

Policy on CGIAR System Cost Financing

5 May 2011¹

¹ This policy is effective as of 5 May 2011. It was endorsed by the System Council on 12 July 2016 ([SC/M1/DP7](#)) and by the System Management Board on 13 July 2016 ([SMB/M1/DP7](#)). It was first approved by the Fund Council on November 2, 2010 and by Consortium Board on May 5, 2011, prior to the transition to the revised CGIAR System that took effect on 1 July 2016. This policy has since been updated to reflect these governance changes.

Policy on CGIAR System Cost Financing

Defined terms not otherwise defined herein are used as defined in the CGIAR Glossary attached hereto as Annex 1.

1. Background

A paper on CGIAR System Costs was submitted to the former Funders Forum in July 2010. This paper defined these System Costs of the new CGIAR and described formula options for equitably sharing these costs among CGIAR Funders (both funders providing contributions to the CGIAR Trust Fund and Bilateral Funding). A presentation describing the cost sharing formulas with numerical examples was made at the former Funders Forum.

2. The Cost Sharing Percentage: Formula and Scope

The former Funders Forum agreed on a formula to equitably share the System Cost burden and also agreed¹ on the uniform application of this formula (the Cost Sharing Formula or CSF) as a single rate (the Cost Sharing Percentage or CSP) for all CGIAR Funders. This approach assumes full transparency of funding to CGIAR, including CGIAR System Organization and Center reporting of Bilateral Funding.

The CSP is to be calculated as follows:

Total approved System Costs / Total projected CGIAR Trust Fund Contributions & Bilateral Funding.

The annual CSP shall be determined by the CGIAR System Organization on the basis of the Cost Sharing Formula indicated above and shall be charged to all funds contributed to Window 2 and Window 3 and all Bilateral Funding, as a proportional reimbursement to Window 1².

¹ See the minutes of the Funders Forum meeting here:

<https://cgspace.cgiar.org/bitstream/handle/10947/3181/FF2010%20Minutes.pdf?sequence=1>

² Before it was updated to reflect the transition to the revised CGIAR System in 2016, this policy referred to the CSP as defined in the former version of the CGIAR Glossary (first approved on 5 May 2011), i.e. *“the annual cost-sharing percentage determined by the Fund Office on the basis of the CSF [Cost Sharing Formula], which will be charged to all funds contributed to Window 2, Window 3 and the Provisional Account and all Bilateral Funding as a proportional reimbursement to Window 1, from which all System Costs are paid”*. As this former version of the CGIAR Glossary is no longer applicable as a result of the transition, its definition of CSP has been incorporated herein to respect the intent of the governing bodies when approving or endorsing the policy, and the decision of the System Management Board on 1 November 2016 and the System Council on 23 November 2016 to continue financing the 2017 System entity costs through the continued application of the CGIAR System cost sharing percentage mechanism.

This note summarizes the key components related to the agreed financing of System Costs.

3. System Costs¹

The CGIAR System Costs to be financed through this single rate are the costs of the following System entities:

- a. CGIAR Trust Fund or, more specifically, costs associated with the Trustee;
- b. Independent Evaluation Arrangement (IEA);
- c. Independent Science and Partnership Council (ISPC);
- d. System Council;
- e. System Management Board;
- f. System Management Office;
- g. General Assembly of Centers;
- h. Internal Audit Function; and
- i. Partnership Forum.

4. Budget Approval

Based on budgets and work plans submitted in a timely fashion, the System entities are expected to have their annual budgets and work plans approved by the System Council prior to the start of each calendar year. Approved budget amounts will be designated by the Trustee of the CGIAR Trust Fund in Window 1 for transfer to the recipient upon instruction of the CGIAR System Organization.

5. Step-by-Step Application of the Cost Sharing Formula²

1. Prior to the start of the calendar year, the System Council approves, based on a proposal submitted by the System Management Board, budgets and work plans submitted from recipients of the various System Costs referred to under Section 3 above.
2. The Trustee assigns any approved budget amounts from pool of funds in Window 1 upon instruction of the CGIAR System Organization.
3. The Trustee transfers the approved budget amounts for the Trustee and the System Council Chair out of Window 1 into administrative accounts established for the Trustee and the System Council Chair, respectively, in the World Bank's "institutional books".
4. The Trustee transfers the approved budget amounts for the relevant non-World Bank entities based on instructions from the CGIAR System Organization.

¹ The list of System entities was updated to take into account the decision of the System Management Board on 1 November 2016 and the System Council on 23 November 2016 regarding 2017 funding System actions and entities budgets.

² This section was adapted to take into account the new CGIAR governance structure effective as of 1 July 2016.

5. In the fourth quarter of each calendar year, the CGIAR System Organization prepares a projection of (i) Bilateral Funding and (ii) total contributions to the CGIAR Trust Fund expected during the next calendar year.
6. Prior to the end of the calendar year, the CGIAR System Organization calculates the CSP for the next calendar year based on (i) approved budgets for System Costs for the next calendar year (the numerator); and (ii) the total projected contributions from Funders (Bilateral Funding + CGIAR Trust Fund contributions) for the next calendar year (the denominator).
7. During the course of the next calendar year, the CGIAR System Organization requests that the Centers transfer their bilateral share of System Costs, i.e., their total CSP amount, to the Trustee for deposit into Window 1.¹
8. During the course of the next calendar year, each Window 2 and Window 3 contribution to the CGIAR Trust Fund is assessed by the Trustee and the CSP is then transferred into Window 1.
9. If the aggregate amount assessed during any calendar year is less (or more) than the amount based on actual contributions (because of lower (higher) than projected contributions),² then the following calendar year's CSP will be adjusted accordingly to compensate for the shortfall (excess).

¹ The System Organization may determine its own procedures for providing such funds to the Trustee.

² Adjustments will also be made in the event the total CSP amount for Bilateral Funding is not received by the Trustee or any CSP amounts do not reach the Trustee for any reason, so as to ensure equitable burden sharing among all remaining Funders of any unpaid amounts.

ANNEX 1 CGIAR GLOSSARY¹



Annual Allocation	means in respect of each CRP or Platform an estimated annual amount expected to be allocated to such CRP or Platform from Window 1 and/or Window 2.
Bilateral Funding	means funding that flows directly (not through the Trust Fund) from Funders to Centers in support of CGIAR Research.
Centers	is defined in the CGIAR System Framework. For the purpose of the Standard Provisions only, the term Center will also include any Lead Center that is not also a CGIAR Research Center, which, at the date of approval of these Standard Provisions, includes the Global Crop Diversity Trust.
CGIAR Branding Guidelines	means the branding guidelines for the CGIAR System as updated from time to time. The current CGIAR Branding Guidelines can be found here .
CGIAR Glossary	means this glossary as may be amended from time to time by the System Council after consultation with the System Management Board.
CGIAR Portfolio	is defined in the CGIAR System Framework.
CGIAR Research	is defined in the CGIAR System Framework.
CGIAR Research Program or CRP	means a CGIAR Research program for coordinated implementation of the SRF approved as eligible to receive Window 1 and Window 2 Funds.
CGIAR Strategy and Results Framework or SRF	is defined in the CGIAR System Framework.
CGIAR System Charter	is defined in the CGIAR System Framework.
CGIAR System Framework	is the framework document entitled “CGIAR System Framework” that sets forth the structure of the CGIAR

¹ This CGIAR Glossary was approved by the System Council on 17 February 2017 ([SC/M3/EDP4](#)) and by the System Management Board on 22 February 2017 ([SMB/M4/EDP2](#)). It amends and fully restates the former version of the CGIAR Glossary which was approved by the former Fund Council on 5 April 2011 and the former Consortium Board on 5 May 2011 and was subsequently endorsed by the System Council on 12 July 2016 and by the System Management Board on 13 July 2016.

System, dated 17 June 2016, as may be amended from time to time in accordance with its terms.

CGIAR System Organization

is defined in the CGIAR System Framework.

CGIAR System Partners

is defined in the CGIAR System Framework.

CGIAR Trustee Agreement

means the agreement by and between the System Organization and the World Bank as Trustee on the terms and conditions for the administration of the CGIAR Trust Fund (MTO No. 069033), dated 8 March 2017, as may be amended from time to time in accordance with its provisions.

Conflict of Interest

means any situation where the impartial and objective exercise of the functions of anyone acting on behalf of an entity is, or may be, compromised for reasons involving his or her family, personal life, political or national affinity, economic interests or any other connection or shared interest with another person.

Contribution

means, with respect to each Contribution Agreement or Contribution Arrangement, as the case may be, the total amount expressed as the respective Funder's contribution to the Trust Fund in such Contribution Agreement or Contribution Arrangement, as such amount of funds may be supplemented through amendments to such Contribution Agreement or Contribution Arrangement from time to time; and together for all Funders entering into Contribution Agreements or Contribution Arrangements, "Contributions".

Contribution Agreement or Contribution Arrangement

means the agreement or arrangement, as the case may be, entered into between the Trustee and a Funder in respect of the Funder's contribution to the Trust Fund; and together the "Contribution Agreements and Arrangements" or "Contribution Agreements or Arrangements" as the case may be.

Cost Sharing Percentage or CSP

means the annual cost-sharing percentage that is charged to funds in order to cover the costs of the CGIAR System entities.

Decision Letter

means, in respect of each CRP or Platform, a letter containing the latest approved CRP or Platform Work Plan and Budget, approved Annual Allocation or other terms, in a form provided by the System Organization.

Financial Framework Agreement	means an agreement entered into between the System Organization and each Lead Center or Center, setting out the use and administration of Window 1, 2 and 3 Funds disbursed to the Lead Center or Center, as amended, modified and supplemented from time to time.
Financial Guidelines No. 5, CGIAR Cost Allocation Guidelines	means the CGIAR Policy on cost allocation, dated December 2008, as may be amended from time to time, a copy of which can be found here .
Financial Guidelines No. 6, CGIAR Procurement of Goods, Works and Services Guidelines	means the CGIAR Policy on procurement, dated April 2008, as may be amended from time to time, a copy of which can be found here .
Financial Irregularities	means, with respect to Window 1, 2 and 3 Funds, any kind of: <ul style="list-style-type: none"> a. corruption, including bribery, nepotism and illegal gratuities; b. misappropriation of cash, inventory and all other kinds of assets; c. financial and non-financial fraudulent statements; or d. other use not in accordance with the agreed work programs and financing plans.
Funders	is defined in the CGIAR System Framework.
Fund Use Agreement	means any of the Contribution Agreements and Arrangements, the CGIAR Trustee Agreement, the Funding Agreements and Arrangements, the Financial Framework Agreements and the Window 3 Side Agreements and Arrangements.
Funding Agreement or Funding Arrangement	means the agreement or arrangement, as the case may be, entered into between the System Organization and a Funder in respect of the Funder's Contribution setting forth the terms for either: (i) the use and administration of such Contribution, or (ii) the provision, use and administration of such Contribution; and collectively the "Funding Agreements and Funding Arrangements" or "Funding Agreements or Funding Arrangements".
Funder's Share	is defined in the CGIAR Trustee Agreement.
IEA	is defined in the CGIAR Framework.
Indicative Funding	means an amount of funds endorsed by the System Council to be provided from the Window 1 and Window

2 of the CGIAR Trust Fund for a CRP or Platform over the life of such CRP or Platform.

Lead Center

means the Center or other entity assigned by the System Organization with the approval of the System Council to coordinate the implementation of activities for a CRP or Platform.

Legacy Projects

means those projects for which Bilateral Funding has been committed under agreements or arrangements entered into before 13 May 2011 and for which no annual budget is to be prepared, but do not include projects funded by additional funding committed after such date under such agreements or arrangements.

Participating Center

means for any CGIAR Research activities, any Center (other than the Lead Center for a CRP or Platform) receiving Window 1, 2 or 3 Funds for such activities.

Platform

means a CGIAR Research support program approved as eligible to receive Window 1 and 2 Funds.

Program Participant

means for any CGIAR Research activities, any Center (other than the Lead Center for a CRP or Platform) and any CGIAR System Partner receiving Window 1, 2 or 3 Funds.

Provisional Account

is defined in the CGIAR Trustee Agreement.

Standard Provisions

means the standard provisions setting out the terms governing the use and administration of the Window 1, 2 and 3 Funds as adjusted for a (i) Funding Agreement or (ii) Financial Framework Agreement.

Subagreement

means a grant or contract between a Lead Center or Center on one hand and a Program Participant on the other for the implementation of CGIAR Research activities.

SRF

means the CGIAR Strategy and Results Framework.

System Costs

means the administrative costs of the CGIAR System as approved by the System Council from time to time.

System Cost Financing Policy

means the CGIAR Policy on financing System Costs dated May 4, 2011, as may be amended from time to time, a copy of which can be found [here](#).

System Organization

means the CGIAR System Organization.

System Management Board	is defined in the CGIAR System Framework.
System Management Office	is defined in the CGIAR System Framework.
Trustee	means the World Bank in its capacity as trustee of the Trust Fund.
Trust Fund or CGIAR Trust Fund	means the CGIAR Trust Fund (MTO No. 069033) administered by the Trustee to receive contributions from Funders to provide funding for the activities of the System Organization and for CGIAR Research.
Unrestricted Funding	is defined in the CGIAR System Framework.
Window 1	is defined in the CGIAR Trustee Agreement.
Window 1 and Window 2 Funds	means funds disbursed from the Trust Fund through Window 1 and Window 2, and any income earned thereon.
Window 1, 2 and 3 Funds	means funds disbursed from the Trust Fund through Window 1, Window 2 and/or Window 3 and any income earned thereon
Window 2	is defined in the CGIAR Trustee Agreement.
Window 3	is defined in the CGIAR Trustee Agreement.
Window 3 Funds	means funds disbursed from the Trust Fund through Window 3, and any income earned thereon.
Window 3 Side Agreements or Window 3 Side Arrangements	means the agreement or arrangement, as the case may be, entered into between a Funder and a Center in respect of the portion of the Funder's Contribution to Window 3.
World Bank	means the International Bank for Reconstruction and Development.