



Financial Model Reference Group Proposed funding model

Purpose

This document sets out an update on the work on the Financial Model Reference Group ('FMRG'), including details of options explored by the FMRG, and an emerging proposed funding model for discussion.

Action Requested

The System Council is requested to review the update and proposal, and reflect on the guiding questions set out therein to inform discussion during the agenda item at SC20.

<p>Document category: Working document of the System Council. There is no restriction on the circulation of this document</p>
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FMRG Proposed funding model

Update on the Financial Model Reference Group's
Proposed Funding Model

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1.a FMRG ToR: purpose, scope, and focus

FMRG Purpose: Strategic advisory role identifying a financial model to take into the 2025 business cycle to increase stability, predictability, and volume of funding in the service of research and impact.

Priority: Focus on improving the funding modalities, including effective/efficient ways to support both strategic research and legacy assets of CGIAR.

Scope: Provide strategic advice on potential changes working collaboratively across various CGIAR stakeholders.

Identify key strategic challenges and formulate specific recommendations for funding modalities that are fit for purpose: simple, stable, value adding and sufficient to better serve the CGIAR Research Strategy.

Recommendations must take into account what is feasible within operating parameters that make up the CGIAR integration process.

*TOR dated September 27, 2023. Link: [Financial Model Reference Group - FMRG Terms of Reference FINAL.pdf - All Documents \(sharepoint.com\)](#)

1.b The problems we are trying to solve



Key challenges with current funding model





Complex

- Despite adapting to meet current Funder requirements, it has added layers and complexities to a modality that was not fully meeting its needs.



Inflexible across specific regions/ countries

- Some Funders need to demonstrate outputs and impacts for specific country(ies), which are not always visible from an Initiatives perspective.



No core/ asset funding

- The limited pooled funding means there is just enough to meet the needs across Initiatives.
- There lacks funding to cater for capex, strategic assets, emergency funding, etc.




Funding Mix

- Bilateral & Window 3 projects tend to limit Overhead Rates below the Center Overhead Rate.
- Certain Centers have a high proportion of Bilateral & Window 3 compared to Pooled funding.

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Challenges within current costing model






Overhead rate

- Provided by Funders to cover the indirect costs of running each project.
- However, often these rates are lower than needed, leading to further challenges.
- Note that Centers may adjust their OH rates based on financial audits.




Cost Sharing Percentage

- 2% is charged to each project across all funding channels to support System Organization and its Entities (System Board, System Council, Advisory Bodies, Internal Audit & Ethics, Global CGIAR team etc).
- There has been no adjustment for the costs needed to make the transition happen.



Strategic Asset Costs

- Certain Centers incur a cost to maintain an asset which are deemed integral to the value proposition of that Center e.g., Fishponds or insect farms.
- This cost can be indirect and impact the Overhead Rate.

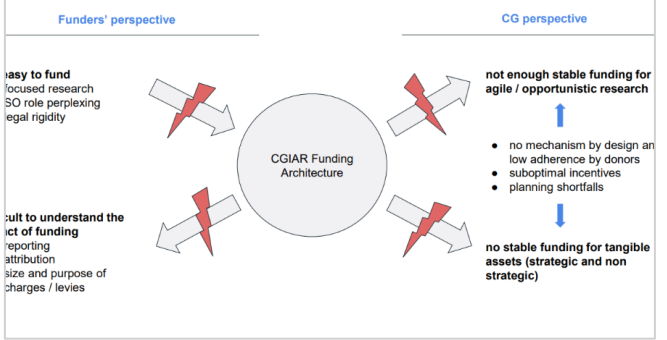


Antilary services

- Some Centers have need for research support services such as catering and accommodation that may not be fully recovered by ongoing research projects.
- These can have significant implications on a Centers overhead rate or reserves.

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Funders and Recipients agree on four main themes behind challenges of the current funding mechanism



1.C The Principles we agreed to follow

Functional – Flexible – Stable & Predictable – Simple - Transparent

To address the challenges that exist in the current funding model, there are four key principles needed to support a fit-for-purpose funding model for 2025 and beyond.



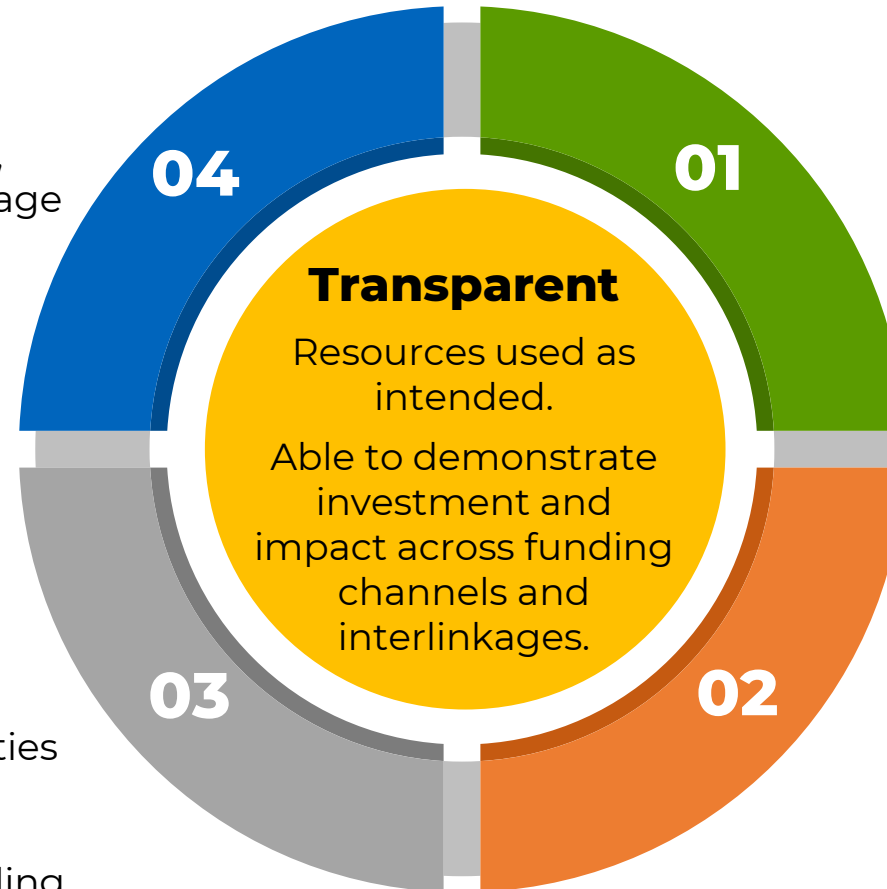
Simple

- Easy to describe, invest and manage



Stable & predictable

- Funding modalities should facilitate some level of predictable funding



Functional

- No free riders
- No concessions
- Enables multi donor support for core and non-core activities



Flexible

- Sufficient avenues that allow Funders to invest in CGIAR needs, within defined parameters

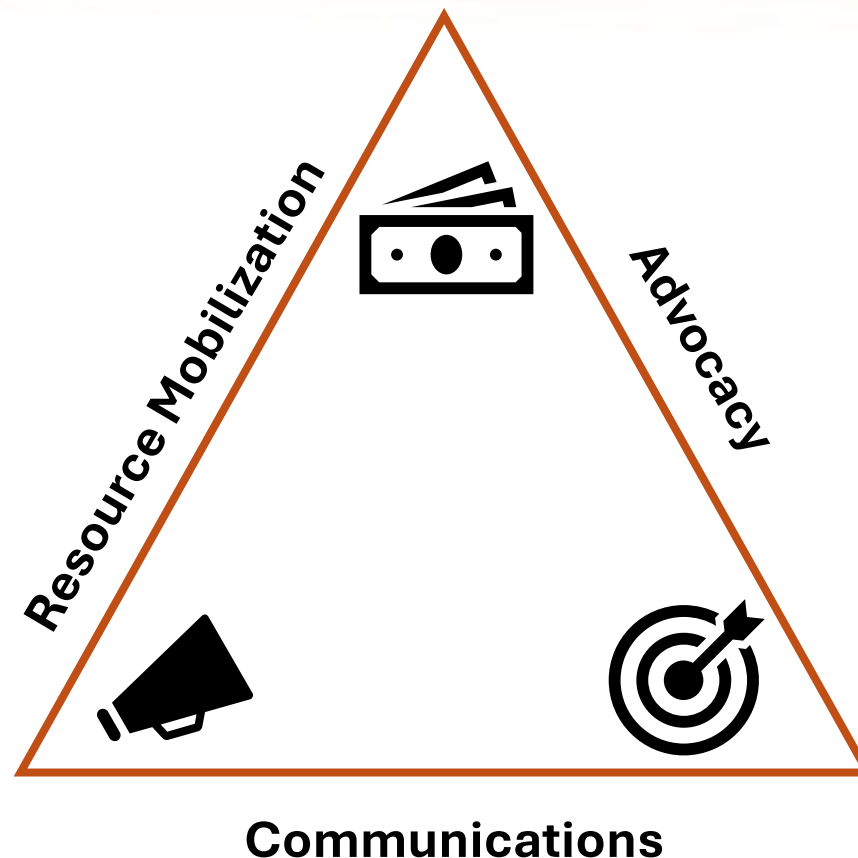
2. How was the FMRG created

- **On request of the System Council**, a Financial Model Reference Group (FMRG) was established in July 2023 with agreed [TORs](#), to play an advisory role in shaping the funding and financial model needed by 2025
- **Composition:** EMD, DGs, SMD, SC members, SB members, Center Board members, and external experts
- **Scope** of the FMRG further refined in April 2024 to focus on recommending a new **funding model**:
 - Building on principles of simplicity, functionality, flexibility, predictability, and transparency.
 - Addressing the key challenges already identified
 - Aligning with the new 2025—30 Portfolio and implementable before start of 2025

FMRG Membership		
Guillaume Grosso	DEMD	Chair
André Zandstra	GD IFRM	Co-Chair
Simi Kamal	IWMI	Center Board
Rhoda Tumusiime	IITA	Center Board
Aly Abousabaa	ICARDA	Director General
Bram Govaerts	CIMMYT	Director General
Mark Smith	IWMI	Director General
Sonja Vermeulen		MD Science
Ruben Echeverria	BMGF	System Council
Manfred Kaufmann	Switzerland	System Council
Hilary Wild		System Board
Shenggen Fan		System Board
Jonathan Wadsworth		Special Rep to SC Chair
Jennifer Blanke		Independent

3. Funding modalities are part of an integrated approach to strengthen CGIAR's funding base

- **New funding modalities (FMRG)**
- Map links, interests, and financing capacity to maximize ROI
- Balance traditional funder growth with new market pipeline development
- Establish account managers for key markets



- Building an advocacy coalition of champions
- Embedding CGIAR into international debates – beyond converts
- Influencing issues and need for investment in target markets to help capital flow

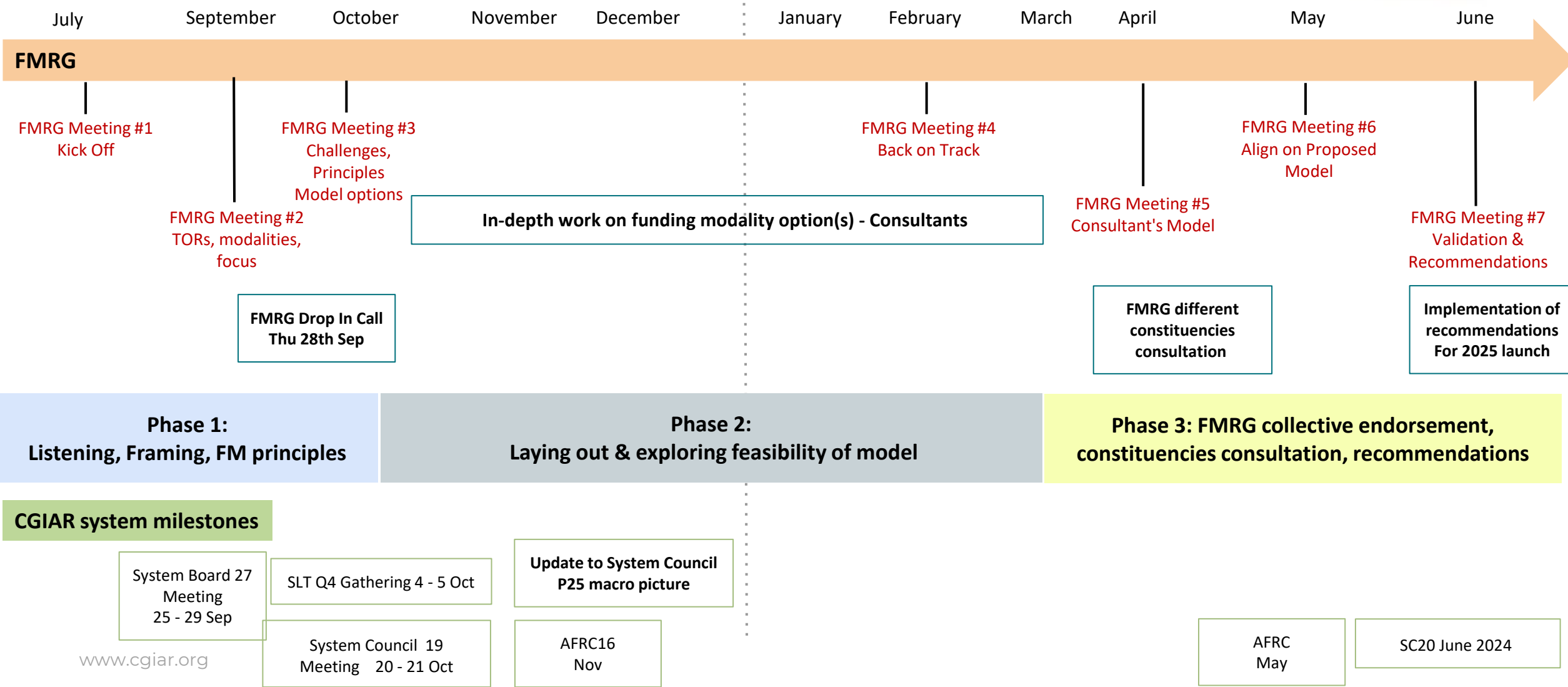
- Global awareness raising across media and events
- Amplifying activities, impact and milestones
- Targeted placement of CGIAR content aligned to funder engagement strategies

4. FMRG Timeline July 2023 – June 2024



2023

2024



5. What's the outcome of the various options explored?

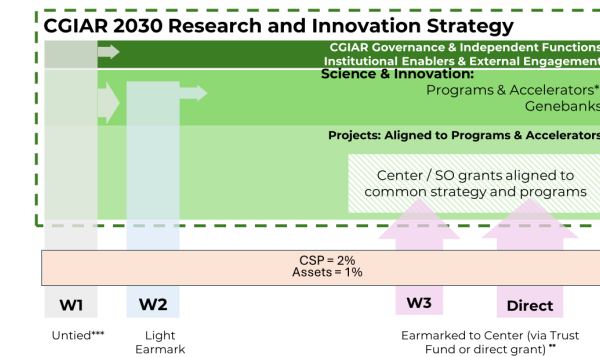
Status quo – proposal by the Consultants – Final Proposal

The model presented in the following slides represents the consensus view of the FMRG and various stakeholders involved in the process

- We explored various new models, including based on input from external consultants
- The final model presented is a “working consensus” endorsed at the last FMRG meeting (May 22) and discussed by SB. DGs consulted throughout the FMRG process
- This model allows us to move forward from a current unsustainable model, with confidence, knowing our collaborative efforts have shaped a model poised for success!

Final proposal

9. Zoom in on new funding model proposal from FMRG – May 22 agreement



Definitions:

- Window 1:** untied, prioritized for Programs, Accelerators, and Genebanks of the 2025–30 Portfolio; can finance GIF & Enablers but only up to an agreed cap; can accept money from donors who want to focus on specific cross-cutting functions, e.g. independent evaluation
- Window 2:** Programs, Accelerators, and Genebanks (incl. their Work Areas) of the 2025–30 Portfolio
- Window 3 and Direct:** for Center / Multi-Center / SO projects—mapped to portfolio programs
- Conditions for success**
 - **Business aligned:** Fit for purpose to support portfolio and adaptive funding channels
 - **CSP & Assets facility:** a dynamic facility based on need & budget level (1% for Assets represents a compromise – **not expected to cover the full, unmet need**)
 - **Stability:** multi-year commitments and early designations
 - **Transparent management:** all of CGIAR view and capacity to manage untied and earmarked investments across portfolio

* Work Areas designations to be discussed
** Direct=Ex-bilateral, option for SO eligibility

***For the 2025-30 Portfolio; and Enablers and GIF as required, including designations for cross-cutting functions (e.g. SPIA)

- **Portfolio coherence:** all funding supports common strategy
- **Flexibility:** full agility and flexibility for earmarking through W2
- **Assets:** dedicated investments for strategic assets through additional 1% facility

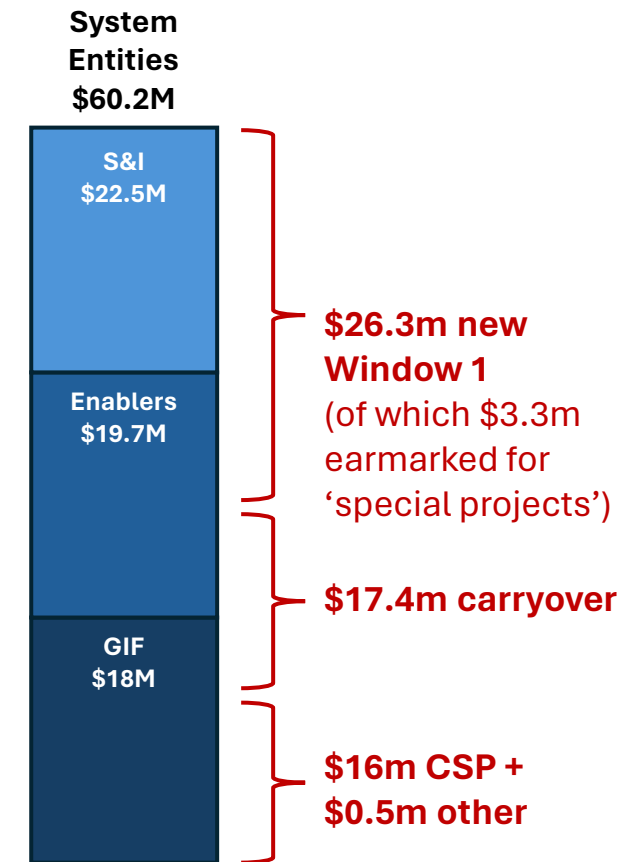
6.a Pressing ‘pause’, what resources do we need (I)

Looking at the 2024 ‘System Entities’ budget (roughly \$60m/year), it divides into:

- **roughly \$18m going to finance “GIF”** i.e. governance and independent functions (System Council, System Board, committees, General Assembly of Centers, Independent Advisory and Evaluation Services, etc.) and other independent functions (EBC, Internal Audit)
 - This amount is primarily determined by the System Council its committees
 - Evolution has been upwards, doubling from circa \$10m five years ago
- **roughly \$20m financing “Enablers”** (enablers and external engagement, including the executive office, finance, communications, resource mobilization, legal, risk, people and culture)
 - This amount (and arbitration with science) is decided by CGIAR leadership
 - Evolution is now downwards, to prioritize science and accommodate growth in GIF in the revised 2024 budget
- **roughly \$22.5m going back to “Science and Innovation (S&I)”** (including Science Groups, Regions & Partnership, Digital & Data, Portfolio Performance and Project Coordination)
 - Currently treated as indirect costs, separate from Initiatives & Platforms
 - Going forward, to be budgeted directly to the 2025—30 Programs and Accelerators

All things equal, we need circa \$38m to continue to finance GIF and Enablers

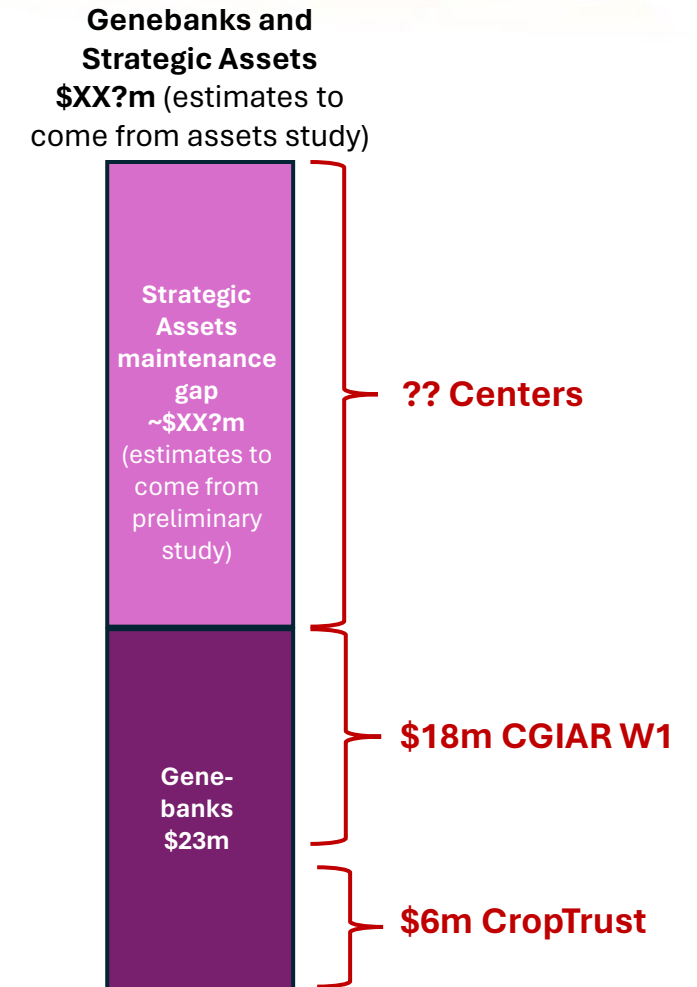
The 2% CSP generated \$16m towards the 2024 budget.
Only about 40% of what is needed just to cover GIF and Enablers.



6.b Pressing ‘pause’, what resources do we **need** (II)

In addition, there is a long-term obligation to fund genebanks, and a significant funding gap for strategic assets.

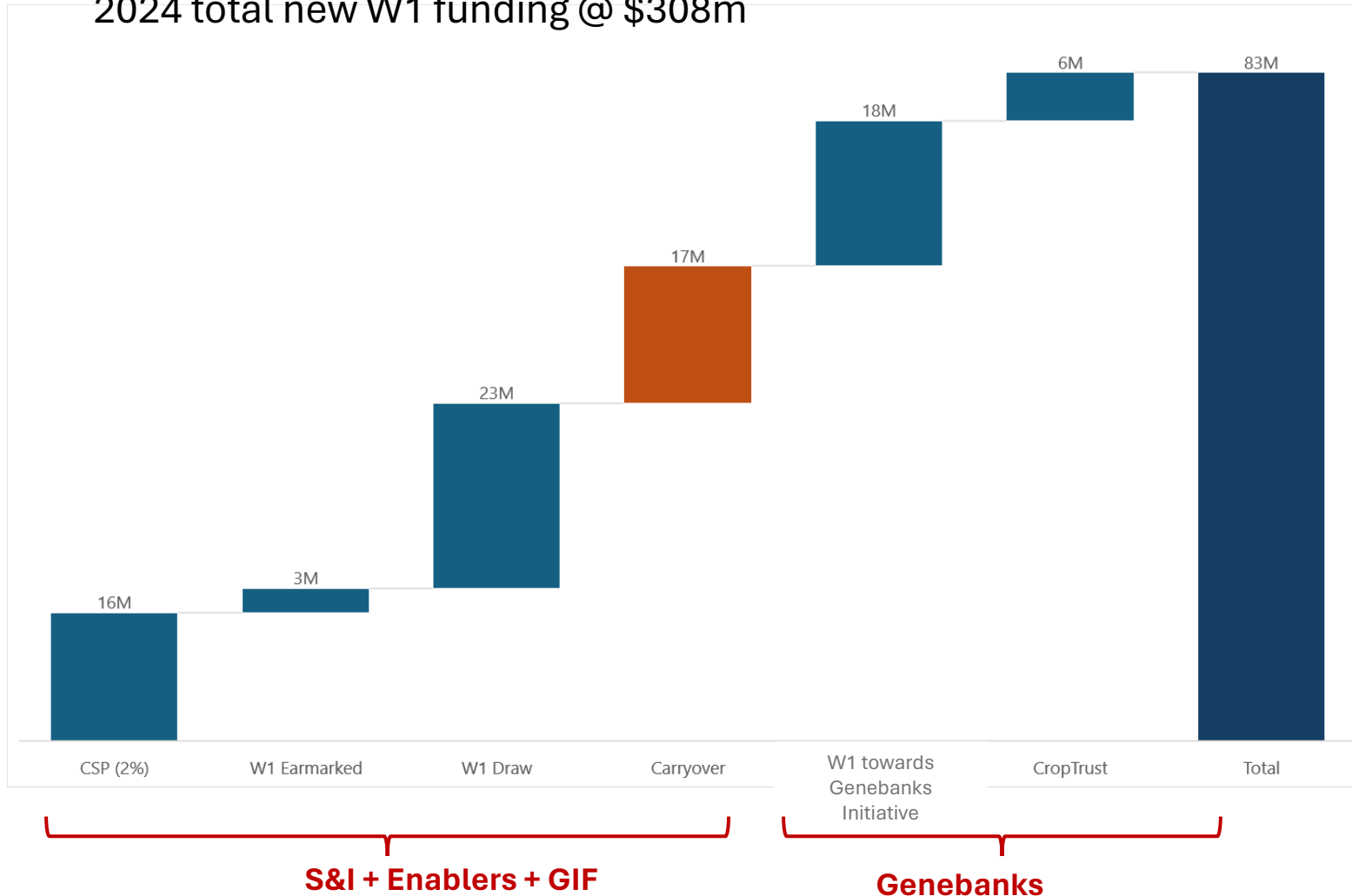
- In 2024, the cost of essential operations of CGIAR’s genebanks (for asset maintenance and future proofing) amounted to about \$23m, of which Crop Trust covered \$6m (26%) and by CGIAR \$17m (74%). CGIAR W1 funding towards Genebanks is provided overwhelmingly through untied, ‘Portfolio’ funding (81%).
- Preliminary findings from the ongoing study of CGIAR’s long-term strategic assets suggest that there is a significant funding gap both in terms of recurrent maintenance costs and one-off investments across five critical asset types.



This needs to be financed from somewhere.

6.c Pressing ‘pause’, what resources do we have

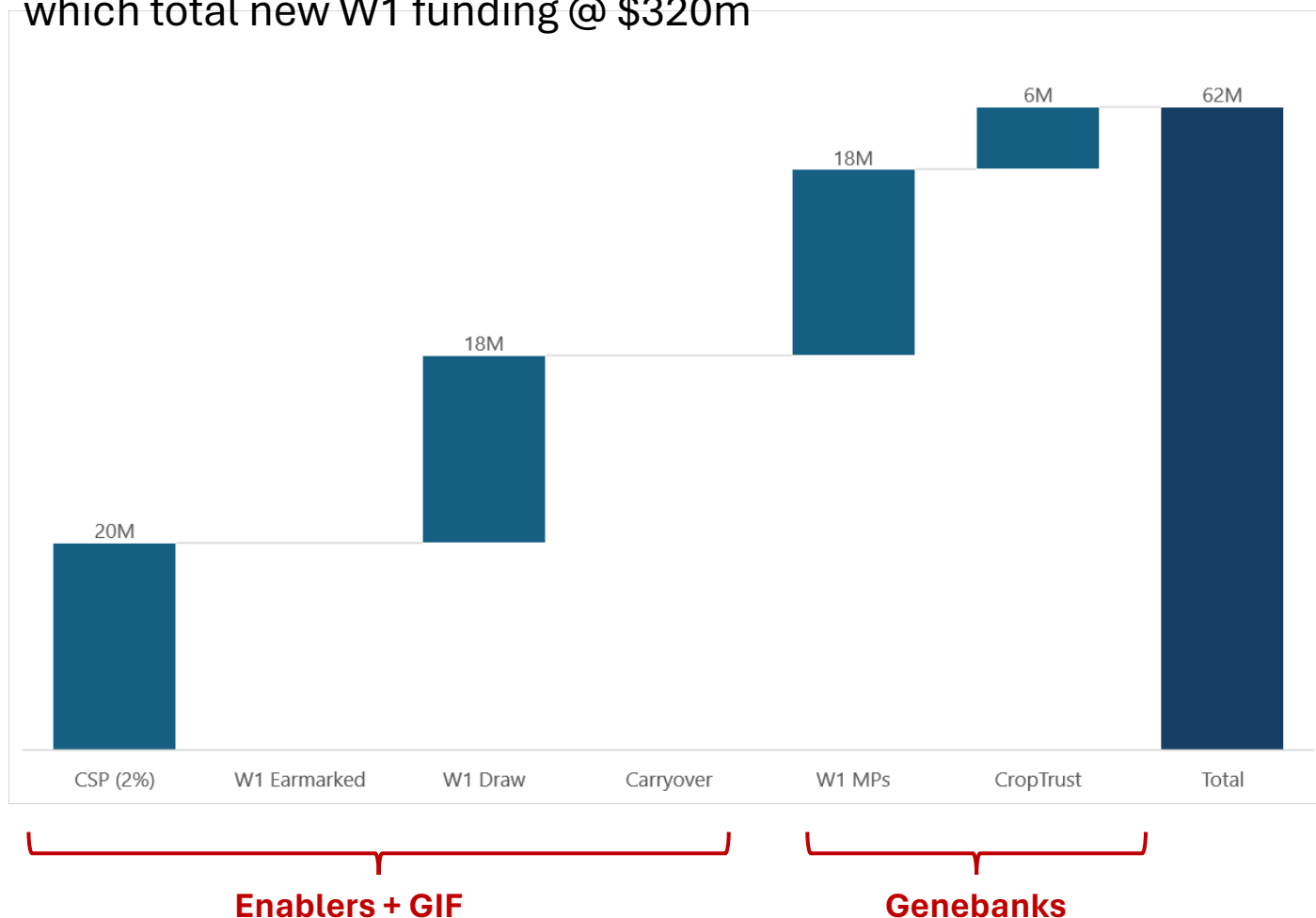
2024 total new W1 funding @ \$308m



- Total funding to CGIAR is expected to reach \$950m in 2024, from which \$308m (32%) in new W1 funding.
- The \$60m ‘System Entities’ budget is made up of CSP (\$16m), W1 draw (\$23m [7% of new W1]), and W1 earmarked for ‘special projects’ (\$3m). The rest of the budget is made up by \$17m in carryover.
- Genebank costs (for asset maintenance and future proofing) amount to about \$23m, of which Crop Trust covered \$6m (26%) and by CGIAR \$18m (74%) – 6% of new W1 funding.

6.d Pressing ‘pause’: the issue going forward

Scenario: Total CGIAR funding = \$1bn, of which total new W1 funding @ \$320m



- Total funding to CGIAR assumed at \$1b in 2025, of which \$320m assumed as new W1 funding.
- S&I direct costs budgeted in 2025—30 Portfolio Programs, Accelerators, and Genebanks
- Assuming no change in ‘GIF and Enablers’ costs at \$38m, these are covered through \$20 million in CSP (2% of \$1bn), **and – assuming no carryover – a \$18m draw on new W1 funding (6% of all new W1).**
- Genebanks costs and funding sources assumed as unchanged.

This model is unsustainable.

There is a need to enhance predictability and transparency in how Enablers, GIF, Genebanks, and Assets are funded while maximizing funds available to research and innovation

6.e Centers finances stabilizing – preliminary results



- ✓ Centers preliminary, aggregate net position amounted to a surplus of \$12 million, compared to a projected deficit of \$1 million in 2023 budgets, and a surplus of \$2.4 million in 2022.
- ✓ All Centers are reporting a surplus or breakeven.

Center Preliminary Results - Year Ended 31st of Dec 2023	2023 Preliminary Results			2023 Budget			2023 Preliminary Results Vs 2023 Budget		
	Revenue USD \$m	Expenditure USD \$m	Surplus / Deficit USD \$m	Revenue USD \$m	Expenditure USD \$m	Surplus / Deficit USD \$m	Revenue USD \$m	Expenditure USD \$m	Surplus / Deficit USD \$m
AfricaRice	15	15	0	20	20	0	-5	-5	0.0
Alliance	175	172	3	160	159	0	16	13	2.8
CIMMYT	147	144	2	154	153	1	-7	-9	2.0
CIP	48	48	1	37	38	-1	11	9	1.9
ICARDA	31	31	0	31	31	0	0	0	0.1
IFPRI	112	112	0	112	113	-1	0	-1	1.5
IITA	126	125	1	134	134	1	-9	-9	0.3
ILRI	84	81	3	101	101	0	-17	-20	3.4
IRRI	70	70	0	61	61	0	9	8	0.2
IWMI	41	41	0	40	40	0	1	1	0.1
WorldFish	32	32	0	40	40	0	-8	-9	0.1
Total - Centers	881	870	12	890	890	-1	-9	-21	12.2

6.f Pressing ‘pause’: to sum up

- All else being equal, the total financing needs for GIF, Enablers, genebanks, and other long-term strategic assets and capabilities **exceed \$55m/ year**
- GIF and Enablers are currently financed through a combination of CSP and W1 draw, and CGIAR’s share of Genebanks costs are financed through W1 (untied [“Portfolio”] and earmarked [“Designated”] contributions. No partnership-wide mechanism exists to finance existing, unmet needs for maintaining and upgrading strategic assets
- The purpose and use of the current 2% CSP is perceived as opaque, and at its current level it covers just one-third of the above need
- Untied (‘Portfolio’) contributions to W1 are used to fill the gap, but there are calls for greater transparency in how this is done, assurances that such funding is prioritized for Science & Innovation rather than other expenses, and a more equitable burden-sharing of costs between Funders
- At current levels, covering all the above costs through CSP would raise it to ~6% on all CGIAR funding, which could become unsustainable for the Centers

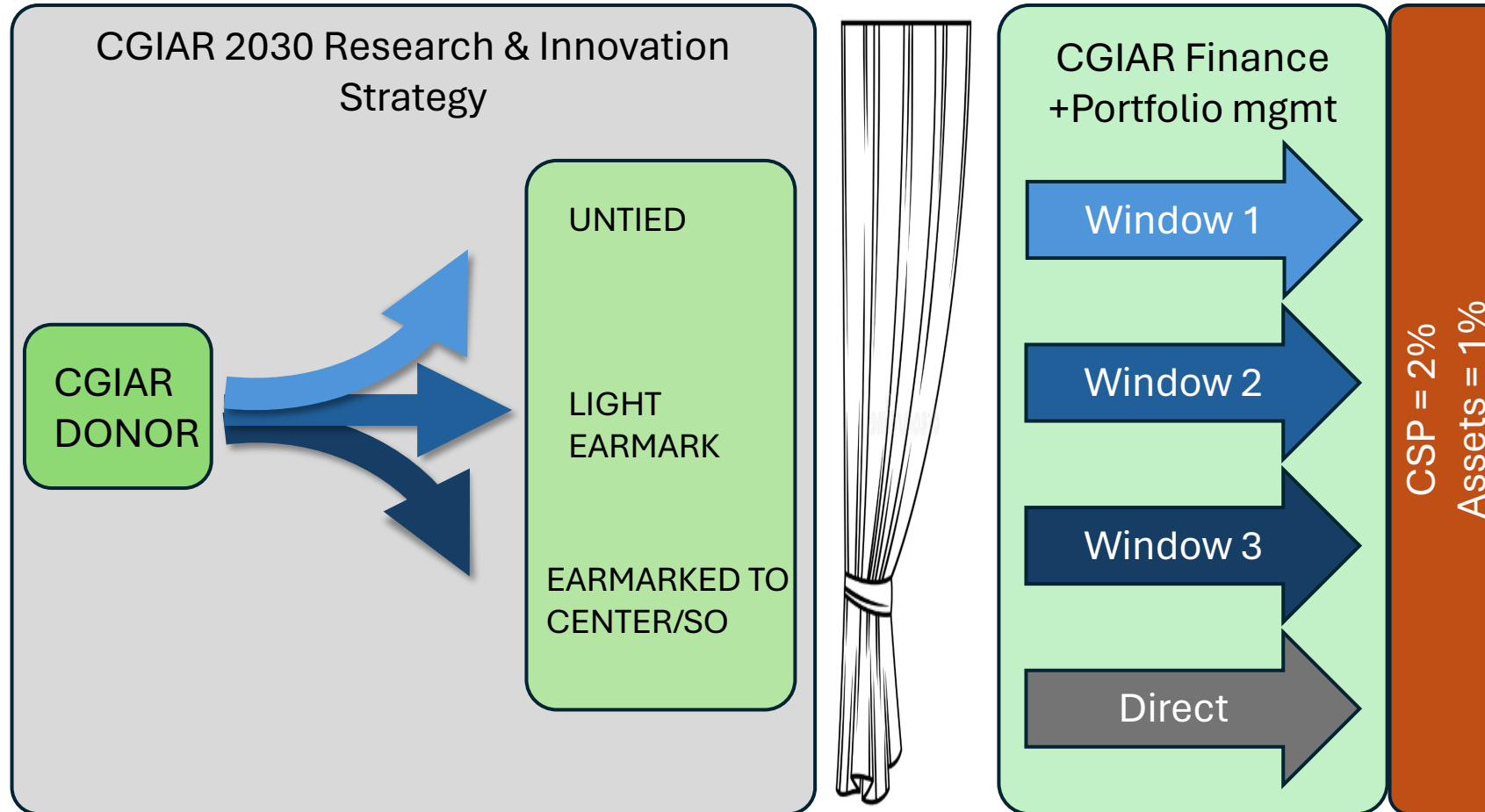
6.g Pressing ‘pause’: the levers at our disposal

- **We can decrease costs:**
 - **Enablers’** costs reduced by 13% from 2023 to 2024; 2025 will see further reductions. Additionally, we will expect further reductions as the ICI process proceeds
 - **Governance & Independent Functions (GIF)**, the System Council discretion to reduce costs as needed
- **We can increase revenue:**
 - Increased revenue will reduce the % needed for GIF and Enablers – largely fixed costs.
 - Open more attractive channels for donor support to CGIAR via W2 and W1
 - Provide full transparency on funding flows and put a cap on W1 for system costs
- **We can create a dynamic model:**
 - Taking into account ICI progress and donor increased funding, and therefore incentivizes positive behaviours for everyone: more ICI = lower CSP; greater revenue = more funding for strategic assets and less draw on W1
 - Introduction of an equitable 1% asset funding on all sources – not a net increase in funding available to Centers, but a more predictable source of funding dedicated to maintaining and upgrading long-term, strategic assets

➔ **Full transparency on how our model is funded while solving for these key issues**

- **More science <yields> more impact <yields> more investment**

7. A pragmatic new funding model proposal



CSP = 2% Cost-Sharing Percentage

Value proposition

- **Simplicity:** all research aligned to common strategy and 2025—30 Portfolio
- **Flexibility:** Adaptive to donor interests, W2 earmarking to Programs/ Accelerators, and Genebanks
- **Functional:** no free riders
- **Transparent:** built on financials and future budget scenarios
- **Sustainability:** replacing an unsustainable model with a more flexible solution

Conditions for success

- **Business aligned:** Fit for purpose to support 2025—30 Portfolio and adaptive funding channels
- **CSP & Assets facility:** a dynamic facility based on need & budget level (1% for Assets represents a compromise – **not expected to cover the full, unmet need**)
- **Stability:** multi-year commitments and early designations
- **Transparent management:** all of CGIAR view and capacity to manage untied and earmarked investments across Programs & Accelerators

8a. Dynamic model: responsive to funding levels

1. **Window 1 is untied – for the 2025—30 Portfolio (+ Enablers and GIF as required up to a cap)***
2. **Re-opens Window 2 for 2025—30 Programs, Accelerators, and Genebanks**
3. **Create a 1% Strategic Asset facility (in addition to 2% CSP) across all revenue to support Center needs**
4. **Built on finance model that targets reduced system costs as revenue grows**

When fundraising reaches \$1.5bn

- **Window 1 additional withdrawal towards GIF & Enablers declines by 90% from \$19m to \$2m**
- **CSP remains at 2%**
- **Strategic assets remain at 1%**

When fundraising reaches \$2bn

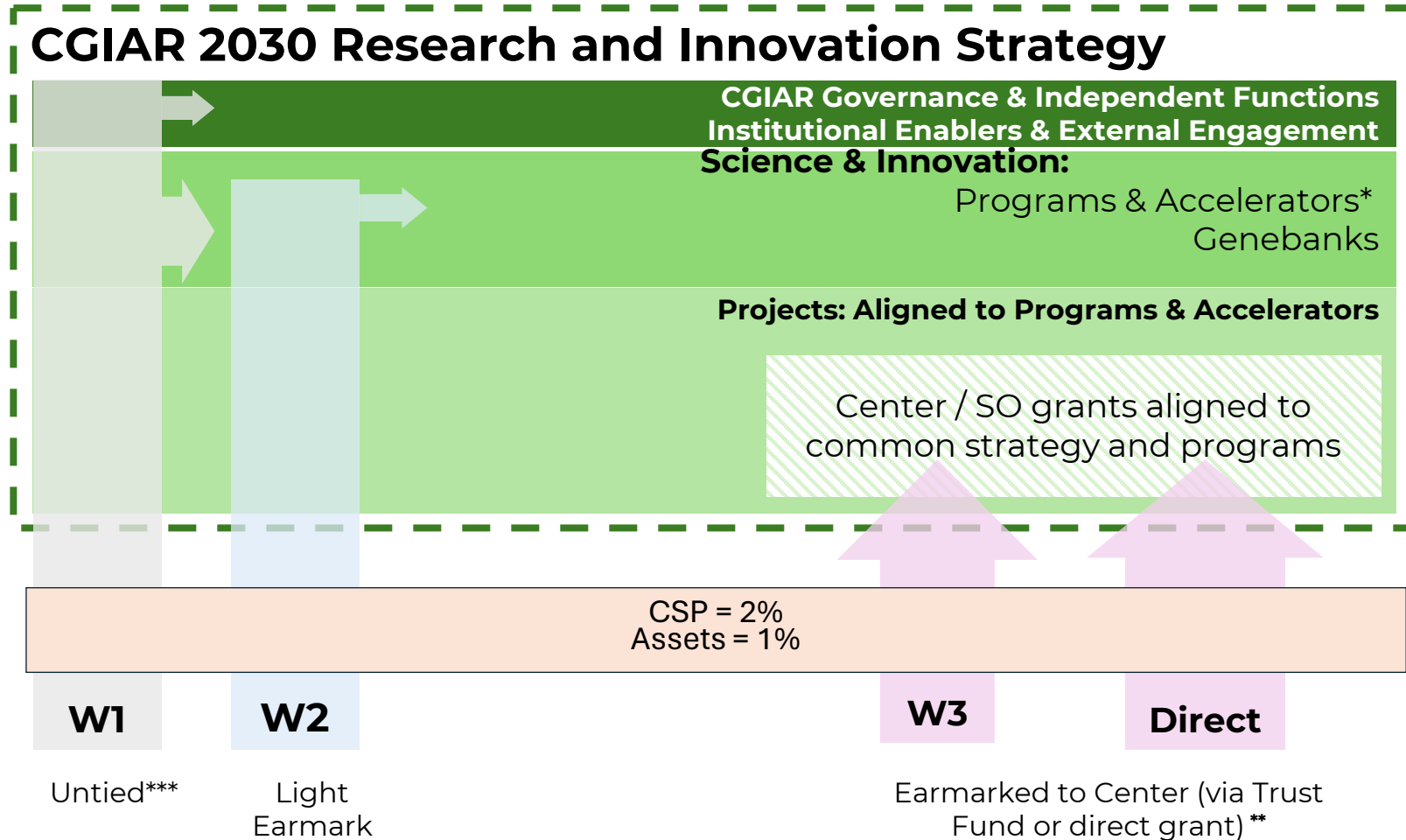
- **Window 1 additional withdrawal at zero - 100% for Science & Innovation**
- **CSP reduces to 1.6%**
- **Strategic Assets remain at 1%**

* Including designations for cross-cutting funding, e.g. SPIA and other institutional needs

8b. Why Reopen W2?

- Window 2 (W2) was used in previous research programs as a mechanism where Funders individually allocated their contributions to any component (CRP, Platform, or Initiative) of the system-wide portfolio as prioritized, defined, and approved by the Funders collectively through the System Council.
- W2 is a preferred mechanism by various Trust Fund Funders as it provides more transparency and visibility into their funding allocation.
- Contributions to W2 are specified in the contribution agreements and recorded in dedicated W2 accounts managed by the CGIAR Trustee, eliminating the need to manage earmarked contributions manually.
- Going forward, W2 will be used for contributions towards Programs, Accelerators, and Genebanks (incl. their Work Areas) of the 2025—30 Portfolio.

9. Zoom in on new funding model proposal from FMRG – May 22 agreement



Definitions:

Window 1: untied, prioritized for Programs, Accelerators, and Genebanks of the 2025—30 Portfolio; can finance GIF & Enablers but only up to an agreed cap; can accept money from donors who want to focus on specific cross-cutting functions, e.g. independent evaluation

Window 2: Programs, Accelerators, and Genebanks (incl. their Work Areas) of the 2025—30 Portfolio

Window 3 and Direct: for Center / Multi-Center / SO projects –mapped to portfolio programs

Conditions for success

- **Business aligned:** Fit for purpose to support portfolio and adaptive funding channels
- **CSP & Assets facility:** a dynamic facility based on need & budget level (1% for Assets represents a compromise – **not expected to cover the full, unmet need**)
- **Stability:** multi-year commitments and early designations
- **Transparent management:** all of CGIAR view and capacity to manage untied and earmarked investments across portfolio

* Work Areas designations to be discussed

** Direct=Ex-bilateral, option for SO eligibility

***For the 2025-30 Portfolio; and Enablers and GIF as required, including designations for cross-cutting functions (e.g. SPIA)

10.a Dynamic model: responsive to funding levels – calculations and thresholds

	2023	2024B
Total	930.0M	950.0M
W1/2	322.0M	308.0M
W3	225.0M	200.0M
W1/2/3 Total	547.0M	508.0M

Genebanks (W1/2) Levy	0.0M	0.0M
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GIF	14.9M	18.0M 21%
Enablers	22.6M	19.7M -13%
Strategic Assets	0.0M	0.0M
Total GIF + Enablers	37.5M	37.7M

CSP for EEE+GIFs (all funding sources)	18.5M 2%	16.0M 2%
CSP Assets (all funding sources)		
W1 Draw	19.0M 6%	21.7M 7%
Total Funding	37.5M	37.7M

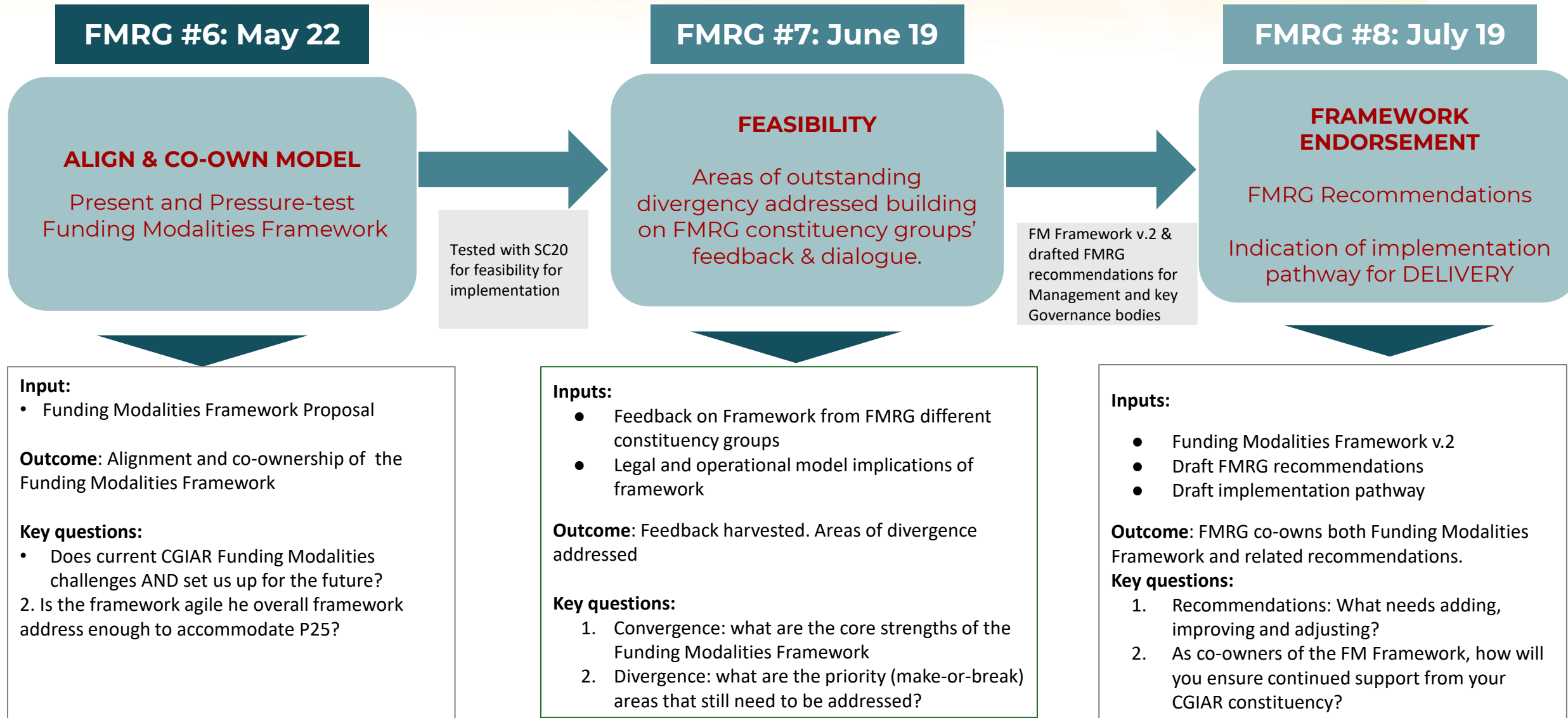
Scenarios					
Scenario 1 (2025)		Scenario 2 (Long-term)		Scenario 3 (Long-term)	
1,000.0M		1,500.0M		2,000.0M	
320.0M	32%	480.0M	32%	640.0M	
300.0M		300.0M		400.0M	
620.0M		780.0M		1,040.0M	
17.8M 1.8%		17.8M 1.2%		17.8M 0.9%	
20.0M	11%	20.0M	0%	20.0M 0%	
19.0M	-4%	12.0M	-37%	12.0M 0%	
10.0M		15.0M		20.0M	
49.0M		47.0M		52.0M	
20.0M	2.0%	30.0M	2.0%	32.0M 1.6%	
10.0M	1.0%	15.0M	1.0%	20.0M 1.0%	
19.0M	6%	2.0M	0.4%	0.0M	
49.0M		47.0M		52.0M	

10.b Dynamic model: responsive to funding levels – accounting for unknowns

Accounting for unknowns

- We are only just unpacking the preliminary results of the asset study —> and hence what share of actual costs can be recovered through assets facility
- We don't know outcomes of the ICI —> CSP is dynamic based on revenue and budget needs
- We don't know how much resources we will raise —> model can be tuned and adapt to funding levels
- We don't know future costs of IPB Governance and Independent Functions —> model allows for direct investments and adaptive management

11. Next steps: final steps for FMRG towards January 2025 launch



12. Guiding Questions for SC conversation

Aim: align on the proposed Funding Framework and Model for testing feasibility for implementation

1. Does the overall framework and model address current CGIAR Funding Modalities challenges AND set us up for the future?
2. Does the overall framework and model work for SC support of 2025—30 Portfolio and contribute to the principle of burden-sharing true costs?
3. Does the Model adequately consider the Funding Modalities agreed principles of functionality, flexibility, stability and predictability, simplicity and transparency?
4. Will the proposed Strategic Asset Facility (1%) support the Integrated Partnership while building a shared responsibility for the foundation of CGIAR research?

Thank you