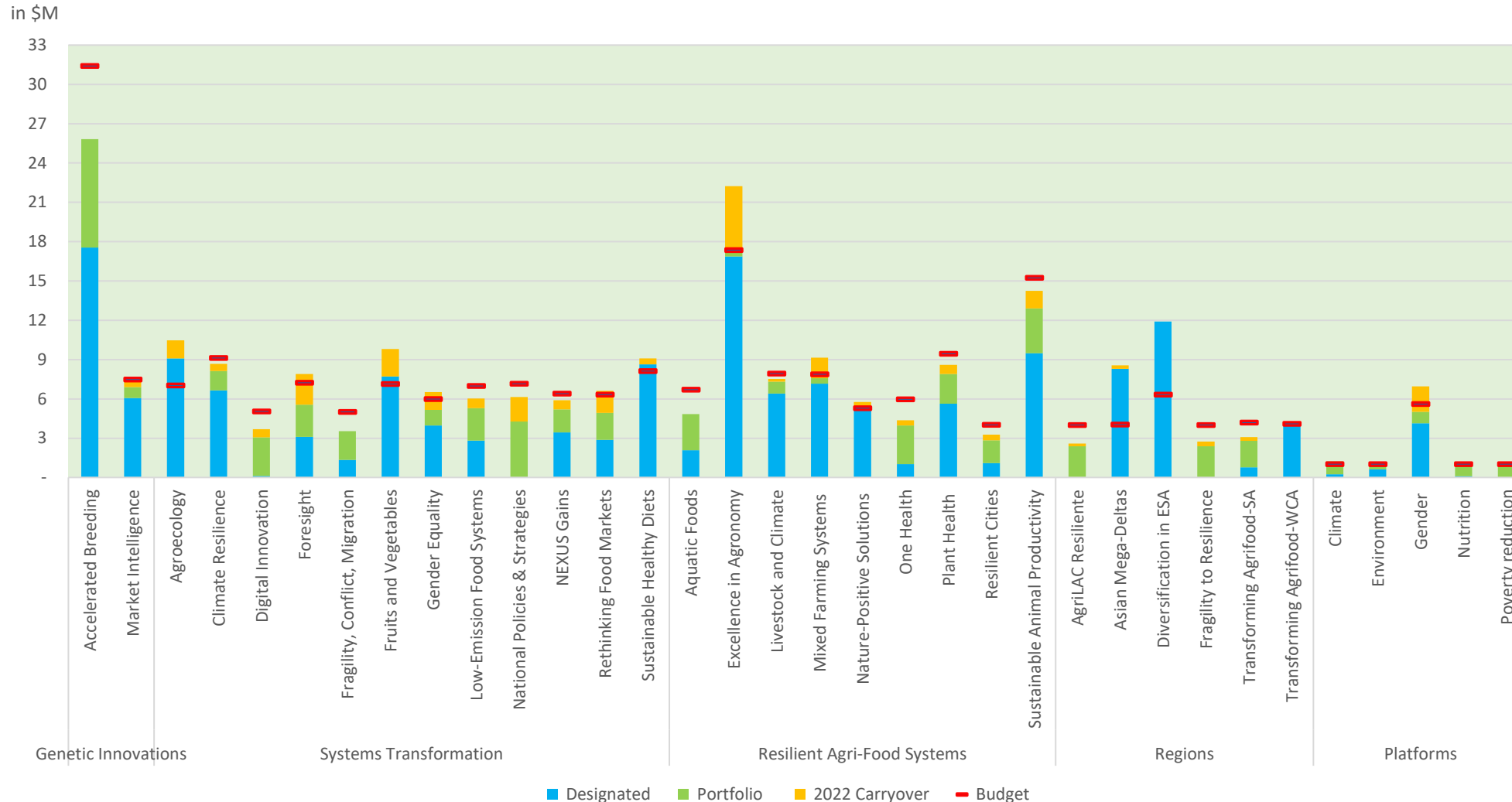
Current view of Designations
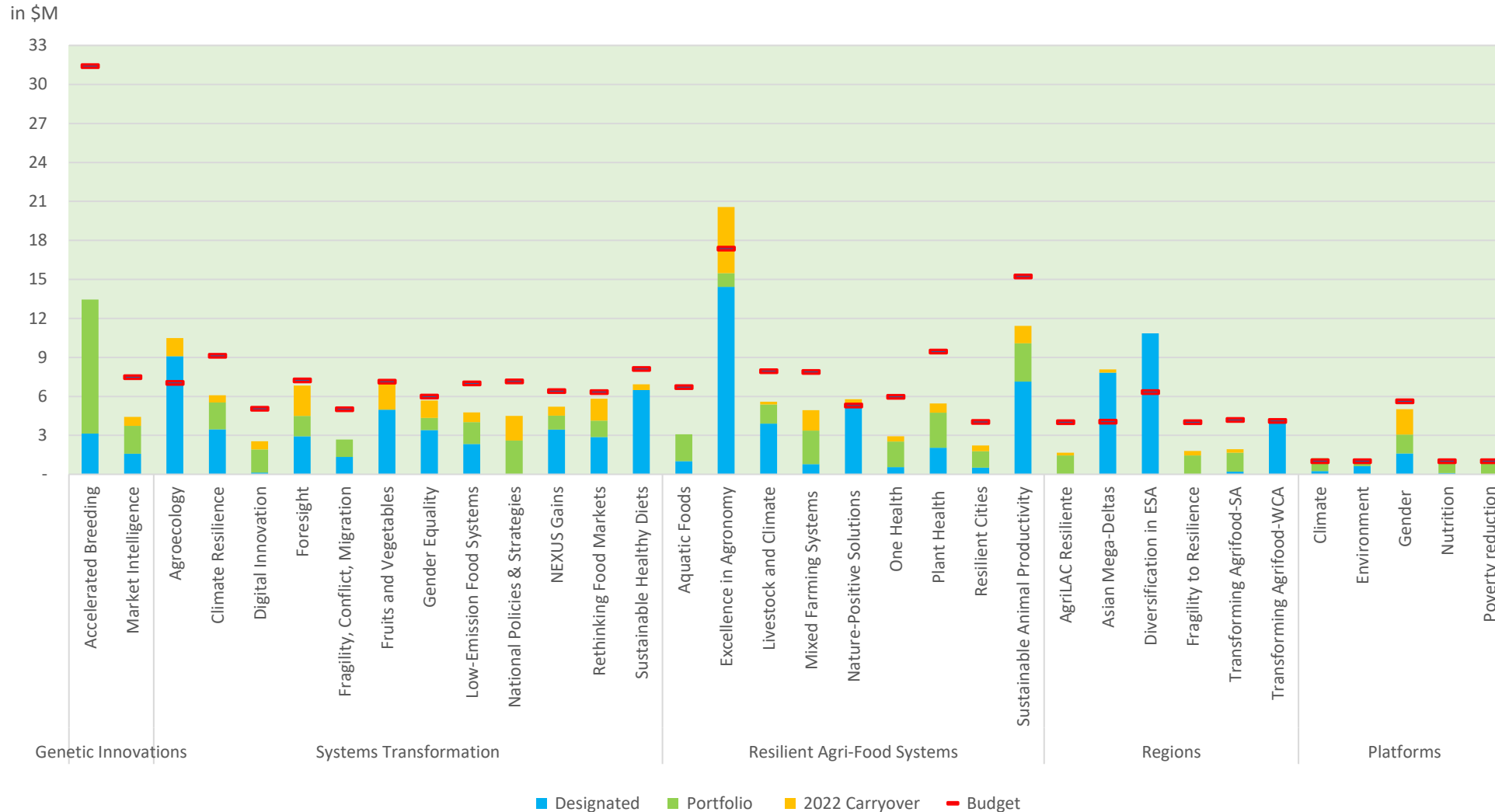
This graph provides the current designations with what has been formally designated.

It **excludes $84m** worth of unallocated funding.

As it stands, over 20 Initiatives and Platform Areas are under subscribed. 10 fully or over subscribed

View of Designations (assuming 2022 allocations for the outstanding Funders)

Assumes outstanding funders designate broadly as they did in 2022.

Half of the Initiatives and Platform areas would be fully or over subscribed with the other half (18) undersubscribed.

$14m of the $84m is excluded as more complex to predict.

In summary

Without clarity on the final designations, we run the risk of overspending on a number of designations, or stalling activities that may not need to be stalled.

Providing designations before the end of the first quarter of the year is important to stabilize research across the Initiatives.

For the 2024 cycle we invite Funders to provide estimates and designations at the end of the summer to help facilitate a timely budgeting cycle.

Next steps

- Secure pending designations from outstanding funders

- Share with SMDs and EMT for review, adjustments (following reflect process) and review;

- Discuss with SC members where designation adjustments maybe necessary; and

- Finalize the W1 budget paper – hopefully before end of May though this is dependent on when we receive the designations.

W1 Budgeting Process for 2024
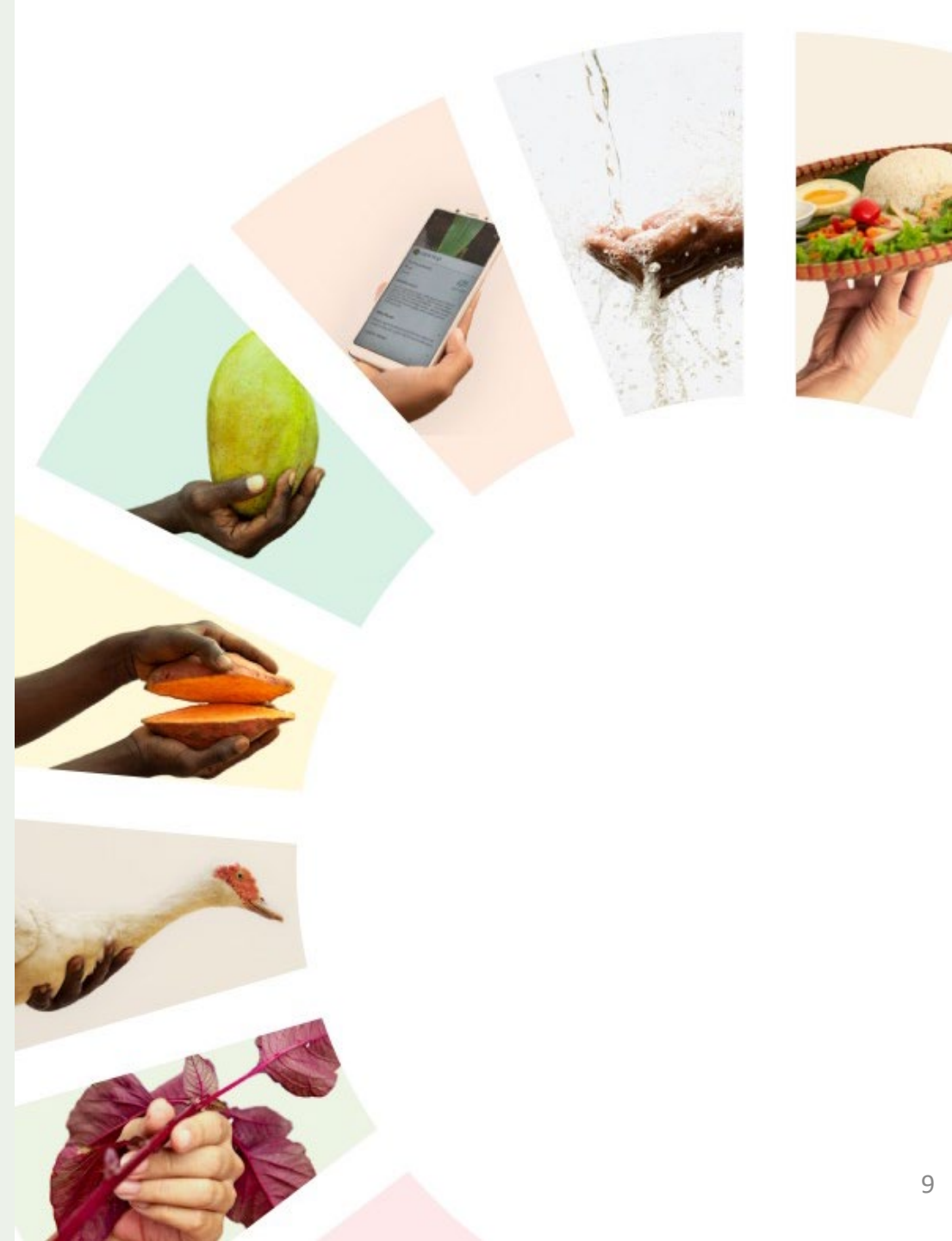
W1 Budgeting Process for 2023

September
- Funder indications received
- Budget envelopes per Initiatives and Impact Areas prepared by Science Group Managing Directors.

October
- High level budgets for 2023 and 2024 developed by Initiative Leads in conjunction with Researchers across Centers.
- Centers provided with Flow of Funds – the estimated W1 funds to the Center for Center Plan of Results (POR).

November
- AFRC and System Board receive Draft W1 budget paper and update of 3-year Financial Plan.

December
- System Council receive Draft W1 budget paper, update of 3-year Financial Plan and Business Plan.

January
- Funder Designations requested from Funders
- Report-Reflect-Plan Process commences (Technical Reporting Arrangement endorsed by SIMEC).

April
- Final W1 Budget paper updated reflecting designations, carry over and assessment process. Issued to System Council with necessary pre-approvals.
- Annual Portfolio Report issued to System Council.

Budgeting Process for 2024 – Current Status

Following discussions with Funders, it is clear not all Funders can provide three-year estimates and designations at the start of a business cycle, or even on an annual basis.

Process:

In the absence of this, the 2024 budgeting cycle aims to start earlier in the year (August 2023) and run to December 2023, shortening the budgeting cycle from 8 months to four months. Critical success factors include:

- Funders provide their funding estimates and designations in August.
- Roles and Responsibilities of key stakeholders is agreed on, approved and applied as intended.
- Stakeholders engage in the budgeting process in the timeframes and in the spirit of trust and collaboration.

Constraints:

A prevailing challenge remains in the budgeting process – there is an ongoing lack of synchrony between the budgeting cycle and the REFLECT process. Funders and Science Directors ideally need the Plan of Results at the start of the budgeting cycle to inform any strategic adjustments needed.

Further, not all funders can provide their funding estimates and designations so early in the year and in the timeframe required. This may lead to the challenges we currently face in finalizing the Window 1 Budget Paper.

Implications:

There is likely to be in-year financial adjustments and potential volatility across Initiatives, despite efforts to provide predictability and free up staff time.

Calendar for Budget 2024

	January 2023 - September 2023		**September 2023 – January 2024**		

High level timeline

January 31st
- **What:** Budget and Forecast Annual Calendar & templates
- **Who:** FP&A Team
- **To:** Centers

August 14th
- **What:** Preliminary pledges for 2024 confirmed.
- **Who:** Innovative Finance and Resource Mobilization Team (IFRM)
- **To:** FP&A Team

August 30th
- **What:** Initiatives 2024 Budget Envelopes approved by SMDs.
- **Who:** Science Managing Directors
- **To:** FP&A Team

September 01st
- **What:** Initiatives 2024 Budget Envelopes Communicated to Initiative Leads.
- **Who:** FP&A Team
- **To:** Initiative Leads

September 22nd
- **What:** Center Initiatives Budgets Completed.
- **Who:** Centers
- **To:** Initiative Leads

September 29th
- **What:** Initiatives Budget Completed.
- **Who:** Initiative Leads
- **To:** FP&A Team

October 27th
- **What:** 2024 draft FinPlan completed.
- **Who:** FP&A Team
- **To:** Business Operations & Finance Director

November 3rd
- **What:** 2024 FinPlan completed and submitted for approval.
- **Who:** Business Operations & Finance Director
- **To:** Senior Leadership Team

November 10th
- **What:** 2024 FinPlan submitted to AFRC
- **Who:** Business Operations & Finance Director
- **To:** ARFC

November 15th
- **What:** 2024 FinPlan endorsed by AFRC
- **Who:** Business Operations & Finance Director
- **To:** ARFC

November 17th
- **What:** 2024 FinPlan submitted to System Council.
- **Who:** Business Operations & Finance Director
- **To:** System Council

December 6th
- **What:** 2024 FinPlan approved.
- **Who:** Business Operations & Finance Director
- **To:** System Council

January 31st - 2024
- **What:** 2023 Initiative preliminary carry over report.
- **Who:** Centers
- **To:** FP&A Team

Acronyms	Description
AFRC	Audit, Finance and Risk Committee
BO&F	Business Operations & Finance Director
EMT	Executive Management Team
FinPlan	Financial Plan
FP&A	Financial Planning and Analysis Team
FSI Team	Finance Support Initiative Team
IFRM	Innovative Finance and Resource Mobilization Team
SLT	Senior Leadership Team
SMDs	Science Managing Directors