



Fund

Fund Council

5th Meeting (FC5)—Washington, DC

July 6-8, 2011

"CGIAR Fund - Financing Challenges"

(Presentation by Trustee)

*Document presented for Agenda Item 3:
Cash Flow Projection*

Submitted by:
Trustee

CGIAR Fund: Financing Challenges

Presented by the World Bank as Trustee for the CGIAR Fund
July 6, 2011

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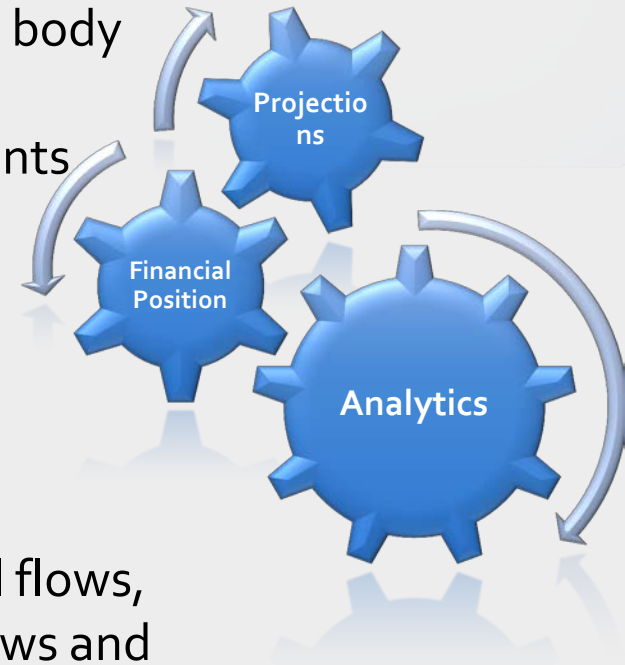
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Financial Management

Financial Management

Effective financial management

- *Helps ensure:*
 - Matching of amounts approved by the governing body with projected pledged amounts
 - Matching of assets with programmed commitments
 - Matching of cash assets with programmed disbursements
 - Appropriate investment of donor resources
- *Requires:*
 - Accurate and up-to-date information on financial flows, to support greater predictability of resource inflows and disbursement needs



Financial Management :

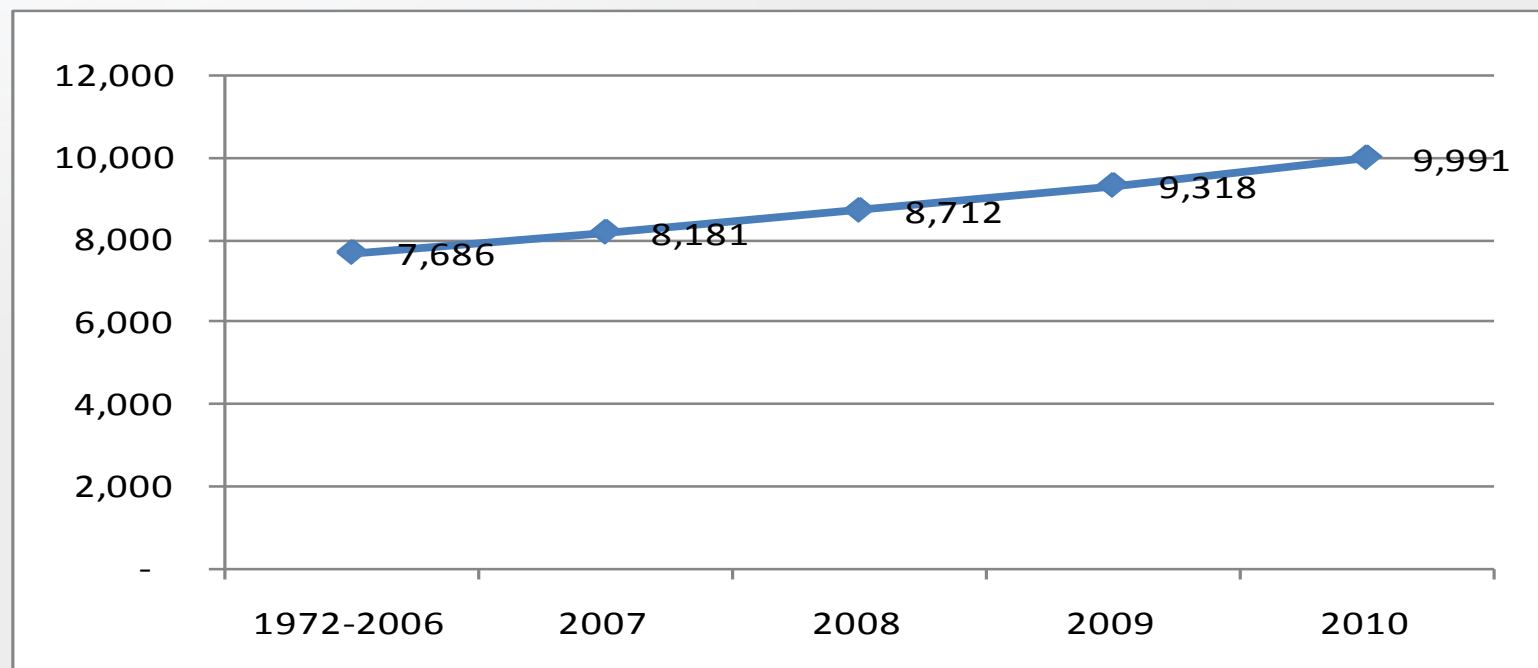
Trustee Fiduciary Responsibility

- **Funding availability management:** calculate and monitor current availability of assets to ensure that the governing body has timely and accurate information to support funding decisions and to ensure commitments do not exceed available assets
- **Cash flow management:** monitor and analyze current and future cash availability and trends to assess the ability to meet overall long-term programming requirements
- **Liquidity management:** establish and manage minimum requirements of liquid assets to ensure short-term disbursements can be met
- **Investment strategy and management:** manage various assets to meet specified investment goals for the benefit of the trust fund to ensure capital preservation

CGIAR Fund Key Financial Challenges

Historical CGIAR System Funding: Steady Growth (in US\$ million)

Members	1972-2006	2007	2008	2009	2010	Total
Total Funding	7,686	495	531	606	673	9,991



- Source: Fund Office Annual Report
- Excludes CGIAR Fund contributions, which began only in January 2011

CGIAR Fund Commitments to 13 CRP Budgets up to Year 3: Projected Donor Contributions to Win 1 & 2 are Lower than Projected Commitments (in US\$ millions)

Actual and Projected Donor Resources

Contributions (amounts paid-in and receivables)	153.1
Projections (donors indications and historical performance)	753.5

Total	906.6
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Projected Commitments (projected legal obligations to pay)

6 CRPs with FC Decision	579.7
7 CRPs for FC Decision in July	642.6
System Costs and Funding Stability Proposal	104.0

Total Funding Requirements	1,326.3
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Commitment Gap	(419.7)
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Note: Three CRPs that may be presented for FC decision in November are not included in the above.

CGIAR Fund Commitments to 16 CRP Budgets up to Year 3: Projected Donor Contributions to Win 1 & 2 are Lower than Projected Commitments (in US\$ millions)

Actual and Projected Donor Resources

Contributions (amounts paid-in and receivables)	153.1
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Projections (donors indications and historical performance)	753.5
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Total	906.6
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Projected Commitments (projected legal obligations to pay)

6 CRPs with FC Decision	579.7
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7 CRPs for FC Decision in July	642.6
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3 CRPs for FC Decision in November	146.8
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System Costs and Funding Stability Proposal	104.0
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Total Funding Requirements	1,473.1
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Commitment Gap	(566.5)
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Note: For the 3 CRPs to be discussed in November 2011, budgets for Years 2 & 3 are estimated.

CGIAR Fund Disbursement to 16 CRP Budgets up to Dec 2013: Projected Donor Payments are Lower than Projected Disbursements (in US\$ millions)

Actual and Projected Donor Resources

Contributions (amounts paid-in and receivables)	153.1
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Projections (donors indications and historical performance)	753.5
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Total	906.6
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Projected Disbursements (based on expected need)

6 CRPs with FC Decision	540.8
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7 CRPs for FC Decision in July	443.2
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3 CRPs for FC Decision in November	83.8
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System Costs and Funding Stability Proposal	104.0
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Total Funding Requirements	1,171.7
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Disbursement Gap	(265.1)
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Note: Three of the CRPs included in this table have disbursement requirements beyond the 3 year horizon.

Key Challenges

- **Long-term:** the need for adequate and predictable funding
 - Develop a **strategic framework for resource mobilization** for the CGIAR Fund
 - Secure **appropriate and timely levels of donor financing** in advance of the financial needs
- **Short-term:** ongoing need for adequate cash to cover disbursements
- Ensure robust and comprehensive financial reporting across the System

Scenarios

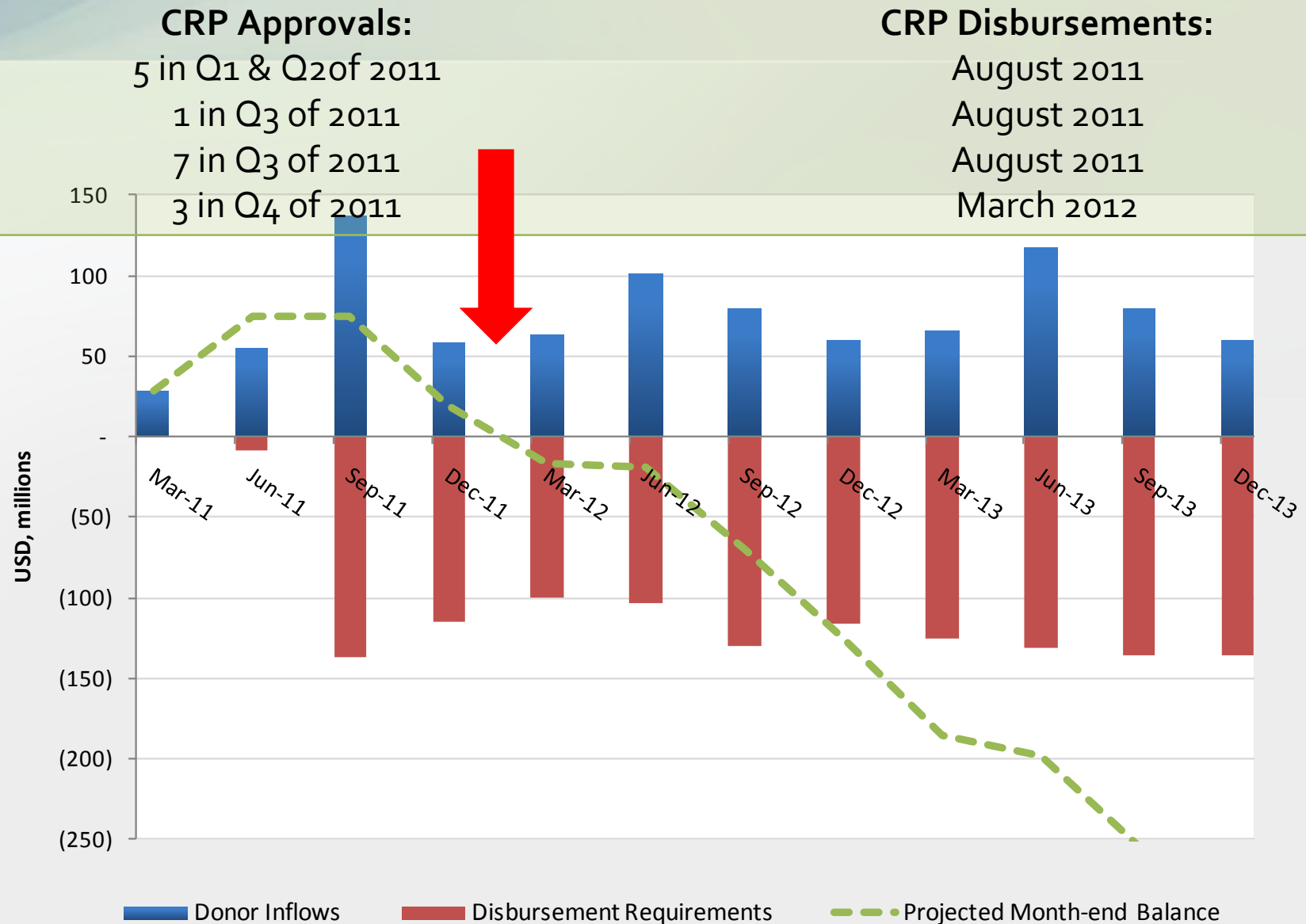
CRP Approvals and Disbursements

Overview of Scenarios for Windows 1 and 2

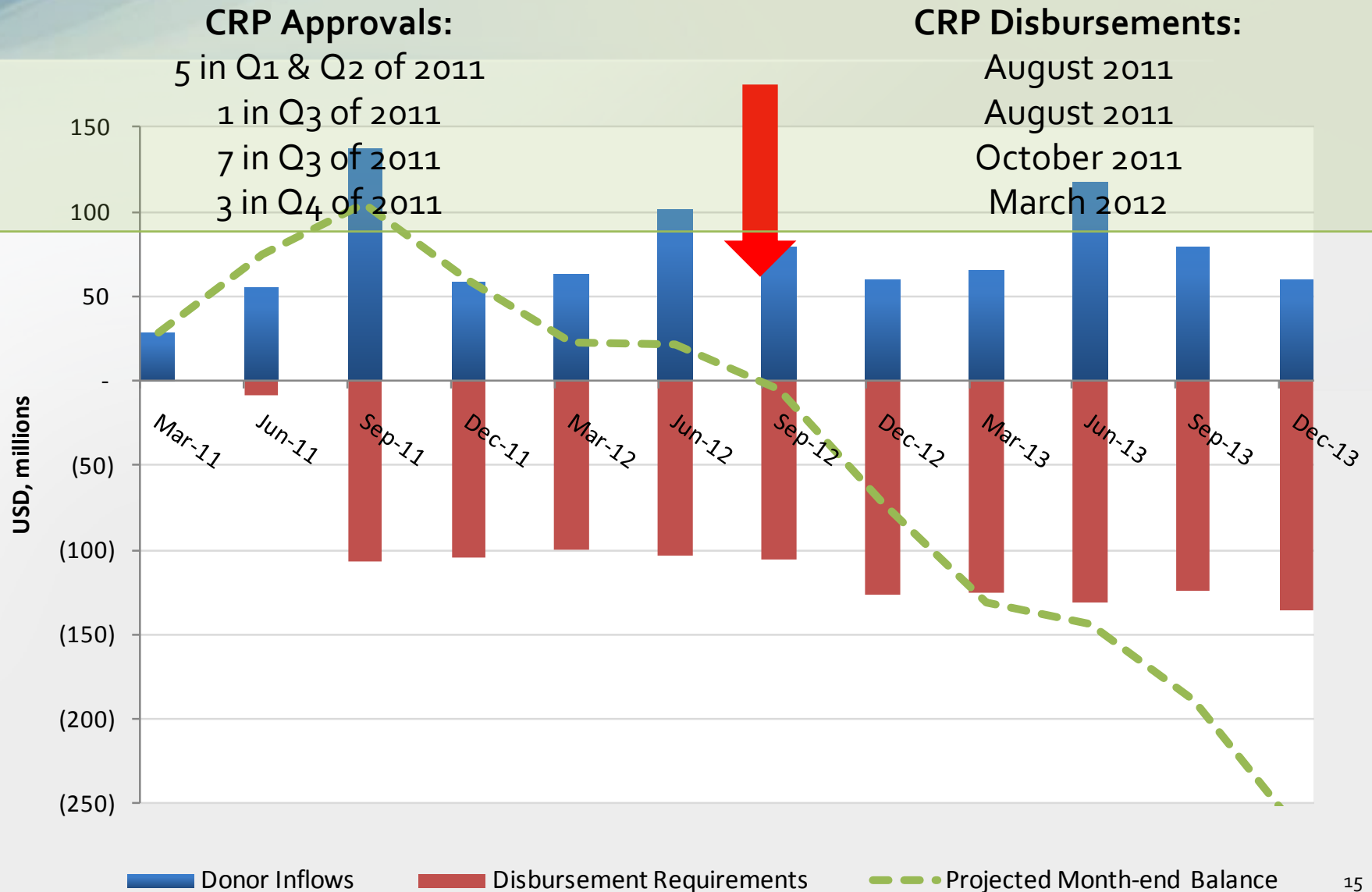
- Three scenarios are presented in this section:
 - Scenarios 1 and 2 illustrate the importance of receiving donor inflows in advance of the disbursement needs of Centers
 - Scenario 3 illustrates the additional donor funding required and the timing of these donor payments in order to meet projected disbursement requirements from Windows 1 and 2.
- Assumptions :
 - Fixed
 - Total of 16 CRPs are approved by December 2011, as per plans
 - US\$ value of 16 CRPs remains unchanged
 - Projected System Costs to 2013 remain unchanged
 - Donor projected inflows to 2013 remain unchanged
 - Variable
 - The start date of disbursements

Notes: Projected inflows from donors are based on donor indications as well as on historical flows. CRP amounts and disbursement patterns are based on latest information.

Scenario 1—Meeting Disbursements become a Challenge starting in February 2012



Scenario 2—Meeting Disbursements become a Challenge starting in September 2012



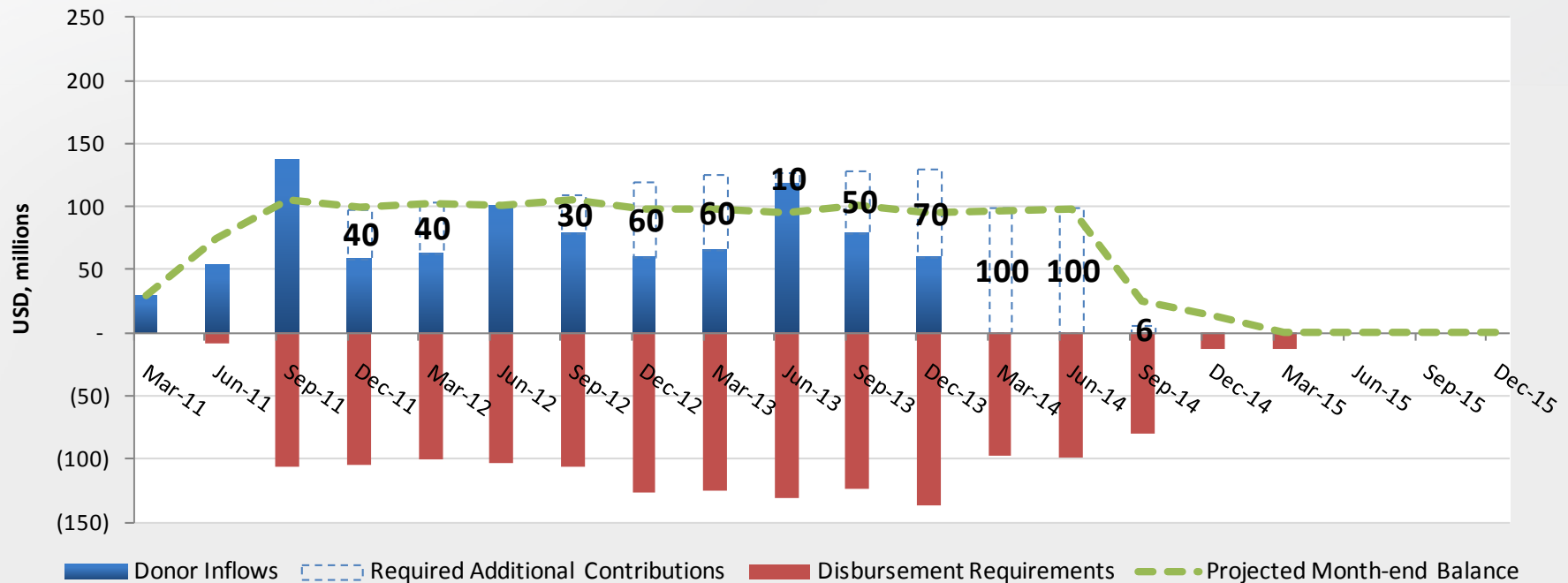
Scenario 3—To Stay Afloat, Additional Donor Inflows of \$566 million into Windows 1 & 2 between December 2011 and September 2014

CRP Approvals:

5 in Q1 & Q2 of 2011
1 in Q3 of 2011
7 in Q3 of 2011
3 in Q4 of 2011

CRP Disbursements:

August 2011
August 2011
October 2011
March 2012



In Conclusion: Cash Flow Constraints on Windows 1 & 2

- Scenarios 1 and 2 indicate that under current assumptions on donor funding and disbursement needs between now and 2013, the CGIAR Fund would begin to face a negative cash balance in 2012:
 - Scenario 1: negative cash balance from **February 2012**
 - Scenario 2: negative cash balance from **September 2012**
- ***Fund Council may have to consider (i) managing the disbursement profile of CRPs; (ii) significantly delaying disbursements on CRPs; or (iii) mobilizing additional resources into Windows 1 & 2***

Elements of an Action Plan: Short-term

To address the critical and immediate disbursement requests (funding needs) of the CGIAR Fund:

Fund Council led actions

1. Mobilize donor contributions by March 2012 to fix the immediate disbursement shortfall that is expected to begin in 2012
2. Request Fund Office and Trustee to co-author a Note on Funding Mechanisms for the CGIAR Fund
3. Organize a donors' meeting to agree on improved predictability and volume of inflows
4. Set a realistic total financing envelope up to 2013
5. Request the Consortium Office to prepare a finance plan aligned with the approved envelope

Consortium Office led actions

1. Prepare a financing plan aligned with the realistic approved financing envelope, taking into account Consortium priorities
2. Reschedule disbursement amounts of CRPs to align with projected donor inflows
3. Economize on, and prioritize, CRP budgets

Elements of an Action Plan:

Long-term

- To address the long-term financial sustainability of the CGIAR Fund, the Fund Council may consider the following actions:
 1. Increase the predictability, adequacy and reliability of flows
 - Shift more overall CGIAR funding to Windows 1 & 2
 - Develop and implement a resource mobilization strategy -- e.g., convene regular donors' meetings (every 2 or 3 years) (Global Fund, GEF)
 - Shift to multi-year contribution commitments from donors (GEF, CIFs, GAFSP, etc.)
 - Make use of promissory notes or letters of credit to facilitate commitment of CRPs without impacting donors' cash outlays (GEF, CIFs, Global Fund, etc.)
 2. Build up a prudent level of liquidity to ensure that the CGIAR Fund is not "running on empty" and can meet at a minimum three months of disbursement requirements and unforeseen demand
 - Frontload donor cash payments in the early years (GEF Pilot Phase)
 3. Monitor accuracy of projected donor transfers to better assess the future funding status of the CGIAR Fund (Clean Technology Fund)
 4. Focus on clear metrics to measure performance /efficiency (as in most other FIFs)¹⁹ to ensure value for money