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CGIAR Financing Status Update for 2011

(Working Document - For Discussion Only)

*Document presented for Agenda Item 2:
2011 Financial Results and 2011 Financial Status Update*

Submitted by:
Consortium Office

CGIAR Financing Status Update for 2011

OBJECTIVES OF THIS PAPER

This document has the following objectives:

- To provide context and background to 2011 CGIAR finances by summarizing the financial results for 2010 in the CGIAR system;
- To update the centers' estimates of non-Fund financing for the activities in 2011 – these more recent data were mapped to expected CRP activity in late 2010, and this more recent information was not available in the same detail for the original financing plan;
- To update the status of CRP proposals and budgets overall, including full financing plans;
- To provide an estimate of non-CRP Fund resource use in 2011, based on known and proposed program approvals and requests (for genebanks and stability funding, for example);
- To provide the best estimate of CRP demands for windows 1 and 2 fund requirements in 2011, based on a schedule of approval, implementation, date, and start-up pace.

It is important to note that this is an information document, and not a recommendation for financing allocations. Because the status of CRP approval and implementation is still evolving, and because it is possible that the aggregate demand for year 1 Fund resources may be higher than the supply of funds, it would not be appropriate to interfere with or try to short-circuit the due process mechanisms of Consortium Board and Fund Council deliberation. Accordingly, this document deals with the facts as they currently are presented. This document does not make an estimate of expenditure on system cost activities, nor does it attempt to estimate income from the cost-sharing formula set by the Funders Forum designed to cover system costs through equitable apportionment across all CGIAR Funders. Having said this, the CRP budgets do have built into them the 2% required to finance system costs, either as an explicit line item or within the general overhead component of the budget.

INTRODUCTION

Traditionally, the CGIAR proposed a financing plan for the next calendar year approximately 6 months in advance, and this was done in mid-2010 for 2011. The plan was normally based on the existing/approved Medium Term Plan (MTP) for activities, and best-estimates of financing from all sources. Construction of the financing plan normally was a fairly mechanical exercise, because the harder work of defining the program boundaries and activities was already accomplished in the MTP-development process. The traditional financing plan contained estimates that were quite well-grounded, because large unexpected changes between years in both programs and sources of income, were not usually encountered.

For 2011, the resource situation is dramatically different, and the circumstances require an update approximately one year after the original estimates were produced, and which is six

months into the calendar year. A comprehensive look at the resources status at this moment will provide needed clarity on a number of realities. There are a number of reasons for this:

1. The CGIAR Change process still is only partly completed, and major uncertainties and timeline questions remain. In effect, the Consortium Office, centers and donors are dealing with many moving parts, and the centers must make governance, management, and program decisions based on partial information;
2. Funding information is more incomplete and uncertain than usual at this point in the year, resulting in less-certain estimates than is the norm;
3. The process of CGIAR Research Program (CRP) approval has been thoughtful and deliberate, but this means that by the time of the July Fund Council meeting only two CRP are fully operational, and only an additional three have been approved. This means the CGIAR programs in 2011 are a mix of “old” and “new” approaches and institutional realities, and that will be the case throughout the remainder of the year;
4. Ensuring a smooth transition from the system based on center financing to one that is based on program financing has required an interim mechanism (“stability funding”) that is still evolving and for which additional estimates are required for the second half of 2011.
5. It is not certain when the remaining CRP will all be approved, nor at what point even recently-approved CRP will be fully operational – in other words, the start-up period may vary from CRP to CRP, depending on specific circumstances (the need to hire new staff, contract with partners, etc.). These factors will have an influence on expenditure patterns.

In the important process of developing a financing plan for 2012, there would be a different approach to forecasting, which will have to factor in decisions taken to adjust demand if it is the case that CRP budget growth/demand is higher than the financing growth for 2012.

2010 FINANCIAL RESULTS

The financial results from 2010¹ show a significant growth in external financing available for CGIAR programs, from the 2009 level. Funding in 2010 amounted to \$645 million, an increase of \$61 million (10%) from 2009. In addition, centers’ earned income was \$23 million, bringing total resources to \$668 million. Funding growth was entirely accounted for by restricted funding, as unrestricted income from donors declined by \$5 million from the 2009 level.

¹ Data shown here are from center Financial Statements, and may differ slightly from what will be the official CGIAR statistics in the 2010 CGIAR Financial Report, produced by the Consortium Office, which as of late June is still a work in progress. Differences arise from inter-center financing matters where double-counting must be avoided, ensuring that there is no post-December 2009 donor income recorded as a 2010 grant, etc.

The table 1a shows the summary of center financing.

Table 1a
CGIAR Center 2010 Income
(\$ million)

	External Financing			Earned Income	Total Resources
	Unrestricted	Restricted	Total		
AfricaRice	7.6	14.3	21.9	0.1	22.0
Bioversity	16.3	21.8	38.1	0.0	38.1
CIAT	13.4	42.7	56.1	6.1	62.2
CIFOR	11.5	15.5	27.0	0.2	27.1
CIMMYT	14.3	44.8	59.1	2.0	61.1
CIP	11.4	22.4	33.8	0.6	34.3
ICARDA	12.0	26.2	38.2	0.7	38.9
ICRISAT	14.3	45.6	60.0	4.8	64.7
IFPRI	17.2	53.2	70.5	-0.4	70.0
IITA	16.0	36.5	52.4	0.8	53.2
ILRI	18.4	23.8	42.3	3.3	45.6
IRRI	15.2	41.6	56.8	1.7	58.5
IWMI	10.3	20.6	30.9	0.6	31.5
World AgroForestry	14.2	26.7	40.9	2.1	43.1
WorldFish	7.8	9.3	17.2	0.5	17.7
TOTAL CENTERS	200	445	645	23	668

Table 1b shows the resource summary for Challenge Programs at the end of 2010. Of the "cash receipts" only about \$13 million was in the form of unrestricted funds. The total for 2010 for unrestricted door income was therefore about \$213 million, before any technical adjustments that may be necessary to account for year-end "spill over" issues.

Table 1b
Challenge Program 2010 Financial Results, and Balances (\$ m)

Program	Cash Receipts	Expenditure	Result	Balances 31/12/2009	Balances 31/12/2010
Harvest Plus	37.8	18.8	19.1	27.5	46.5
Water and Food	10.2	9.3	0.9	4.7	5.6
Generation (GCP)	17.9	16.3	1.6	13.3	14.9
Sub-Saharan Africa (SSA)	4.7	6.0	(1.2)	2.6	1.3
CCAFS	14.1	8.9	5.2	1.2	6.4
Total Challenge Programs	85	59	26	49	75

Note: Balances do not take into consideration unpaid commitments for ongoing projects.

Center expenditure in 2010 amounted to \$629 million, resulting in an overall operating surplus of \$39 million, or 6% of total income. Table 2 summarizes both the centers' expenditure and reserves data at the end of 2010. For the first time in several years, at year-end all CGIAR centers unrestricted net asset levels (“reserves”) were more than compliant with the CGIAR guidelines, in terms of days of operation.

Table 2
CGIAR Expenditure and Reserves (\$m and days of operation)

Center	Expenditure			2010 Surplus	Reserves	Days of Operation
	Unrestricted	Restricted	TOTAL			
Africa Rice	5.5	14.3	19.8	2.2	10.8	195
Bioversity	15.4	21.8	37.2	1.0	10.5	90
CIAT	13.3	42.7	56.0	6.1	18.4	84
CIFOR	9.5	15.5	24.9	2.2	14.8	190
CIMMYT	11.6	44.8	56.3	4.8	38.3	141
CIP	10.8	22.4	33.2	1.2	13.1	100
ICARDA	11.6	26.2	37.8	1.0	15.1	114
ICRISAT	15.6	45.6	61.2	3.5	26.8	130
IFPRI	12.9	53.2	66.2	3.9	22.3	116
IITA	16.5	36.5	53.0	0.3	29.1	135
ILRI	20.6	23.8	44.4	1.2	27.6	172
IRRI	15.7	41.6	57.3	1.2	38.5	181
IWMI	7.0	20.6	27.6	3.9	15.2	188
WorldAgroforestry	11.2	26.7	37.9	5.2	25.6	199
WorldFish	6.9	9.3	16.2	1.5	8.0	178
Totals	184	445	629	39	314	141

One conclusion from the 2010 results is that centers continue to be successful in generating income for programs, which should bode well for operations in the new CRP mode. The operating result overall was a significant growth of the surplus - all centers generated a positive operating result. This is an outstanding achievement in a period of global financial uncertainty and retrenchment in many sectors. It should position the centers well for what may be some continuing bumps (small, hopefully) in the road as the transition to the new CRP environment unfolds.

It remains to be seen how much of the restricted income can be directed to the CGIAR Fund in the future, and this is one of the uncertainties that we are faced with as we plan budgets and operating plans for the new CRP since, as noted above, traditional unrestricted funding continued its decline as a share of the total and, in 2010, in absolute terms as well.

2011 FINANCIAL STATUS

General: In November 2010, the CGIAR centers provided an estimate of anticipated financing from other-than-unrestricted sources. The total was \$467 million, of which \$309 million (66%) was confirmed (the request to the centers was to verify confirmed and high-probability expectations). Table 3a summarizes the estimates as centers' were asked to attribute them to CRP activity. It is to be noted that the majority of these restricted grants do not yet have provision for payment of the 2% system cost recovery, as these were negotiated before that requirement was a known feature of the new system.

Table 3a

Estimated Restricted Funding Availability for CGIAR Programmes in 2011
(\$ '000)

CGIAR Research Programs (CRPs)		TOTAL		Potential Grand Total	
		Confirmed	Probable	\$	%
CRP 1.1	Integrated agricultural production systems for dry areas	18.4	4.2	22.6	5%
CRP 1.2	Integrated systems for the humid tropics	16.4	10.5	26.9	6%
CRP 1.3	Aquatic agricultural systems	2.3	2.9	5.2	1%
CRP 2	Policies, institutions, & markets	40.0	14.2	54.3	12%
CRP 3.1	WHEAT	9.0	14.1	23.1	5%
CRP 3.2	MAIZE	23.4	16.4	39.8	9%
CRP 3.3	GRiSP: a global rice partnership	37.9	31.0	68.9	15%
CRP 3.4	Roots tubers and bananas for food security & income	18.1	13.0	31.1	7%
CRP 3.5	Grain legumes	13.6	4.1	17.7	4%
CRP 3.6	Dryland cereals	14.2	0.7	14.9	3%
CRP 3.7	More meat, milk, and fish	9.6	4.6	14.2	3%
CRP 4	Agriculture for improved nutrition & health	17.0	8.4	25.4	5%
CRP 5	Durable solutions for water scarcity and land degradation	36.0	13.0	49.1	11%
CRP 6	Forest and trees: livelihoods, landscapes, & governance	27.6	12.6	40.2	9%
CRP 7	Climate change, agriculture & food security	16.3	6.4	22.7	5%
	Other	8.9	1.8	10.7	2%
TOTALS		309	158	467	100%

Theoretically at least, the level of restricted funds as shown in tables 3a and 3b is sufficient to finance the majority of the non-Fund component of the CRP's in year one - that level coincidentally adds to exactly the same \$467 million as the centers' estimate from last November. However, the distribution of the funds in table 3a differs somewhat from the budgets of the CRP as seen in annexes 1 and 2.

Table 3b summarizes the restricted fund estimates by institution.

Table 3b

Estimated Restricted Funding for 2011, by Center (\$m)

AfricaRice	14.8
Bioversity	23.3
CIAT	43.0
CIFOR	19.2
CIMMYT	57.6
CIP	19.7
ICARDA	22.1
ICRISAT	38.8
IFPRI	55.6
IITA	35.6
ILRI	28.4
IRRI	49.3
IWMI	22.2
World Agroforestry	25.6
WorldFish	11.4
Total	467

A reasonable expectation at that time these restricted-fund estimates were developed would have been for unrestricted funding - all things being equal - at the 2010 level, which was about \$213 million including for the two Challenge Programs. The overall total for 2011 basic planning purposes therefore could have been assumed at about \$680 million, or 4% higher than what has turned out to be the actual result in 2010 - a very reasonable assumption on which to plan for 2011 - under the traditional model. However, budgeting for CRP was well underway, and it was already clear that there would be at least "planning growth", which would imply a higher level of Fund resources, and this was consistent with the general expectations and indications within the reformed CGIAR system. That planning continues, and the CRP that have been approved to date have had some financial growth already factored in.

The part that remains most uncertain in 2011 is the level of resources that will be available in window 1 and 2, and for the latter, to which CRP they will be allocated. This is complicated by the fact that not all donors who traditionally have provided unrestricted funds are able to use windows 1 or 2 in 2011, and so there is some level of unrestricted income that will remain outside windows 1 and 2, and even in some cases outside of the Fund altogether.

The financial situation at centers and for CRP's in 2011 therefore is a blend of the "old" and the "new". In late 2010 the two fast-tracked CRP (GRiSP and CCAFS) were approved, and have been operating from January 1, 2011. For the other CRP's, development, approval and implementation has been much more drawn out, and as of mid-year none were operational. It is expected that several others will formally begin operation - that is spending that will be recorded as CRP costs - on July 1. Therefore, the majority of the CGIAR operations in January-

June are consistent with the existing Medium Term Plans and the financing of activities in the traditional mode - a blend of unrestricted and bilateral/restricted financing.

CRP's: We can now provide a detailed summary of CRP plans, resource-wise. Annex 1 is the current landscape for the first three years of CRP operation (some CRP are budgeted for 5 years, but the majority are limited to three - for the purposes on this review we look at only the first three years). Of course, "year 1" does not coincide any longer with a calendar year, except in the case of GRiSP and CCAFS, so longer term planning and the construction of meaningful financing plans for 2012 and beyond is going to present a challenge. But we can make a well-informed estimate of what is likely to happen in 2011, while we blend the former institution-based program funding with the beginnings of the CRP.

Obviously because of the nature of funding flows, the division between Fund resources and non-Fund resources gets quite unbalanced after year one, and for this reason we show in table 4 below only the year one breakdown of Fund and non-Fund requirements. The shaded cells are the approved CRP levels to date. The remaining CRP budget numbers are the current levels, however as several proposals are still being finalized it is possible there will be minor changes in the requested budgets.

For general information purposes only, annexes 1 and 2 show the full long-term situation, which should be considered extremely notional at this point, at least with regard to the financing categories in the "outer years". Clearly, the Fund requirements are overstated in years 2 and beyond because of the need to update the restricted fund estimates - these figures are as of a point in time, but obviously centers are continually negotiating grant funding, which should reduce the demand for window 1-2 funds in later years. In other words, the window 1-2 budgets are essentially "plug" figures to make the total budget balance.

Table 4:

Budget levels for CRP

CRP	CRP Title	Year 1							
		Base Level, of which				Growth level, of which			
		Total	W1-2	% w1-2	Other	Total	W1-2	% w1-2	Other
1.1	Integrated agricultural production systems for the poor and vulnerable in dry areas	37.4	19.0	51%	18.4				
1.2	Integrated systems for the humid tropics	42.5	15.4	36%	27.1				
1.3	Harnessing the development potential of aquatic ag systems for the poor/vulnerable	17.3	8.9	51%	8.4				
2	Policies, institutions, markets to strengthen food security & incomes for the poor	82.3	29.9	36%	52.4				
3.1	Wheat - global alliance for improving food security & livelihoods of resource-poor	49.9	13.0	26%	36.9	51.5	14.5	28%	36.9
3.2	Maize - global alliance for improving food security & livelihoods of resource-poor	51.4	10.9	21%	40.4	54.0	10.9	20%	43.0
3.3	GRiSP - A global rice science partnership	95.4	31.5	33%	64.0	98.2	34.9	35%	64.0
3.4	Roots, tubers, and bananas for food security and income	58.3	38.5	66%	19.8	71.3	50.9	71%	20.4
3.5	Grain legumes: enhancing food and feed security, nutritional balance, etc.	42.2	20.8	49%	21.4				
3.6	Dryland cereals: food security and growth for the world's most vulnerable poor	22.4	7.4	33%	14.9				
3.7	More meat, milk, and fish by and for the poor	29.7	10.3	35%	19.4	29.7	10.3	35%	19.4
4	Agriculture for improved nutrition and health	58.8	17.2	29%	41.6				
5	Water, land and ecosystems (base model, not enhanced delivery scenario)	79.9	42.3	53%	37.7	80.9	43.2	53%	37.7
6	Forests, trees and agroforestry: livelihoods, landscapes and governance	67.8	25.4	37%	42.5	67.8	25.4	37%	42.5
7	Climate change, agriculture and food security (CCAFS)	63.2	41.4	66%	21.8				
TOTAL		799	332	42%	467				
DIFFERENTIAL - GROWTH LEVEL						21	18	88%	3

Windows 1 and 2 and other unrestricted funding in 2011:

The following are components of financing to date for 2011, for other-than-bilateral/restricted funds.

1. Unrestricted Component from other-than-Fund windows 1-2

A number of donors will provide their unrestricted support either through window 3 or directly as a bilateral grant to centers in 2011. The exact level of such support is still somewhat uncertain. Table 5 is the current best-estimate based on information available to the Consortium at mid-year, and basing the data on 2010 actual contributions from the donors expected to use other than windows 1 and 2. This information was also employed in the stability funding model.

Table 5: Estimated window 3 and bilateral unrestricted funds in 2011

AfricaRice	2.7
Bioversity International	3.2
CIAT	2.4
CIFOR	1.9
CIMMYT	2.0
CIP	4.0
ICARDA	2.3
ICRISAT	2.7
IFPRI	3.5
IITA	3.5
ILRI	3.8
IRRI	2.4
IWMI	1.6
WorldAgroforestry	3.4
WorldFish	1.5
CGIAR Total	40.8

2. Genebanks Component

In their April meeting the Fund Council approved the 2011 financing for core operations of the centers' genebank, in the amount of \$13.1 million for all of 2011. Table 6 summarizes this allocation.

Table 6: 2011 Genebanks financing (\$'000)

Center	CGIAR Fund
AfricaRice	0.34
Bioversity	0.81
CIAT	2.11
CIMMYT	0.86
CIP	3.03
ICARDA	0.98
ICRISAT	2.15
IITA	0.92
ILRI	0.76
IRRI	1.12
Total	13.1

3. Stability Funding Component

As had been proposed late in 2010 when it became clear that CRP implementation in 2011 would be staggered, an interim process to ensure program and institutional stability was needed for 2011. The Fund Council received a formal request for interim unrestricted financing in mid-June, for the period January-June. Table 7 below summarizes the details at the institutional level.

Table 7: January-June 2011 Stability Funding

AfricaRice	
Bioversity International	4.3
CIAT	1.3
CIFOR	4.8
CIMMYT	4.4
CIP	1.9
ICARDA	3.6
ICRISAT	3.9
IFPRI	6.6
IITA	4.9
ILRI	5.3
IRRI	
IWMI	3.6
WorldAgroforestry	3.5
WorldFish	3.0
Centre Sub-total	51.1
Generation CP	3.0
Water and Food CP	3.5
CP Total	6.5
CGIAR Total	57.6

4. CRP Component

As noted above, two CRP are fully operational. The budgeted financing requirement from window 1 and/or 2 for these activities in the first half of 2011 is \$38 million. Table 8 shows the details of January-June 2011 CRP budgets, by center.

Table 8: January-June approved CRP budgets

	GRiSP	CCAFS	TOTAL
AfricaRice	5.8	0.1	5.9
Bioversity International		1.8	1.8
CIAT	2.2	4.0	6.2
CIFOR		0.3	0.3
CIMMYT		2.1	2.1
CIP		0.9	0.9
ICARDA		0.7	0.7
ICRISAT		1.7	1.7
IFPRI		1.0	1.0
IITA		0.4	0.4
ILRI		2.6	2.6
IRRI	9.4		9.4
IWMI		1.6	1.6
WorldAgroforestry		2.7	2.7
WorldFish		0.2	0.2
Total	17	20	38

5. Summary: funding estimates as at July, 2011

Table 9 summarizes the data for known and estimated funding at mid-year. What is missing and still needs to be assessed for best-estimates are two components:

1. The full CRP window 1-2 financing for July-December.
2. The remaining stability funding requirement for July-December.

Table 9: W3/bilateral & W1-2 fund allocations, as known/est. at mid-year 2011 (\$m)

	W3 and bilateral	Genebank	Jan-June Stability	Jan-June CRP	July-Dec Stability	July-Dec CRP	TOTAL
AfricaRice	2.7	0.3	0.0	5.9			8.9
Biodiversity	3.2	0.8	4.3	1.8			10.2
CIAT	2.4	2.1	1.3	6.2			12.0
CIFOR	1.9		4.8	0.3			6.9
CIMMYT	2.0	0.9	4.4	2.1			9.3
CIP	4.0	3.0	1.9	0.9			9.9
ICARDA	2.3	1.0	3.6	0.7			7.6
ICRISAT	2.7	2.1	3.9	1.7			10.4
IFPRI	3.5		6.6	1.0			11.0
IITA	3.5	0.9	4.9	0.4			9.8
ILRI	3.8	0.8	5.3	2.6			12.4
IRRI	2.4	1.1	0.0	9.4			12.9
IWMI	1.6		3.6	1.6			6.7
World AgroForestry	3.4		3.5	2.7			9.6
WorldFish	1.5		3.0	0.2			4.7
TOTAL CENTERS	41	13	51	38	0	0	143
Generation CP			3.0				3.0
CP - Water & Food			3.5				3.5
TOTAL CP	0	0	6	0	0	0	6
TOTAL CGIAR	41	13	58	38	0	0	149

To determine the total of resources that will be needed from windows 1 and 2 in 2011, it is necessary to make a estimate of CRP activity in the period July-December. That number is not only central to the demand for CRP programming, but it also determines what will be the level of stability financing required as a second tranche for July-December. Basically, the higher the level of CRP activity, the lower will be the demand for stability funding, and vice versa.

Factors that will determine the CRP activity level for the remainder of 2011 include the following:

1. when the remaining CRP are approved;
2. when approved CRP will formally start operations;
3. what is the pace of activity in the initial period of CRP implementation.

Table 10 is a very rough estimate of what might be a total program demand on window 1-2 resources for 2011. It includes the January-June estimates and actual amounts as shown in

table 9 (for example the genebank number remains constant), and an estimate of the CRP requirements for July-December, and the stability funding level derived from this base. Because the numbers for the CRP estimates are just that, we prefer to show a bottom line total at the center level, since to arrive at the figure we were obliged to make assumptions about how many CRP would be approved, when they would begin operations, and how fast they would come on stream. This was processed in a simple probability model since it is not possible to predict the outcome of the Fund Council meetings in July and November, with reference to CRP approvals and subsequent timetables. For obvious reasons it is not desirable to provide details in this document on assumptions of individual CRP and center outcomes for July-December, therefore we show only totals in table 10 below,, in order to arrive at an aggregate financing level for all of 2011.

Table 10: An estimate of total 2011 fund requirements (windows 1 and 2 only)
\$ million

	Genebank	Jan-June Stability	Jan-June CRP	July-Dec Stability	July-Dec CRP	TOTAL
AfricaRice	0.3	0.0	5.9			
Bioversity	0.8	4.3	1.8			
CIAT	2.1	1.3	6.2			
CIFOR	0.0	4.8	0.3			
CIMMYT	0.9	4.4	2.1			
CIP	3.0	1.9	0.9			
ICARDA	1.0	3.6	0.7			
ICRISAT	2.1	3.9	1.7			
IFPRI	0.0	6.6	1.0			
IITA	0.9	4.9	0.4			
ILRI	0.8	5.3	2.6			
IRRI	1.1	0.0	9.4			
IWMI	0.0	3.6	1.6			
World AgroForestry	0.0	3.5	2.7			
WorldFish	0.0	3.0	0.2			
TOTAL CENTERS	13	51	38	25	75	202
Generation CP		3.0				
CP - Water & Food		3.5				
TOTAL CP	0	6	0	3	4	13
TOTAL CGIAR	13	58	38	28	79	215

SUMMARY

Had all CRP been operational from January 1, and had they all been approved at the base case level, the total requirement for window 1-2 resources would have been \$332 million. With the

added genebank fund of \$13 million, the total program demand would have been \$345 million. In fact, since several of the CRP have already been approved at a higher level, the total real demand would be more like \$350 million for year 1. Added to this will be the requirement for system costs, and the theoretical window 1-2 demand could be approximately \$365 million.

As it is, the numbers from table 10 are not the full story for window 1-2 requirements, because it excludes the system costs. If an approximate amount of \$15 million is assumed to be needed for system costs, and counting also the window 3 and bilaterally-financed unrestricted funds expected in 2011, the real comparative figure with the 2010 level of \$213 million unrestricted financing is approximately \$270 million.