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WORKING DOCUMENT

Draft Financing Plan 2014-2016

Submitted by:
Consortium office

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Draft Financing Plan 2014-2016

CGIAR Consortium Office, October 21, 2014

1. Summary

This document provides an update on funding in 2014, based on a forecast of available W1-2 revenue obtained from the CGIAR Fund Office as of September/October, and concludes that the planned 10% increase in W1-2 revenue is unlikely to materialize for 2014. Current projections forecast availability of new W1-2 for the CRPs at $325 million. In addition, $6m of W2 was prepaid to A4NH in 2013, giving a total W1-2 amount of $331m for 2014. This is $23m or 6.5% less than the $354 million allocated to the CRPs in the 2014-15 FinPlan ($20 million less W1, and $3 million less W2).

The 2014 FinPlan needs to revise the W1-2 funding for all CRPs downwards by 6.5% on average, implemented as a 9% W1 reduction for all CRPs, plus allocation of W2 to the CRPs determined by the donors. For some CRPs to which donors allocated less W2 in 2014 that means the combined W1 and W2 reduction is 10-12%, for others an increase in W2 compensates the decrease in W1 (and for two the net result is positive). Given that it is already late in the year this is a difficult decision, not lightly taken. In fact, the $331 million can only be allocated, with current revenue forecasts, if the reserves in the fund are reduced to $12 million (from the target $30 million level).

The 2014-15 FinPlan also scheduled a further 10% increase in W1-2 funding in 2015. At this stage that no longer appears prudent. Instead this 2014-16 FinPlan recommends stable new W1-2 allocation to CRPs at the 2014 level, that is, another $331 million in 2015 (also including a third and final year of $6m of W2 pre-paid to A4NH) and $325m in 2016. It is recognized that this is a very significant course correction from the 13 percent average growth experienced in the last five years.

What has to be taken into account also is that CRP carry-forwards had grown to $66 million by the end of 2013. For 2014 this means 7 CRPs have more resources available to them in 2014, also after the cut, than they forecast to spend in 2014and 8 CRPs would have a negative balance if the 2014 expenditures remain as forecast in August. It is recommended to draw the carry-forwards down to zero by the end of 2016, that is, at the end of the current phase of the CRPs, and before the new phase of CRPs start. This adds $66 million to the W1-2 allocations for 2014, 2015 and 2016.

The Consortium Board discussed this revised 2014-2016 CGIAR Finance Plan and approved it for sharing (as a final draft) it with the CGIAR Centers and CGIAR Fund Council for their comments. At the end of 2014, when we have a full picture of 2014 revenue, as well as know the outcome of the Extension Proposal process, the 2014-16 FinPlan will be revised as necessary, and submitted to the CB for its final approval in the December 2014 meeting.

2. Background

The 2014-15 Financing Plan, developed in September and finally approved in December 2013, adopted a new multi-year approach, which included the planned funding scenario for both 2014 and 2015. This scenario assumed that contributions to the CGIAR Fund, including to Windows 1 and 2 combined, would continue to grow by 10% a year and allocated Window 1-2 as shown below in Table 1:

Table 1: Allocation of W1-2 per 2014-15 Finance Plan (approved 6 Dec 2013) ($ million)

	2014	2015
Dryland Systems	17.0	20.0
Humidtropics	17.0	20.0
AAS	15.0	20.0
PIM	23.2	25.5
Wheat	13.8	15.2
Maize	15.4	17.0
GRiSP	37.1	40.8
RTB	29.4	32.3
Grain Legumes	14.7	16.2
Dryland Cereals	6.5	7.1
Livestock and Fish	16.0	16.5
A4NH	25.7	26.5
WLE	31.0	34.1
FTA	29.8	32.8
CCAFS	44.0	48.4
Genebanks	18.6	18.7
	354	391

3. Update on 2014

3.1 Receipts into CGIAR Fund 2014

As at the end of September 2014, we forecast W1-2 receipts from Funders of $281m in total for 2014. Even with a 100% collection rate on CSP[1], and a brought forward balance of $73m at the fund and $6m at A4NH, this is not enough to finance the 10% growth predicted in the 2014-15 FinPlan. We propose reducing the system-level reserve from the standard $30m to $12m to minimize the reduction in allocations.

[1] In 2014, shortfall on CSP collected on bilateral grants may be deducted from W1-2 disbursements, thus ensuring 100% collection rate.

Table 2: Updated forecast of Source and Use of Funds 2014 from Fund Office ($ million)[2]

		Original Fin Plan 2014-15	Updated Forecast Sept 2014
Source of Funds			
	Opening Balance	30	73
	Window 1 Receipts	264	177
	Window 2 Receipts	113	103
	Prepaid W2 (A4NH)		6
	CSP		11
		407	370
Uses of Funds			
	CRPs	354	331
	System Costs	15	15
	ICARDA & RBM	8	8
	Other Projects		4
		377	358
	Closing Balance	**30**	**12**

3.2 Allocation to CRPs

The 2014-15 Finance Plan allocated $354m to 15 CRPs and Genebanks (so far funded at 100%), but only $331m is projected to be available this year, which is a 6.5% reduction on the forecast (23/354). $3 million of the reduction is in Window 2, and $20 million is in Window 1. The Window 1 reduction is equivalent to an overall 9% reduction for all CRPs (excluding Genebanks) (20/224). This FinPlan recommends that the same percentage reduction be applied equally to all CRPs' Window 1; this, combined with the allocation of actual Window 2 received for 2014, gives the following new allocations for 2014:

[2] 2014 Other Projects provisional numbers are made up of Strengthening Impact Assessment in the CGIAR (SIAC) $1m, Open Access $1m and Gender Action Plan $2m

Table 3: Revised 2014 W1-2 Allocations ($ million)

	Win 1		**Win 2**		**Total**		**Change**	
	Original	**Revised**	***Original***	**Revised**	***Original***	**Revised**		
Dryland Systems	*9.40*	8.56	*7.60*	6.85	*17.00*	15.41	- 1.59	-9%
Humidtropics	*11.30*	10.29	*5.70*	4.66	*17.00*	14.95	- 2.05	-12%
AAS	*12.00*	10.93	*3.00*	4.20	*15.00*	15.13	0.13	1%
PIM	*12.40*	11.29	*10.80*	9.90	*23.20*	21.19	- 2.01	-9%
Wheat	*9.00*	8.20	*4.90*	8.43	*13.90*	16.63	2.73	20%
Maize	*12.70*	11.57	*2.80*	2.59	*15.50*	14.16	- 1.34	-9%
GRiSP	*31.10*	28.32	*6.00*	5.38	*37.10*	33.70	- 3.40	-9%
RTB	*14.80*	13.48	*14.60*	13.41	*29.40*	26.89	- 2.51	-9%
Grain Legumes	*8.10*	7.38	*6.60*	6.43	*14.70*	13.81	- 0.89	-6%
Dryland Cereals	*4.10*	3.73	*2.40*	2.39	*6.50*	6.12	- 0.38	-6%
Livestock & Fish	*5.00*	4.55	*11.10*	11.45	*16.10*	16.00	- 0.10	-1%
A4NH	*8.30*	7.56	*17.30*	15.50	*25.60*	23.06	- 2.54	-10%
WLE	*24.90*	22.68	*6.00*	5.17	*30.90*	27.85	- 3.05	-10%
FTA	*22.10*	20.13	*7.70*	6.41	*29.80*	26.54	- 3.26	-11%
CCAFS	*39.40*	35.88	*4.60*	5.52	*44.00*	41.40	- 2.60	-6%
Genebanks	*16.90*	16.93	*1.70*	1.67	*18.60*	18.60		0%
	242	221	*113*	110	*354*	331	- 23	-6%

Window 2 was estimated at $113m in the 2014-15 FinPlan, which included $6.4m of Window paid in advance for A4NH in 2013. This prepaid $6.4m has been included in the revised Fin Plan, both as a receipt and as an allocation to A4NH.

Table 4: CRP b/f, Revised Allocation and forecast expenditure for W1-2 ($ million)[3]

	B/f - Allocations less expensed	Revised Allocation	Available	Center Forecast Expenditure	Forecast c/f
Dryland Systems	3.9	15.4	19.3	20.7	
Humidtropics	2.0	15.0	16.9	12.5	4.4
AAS	- 0.1	15.1	15.0	16.4	
PIM	8.5	21.2	29.7	26.9	2.8
Wheat	2.3	16.6	18.9	15.2	3.7
Maize	6.3	14.2	20.5	16.3	4.2
GRiSP	-	33.7	33.7	37.8	
RTB	5.9	26.9	32.8	36.1	
Grain Legumes	3.5	13.8	17.3	18.8	
Dryland Cereals	2.7	6.1	8.8	9.8	
Livestock & Fish	9.7	16.0	25.7	19.1	6.6
A4NH	3.2	23.1	32.6	26.2	6.4
WLE	11.2	27.8	39.0	29.0	10.0
FTA	4.3	26.5	31.8	34.1	
CCAFS	2.7	41.4	44.3	47.3	
Genebanks		18.6	18.6	18.6	
	66	331	397	385	38

[3] The b/f (brought forward) is the sum of FP allocations less total expensed to the end of 2013. The b/f figure for A4NH has been amended to exclude the $12.8 million paid in advance

Table 5: Total forecast expenditure for 2014 as provided by the Centers (end August projection) ($ million)[4]

The W1-2 figure in the table below is the lower of (a) the Center forecast revenue, and (b) expected total available (i.e., new FP allocation plus brought forward funds if available), on the assumption that Centers will avoid negative carry-forwards if possible.

	W1-2	W3	Bil	Other	Total
Dryland Systems	19.3	20.6	16.3	1.3	57.5
Humidtropics	12.5	15.5	10.8	0.5	39.3
AAS	15.0	5.0	13.5	-	33.5
PIM	26.9	14.8	50.6	1.1	93.4
Wheat	15.2	6.7	12.2	0.3	34.4
Maize	16.3	14.6	27.7	-	58.6
GRiSP	33.7	31.7	39.3	2.0	106.7
RTB	32.8	19.4	31.7	-	83.9
Grain Legumes	17.3	14.9	18.7	0.4	51.3
Dryland Cereals	8.8	4.6	7.9	0.4	21.7
Livestock & Fish	19.1	6.4	9.8	-	35.3
A4NH	26.2	15.2	46.9	0.6	88.9
WLE	29.0	5.7	31.8	1.7	68.2
FTA	31.8	11.1	40.6	2.6	86.1
CCAFS	44.3	8.4	19.7	0.1	72.5
Genebanks	18.6	-	2.9	0.2	21.7
Non CRP		26.5	92.7	5.7	124.9
	366	221	473	17	1,077

- 55% of financing will have come through the fund (W1 ,2 & 3), consistent with 2013. W1-2 alone represents 34% of total.
- There would still remain $38m of carry-forward with the CRPs at the end of 2014.

4. Revised forecast for 2015

4.1 Receipts into CGIAR Fund 2015

Whilst we may still put aggressive targets in place for resource mobilization, we have no clear signs as yet that income will indeed grow in 2015; and at this stage it does not look as if the projected 10% growth for 2014 will materialize, or for 2015. Consequently, we are proposing to keep revenue forecasts conservative and to keep the W1-2 projected funding levels for 2015 and 2016 at the same level as the 2014 forecast of $325 million (before the prepaid A4NH W2 funding). Given the reduced financial prospects at this stage, we propose not to have RBM pilots in 2015 or

[4] Other includes all sources which are not CGIAR fund or Restricted bilateral – i.e., it could be Center-generated income such as farm or guesthouse income; unrestricted funds; or taken from reserves

2016, and not to make support available to ICARDA beyond that agreed for 2014 and 2015 (i.e. no additional support in 2016).

Table 6: Projected Source and Use of Funds for 2015 ($ million)[5]

		2015
Source of Funds		**Planned**
	Opening Balance	12
	Receipts	337
	Prepaid Window 2	6
	CSP	14
		369
Uses of Funds		
	CRPs	331
	System Costs	15
	ICARDA	2
	Other Projects	9
		357
	Closing Balance	**12**

4.2 Allocation of W1-2 to CRPs

To achieve the same level of funding in 2015 as 2014 will require $337 million of receipts into the fund. For planning purposes we are using a $337 million w1-2 revenue forecast , which will have to be revised in 2015 if actual receipts fall short. $337 million of receipts will produce the same $325 million of available money as 2014, together with the $6m prepaid W2 at A4NH to come to $331 million in 2015 - and so achieve the same allocations as in 2014, i.e. as shown in table 7. (Actual allocations will, reflect the actual W2 received rather than the projected as in this table).

[5] Other funds for 2015 consist of $6m for Open Access, $2.4m for Gender Action Plan and $0.7m for SIAC

Table 7: Projected Allocation of W1-2 Funds for 2015 ($ million)

	Win 1	Win 2	Total
Dryland Systems	8.56	6.85	15.41
Humidtropics	10.29	4.66	14.95
AAS	10.93	4.20	15.13
PIM	11.29	9.90	21.19
Wheat	8.20	8.43	16.63
Maize	11.57	2.59	14.16
GRiSP	28.32	5.38	33.70
RTB	13.48	13.41	26.89
Grain Legumes	7.38	6.43	13.81
Dryland Cereals	3.73	2.39	6.12
Livestock & Fish	4.55	11.45	16.00
A4NH	7.56	15.50	23.06
WLE	22.68	5.17	27.85
FTA	20.13	6.41	26.54
CCAFS	35.88	5.52	41.40
Genebanks	16.90	1.67	18.57
	221	110	331

As the 2014-15 FinPlan showed an expected W1-2 financing level of $391 million for 2015, and many CRPs requested increased funding in their Extension Proposals, there is a rather severe mismatch between the current projection of CRP expenditures for 2015 obtained from the Centers, at $406 million, with the current projection of new W1-2 Funding in 2015 ($331 million), even if we presume that most or all of the currently projected carry forward ($43 million) at the end of 2014 would be spent down in 2015. This will clearly require a significant reduction in planned activities - or alternatively increased funding through W3-Bilateral – as Centers currently still project very high growth rates in W3-Bilateral funding.

Table 8: Revised allocation of W1-2, together with projected carry forward and Center forecast of 2015 expenditure ($ million):

	b/f from 2014	Fin Plan Allocation	Available	Center Forecast Expenditure	c/f to 2016
Dryland Systems	-	15.4	15.4	15.4	-
Humidtropics	4.4	15.0	19.4	12.2	7.2
AAS	-	15.1	15.1	15.1	-
PIM	2.8	21.2	24.0	24.0	-
Wheat	3.7	16.6	20.3	15.5	4.8
Maize	4.2	14.2	18.4	17.0	1.4
GRiSP	-	33.7	33.7	33.7	-
RTB	-	26.9	26.9	26.9	-
Grain Legumes	-	13.8	13.8	13.8	-
Dryland Cereals	-	6.1	6.1	6.1	-
Livestock & Fish	6.6	16.0	22.6	19.6	3.0
A4NH	6.4	23.1	29.4	22.6	6.8
WLE	10.0	27.8	37.8	34.0	3.8
FTA	-	26.5	26.5	26.5	-
CCAFS	-	41.4	41.4	48.5	
Genebanks	-	18.6	18.6	18.6	
	38	331	344	334	27

These figures are based on the Center forecasts if we project sufficient W1-2 available – otherwise, the projection has been limited to what we expect to be available.

4.3 Total forecast results for 2015

Table 9: Forecast results for 2015 ($ million)

	W1-2	W3	Bil	Other	Total
Dryland Systems	15.4	18.3	15.8	0.5	50.0
Humidtropics	12.2	16.0	9.8	0.1	38.1
AAS	15.1	6.8	12.2	-	34.1
PIM	24.0	14.7	49.0	0.7	88.4
Wheat	15.5	6.9	13.8	0.1	36.3
Maize	17.0	14.4	24.1	-	55.5
GRiSP	33.7	27.9	44.9	2.0	108.5
RTB	26.9	25.7	32.8	-	85.4
Grain Legumes	13.8	11.3	17.6	0.5	43.2
Dryland Cereals	6.1	6.6	10.0	0.5	23.2
Livestock & Fish	19.6	8.6	9.4	-	37.6
A4NH	22.6	15.4	41.6	0.5	80.1
WLE	34.0	6.2	36.4	0.5	77.1
FTA	26.5	11.2	44.7	2.0	84.4
CCAFS	41.4	10.1	15.9	-	67.4
Genebanks	18.6	-	4.0	0.4	23.0
Non CRP		22.2	96.2	2.5	120.9
	343	222	478	10	1,053

The projection for 2015 shows a 2% reduction in expenditure

- The proportion of W1-2 decreases to 33% and the total proportion financed by the CGIAR Fund decreases to 54%

5. First Forecast for 2016

5.1 Receipts into CGIAR Fund 2016

The result of using the projection of new W1-2 allocations of $325 in 2016, and maintaining the same distribution over CRPs is described in this section.

Table 10: Source and Uses of funds 2016 ($ million)[6]

	2016
Source of Funds	**Planned**
Opening Balance	12
Receipts	332
CSP	14
	358
Uses of Funds	
CRPs	325
System Costs	17
Other Projects	4
	346
Closing Balance	**12**

5.2 W1-2 Allocation for 2016

Table 11: Provisional allocations for 2016, based on 2015 ($ million)[7]

	Win 1	**Win 2**	**Total**
Dryland Systems	8.56	6.85	15.41
Humidtropics	10.29	4.66	14.95
AAS	10.93	4.20	15.13
PIM	11.29	9.90	21.19
Wheat	8.20	8.43	16.63
Maize	11.57	2.59	14.16
GRiSP	28.32	5.38	33.70
RTB	13.48	13.41	26.89
Grain Legumes	7.38	6.43	13.81
Dryland Cereals	3.73	2.39	6.12
Livestock & Fish	4.55	11.45	16.00
A4NH	7.56	9.10	16.66
WLE	22.68	5.17	27.85
FTA	20.13	6.41	26.54
CCAFS	35.88	5.52	41.40
Genebanks	16.90	1.67	18.57
	221	104	325

[6] Other projects for 2016 are Open Access $2.2 million and Gender Action Plan $1.7 million

[7] 2016 drops by $6.4m as the prepaid W2 for A4NH covers only 2014 and 2015. These figures will in any case be adjusted to reflect the actuals for 2015

Table 12: Proposed allocation of W1-2, together with projected carry forward to give available 2016 Window 1-2 ($ million)

	b/f	Fin Plan Allocation	Available
Dryland Systems	-	15.4	15.4
Humidtropics	7.2	15.0	22.2
AAS	-	15.1	15.1
PIM	-	21.2	21.2
Wheat	4.8	16.6	21.4
Maize	1.4	14.2	15.5
GRiSP	-	33.7	33.7
RTB	-	26.9	26.9
Grain Legumes	-	13.8	13.8
Dryland Cereals	-	6.1	6.1
Livestock & Fish	3.0	16.0	19.0
A4NH	6.8	16.7	23.5
WLE	3.8	27.8	31.7
FTA	-	26.5	26.5
CCAFS	-	41.4	41.4
Genebanks	-	18.6	18.6
	27	325	352

Table 13: Total forecast expenditure for 2016 based on 2015 Center forecasts or W1-2 available ($ million)

In the following table, it has been assumed that the level of spend will be consistent with the previous year (where carry forward is available to maintain that level), or adjusted to what is available, (either expenditure reduced or alternate sources of funding found), and all available funds are spent.

	W1/2	W3	Bil	Other	Total
Dryland Systems	15.4	18.3	15.8	0.5	50.0
Humidtropics	22.2	16.0	9.8	0.1	48.1
AAS	15.1	6.8	12.2	-	34.1
PIM	21.2	14.7	49.0	0.7	85.6
Wheat	21.4	6.9	13.8	0.1	42.2
Maize	15.5	14.4	24.1	-	54.0
GRiSP	33.7	27.9	44.9	2.0	108.5
RTB	26.9	25.7	32.8	-	85.4
Grain Legumes	13.8	11.3	17.6	0.5	43.2
Dryland Cereals	6.1	6.6	10.0	0.5	23.2
Livestock & Fish	19.0	8.6	9.4	-	37.0
A4NH	23.5	15.4	41.6	0.5	81.0
WLE	31.7	6.2	36.4	0.5	74.8
FTA	26.5	11.2	44.7	2.0	84.4
CCAFS	41.4	10.1	15.9	-	67.4
Genebanks	18.6	-	4.0	0.4	23.0
Non CRP		22.2	96.2	2.5	120.9
	352	222	478	10	1,063

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Appendix: Actual Window 2 for 2014

	Australia	Belgium	Canada	Finland	Ireland	Japan	Mexico	NL	NZ	RSA	Russia	Sudan	Switzerland	USAID	Total
Dryland Systems	0.78	2.08						2.80				0.10	1.09		6.85
Humidtropics	0.39	2.08											2.19		4.66
AAS	0.39								1.72				1.09	1.00	4.20
PIM	1.18							6.40					0.82	1.50	9.90
Wheat	1.18		2.75											4.50	8.43
Maize	0.78						0.25			0.06				1.50	2.59
GRiSP	0.78					0.10								4.50	5.38
RTB	0.39	2.08						4.30					1.64	5.00	13.41
Grain Legumes	1.18						0.25							5.00	6.43
Dryland Cereals	0.39													2.00	2.39
Livestock & Fish	0.78			0.65				4.30	1.72					4.00	11.45
A4NH	1.18				1.35			4.30			0.52		0.55	1.20	9.10
WLE	1.18							2.90					1.09		5.17
FTA	0.78	2.08		0.65				2.90							6.41
CCAFS	0.39				1.35			2.10	0.86				0.82		5.52
Genebanks						0.03							1.64		1.67
	11.75	8.32	2.75	1.30	2.70	0.13	0.50	30.00	4.30	0.06	0.52	0.10	10.93	30.20	103.56