



Michael Major/Crop Trust

**CGIAR SYSTEM
ORGANIZATION
AUDITED FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022**



INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Year ended 31 December 2022

To the members of the CGIAR System Management Board

In compliance with the assignment entrusted to us by you, we hereby report to you, for the year ended 31 December 2022 on the audit of the accompanying financial statements (hereafter "the Financial Statements") of CGIAR System Organisation as attached to this report.

These Financial Statements were prepared under the responsibility of the Management. Our role is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit involves performing procedures, using sample techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the Financial Statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Financial Statements give, in all material respects, a true and fair view of the assets and liabilities and of the financial position of the CGIAR System Organisation as at December 31, 2022 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Marseille, July 17, 2023

PricewaterhouseCoopers Audit

A handwritten signature in blue ink, appearing to read 'V. Thyssen'.

Vincent Thyssen
Partner

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CGIAR System Board

Table 1 below sets out the membership of the CGIAR System Board during 2022.

Table 1: Board composition during 2022

Name	Role	Term end
Marco Ferroni	Chair, voting member	Until 31 December 2022
Alice Ruhweza	Voting member	Until 31 August 2023
Alyssa Jade McDonald-Baertl	Voting member	Until 31 August 2023
Hilary Wild	Voting member	Until 31 August 2023
Lindiwe Majele Sibanda	Voting member	Until 31 December 2024
Neal Gutterson	Voting member	Until 31 August 2023
Patrick Caron	Voting member	Until 31 August 2023
Shenggen Fan	Voting member	Until 31 August 2023
Clarissa van Heerden	Ex-officio non-voting member (Independent Chair, CGIAR Audit, Finance & Risk Committee)	Until 31 May 2024
Dr. Khuloud Odeh	Ex-officio non-voting member (in capacity as Executive Director a.i., CGIAR System Organization)	From 14 February 2022 until a successor is appointed
Elwyn Grainger-Jones	Ex-officio non-voting member (in capacity as Executive Director, CGIAR System Organization)	Until 13 February 2022

*With effect from 1 January 2023, the System Board appointed Dr. Lindiwe Majele Sibanda as Chair of the System Board and as such the Letter from the Chair of the Board is issued by her.

Unified Governance arrangements in CGIAR (One CGIAR)

The Board of the CGIAR System Organization took a decision in October 2019 to move to One CGIAR as a more integrated vision for CGIAR stakeholders, while maintaining the legal personality of each of CGIAR's legal entities, including the CGIAR System Organization. As one of five key pillars of One CGIAR, 11¹ of CGIAR's Research Centers and Alliances adopted unified governance from October 2020, whereby their respective Boards of Trustees/Governing Boards appointed the same eight voting members of the CGIAR System Board to their boards.

Following these decisions, those members represent a two-thirds majority of voting membership on each Research Center/Alliance Board. In their respective roles on Research Center/Alliance Boards, each member serves in their personal capacity and not as a representative of the CGIAR System Board or any other body. CGIAR obtained an external *Legal Opinion on Delivering Unified Governance under One CGIAR* from Lalive Law, which advised, *inter alia*, that "the 2/3rd common voting membership across the Research Centers' Boards would maintain decisional and executive organs within each Center; it has no bearing on Research Centers' autonomy and independence from a legal standpoint, i.e. in terms of their legal personality and statutory organs."

¹AfricaRice Center, International Maize and Wheat Improvement Center (CIMMYT), International Potato Center (CIP), International Center for Agricultural Research in the Dry Areas (ICARDA), International Food Policy Research Institute (IFPRI), International Institute of Tropical Agriculture (IITA), International Livestock Research Institute (ILRI), International Rice Research Institute (IRRI), International Water Management Institute (IWMI), WorldFish, The Alliance of Bioversity International and the International Center for Tropical Agriculture (CIAT)

Letter from the chair of the board

2022 has been a year of action and achievement as CGIAR's ambitious transformation towards a more integrated organization with fewer institutional boundaries and supported by empowered management, clear governance and a matrix operational structure moved from transition into implementation. Several important steps to enhance CGIAR's impact with a strong focus on science and innovation, partnership and leading evidence-based calls for food, land and water systems transformation were taken

In January 2022, 31 new CGIAR initiatives were launched to help radically realign food, land and water systems. CGIAR's new initiatives were designed by multidisciplinary teams of scientists from across the CGIAR System to make real, lasting and positive impact across five Impact Areas: 1) Nutrition, Health and Food Security; 2) Poverty Reduction, Livelihoods and Jobs; 3) Gender Equality, Youth and Social Inclusion; 4) Climate Adaptation and Mitigation; and 5) Environmental Health and Biodiversity. With CGIAR research and innovation providing a 10:1 return on investment, supporting the new initiatives provided funders with a clear path to impact for people, climate and nature.

In July 2022, following a System Board decision, CGIAR's leadership structure evolved from being headed by an Executive Management Team comprised of three Managing Directors to an apex structure with Dr. Claudia Sadoff appointed as Executive Managing Director. This apex model is a natural progression from the two-year term-limited inaugural executive management structure and responds to CGIAR's critical need to connect global science with regional and local partners in an effective and innovative way.

For the better part of 2022, leaders across the CGIAR System engaged in the process to confirm and clarify the path to "One CGIAR" and to pave the way for a united CGIAR to move forward with confidence and operate in a shared matrix structure. This led to the completion and subsequent approval of the new Integration Framework Agreement (IFA) by the boards of all One CGIAR Research Centers in early 2023. We are already seeing a decisive shift in focus towards implementation of the IFA to operationalize how integrated teams will work together – ensuring that all Center staff are able to engage with and contribute to the Global and Regional Groups – and how we develop shared corporate services and systems.

Another significant milestone was the co-creation of a new suite of CGIAR-wide policies, following a detailed and robust collaborative process led by the Office of Ethics and Business Conduct: the CGIAR Code of Ethics and Business Conduct for CGIAR Staff; the CGIAR Policy on Protection Against and Prevention of Harassment and Discrimination; the CGIAR Safeguarding Policy – Protection Against and Prevention of Sexual Misconduct, Exploitation and Abuse, and Human Trafficking; and the CGIAR Policy on Whistleblowing and Protection from Retaliation. While CGIAR Research Centers already have policies that cover many of these important areas in different ways, having standard policies that set and clarify our shared expectations across the whole of CGIAR is an important step towards our goal of having one CGIAR culture.

Pooled funding contributions progressed strongly in 2022, with total contributions amounting to USD 274 million, marking the best performance since 2014. This represents an increase of 44% compared to the previous year, highlighting the support from CGIAR's funders for the 2030 Research and Innovation Strategy. Looking ahead, the 2023 Financing Plan targets total contributions of USD 303 million, confirming the continued growth trajectory of our pooled funding contributions.

In November 2022, CGIAR announced the appointment of a new Board Chair following Marco Ferroni's decision to retire and step down from his position as CGIAR System Board Chair after five years of service on 31 December 2022. Dr. Ferroni steered CGIAR through an essential transformation of its systems towards a unified and integrated international institution better equipped to develop innovative solutions to the multiple, interconnected threats to food, nutrition, and water security we are facing today. I am honored to have the opportunity to build upon his legacy in my new role as Board Chair of this great organization.

The structure and resources of the CGIAR System Organization were strategically mobilized throughout 2022 to support the delivery of the activities reported in this letter. The System Organization's total spending of USD 38 million in 2022, against a budget of USD 61 million, reflects the additional time taken to recruit roles in the supporting teams for CGIAR's new Global Groups. However, this reflects a spending increase compared to the USD 31 million spent in 2021. Most of the 2022 spending was related to One CGIAR reform activities that advance our vision and mission for a more impactful CGIAR as the new initiatives continue their important work to transform food, land and water systems in a climate crisis. I thank on behalf of the System Board the staff of the System Organization and all across CGIAR for their immense dedication and hard work during 2022 to deliver on these goals.

A handwritten signature in black ink, appearing to read 'L. Sibanda', with a stylized flourish at the end.

Prof. Lindiwe Majele Sibanda
Chair, CGIAR System Board

Statement on risk management

Our approach to risk

CGIAR recognizes that taking and managing risks is an integral part of delivering on its strategy and that effective risk management is critical to its success and is a key element of good governance. The CGIAR System Organization, being one constituent part of CGIAR cannot deliver on its mission without collective awareness of the evolving risks faced as opportunities are pursued.

How we manage and monitor risk

The CGIAR System Board has the responsibility for ensuring that the CGIAR System Organization has in place appropriate risk management and internal control systems and practices, and for determining the nature and extent of risk it is willing to take for the organization to achieve its strategic objectives. The schedule of periodic System Board meetings ensures that timely information on risk is provided for the Board to discharge its responsibilities.

Based on the CGIAR Risk Management Framework, the CGIAR System Organization collaborates on risk management across CGIAR according to the following principles:

Figure 1 – CGIAR risk management principles



How we managed risk in 2022

In 2022, the CGIAR System Organization continued to take actions to strengthen risk management across CGIAR. Focus was placed on moving towards unified governance, strengthening the risk management tone-at-the top, enhancing ethics culture and managing research and transition risks and opportunities. The CGIAR System Organization contributed into developing common CGIAR-wide approaches to better identify and manage risks and associated opportunities as well as facilitate strategic decision taking and provide better visibility to the governing bodies.

While the strategic risks of the CGIAR System Organization are largely intertwined with the CGIAR agenda due to its unique role in supporting CGIAR strategies, its operational risks tend to be CGIAR System Organization specific. Therefore, in addition to supporting CGIAR-wide actions, the CGIAR System Organization also takes actions to manage its own specific risks. Selected examples of enhancements delivered at the CGIAR System Organization and CGIAR-wide are set out in the table below.

Strengthening our risk management capabilities and culture – selected examples

Unified Governance

The operation of a CGIAR-wide common Audit, Finance and Risk Committee offers an opportunity for a holistic view of CGIAR's assurance environment and ensures a collective view of risks and opportunities. One of the elements to support this process is a common methodology and dashboard for Research Centers to evaluate and report in detail on their top risks in a consistent way across CGIAR.

Executive Management Team sets the tone

A process to support the Executive Management Team in the management of opportunities and risks across CGIAR in a holistic and proactive way was introduced in Q3 2022. This will be further enhanced in 2023.

Risk management culture

The Risk Community of Practice¹ members across CGIAR continued working together on CGIAR-wide initiatives aiming to increase alignment on how we approach institutional risk management.

The Institutional Risk Management and Internal Audit teams remained aligned and benefited from synergies including carrying out a joint deep dive risk assessment of Funding risks across CGIAR involving all entities (Research Centers and the System Organization).

Additional consulting resources engaged to improve communication on institutional risk management

Ethics and Business Conduct policies

System Board approved key ethics policies (including Safeguarding Policy) in December 2022.

CGIAR 2030 Research Initiatives risk management

Built further on the single common process put in place for the Research Initiatives to identify, manage and communicate top risks through the ongoing development of monitoring processes and online tools.

¹A community of risk management experts with members from all CGIAR Research Centers and Alliances

CGIAR System Organization risk register refresh

A refresh of the risk register for the CGIAR System Organization was initiated end 2022. In 2023, the refreshed risk register aims to support the CGIAR System Organization Management Team in the management of opportunities and risks including risks to health, safety, security, talent, ethics, legal and regulatory, data and finance.

Outlook and developments for 2023

In 2023, while CGIAR works towards its institutional and scientific integration, the CGIAR System Organization will continue facing opportunities and risks in relation to operationalizing CGIAR's matrix structure and Integration Framework Agreement. We also anticipate that across CGIAR, risk and opportunities management should remain focused on delivering a high-quality research portfolio, maintaining partnerships, engaging effectively with partners and managing CGIAR's cost structure to achieve further efficiencies in operations.

The Institutional Risk Management Team of the CGIAR System Organization will continue to support work towards an aligned approach to risk management across CGIAR. In 2023, additional focus will be placed on training staff and improving risk visibility, communication, and awareness. The Audit, Finance and Risk Committee will continue to operate with strongly qualified members, including experienced practitioners in risk management, and report to the CGIAR System Board at every meeting.

Management statements of responsibility for financial reporting

Management has the direct responsibility for the accounting of all System Organization expenditures and has maintained a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that the financial records of the System Organization are properly kept. On 17 June 2016, the CGIAR Research Centers and Funders adopted a “CGIAR System Framework” that sets out the overall governing framework of the CGIAR System and provides for a System Council and a CGIAR System Organization with its two constituent parts, a CGIAR System Board and CGIAR System Management Office.

The accompanying annual financial statements of the CGIAR System Organization for the year ended 31 December 2022, have been prepared in accordance with International Financial Reporting Standards (IFRS). PricewaterhouseCoopers Audit (PwC) has been engaged to examine and report on the financial statements of the CGIAR System Organization. The firm’s examination is conducted in accordance with International Standards on Auditing (ISAs). PwC’s report accompanies these 2022 Financial Statements.

The System Organization has fiduciary responsibility for all Window 1 funds disbursed from the CGIAR Trust Fund managed by the World Bank to Research Centers that are leading or participating in CGIAR Research Programs and Platforms. Consistent with prior years, these funds are not reflected in the Financial Statements of the System Organization. These funds are for the implementation of CGIAR Research Programs and Platforms and are reported in the financial statements of the respective Research Centers.

The System Organization’s Chief Audit Executive performs internal audit assurance and advisory engagements according to a Charter approved by the CGIAR System Board pursuant to the International Standards for the Professional Practice of Internal Auditing. Internal Audit delivers findings and provides recommendations regarding the adequacy of the System Organization’s policies and procedures and the effectiveness of their implementation.

Separately, the System Organization prepares aggregated CGIAR System level financial information and financial dashboards which are based on the audited financial statements of all CGIAR Research Centers and the System Organization. The CGIAR System financial information presents System Organization and Center management, the CGIAR System Board and the System Council, with an accurate view of the System’s financial operations, which enables the identification and discernment of strategic opportunities and risks



Khuloud Odeh
Executive Director *ad interim*



Luis Felipe Mendes
Sr. Director, Financial Planning and Analysis

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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STATEMENT OF FINANCIAL POSITION

For the years ended 31 December 2022 and 2021

(all figures expressed in thousands of US dollars)

	Note	2022 USD	2021 USD
Assets			
Current Assets			
Cash and Cash Equivalents	7	11,555	10,526
Accounts Receivable	8		
<i>Funders</i>	8.1	657	1,208
<i>Employees</i>	8.2	22	18
<i>CGIAR Research Centers</i>	8.3	2,892	1,578
<i>Others</i>	8.4	685	185
Prepaid Expenses	9	650	202
Accrued Income	10	-	-
Total current assets		16,461	13,717
Non-Current assets			
Property, Plant and Equipment	11	-	4
Total Assets		16,461	13,721
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	12		
<i>Funders</i>	12.1	5,174	8,637
<i>Employees</i>	12.2	37	34
<i>CGIAR Research Centers</i>	12.3	4,689	55
<i>Others</i>	12.4	3,004	1,260
Accruals and Provisions	13	2,900	3,191
Total current liabilities		15,804	13,177
Undesignated Net Assets		657	544
Total Liabilities and Net Assets		16,461	13,721

STATEMENT OF ACTIVITIES AND OTHER COMPREHENSIVE INCOME

For the years ended 31 December 2022 and 2021

(all figures expressed in thousands of US dollars)

	Note	Unrestricted USD	2022 Restricted USD	Total USD	Unrestricted USD	2021 Restricted USD	Total USD
Revenue and Gains							
Grant Revenue							
Window 1 & 2	14	-	35,806	35,806	-	24,021	24,021
Bilateral	Schedule 1	-	1,709	1,709	-	5,723	5,723
Total Grant Revenue		-	37,515	37,515	-	29,744	29,744
Other Revenue	15	408	-	408	320	-	320
Total Revenue and Gains		408	37,515	38,025	320	29,744	30,064
Expenses							
CGIAR Collaboration	16	298	2,011	2,309	-	3,232	3,232
Non-CGIAR Collaboration	16	-	1,107	1,107	-	1,176	1,176
General and Administration	16	-	34,397	34,397	350	25,336	25,686
Total Operating Expenses		298	37,515	37,813	350	29,744	30,094
Financial Incomes	17	558		558	100	-	100
Financial Expenses	17	555		555	325	-	325
		3	-	3	(225)	-	(225)
Surplus (Deficit) for the year		113		113	(255)	-	(255)

STATEMENT OF CASH FLOWS

For the years ended 31 December 2022 and 2021
(all figures expressed in thousands of US dollars)

	2022 USD	2021 USD
Cash flows generated from / (used in) operating activities		
Surplus (deficit) for the year	113	(255)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Decrease (increase) in assets		
Accounts receivable	(1,267)	(1,890)
Prepaid expenses	(448)	(90)
Accrued Income	-	2
Property, Plant and Equipment	4	6
Increase (decrease) in liabilities		
Accounts payable	2,918	1,856
Accruals and provisions	(291)	2,222
Net cash generated from (used in) operations	1,029	1,851
Cash and cash equivalents at the beginning of the year	10,526	8,675
Cash and cash equivalents at the end of the year	11,555	10,526

STATEMENT OF CHANGES IN NET ASSETS

For the years ended 31 December 2022 and 2021

(all figures expressed in thousands of US dollars)

	2022 USD	2021 USD
Balance as of 01 January	544	799
Surplus (deficit) for the year	113	(255)
Balance as of 31 December	657	544

NOTES TO FINANCIAL STATEMENTS

For the years ended 31 December 2022 and 2021

(all figures expressed in thousands of US dollars)

1. General information

As defined in the Charter of the CGIAR System Organization (“Charter”), the purpose of the System Organization is to provide support to the CGIAR System. Led by the Executive Director, the System Organization manages the day-to-day operations of the System Organization, the System Board and the System Council, and facilitates collaboration within the CGIAR System.

The CGIAR System Organization is an independent international organization with such international legal personality as may be necessary for the exercise of its functions and powers, and the fulfilment of its purposes, including without prejudice to the generality of the foregoing, the legal capacity:

- (a) to enter into treaties, agreements, arrangements and contracts;
- (b) to acquire and dispose of movable and immovable property;
- (c) to institute and respond to legal proceedings.

The System Organization is not subject to statutory laws and regulations which would require the entity to prepare a full set of annual financial statements. However, due to decisions taken by the CGIAR System Council and the then-titled System Management Board in July 2016, the System Organization continued to operate pursuant to the *Joint Agreement entered into between the CGIAR Consortium and the Fund Council of the CGIAR Fund represented by the World Bank*². Pursuant to article 19.3 of the Joint Agreement, the System Organization is required to present a full set of annual financial statements to provide all its stakeholders with a comprehensive annual review of its business performance and financial positions.

1.1 Headquarters Agreement with the French Government

On 4 March 2013, the Consortium of International Agricultural Research Centers signed an Agreement with the French Government regarding *Headquarters of the Consortium and its privileges and immunities in the French Territory*³. On 31 March 2015, an agreement was signed with the Région Occitanie (formerly Languedoc-Roussillon) providing an office building located at 1000, avenue Agropolis, F-34394 Montpellier Cedex 5, France, from where the System Organization operates. The building includes 790 square meters of office, meeting and open space, and the facility is built on a piece of land of approximately 1,000 square meters, which is part of the Agricultural Agropolis Park. The facility is provided by the Région Occitanie free of charge except for an agreed upon late modification for which the System Organization agreed to reimburse the Région with a payment of EUR 10,474 during the first five years of occupation. The agreement is in place for a duration of 20 years and, if not renewed, the facility shall be returned to the Région Occitanie.

²Approved by the Fund Council on 5 April 2011, and the System Management Board July 2016

³As now amended by the French Government in December 2016, to reflect the June 2016 governance transition and the new operating name of the CGIAR System Organization.

2. Vision

CGIAR's vision is a world with sustainable and resilient food, land and water systems that deliver diverse, healthy, safe, sufficient and affordable diets, and ensure improved livelihoods and greater social equality, within planetary and regional environmental boundaries.

3. Mission

CGIAR's mission is to deliver science and innovation that advance the transformation of food, land, and water systems in a climate crisis.

4. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). IFRS also cover all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee, previously called the Standard Interpretation Committee (SIC).

The financial statements as of and for the year ended 31 December 2022 (Financial Statements), have been prepared on a going concern basis. The approach adopted by the CGIAR System Organization for the management of financial risks is discussed in Note 5 "Management of Financial Risks" below.

Financial statement formats and related classification criteria adopted by the Organization, in accordance with *IAS 1 – Presentation of Financial Statements*, are as follows:

Statement of Financial Position has been prepared using the current/non-current distinction;

Statement of Activities and Other Comprehensive Income has been prepared by classifying expenses based on their function;

Cash Flow statement presents the cash flows generated by operating activities using the "indirect method".

4.2 Other accounting policies

A brief description of the accounting policies and principles adopted in preparing the Financial Statements is provided in the following pages.

a) Foreign currency translations

Functional and presentation currency

Items included in the Financial Statements are measured in US dollars, the currency of the primary economic environment in which the CGIAR System Organization operates (the "functional currency"). Assets and liabilities denominated in other currencies are converted at the exchange rate in effect at the end of each fiscal year. Grants received in currencies other than US dollars are recorded at market exchange rates in effect at the time the grant is received or, if outstanding as of 31 December, revalued at the market exchange rate in effect on that day.

Transactions and balances

Transactions denominated in foreign currency are translated into the functional currency using the prevailing exchange rate on the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement.

b) Revenue recognition

Grant revenue

Most of the revenue is derived through restricted grants.

Restricted grants are those that are received from a transfer of resources, including Window 1 funds transferred from the CGIAR Trust Fund, in return for past or future compliance with specific conditions. These grants are recognized as revenue once there is reasonable assurance that the System Organization has complied with the funder's conditions. Restricted grants are recognized as revenue to the extent of expenses for that grant are incurred.

Grants revenues are segregated into:

- **Restricted Portfolio:**
Window 1 funds received from CGIAR Research Programs or Platforms that is recognized as revenue only as expenses are incurred in support of the specific activities supported by the CGIAR Research Programs or Platform.
- **Restricted Non-portfolio:**
Window 1 funds received from the CGIAR Trust Fund that is recognized as revenue only as expenses are incurred in support of the operations of the System Organization.

Other revenue

Other revenue is measured at the fair value of the consideration received or receivable. The System Organization recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the System Organization and risks and rewards of the underlying goods or services have been transferred.

c) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits with financial institutions, other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

d) Accounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment.

Receivables are generally defined as claims held against others for the future receipt of money, goods or services, and include claims from Funders, advances to employees, and advances to CGIAR Research Centers and claims against third parties for services rendered.

Accounts receivable from Funders consist of claims from Funders for grants pledged in accordance with the terms specified by the Funder. It also pertains to claims for expenses paid on behalf of projects more than cash received from Funders.

Recognition

- *Unrestricted grants*: receivables from unrestricted grants are recognized in full in the period specified by the Funder.
- *Restricted grants*: receivables from restricted grants are recognized in accordance with the terms of the underlying contract.
- Receivables from employees are recognized as they arise and settled when payment is received.
- Advances to CGIAR Research Centers are recognized when the cash or other assets are delivered to the Center or when a payment is made to settle a Center's liability.
- Other receivables are recognized upon the occurrence of an event or transaction which gives the System Organization a legal claim against others.

e) Property, plant and equipment

Property, plant and equipment are valued at acquisition cost, net of the corresponding accumulated depreciation, and accumulated losses for impairment that:

- Are held by the System Organization for the delivery of its mission;
- Are expected to be used for more than one year; and
- Have an individual purchase price of USD 5,000 or greater including VAT, freight and installation costs.

All acquisitions that do not meet these criteria will be defined as 'controllable assets' and expensed in the period of purchase.

Depreciation

Depreciation is the systematic allocation of the depreciable amount of an individual asset over its useful life. The System Organization will recognize depreciation on a linear basis as follows:

1. Office equipment, furniture and fixtures 5 years
2. Computer, network systems and telecommunication equipment 3 years

Disposals

An item of property, plant and equipment and any significant part is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of activities and other comprehensive income.

The proceeds from the sale of controllable assets are recognized as "other unrestricted revenue" in the statement of activities and other comprehensive income.

f) Accounts payables

These amounts represent liabilities for goods and services provided to the System Organization which are unpaid. Trade and other payables constitute current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

g) Provisions

Provisions are recognized when the System Organization has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating costs.

Provisions are measured at the present value of management's best estimate of the transfer of resources required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

When the System Organization expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is certain. The expense relating to a provision is presented in the statement of financial activity net of any reimbursement.

h) Employee benefits

i. Short-term employee benefits

Liabilities for wages and salaries, including bonuses (if any) that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

ii. Defined contribution plan

The System Organization contributes to a defined contribution retirement benefit plan for all qualifying employees. The contribution is 16% of gross salary. Contributions to the defined contribution plan are recorded as expenses as incurred. The assets of the defined contribution plan are held separately from those of the organization in the name of the Trustees.

i) Net assets

Net assets include general undesignated reserves in their utilization.

j) Rounding of amounts

All amounts disclosed in the Financial Statements and notes have been rounded off to the nearest thousand unless otherwise stated.

k) Accrual basis

The System Organization adopts an accrual basis of accounting. Under the accrual basis of accounting, transactions and events are recognized when they occur (and not when cash or its cash equivalent is received or paid) and these are recorded in the accounting records and reported in the Financial Statements during the periods to which they relate. Expenses are recognized in the Statement of Activities and Other Comprehensive Income based on direct association between the costs incurred and the earnings of specific items of revenue.

l) Income Taxes

Pursuant to the *Headquarters Agreement* with the French Government (see Note 1), the organization is exempt from income taxes. Consequently, the organization does not account for income tax in its financial statements.

4.3 New and Amended International Financial Reporting Standards

The System Organization has set out below the accounting standards, amendments or interpretation as issued by the International Accounting Standards Board (IASB).

a) New standards, amendments and interpretation issued effective as of 2022:

Description	Effective date*
Annual Improvements to IFRS Standards 2018-2020	01 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	01 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	01 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	01 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	01 January 2022**
Accounting treatment for agricultural activity (IAS 41)	01 January 2022
First time adoption of International Financial Reporting Standards (IFRS 1)	01 January 2022

None of the above standards, amendments and interpretations had a significant impact on the System Organization's financial statements.

b) Standards not yet effective but available for early adoption:

Description	Effective date*
IFRS 17 Insurance Contracts	01 January 2023
Amendments to IFRS 17	01 January 2023
Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1)	01 January 2023**
Initial Application of IFRS 17 and IFRS 9 – Comparative Information	01 January 2023**
Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023**
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	01 January 2023**
Definition of Accounting Estimates (Amendments to IAS 8)	01 January 2023
Income Taxes – 'Comprehensive Balance Sheet method' (IAS 12)	01 January 2023
Non-Current Liabilities with Covenants (IAS1)	01 January 2024**
Lease Liability in a Sale and Leaseback Amendments to IFRS 16 (IFRS 16)	01 January 2024

* Where new requirements are endorsed, the EU effective date is disclosed. For un-endorsed standards and interpretations, the IASB's effective date is noted. Where any of the requirements are applicable to the System Organization, it will apply from their EU effective date.

** Not endorsed

The System Organization has considered the new standards, amendments and interpretations as detailed in the above table and does not plan early adoption of these standards. The application of all these standards, amendments or interpretations will be considered in detail in advance of a confirmed effective date by the organization.

The System Organization has not adopted any other new standards or interpretations that are not mandatory. The organization anticipates that the adoption of those standards or interpretations will have no material impact of the financial statements of the organization in the period of initial application.

5. Management of Financial Risks

The activities of the System Organization are exposed to the following financial risks: market risk (including exchange rate risk), credit risk and liquidity risk.

Management of the System Organization identifies, evaluates and hedges financial risks in accordance with the CGIAR System Organization Risk Management Policy⁴, Risk Management Framework of the CGIAR System⁵, and the accompanying Risk Management Guidelines of the CGIAR System⁶.

5.1 Market risk

The System Organization is exposed to market risks associated with exchange rates.

a) Exchange rate risk

The System Organization operates internationally and is exposed to foreign exchange risk arising when its business transactions are in currencies other than US dollars, the latter being the currency with which the organization predominantly operates. The sensitivity of the Statement of Activities and Other Comprehensive Income to changes in the exchange rate rises mainly from EUR denominated cash and cash equivalents, accounts receivable and payables.

The System Organization monitors the exposure to foreign currency risk arising from operating activities and reduces its exposure to euro fluctuations by maintaining cash inflows and outflows in the same currency to the maximum extent possible. Based on the limited transactions in foreign currencies, the organization does not use derivative financial instruments to hedge its foreign exchange exposure in relation to investments or cash flows.

The impact on the net surplus (deficit) of the organization of a reasonably possible change in the US dollar exchange rate in comparison to the euro can be determined by considering the impact of a 10% shift in the exchange rate:

31 December 2022	Exchange Rate to USD			Sensitivity Impact on Surplus (Deficit)		
	31 December Rate	10% Higher	10% Lower	High	Low	Range
				USD	USD	USD
Euro	0.93	1.02	0.84	11	(11)	22

31 December 2022	Exchange Rate to USD			Sensitivity Impact on Surplus (Deficit)		
	31 December Rate	10% Higher	10% Lower	High	Low	Range
				USD	USD	USD
Euro	0.88	0.97	0.79	23	(28)	52

b) Price risk

The System Organization does not hold any financial instruments subject to price risk.

c) Interest rate risk

The System Organization is not subject to any significant interest rate risk as the only maturing interest rates are on the funds held in the bank accounts.

⁴CGIAR System Organization Risk Management Policy

⁵Risk Management Framework of the CGIAR System

⁶Risk Management Guidelines of the CGIAR System

5.2. Credit risk

The System Organization's credit risk represents the exposure of the organization to potential losses due to counterparty inability to discharge the obligations undertaken. This exposure mainly relates to trade receivables deriving from claims for grants promised or pledged or for expenses paid on behalf of its operation or projects more than cash received from Funders.

The credit risk for the System Organization's operation is considered low since its primary function is that of a secretariat and not an implementer of projects. In addition, Funders consist primarily of large international organizations, and governments. In the ordinary course of business, the System Organization faces the risk that receivables from CGIAR Research Centers may not be paid on the due date leading then to an increase in their age.

To mitigate the credit risk associated with its counterparties, System Organization management constantly reviews its credit exposure and monitors the collection of receivables on the contractually agreed due dates. The assets are reported gross of impairment losses calculated based on the default risk of the counterparties, considering the information available on solvency as well as historical data. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The organization mitigates this risk by ensuring that funds are maintained only in reputable well-established financial institutions.

For trade receivables:

- Reviews of aging reports are carried out monthly and provisions for doubtful amounts made for any potentially unrecoverable amounts. A provision will be included in the accounts made for all receivables that are past due, and not supported with an agreed upon settlement plan, on the following basis:
 - 10% provision for receivables or services outstanding between 6 months and 9 months
 - 50% provision for receivables or services outstanding between 9 months and 12 months;
 - 100% provision for receivables outstanding more than 12 months.

If a payment is received for a debt that was previously provisioned, the payment is recorded in the receivables sub-ledger and the provision is reversed.

- Advances to partners and hosted Research Centers are subject to the System Organization's internal requirements to limit losses arising from funds advanced by the System Organization.

As of 31 December		
	2022	2021
	USD	USD
Not yet overdue	690	642
Overdue 1–30 days	289	200
Overdue 30–90 days	192	333
Overdue 91–120 days	-	-
Overdue by more than 120 days (i)	571	19
Total	1,742	1,194

(i) Consists of various receivables from CGIAR Research Centers. Hence, no credit risk identified.

5.3 Liquidity risk

Liquidity risk takes place when the System Organization has insufficient financial resources available to meet its financial obligations and commitments when due. The System Organization's management of liquidity risk in the ordinary course of business involves maintaining a sufficient level of cash to maximize the efficiency of management of financial resources.

Cash flows required to settle other financial liabilities do not differ significantly from the recognized carrying amount. In this regard, it is noted that there is no significant concentration of liquidity risk, either in relation to financial assets or in relation to the sources of finance due to short-term period:

As of 31 December 2022	Carrying amount	Within 12 months	Between 1 and 5 years	Over 5 years
	USD	USD	USD	USD
Payables	12,904	12,904	-	-
Other current and non-current liabilities	2,900	2,900	-	-
Total	15,804	15,804	-	-

As of 31 December 2021	Carrying amount	Within 12 months	Between 1 and 5 years	Over 5 years
	USD	USD	USD	USD
Payables	9,986	9,986	-	-
Other current and non-current liabilities	3,191	3,191	-	-
Total	13,177	13,177	-	-

6. Use and Estimate Assumptions

Preparation of financial statements requires that accounting standards and methods be applied, which in certain cases depend on subjective measurements and estimates based on past experience as well as assumptions which, on a case-by-case basis, are considered reasonable and realistic in the specific circumstances. The use of such estimates and assumptions influences the amounts reported in the statement of financial position, the comprehensive statement of activities and other comprehensive income, the statement of cash flows and the explanatory notes. Actual results for such items may differ from the amounts reported in the Financial Statements due to the uncertainties that characterize the assumptions and conditions on which such estimates were made.

7. Cash and Cash Equivalents

The following table sets forth a breakdown of cash and cash equivalents:

	As of 31 December	
	2022	2021
	USD	USD
Bank accounts held in USD	4,300	3,725
Certificates of Deposit ('CoD') in USD (i)	4,500	-
Bank accounts held in EUR	2,755	6,801
Cash	-	-
Total	11,555	10,526

(i) The following Certificates of Deposit ('CoD') with maturity dates in the year 2022 and 2023 were made with BNP Paribas with the objective to preserve the System Organization operating funds.

Deposit Date	Maturity Date	Rate	Amount USD	Earned Interest USD
16 March 2022	31 May 2022	0.28%	1,000	1
16 March 2022	30 June 2022	0.57%	1,000	2
16 March 2022	29 July 2022	0.57%	1,000	2
16 March 2022	31 August 2022	0.57%	1,000	3
1 July 2022	30 September 2022	1.88%	3,000	14
1 July 2022	31 October 2022	2.31%	2,000	16
1 July 2022	30 November 2022	2.45%	2,000	21
Total			11,000	59

8. Accounts Receivable

All receivable balances are valued at their net realizable value, that is, the gross amount of receivable minus, if applicable, allowances provided for doubtful accounts.

8.1 Accounts receivables – Funders

	As of 31 December	
	2022 USD	2021 USD
European Commission	657	1,208

'Accounts receivables – Funders' consist of receivables from the European Commission towards the final disbursement of the grant No. FOOD/2020/419-368 spent on the Transition to One CGIAR in 2021 and 2022.

8.2 Accounts receivables – Employees

	As of 31 December	
	2022 USD	2021 USD
Employees	-	18
Corporate Credit Card	22	-
Total	22	18

8.3 Accounts receivables – CGIAR Research Centers

As of 31 December		
	2022 USD	2021 USD
Sales invoices to be issued	474	
AfricaRice	1	-
Bioversity	11	349
CIAT	-	52
CIFOR	-	7
CIMMYT	226	199
CIP (i)	836	15
ICARDA	-	93
ICRISAT	64	24
IFPRI (ii)	698	603
IITA	115	39
ILRI	335	101
IRRI	110	71
IWMI	11	13
World Agroforestry (ICRAF)	2	12
WorldFish	9	-
Total	2,892	1,578

“Accounts receivables – CGIAR Research Centers” mainly consist of receivables for hosting arrangements and shared services.

- (i) Includes advances to cover One CGIAR activities.
- (ii) Includes receivable of USD 554 thousand from the Big Data Platform designated for the Standing Panel on Impact Assessment (SPIA) activities administered by the CGIAR Advisory Services in 2021.

8.4 Accounts receivables – Others

As of 31 December		
	2022 USD	2021 USD
VAT Reclaimable from French Government	370	14
AIARC (i)	207	148
Advance to Trade Creditors	108	23
Total	685	185

(i) Advances to a third-party supplier (AIARC – the Association of International Agricultural Research Centers, a not-for-profit 501(c)(3) membership corporation, headquartered in Alexandria, Virginia, USA), for processing the monthly payroll, pension contributions and health insurance premiums for the System Organization personnel.

9. Prepaid Expenses

	As of 31 December	
	2022	2021
	USD	USD
Supplies and services	568	141
Prepaid education allowance	82	61
Total	650	202

10. Accrued Income

Accrued income relates to interest earned on investments. The organization held no investments at year end therefore all income was earned in the financial year.

11. Property, Plant and Equipment

The following table sets forth a breakdown of property, plant and equipment:

	2022	2021
	Total	Total
	USD	USD
Cost		
Balance on 01 January	12	12
Additions	-	-
Balance as of 31 December	12	12
Accumulated depreciation		
Balance on 01 January	8	2
Charge for the year	4	6
Balance as of 31 December	12	8
Net carrying value	-	4

There were no additions in the year 2022.

12. Accounts Payable

12.1 Funders

As of 31 December		
	2022	2021
	USD	USD
CGIAR Research Centers Board Orientation Program	79	79
European Commission		
Institutional support for transition to One CGIAR	-	703
CGIAR Trust Fund		
Window 1 funds (i)	5,095	-
Canada Funds	-	7,852
BMGF Transition Support	-	3
Total	5,174	8,637

These include grants received from Funders which conditions for revenue recognition are not yet met and amounts payable to Funders in respect of any unexpended funds received in advance for signed contracts:

- (i) W1 funds received in advance for 2023 operating budget.

12.2 Accounts payable – Employees

As of 31 December		
	2022	2021
	USD	USD
Employees	37	34

“Accounts payable – Employees” mainly consists of school fees allowances and expense claims to be reimbursed to System Organization employees.

12.3 Accounts payable – CGIAR Research Centers

As of 31 December		
	2022	2021
	USD	USD
IITA	466	-
Bioversity International (i)	772	-
CIAT	301	-
CIMMYT	134	-
CIP (ii)	1,352	-
ICARDA	188	-
IITA Project ICIPE – USD	1	-
ILRI (iii)	539	55
IFPRI (iv)	901	-
IRRI	33	-
WorldFish	2	-
Total	4,689	55

- (i) Payable to Bioversity for the hosting of One CGIAR staff.
- (ii) Payable to CIP for the hosting of One CGIAR staff.
- (iii) Advance received to cover the costs ILRI staff hosted by System Organization.
- (iv) Payable to CIP for the hosting of One CGIAR staff.

12.4 Accounts payable – Others

As of 31 December		
	2022	2021
	USD	USD
Trade Creditors	3,004	1,260

13. Accruals and Provisions

As of 31 December		
	2022	2021
	USD	USD
Accruals for supplies and services	2,284	2,493
Provision for unutilized leave	371	453
Provision for staff repatriation	245	245
Total	2,900	3,191

“Accruals” consist of contracts for the delivery of goods and services fully executed as of 31 December 2022, but not invoiced by suppliers, staff leave balances as of 31 December 2022 and accrual of staff repatriation allowances as defined in the System Organization Personnel Policy Manual Implementation Guidelines, amendment no. 8.

14. Window 1 Revenue

The revenue of USD 35.8 million consists of Window 1 funds received from the CGIAR Trust Fund for the implementation of the System Entities activities in 2022.

15. Other Revenues

2022					2021				
	Unrestricted portfolio		Restricted Non-portfolio		Unrestricted portfolio		Restricted Non-portfolio		
	USD		USD		USD		USD		
Internal Tax (i)	292		-		320		-		
Other income (ii)	116		-		-		-		
Total	408		-		320		-		

- (i) The System Organization has a policy that an internal tax of 5.5% of gross salaries is applied to all staff members.
- (ii) This includes funds received from International Agri-Food Network and Global Dairy Platform for support of the FAO and CGIAR System Pavilion at COP27. It also includes reversals for leave accruals in 2021 for closed Center and other entities staff hosting.

16. Expenses

The following tables sets forth a breakdown of operating expenses.

16.1 Expenses by Natural Classification

	2022			2021		
	Unrestricted USD	Restricted USD	Total USD	Unrestricted USD	Restricted USD	Total USD
Personnel	-	15,134	15,134	-	11,330	11,330
CGIAR Collaboration	298	2,011	2,309	-	3,232	3,232
Non-CGIAR Collaboration	-	1,107	1,107	-	1,176	1,176
Supplies & Services	-	16,823	16,823	350	13,867	14,217
Travel	-	2,440	2,440	-	139	139
Total	298	37,515	37,813	350	29,744	30,094

16.2 Expenses by System Entity and Hosted Activities

	2022			2021		
	Unrestricted USD	Restricted USD	Total USD	Unrestricted USD	Restricted USD	Total USD
CGIAR System Organization	298	28,638	28,936	350	21,126	21,476
System Board & Committees	-	1,267	1,267	-	1,345	1,345
System Council & Committees	-	316	316	-	460	460
Administratively Hosted Activities						
CGIAR System Internal Assurance Services	-	677	677	-	808	808
Independent Advisory and Evaluation Service (IAES)	-	5,974	5,974	-	5,813	5,813
CGIAR Ethics & Business Conduct	-	643	643	-	192	192
Total	298	37,515	37,813	350	29,744	30,094

16.3 Expenses One CGIAR Transition

In 2022, significant steps towards the transition to One CGIAR were achieved thanks to additional support received from CGIAR Funders, including the Bill & Melinda Gates Foundation, European Commission.

The following table sets forth a breakdown of expenses incurred with the transition to One CGIAR:

	2022			2021		
	System Organization Operating Costs	One CGIAR Transition Costs	Total	System Organization Operating Costs	One CGIAR Transition Costs	Total
	USD	USD	USD	USD	USD	USD
Personnel	4,051	11,083	15,134	8,359	2,971	11,330
CGIAR Collaboration	294	2,015	2,309	2,811	421	3,232
Non-CGIAR Collaboration	151	956	1,107	1,066	110	1,176
Supplies & Services	3,599	13,224	16,823	6,690	7,527	14,217
Travel	959	1,481	2,440	118	21	139
Total	9,054	28,759	37,813	19,044	11,050	30,094

17. Financial Incomes and Financial Expenses

Represent realized and unrealized exchange gains and losses during the year, interest earned on short-term investments and all bank charges.

18. The entity's ability to continue as a going concern

In 2022, the CGIAR System Organization's total revenue and expenses reached USD 38 million, signifying a 26% growth compared to 2021. Our projections for 2023 indicate an anticipated 58% increase, leading to a budget of USD 60 million.

CGIAR Pooled Funding contributions experienced significant growth in 2022, with total contributions of USD 274 million from USD 218 million in 2021, marking our best performance since 2014. The 2023 Financing Plan targets total contributions of USD 303 million, further confirming our continued growth trajectory.

The CGIAR System Organization's costs are primarily funded through the Cost Sharing Percentage (CSP) and Pooled Funding. The projected growth in Pooled Funding ensures a strong financial foundation for the System Organization.

Management has evaluated the potential implications of the current conflict in Ukraine and global macroeconomic challenges on the organization's future operations. Despite anticipating macroeconomic obstacles in 2023, such as inflation, exchange rate volatility, surging commodity prices and delivery delays, we foresee a modest increase in net cost of goods and services of only 5% in 2023. The organization is debt free, and current exchange rate fluctuations have remained manageable.

Moreover, the potential food crisis emerging from the conflict in Ukraine presents an increased demand for the solutions that CGIAR can offer. We are confident that the CGIAR is well-equipped to tackle these challenges and contribute significantly to global food security.

Taking these developments into account, management remains optimistic about the System Organization's capacity to maintain operations in the foreseeable future, effectively use its assets and fulfill its liabilities and commitments in the ordinary course of business.

SCHEDULE I – RESTRICTED PROJECTS

FUNDER AND PROGRAM PROJECTS	Funding type	Start date	End date	Grant pledged USD	Additional contributions and gains USD	Expenditures prior year USD	2022 expenditures USD	Total expenditures & reimbursements USD	Balance USD
Restricted projects: Bilateral									
European Commission									
Institutional support for the transition to One CGIAR	Bilateral	1/1/21	30/6/22	2,894*	0	1,534	1,360	2,894	0
Total				2,893	0	1,534	1,359	2,893	0
* Total pledge of EUR 2,500, adjusted to updated exchange rate of 31 December 2022									
Rockefeller Foundation									
Co-fund a pavilion at the Conference of the Parties of the UNFCCC (COP27)	Bilateral	1/10/22	31/1/23	350	0	0	350	350	0
Total				350	0	0	350	350	0
Total Restricted Projects					-	1,534	1,709	3,243	-