**Electronic Decision**
Approved: 11 January 2023

# 2022-2024 CGIAR Financial Plan (2023 Update) & Window 1 Budget for 2023

## Purpose

The cover letter presents the 2023 Budget in context of two financial documents:

1. The 2022-24 CGIAR Financial Plan (2023 update) and the
2. Provisional Window 1 Budget for 2023.

As scheduled annually, the Audit, Finance and Risk Committee (AFRC) reviewed and endorsed the above budget documents to the System Board. The System Board then reviewed, approved, and now recommends them to the System Council for review and approval.

## Action Requested

The System Council is requested to review and approve by no objection the 2022-2024 CGIAR Financial Plan (2023 update) and Provisional Window 1 Budget for 2023 submitted by the System Board, pursuant to Article 6.1 u) of the CGIAR Systems Framework.

**Document category:** Working document of the System Council
There is no restriction on the circulation of this document

Prepared by: CGIAR Global Director of Business Operations

## Executive Summary

1. The integrated CGIAR operational structure (which will deliver excellence in research and innovation as well as improved on-the-ground impact, effectiveness, and efficiency) will need to be sufficiently resourced.
2. Three-year CGIAR Financial Plan: This financial plan (FINPLAN) sets out a 3-year outlook 2022-2024 and updated for 2023 on what is needed to make the step change in reaching CGIAR's new and ambitious strategic objectives. The FINPLAN is focused on decisions on the use of pooled funding, based on a perspective of overall funding.
3. As required, the FINPLAN also outlines expected CGIAR System Entities costs, and the funding sources which are expected to cover System Entity costs for the financial year ending December 2023.
4. With an overall decrease in funding of 2.6% to US$923 million and expenditure decrease of 2.9% to $927 million there is a projected deficit of $3.8 million, which is lower than the projected deficit of $7.8 million in 2022.
5. After an aggregated operation budget and overhead rate analysis is provided, a summary of the 2023 budget from each of the center's perspective is presented.
6. Provisional Window 1 budget 2023: This document covers the funding outlook and budget for pooled funding.



# CGIAR 2022-2024 Financial Plan (2023 Update)

## December 2022

CGIAR

# Contents


**1. Introduction 4**

**2. Strategic pathway to growth and efficiencies across CGIAR 5**

2.1 Strategic pathway to growth 5

2.2 Strategic pathway to efficiencies and effectiveness 6

**3. CGIAR Outlook to the end of 2024 9**

**4. Budget Approach For 2023 11**

4.1 2023 Budget Cycle 11

4.2 Key Assumptions 12

4.3 Key Risks in relation to budget objectives 13

**5. 2023 Operational Budget 14**

5.1 Revenue 15

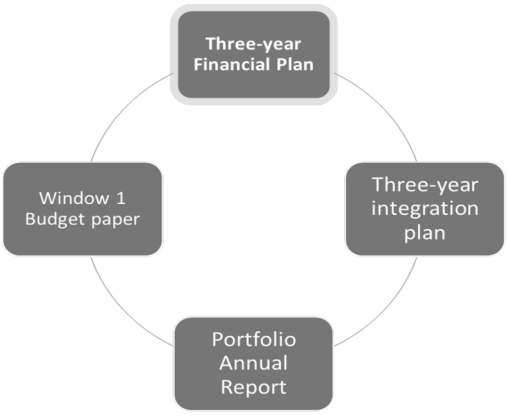
5.2 Expenditure 15

5.3 Center Analysis 20

5.4 Budget by Science Groups 30

## About this document

This document is **CGIAR's 2022-2024 (2023 update) Financial Plan**, being the financial plan and aggregate operational budget for the two remaining years of the current three-year cycle.




To increase clarity in financial and operational plans and delivery, CGIAR will move to using four documents to present two categories of materials:

**Financial papers**

(a) Three-year Financial Plan: financial plan across all CGIAR's funding channels

(b) Window 1 budget: which will cover the funding outlook and budget for pooled funding

**Non-financial papers**

(c) Three-year Integration plan: setting the pathway for integration and providing wider context to priorities

(d) Portfolio annual report: summarizing the performance of the portfolio, and in turn, helps to guide corrective action as necessary

## Common acronyms

The most used acronyms in this document are set out below:

| Acronym | Description |
|---|---|
| AFRC | Audit, Finance and Risk Committee |
| CSP | Cost Sharing Percentage |
| FINPLAN | Financial Plan |
| FP&A | Financial Planning & Analysis Transition Team |
| FSI | Financial Support to Initiatives Transition Team |
| I&E | Income & Expenditure |
| IDT | Initiative Design Team |
| ISDC | Independent Science for Development Council |
| PCU | Project Coordination Unit |
| POR | Plan of Results |
| TOC | Theory of Change |
| W3 | Window 3 |

*Additional Glossary descriptions are accessible here.*

# 1. Introduction

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

CGIAR is making a transformative change to meet an ambition of two-billion-dollars (of funded research per year) by 2030. This will deliver gains across many of the Sustainable Development Goals, especially SDG2 to 'End Hunger'.

CGIAR continues to move away from a fragmented governance and institutional structure, and towards more unified governance and integrated operations.




Our aim is to have operations that can respond to interconnected challenges and consistently deliver best practices efficiently and at scale.

The integrated CGIAR matrix structure will support the delivery of CGIAR's 2030 Research & Innovation Strategy ('CGIAR Research Strategy'), which is anchored on excellence in research and innovation, as well as improved impact, effectiveness and efficiency.

The scope of this document is CGIAR's 2022 – 2024 operational cycle. It picks up from the Revised 2022-2024 FINPLAN[1], providing a strategic pathway to growth and effectiveness.

The document provides an overall financial outlook to end-2024 and details the 2023 operational budget with the key risks and assumptions.

**Specifically, this paper sets out the estimated, aggregated income and expenditure for:**

- **CGIAR Initiatives and Platforms**
- **Window 3 and Bilateral projects**
- **System entities, including CGIAR integration costs and global staff costs**

[1] 2022-2024 FINPLAN (approved by the System Council by electronic decision SC/M15/EDP3) https://storage.googleapis.com/cgiarorg/2022/06/CGIAR-R1_FINPLAN-2022-24-Approved.pdf

# 2. Strategic pathway to growth and efficiencies across CGIAR

To realize the potential of "One CGIAR" and to deliver greater impact in line with the 2030 Research Strategy, there is a need to align, elevate and diversify the way CGIAR approaches professional services, resource mobilization, communication, and advocacy. This in turn will strengthen efficiency and reduce unnecessary internal competition and duplication of effort.

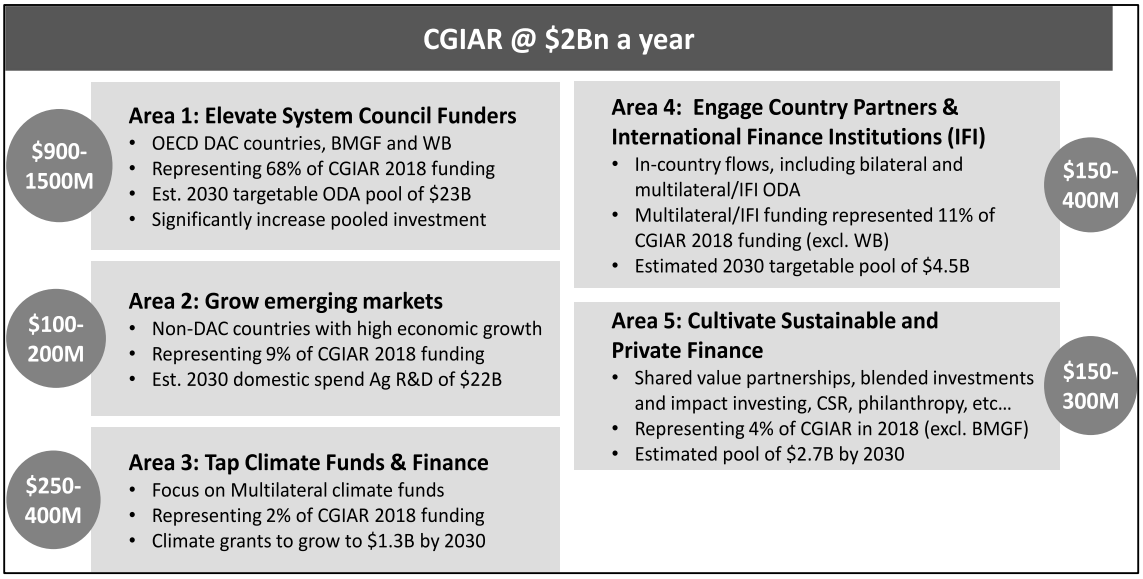
In this section, we set out the pathway to growth and efficiencies that we anticipate in this business cycle ending 2024.

## 2.1 Strategic pathway to growth

Analysis shows there are funding sources to support a $2 billion annual (pooled and bilateral) "One CGIAR" sustainable financial ambition, by 2030 or earlier. A multi-channel approach has been designed with a view to strengthening relations with existing funders, diversifying the portfolio of investors, and expanding the use of innovative financing approaches.

The proposed five 'Action Areas' approach closely aligns with funding sources available to support our ambition for international research and development, as illustrated in Figure 1 below.

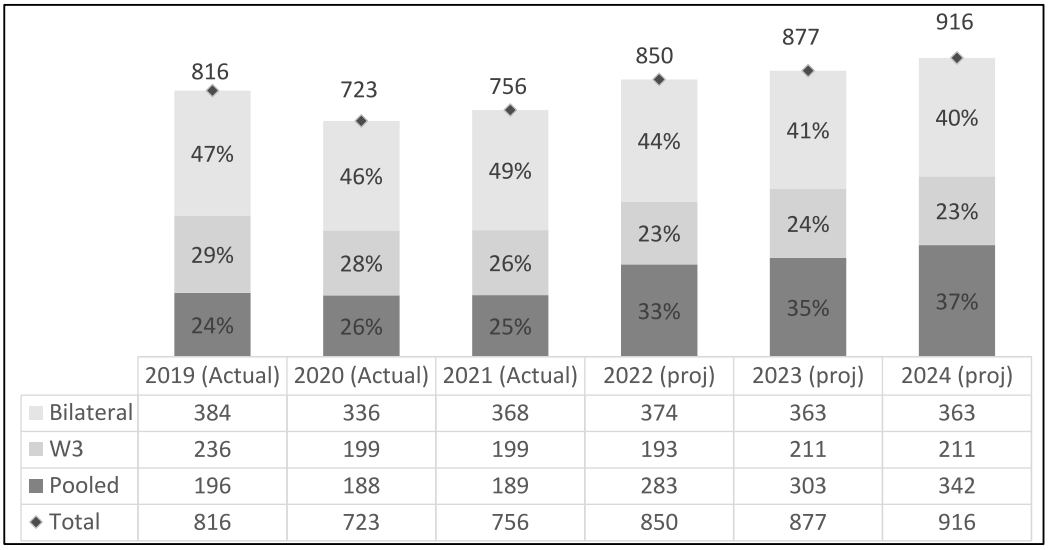
*Figure 1: Funding sources available*




The projections for CGIAR funding are summarised in Figure 2 below, where pooled funding has increased by 50% between 2021 and 2022. This increase is attributed to 65% shift to pooled funding and 35% additional funding.

While CGIAR System Reference Group targets are unlikely to be met in this business cycle, the overall funding outlook is positive for this business cycle[2].

*Figure 2: CGIAR 2019-21 funding and projections for 2022-24*




| | 2019 (Actual) | 2020 (Actual) | 2021 (Actual) | 2022 (proj) | 2023 (proj) | 2024 (proj) |
|---|---|---|---|---|---|---|
| Bilateral | 384 | 336 | 368 | 374 | 363 | 363 |
| W3 | 236 | 199 | 199 | 193 | 211 | 211 |
| Pooled | 196 | 188 | 189 | 283 | 303 | 342 |
| Total | 816 | 723 | 756 | 850 | 877 | 916 |

Note that 2023 and 2024 funding projections *are not* the same as budgeted revenue. The estimated revenue in the budget includes several different elements such as carry over; Center-specific pipeline opportunities; varied implementation rates; adjustments to incorporate start dates etc.

## 2.2 Strategic pathway to efficiencies and effectiveness

As CGIAR's Initiatives and Impact Area Platforms move forward in delivery, a similar integration across professional services is underway[3]. This is to drive strategic and value-adding solutions enabling impactful research-for-development across CGIAR. The outcomes expected over time include:

- **greater transparency, accuracy and timeliness** of data through driving and standardised costing methodologies and integrated end-to-end processes;
- **more accurate, complete and comparable information** to aid business decisions, through the integration of quality data;
- **greater effectiveness** through reduced duplication of effort and standardised processes; and
- **greater efficiency** through better understanding of costs and leveraging opportunities to optimize the use of assets (including commercial spaces), automation of processes freeing up staff time. This in turn reduces indirect costs and thereby the overhead rate.

[2] The System Council unanimously endorsed SRG report for 'One CGIAR' (9th System Council meeting, November 2019), set a target of 50% pooled funding by 2022 rising to 70% by 2024.

[3] In this context 'professional services' refers to the teams within the Business Operations & Finance, People & Culture, Digital & Data global groups, together with Legal Services, Governance & Institutional Risk, and Ethics & Business Conduct.

The sections below detail the pathway to generate greater value for money through to the end of this business cycle.

### 2.2.1 Pathway to greater value for money

There are several opportunities which can support the reduction of CGIAR indirect costs of $250m over time, driving effectiveness and efficiencies across CGIAR Centers.

Each Center has managed their professional services independently with varying degrees of excellence. As a result of its history of working autonomously, systems and processes across Centers are disconnected and uncoordinated, and can be heavily manual, with slow processing times. As a collective, gathering data for the whole is a time-consuming exercise with often incomparable data.

Integrating our professional services across Digital & Data, Business Operations & Finance, Governance & Institutional Risk and People & Culture, would drive efficiencies and ensure quality services are consistently delivered across and within CGIAR.

### 2.2.2 Integrated Professional Services

Integrated professional services is an operating model to support the broader One CGIAR strategy. The objective is to have global integrated processes including hire to retire, purchase to pay and systems that support all Centers, providing the necessary integration of data and automation. In July 2022, CGIAR partnered with Ernst & Young (EY) to complete a structured diagnostic review of transactional activities across the four professional service areas. This is to assess the current state of the operating model and priorities for this business cycle.

The diagnostic exercise is a stepping-stone towards enabling a more effective delivery model, driving quality of outcomes and release capacity to refocus effort on more value adding activities.

Tangible opportunities are to be prioritized and agreed with a view to enhancing and enabling improved support for Centers and our research Initiatives in the short and medium term, assuming enhanced collaboration across Centers and investments.



**Align and consolidate** systems, policies, practices, and ways of working.



**Become more agile** in the way we deliver our support through an integrated operating model.



**Reduce duplication**, capitalize on opportunities and set minimum common standards across Centers



**Enable timely access to critical information**, insights, analytics and data.



**Investing in our people**, creating a consistent approach to roles and process.



**Enable successful and seamless delivery** of programs across Centers, including Initiatives.

**Key finding from the diagnostic phase of the project:**

Across many CGIAR Centers, there is an under-investment in technology, the result being an extensive manual effort to run operations. Underlying challenges include:

**Fragmented systems and a lack of investment in technology**

70% lower technology spend *v. industry median*

5+ ERP systems across Centers, with multiple instances

- Low maturity on maintenance, use and application of data to enable informed decision making
- Disparate systems across Centers with low levels of integration within each Center across functions
- Lack of automation and dependency on manual workarounds
- Limited use of specialized business applications to enable optimized service delivery – e.g. procurement, onboarding, etc.

**Lack of clarity & consistency in roles and responsibilities**

20-40% activities performed by each function falls outside their remit

c.80% activities performed by each function is transactional in nature

- Limited cross-functional and cross-Center integration to support Initiatives
- Skills mismatch across functions to deliver as per required responsibility area and no single function specific focal point in some Centers
- Lack of clarity on roles and governance post OneCGIAR/Matrix and absence of clearly defined role remits and segregation of duties
- High level of transactional execution leading to absence of strategic focus

**Highly manual and non-standard processes**

40% finance postings are manual.

50% invoice processing is manual.

20% procurement is done without a PO in place

2.5x higher spend on external law firms compared to benchmark

- High degree of manual effort required to execute processes, with limited technology enablement across Centers
- Lack of standardization of process, policy and practices specially to support cross-Center Initiatives
- Limited instances of automation of rule-based activities leading to high manual effort expended on admin tasks such as data entry
- Multiple versions of policies within a Center and varied policies across Centers with no common database/repository

### 2.2.3 Potential Savings

According to the diagnostic work completed across the four professional services, there are potential opportunities across priority areas and the matrix model, that enable financial benefits and capacity release by 2024.

These benefits do not, however, take into consideration the current lack of a signed Integrated Framework Agreement (IFA) and associated instruments required to empower global leaders to make strategic CGIAR-wide decisions. The benefits also do not take into consideration the initial investment needed to realize these gains. Having both in place is critical in securing the potential savings set out below.

Assuming the IFA is signed by December 2022 and funding is secured within Q1 of 2023, based on the high-level estimates from EY, there is the potential to **realize cost benefits between $16 million to $20 million** on an annualized basis, by the end of 2024. These savings could continue to grow in subsequent years, if investments in priority areas continue. It is estimated that by 2027, year-on-year savings may be $55m, subject to needed investments and a fit for purpose authorizing environment.

As a consequence of these savings, we anticipate the CGIAR's average **overhead rate could decrease from 17% in 2022 to 15% by the end of 2024**, with further reductions from 2025 into 2027.

According to EY, the cost of this investment could range between $6.6 million and $8.4 million to over the two years of implementation.

## 3. CGIAR Outlook to the end of 2024

Overall, total revenue across the 3 years is relatively stable with an increase of 1% over the 3 years, as seen in Figure 3 below. Looking ahead to 2023 and 2024, a year-on-year increase in pooled funding is expected. In 2023 pooled funding is expected to grow by $16 million in 2023 and a further $11 million in 2024. This is driven by Funders' commitment to the SRG recommendation of increasing their allocation to pooled funding. The total pooled revenue excludes carryover at this stage in the planning process.

In 2023, partly because of Funders shifting their funding to pooled, there is an expected decline in Bilateral funding of $61m. It is also understood that many senior researchers have dedicated a significant share of their time to launch the Initiatives rather than fundraising, as would be the case in a typical year.

Note that 2023 and 2024 funding projections are not the same as budgeted revenue.
The estimated revenue in the budget includes several different elements such as carry over, Center specific pipeline opportunities, varied implementation rates, adjustments to incorporate start dates, etc.
The total revenue appears to decrease by $24 million between 2022 and 2023 budgeted positions.

This amount does not include carryover for W1 pooled funding, which could range between $30 and $60 million. The 2023 final budget will incorporate the final carryover and any other material adjustments by March 2023.

*Figure 3 – CGIAR Budget & Financial Projections (2022 to 2024)*

| CGIAR | 2022 Budget $ 'm | 2023 Plan $ 'm | 2024 Plan $ 'm |
|---|---|---|---|
| **Revenue** | | | |
| Pooled | 315 | 331 | 342 |
| Window 3 | 207 | 224 | 192 |
| Bilateral | 409 | 348 | 405 |
| Other | 17 | 20 | 18 |
| **Total Revenue** | **947** | **923** | **958** |
| | | | |
| **Expenditure** | | | |
| Research Expenses | 795 | 752 | 787 |
| Indirect Expenses (Centers) | 99 | 117 | 110 |
| Indirect Expenses (CGIAR) | 22 | 17.1 | 16.5 |
| Integration Costs | 39 | 40.4 | 46.0 |
| **Total Expenditure** | **955** | **927** | **960** |
| | | | |
| **Surplus / Deficit** | (7.3) | (4) | (2) |
| | | | |
| **Overhead Rate** | **17.0%** | **16.4%** | **16.4% *** |
| | | | |
| **Potential Savings from IPS project** | | | 20 |
| **Revised Overhead – Post Savings / Investment** | | | **15.0%** |

**** 2024 Overhead Rate is based on estimated 2023***

The net position across Centers is expected to decrease year on year, from a 2022 budgeted deficit of $7.3 million to a planned deficit of $2 million in 2024. Furthermore, the average overhead rate is expected to decrease from 17% in 2022 to 16% in 2023. This is primarily driven by a shift of staff into the matrix structure which is currently partially funded through pooled funding.

If signature of the IFA is achieved by year end, and investments are secured early in 2023, there is a potential that savings from the Integrated Professional Services project may generate further savings that would have a positive impact on the average overhead rate

across centers. It is anticipated that the average overhead rate may decrease further to 15%.

# 4. Budget Approach For 2023

The evolution to an integrated and unified budget will involve a number of steps over time. The medium-term proposed vision (by 2024), is to have an integrated CGIAR budget that is simplified, allocates resources to where accountabilities and responsibilities lie and continues to empower leaders to grow a financially healthy, efficient and impactful CGIAR. The section below outlines the process undertaken for 2023 as well as the key risks and assumptions.

## 4.1 2023 Budget Cycle

The budgeting cycle commenced on 16 August 2022 and is scheduled to conclude in March 2023. The budget process incorporates two phases:

**Phase 1:**

- provides high-level estimates to the AFRC in November for endorsement and recommendation to the System Board in December 2022.
- aggregates all data sources of funding and expenditure across Centers and the System Organization into the new CGIAR operational framework. This data is detailed through an Income & Expenditure account, for 2023 and at a high-level for 2024.
- This phase ends in November 2022 and facilitates the commencement of activities on 1 January; the start of the financial year.

**Phase 2**

- incorporates Funder designations for Initiatives and Platforms obtained in early 2023, into the respective Initiative and Platform budgets; and
- incorporates carryover of unspent and uncommitted funds from 2022 to respective Initiatives and Platforms as governed by designations and Science Group Managing Directors, following the Report-Reflect-Plan process.[4]

Phases 1 and 2 have been developed to support a consistent approach across cost principles and components. This includes a unified Chart of Accounts and set source data for inflation and exchange rates purposes.

The budgeting procedures applied, including the requirements on cost principles and cost components can be found in Appendix 2 of this paper.

[4] The Report-Reflect-Plan process reviews the performance of the Initiatives and Platforms

## 4.2 Key Assumptions

This section outlines further context and assumptions made in developing the Operational Budget.

- **Baseline –** The 2022 budget and forecast are used as a baseline for estimating revenue, expenditure and indicative growth targets for 2023.
- **Funding targets –** The 2023 budget has been prepared on the assumption that Funders deliver on their Window 1 indications and Windows 3 / Bilateral targets are achieved. A conservative approach has been adopted for this assumption.
- **Carryover pooled funding –** Carryover (specific to pooled funding) is assessed at the start of the following financial year, when more information is available. It is too early in the Initiatives and Platform life cycle to reasonably determine expected spend per Initiative, per year, with an approximate degree of accuracy.
- **Enabling Environment –** The Operational Budget assumes that an appropriate authorizing environment in the form of a signed CGIAR Integration Framework Agreement (IFA) and associated implementing instruments will be in place. These implementing instruments empower the leadership under the CGIAR matrix structure with the necessary flow of approvals and funds, to deliver on the 2030 Research & Innovation Strategy and, pathways to growth and efficiencies.
- **Internal transactions –** the aggregated CGIAR overhead rate is 16%. It excludes System Entities costs, which are incurred in the delivery of core functions to the wider CGIAR. These costs are funded primarily through CSP and W1 portfolio funding[5],[6].
- **Two-year projections –** are based on funder indications for pooled funding and Window 3 and Bilateral funding projections from Centers.
- **Exchange Rate and Inflation –** CGIAR Centers and the System Organization have used their projected inflation and forward foreign exchange rate assumptions when preparing their budgets. These rates are from recommended sources included in the budget procedures, to ensure comparability.
- **Costing methodology –** Each CGIAR Center has prepared the budgets using their calculated overhead rates and cost allocation methodologies, based on CGIAR Cost Principles and Indirect Cost Guidelines. Due to the changing environment in 2023, the overhead rates will be reviewed regularly to ensure correct charging of overheads.

[5] Cost Sharing Percentage (CSP) is the annual cost-sharing allocation that is charged to all funds to cover the cost of the CGIAR entities

[6] Window 1 hold funds for the entire portfolio of CGIAR wide investments. These are approved by the System Council, supporting the CGIAR as a whole.

## 4.3 Key Risks in relation to budget objectives

- **Impact delivery risk:**
  - **Bilateral / Window 3 projects –** in relation to the use of Pooled funds for purposes beyond their intended scope. This risk arises as Pooled funding can no longer be utilised beyond its scope and co-finance Bilateral / Window 3 projects, or other investments. The potential impact of this risk is on Centers reserves, cashflow and decision to proceed with certain co-finance projects. Centers will need to evaluate how to absorb costs that were previously partially recovered by Pooled funding.

- **Financial risk:**
  - **Macroeconomic –** Challenges for 2023 include soaring inflation, unexpected exchange fluctuations, rising global commodity prices, and untimely delivery of goods and services. While COVID-19 impact has largely subsided, the negative economic impact is still evident. An extended macroeconomic downturn may affect overall funding targets and increase delivery costs further. We anticipate an increase in net cost of 5% in 2023.
  - **Financial Sustainability –** There is a risk that Center reserves will be required to cover an increasing proportion of Centers Institutional cost[7]. This risk may occur due to a shortfall in unrestricted funding or other types of revenues which historically have been utilised for Institutional costs. The impact of this risk is on Centers reserves declining over time, which may lead to financial going concern issues.
- **Infrastructure risk:**
  - **Capital Expenditure –** There continues to be significant underinvestment in capital infrastructure across Centers, due to a lack of sufficient or appropriate funding. The impact of this underinvestment is an inability to divest capital assets and/or ensure existing assets are adequately maintained, fit for purpose and compliant.
- **Integration risk:**
  - **IFA –** Delays in the approval of the IFA have direct implications on the ability to deliver the stated pathways to growth and efficiencies. The impact in the context of the financial plan is that CGIAR senior leaders will have limited ability to drive effectiveness and efficiencies across CGIAR, as there remains restrictions on the ability to make strategic decisions

[7] Includes legacy assets (e.g. farms), ancillary costs (such as accommodation and catering facilities), and strategic assets (such as fishponds and insect farms).

# 5. 2023 Operational Budget

### Key Highlights

Revenue of $923 million is estimated for 2023 which is a decrease of $24 million (or approximately 2.6%) compared to revenue of $947 million in 2022. This is driven by a reduction in bilateral funding from 2022 budget of $61 million, as stated in Section 3 of this paper.

Expenditure of $927 million is estimated for 2023 which is a decrease of $28 million (or approximately 2.9%) compared expenditure of $954 million in 2022. This is predominantly driven by the reduction in revenue.

A deficit of $7.3 million is forecast for 2022 with a lower deficit of $3.8 million forecast in 2023. This is an improved position from 2022 and driven potentially by a reduction in indirect costs at Center level, as an increasing number of senior leaders shift to the matrix structure which is funded through System Entities and not overhead.

The analysis in Figure 4 below provides additional information on the revenue sources and expenditures in this budget.

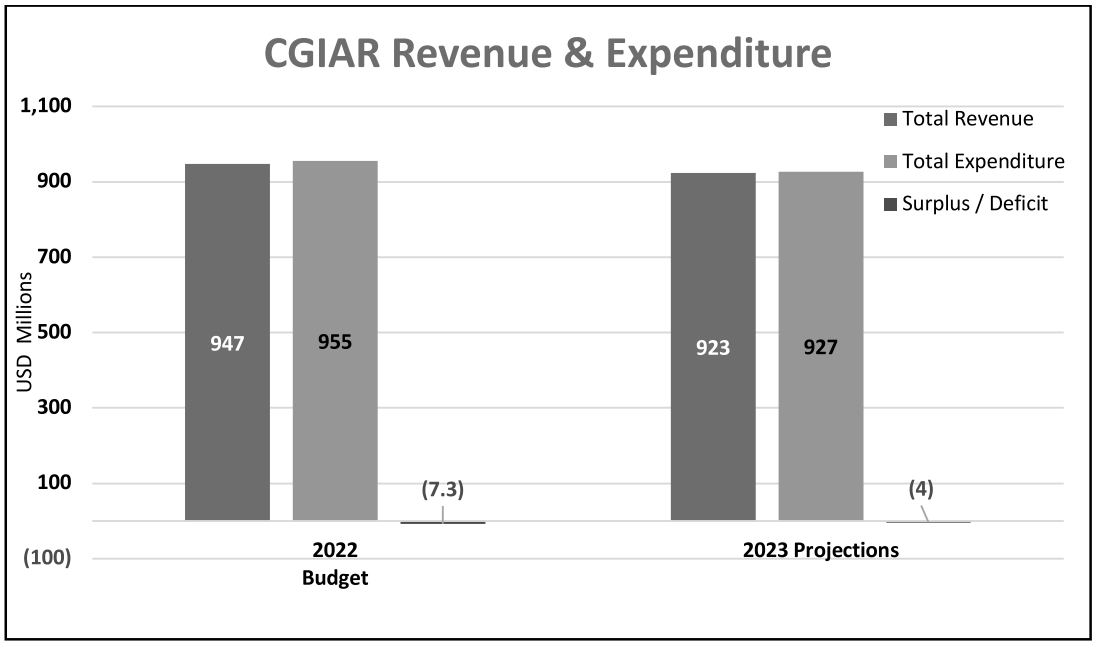



*Figure 4 – Revenue & Expenditure 2022 / 2023*

## 5.1 Revenue

Total aggregate CGIAR revenue of $923 million for 2023 is comprised of Pooled funding of approximately $331 million (36%), Bilateral funding of $349 million (37%), Window 3 funding of $224 million (24%) and Other revenue of $20 million (2%).

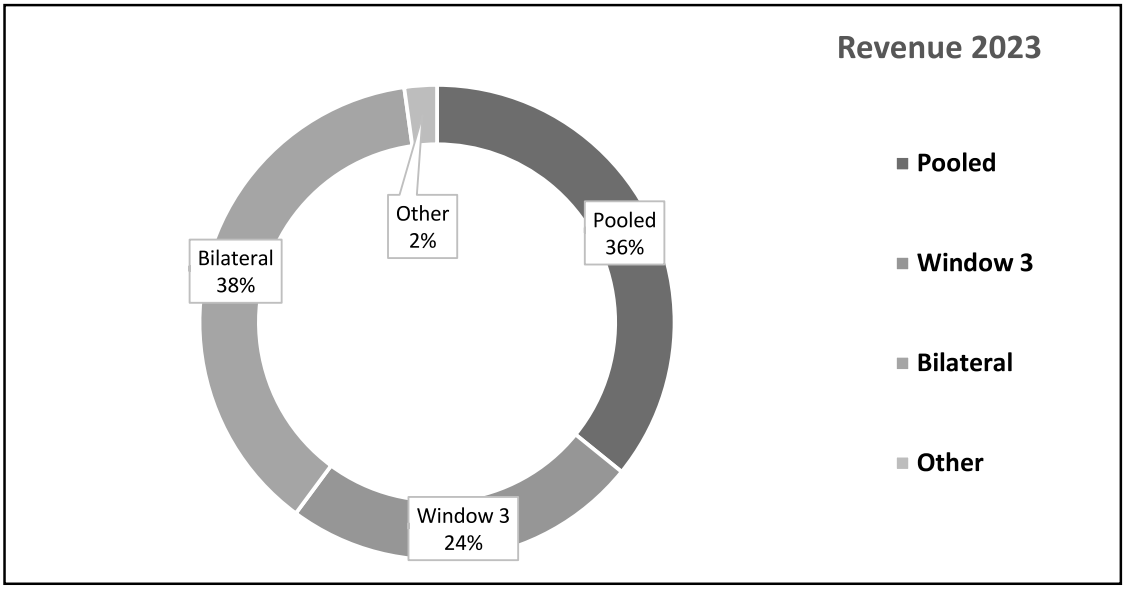



*Figure 5 – Revenue Types 2023*

## 5.2 Expenditure

Expenditure of $934 million for 2023 is comprised of Research Expenses of $760 million (81%), Indirect Expenses for Centers of $117 million (13%), Indirect Expenses for CGIAR of $17.1 million (2%) and Integration Costs of $40.4 million (4%).

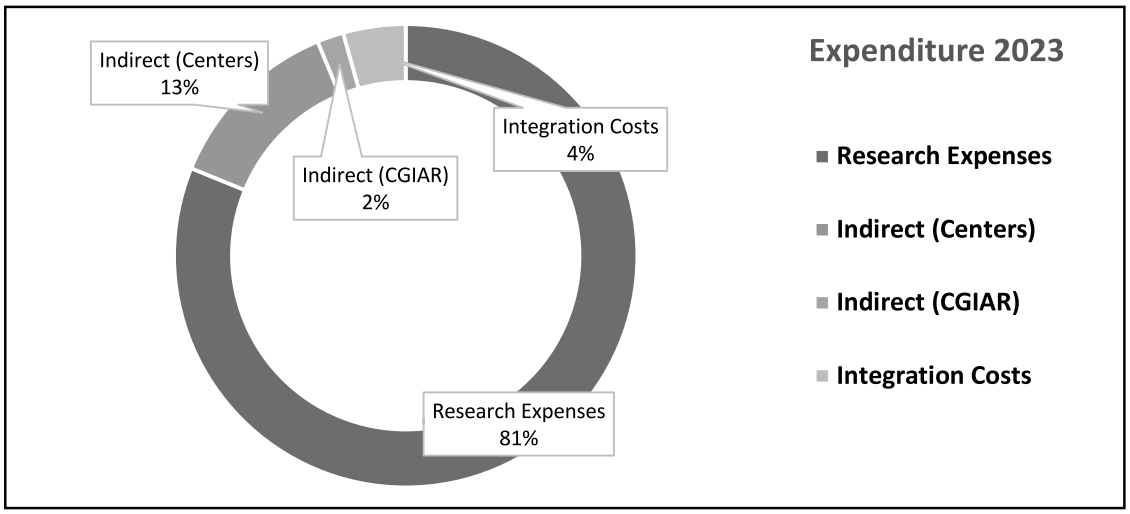



*Figure 6 – Expenditure 2023*

### 5.2.1 Overhead Rate

The overhead rate can be defined as a device for determining fairly, what proportion of indirect cost each project or research activity should incur. Indirect costs are general management and administrative expenses that support the entire operation, are shared across the entire project portfolio and would be incurred regardless of whether the grant is funded e.g., Board of Trustees, Director General, Legal, Finance, Human Resources, etc.

The overhead rate chart below represents the overhead rate per Center (as a legal entity) between 2019 to the projected overhead rate in 2023[8]. Over the 5-year period, overhead rates across Centers have ranged from a low of 11.7% to a high of 20.9%. The overhead rate across CGIAR is comparatively low when compared to research organizations with large physical assets such as farms and laboratories[9].

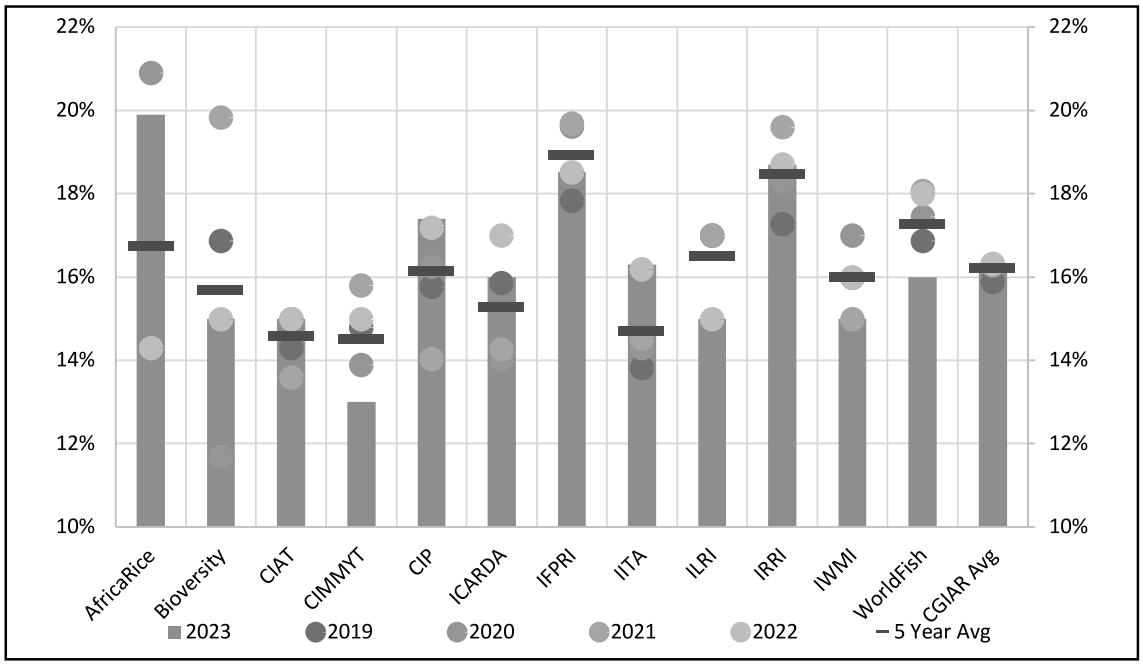



*Figure 7 – Overhead Rates between 2019 and 2023*

[8] Please note, each Center has an Overhead rate for each year between 2019 to 2023 and is represented by a colour dot. If a colour dot is not visible for a Center it means the Overhead rate was consistent with another period. E.g. Africa Rice had an overhead rate of 14.3% in 2019, 2021 and 2022 (Yellow dot) and 20.9% in 2020 (Orange dot)

[9] In 2016 the Bridgespan group completed a study on the cost structure for 20 not-for-profit organizations across four different sectors. CGIAR overhead rate was below all other organisations sampled and significantly below other research organisations, whose overhead rate ranged from 39% to 90%.

Overhead rates are influenced by multiple factors which impact each Center by varying degrees; these have been summarized in Figure 8 below. Additional details which explain these factors in more depth can be found in the "Cost structure and overheads" paper.

| Funder Agreements | Funding Mix | Legacy Assets | Ancillary Costs | Strategic Asset Costs | Inappropriate authorising environment |
|---|---|---|---|---|---|
| Each agreement can have unique terms and conditions, which includes specifying allowable costs and setting a limit to an overhead rate limit for that individual project, which at times is below the Center overhead rate. | As Pooled funding has become more projectized, previous Bilateral / Window 3 projects that were based on co-financing agreements may encounter challenges to proceed or be required to utilize reserves to bridge the co-financing gap. | Legacy assets are infrastructural assets related to historic country agreements that are currently not being utilized or are under-utilized. The cost of legacy assets that are not fully recovered through research can impact a Centers overhead rate by increasing the rate. | Some Centers have ancillary services to support research such as accommodation, catering, and leisure activities. These costs may not be fully recovered by funding for on-going research on a yearly basis and can have an impact on increasing an Entities Overhead rate and / or impacting a Entities reserves. | Some Centers have assets, strategic in nature, and integral to the value proposition of that Center e.g., Fishponds or insect farms. The cost of these Strategic Assets may not be fully recovered through research and therefore the costs would need to be recovered as an indirect cost and/or from a Centers reserves. | Following the SRG recommendation in 2019 for the integration of CGIAR's Centers under one organization & matrix structure, there has been no shift in authority to better support the matrix structure. This in turn hinders leaders ability to play more than an influential role in managing overheads. |

*Figure 8 – Factors Influencing overhead rates*

### 5.2.2 System Entities

CGIAR System Entities[10] provide, variously, governance and oversight, management and independent assurance and advisory activities.

While the cost of System Entities are indirect costs in nature, they are not paid for by applying an overhead rate as is the case of the costing model for Centers. Instead, System Entities costs are funded from Window 1 of the CGIAR Trust Fund. The source of those Window 1 funds includes undesignated funder contributions into Window 1 and the proportional reimbursement to Window 1 the funds that are collected from the application of a Cost Sharing Formula that applies a uniform Cost Sharing Percentage (CSP)[11] to all Window 3 and bilateral funding.

As CGIAR moves to operate as an increasingly integrated manner to deliver on its 2030 Research and Innovation Strategy, from the 2023 update, CGIAR's 3-year Financial Plan will

[10] CGIAR System Cost Financing Policy - System Entities

[11] Cost Sharing Percentage (CSP) is the annual cost-sharing allocation that is charged to all funds according to the CGIAR System Cost Financing Policy to cover the cost of the CGIAR System Entities. Once collected, the CSP it is deposited to Window 1.

present increased clarity of sources of funds, and align uses of funds according to governance costs, assurance costs, and operational costs.

Table 9 (below) presents those 'uses' into three groups[12]:

a. CGIAR system-wide governing bodies: the System Council, the System Board, and their respective committees;
b. Independent advice and assurance functions: including CGIAR's Independent Science and Development Council ('ISDC'), the Standing Panel on Impact Assessment ('SPIA'), and the Independent Advisory and Evaluation Service unit – together described as 'IEAS' in the table below; Internal Assurance Services (internal audit) and Ethics and Business Conduct; and
c. CGIAR System Organization: incorporating the operational costs of the System Organization and the costs of the Trustee of the CGIAR Trust Fund, as well as the costs to further CGIAR's operational strategy of working as 'One CGIAR' through an integrated operational structure ('One CGIAR Implementation Costs').

Table 9 reflects that:

- The marginal increase in the proposed 2023 budget for the **CGIAR System-wide governing bodies budget group** is due to the resumption of in person System Board and System Council meetings and events post-pandemic, as well as an increase to staff costs in 2024 due to inflation.

- In the **Independent Advisory and Assurance Functions budget group,** IAES costs (that include the costs of CGIAR's Independent Science for Development Council, and its Standing Panel on Impact Assessment) are forecasted to be lower at the end of 2022 than budgeted, as 2022 activities were mainly dedicated to supporting the design of new impact assessment methods for the Initiatives. Costs are expected to increase in 2023 in line with cycle of review and approval of research and innovation. Lower costs are then expected again in 2024, resulting from the review of the IAES strategy and recalibration of SPIA costs.

- The budget for Internal Assurance Services is proposed to increase to by $0.4 million to $1.2 million for 2023 related to the appointment of a CGIAR Global Chief Audit Executive and a revised internal audit structure. A similar budget is expected in 2024.

- The budget for CGIAR's Ethics and Business Conduct function is proposed to increase to $1.2 million in 2023 from $0.5 million in 2022. This anticipates the provision of cross-CGIAR training and outreach, confidential and individualized advice, policy development and other activities

- 69% of projected 2023 **System Organization budget group** costs relate to the 'One CGIAR implementation costs', articulated into three sub-categories. While the

[12] Since 1 July 2016, the uses of funds have been presented in only two groups of budget categories – 'System Council budget group' and 'System Organization Budget Group'

integration costs will be phased out over time, the global staff costs are anticipated to remain, through potential sharing across the Centers. In the future, the vision is that staff and other costs related to CGIAR's integrated matrix structure could be shared across Centers for services delivered, through Service Level Agreements or other similar mechanisms.

- The System Organization 'operational costs' are expected to reduce by approximately 46% in 2023 compared to 2022 as senior leaders move to the matrix structure. This pattern is seen across Centers where senior leaders entirely or partially shift to the matrix structure, impacting positively on the overhead rate.

| Funding Sources & Uses | 2022 Budget | 2022 Forecast | 2023 Budget | 2024 Budget |
|---|---|---|---|---|
| | $'m | $'m | $'m | $'m |
| **Sources of Funds:** | | | | |
| Estimated W1 carry-forward | 0.0 | 0.0 | 14.7 | 0.0 |
| Dedicated integration funds | 15.8 | 8.2 | 9.4 | 2.4 |
| Cost Sharing Percentage (CSP) | 13.5 | 16.1 | 14.5 | 19.1 |
| W1 contribution to costs ('Global Budget' as per FINPLAN) | 31.1 | 9.7 | 20.8 | 27.0 |
| Bilateral / Other revenue | 0.5 | 0.0 | 0.5 | 0.0 |
| Fundraising Target | 0.0 | 0.0 | 0.0 | 16.4 |
| **Total Sources of Funds:** | **60.9** | **34.0** | **59.9** | **64.9** |
| | | | | |
| **Use of Funds:** | | | | |
| **CGIAR System-wide governing bodies** | | | | |
| System Council & committees | 1.4 | 1.4 | 1.6 | 1.7 |
| System Board & committees | 1.0 | 1.0 | 1.3 | 1.3 |
| **Subtotal** | **2.4** | **2.4** | **2.9** | **3.0** |
| | | | | |
| **Independent advice and assurance functions** | | | | |
| Independent Advisory & Evaluation Services (IAES) | 7.6 | 5.3 | 8.0 | 7.0 |
| Internal Assurance Services | 0.8 | 0.8 | 1.2 | 1.2 |
| Ethics and Business Conduct | 0.3 | 0.5 | 1.2 | 1.3 |
| **Subtotal** | **8.7** | **6.7** | **10.4** | **9.5** |
| | | | | |
| **System Organization** | | | | |
| **Operational costs** | **10.8** | **9.6** | **5.0** | **5.3** |
| **One CGIAR implementation costs** | **39.0** | **15.4** | **41.6** | **47.0** |
| Global Staff costs (within matrix) | *17.8* | *8.1* | *24.9* | *30.7* |
| Integration consultancy costs | *14.2* | *5.9* | *8.8* | *8.3* |
| Other integration costs (meetings, travel, facilities, support costs, etc.) | *6.9* | *1.4* | *7.9* | *8.0* |
| **Subtotal** | **49.8** | **25.0** | **46.6** | **52.3** |
| **Total Uses of Funds:** | **60.9** | **34.0** | **59.9** | **64.9** |
| | | | | |
| **Residual Balance** | **0.0** | **0.0** | **0.0** | **0.0** |

*Table 9 – Funding Source & Uses*

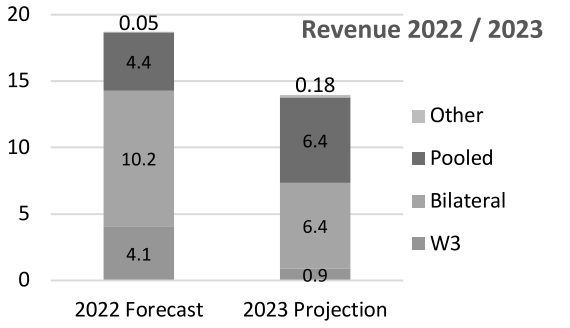
## 5.3 Center Analysis

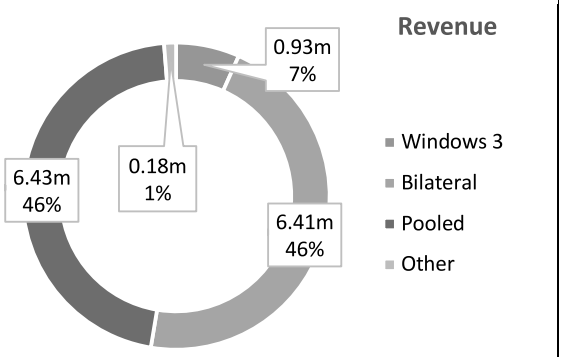
This section provides a summary of the 2023 budget from a Center specific perspective. It sets out the 2023 position on revenue, expenditure and net position, using 2022 as a comparator.

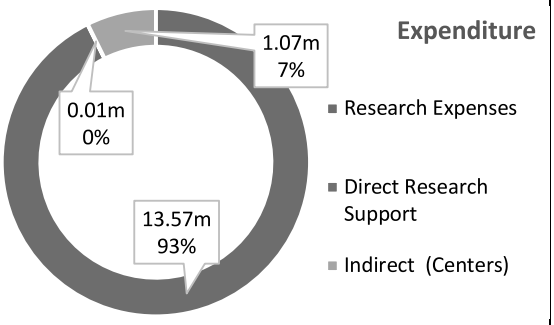
| Budget 2023 - $'m | Revenue | Expenditure | Surplus / Deficit | Overhead Rate |
|---|---|---|---|---|
| AfricaRice | 13.94 | 14.64 | -0.70 | 19.9% |

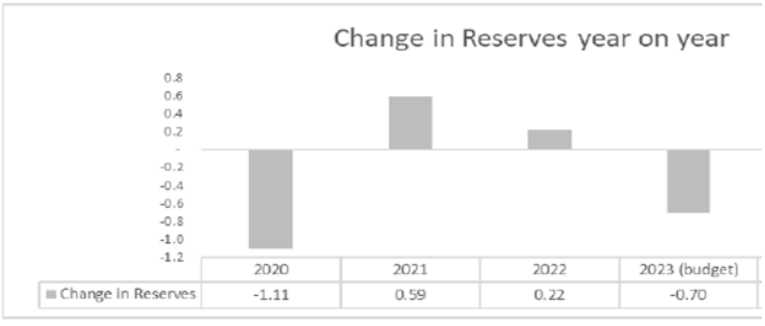
**High-level commentary:**

- **Total Revenue:** Overall, a decrease in total revenue from 2022 to 2023 of $4.7 million, driven by a reduction in bilateral projects.
- **Pooled funding**: The flow of funds in 2022 for AfricaRice was $6.2 million. The forecasted revenue is estimated at $4.4 million, indicating a potential underspent of $1.8 million. In 2023 the flow of pooled funds is estimated at $6.4 million, a marginal increase, as a result of an additional allocation of funds for the Market Intelligence Initiative.
- **Window 3 and Bilateral:** revenue of $7.3 million has reduced by 50% from 2022 due to the termination of large bilateral grants such as GIZ-CORIS ($3.0m), EU-DESIRA ($0.9m), MasterCard ($1.3m) and IFAD PRUNSAR ($1.0m). Further, the level of funding from a BMGF project has reduced by ($1.0m). The projections included in the budget are conservative as AfricaRice is actively pursuing new funding from projects in the pipeline and sees the opportunity for upward adjustments next year.
- **Reserves** are projected to decline by $0.7 million in 2023, until AfricaRice ascertains the status of pipeline projects.



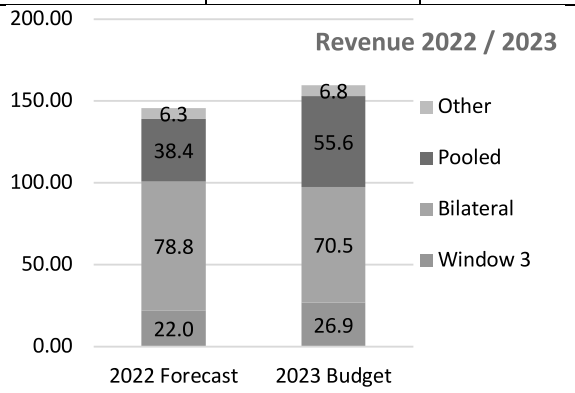



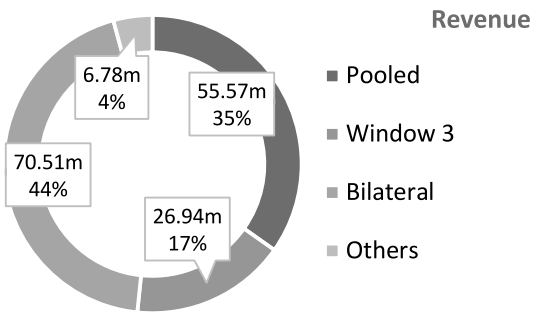



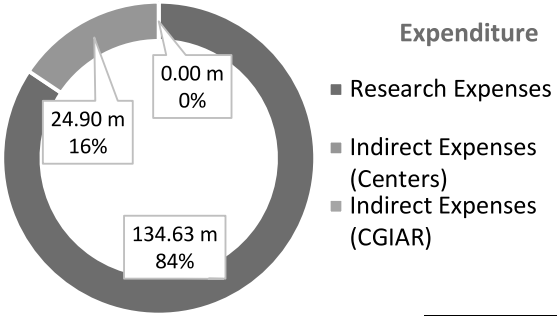
| Budget 2023 - $'m | Revenue | Expenditure | Surplus / Deficit | Overhead Rate |
|---|---|---|---|---|
| Alliance | 159.79 | 159.53 | 0.26 | 15% |

**High-level commentary:**

- **Total Revenue:** Overall, an increase in total revenue from 2022 to 2023 of $14.3 million.
- **Pooled funding**: The flow of funds in 2022 for the Alliance was $50.7 million. The forecasted revenue is estimated at $38.4 million, indicating a potential underspent of $17.2 million. In 2023 the flow of pooled funds is estimated at $55.6 million following additional allocation primarily to the Fragility ($1.4m), Accelerated Breeding ($0.8m) and Genebanks ($2m) Initiatives.
- **Window 3 and Bilateral:** broadly similar to 2022 forecast, with a marginal decrease from $100.8 million to $97.4 million. The funding confidence is high with 75% of the portfolio made of ongoing signed projects, 15% approved and pending signature and 10% estimated with high likelihood of being secured.
- **Reserves:** projected to increase by $0.26 million in 2023 continuing the trend from recent years.



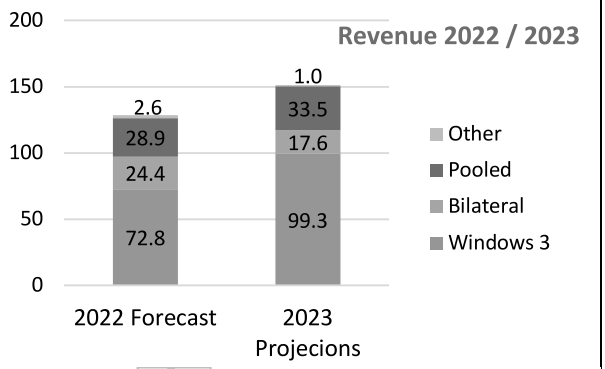



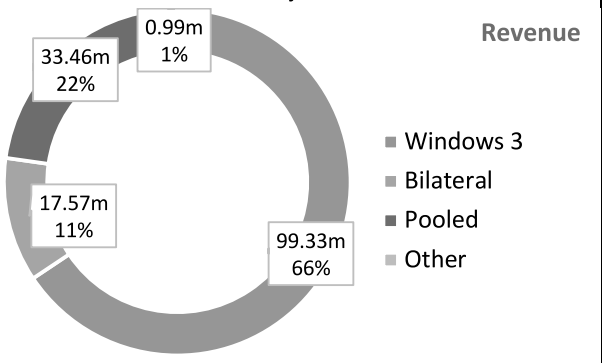


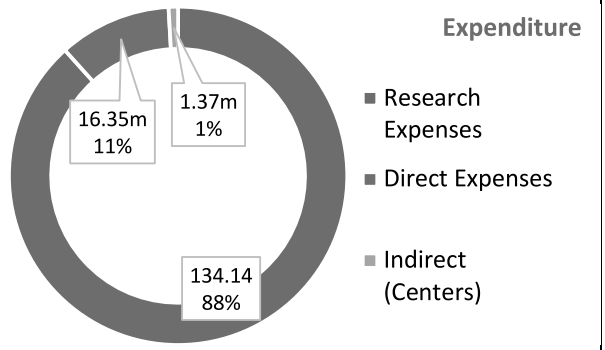

| Budget 2023 - $'m | Revenue | Expenditure | Surplus / Deficit | Overhead Rate |
|---|---|---|---|---|
| CIMMYT | 151.35 | 151.86 | -0.51 | 13% |

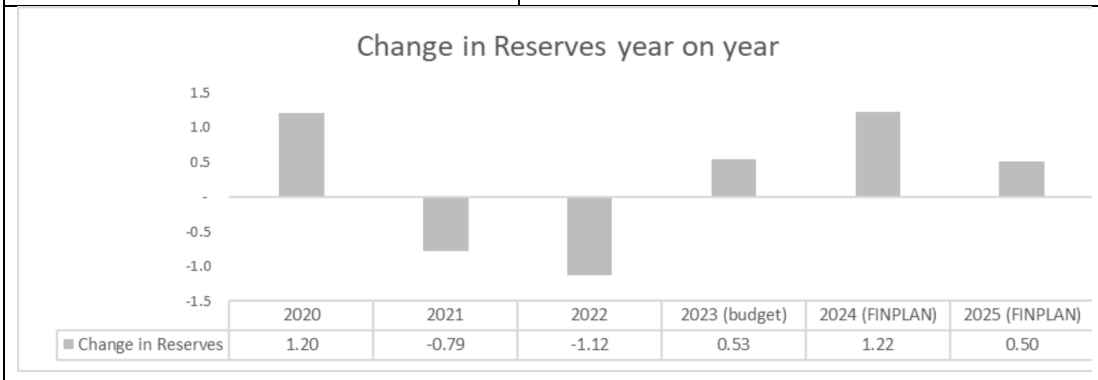
**High-level commentary:**

- **Total Revenue:** Overall, an increase in total revenue from 2022 to 2023 of $22.8 million.
- **Pooled funding:** The flow of funds in 2022 for CIMMYT was $34.6 million. The forecasted revenue is estimated at $28.9 million, indicating a potential underspent of $5.7 million. In 2023 the flow of pooled funds is estimated at $33.5 million due to the shift of the Breeding Resources initiative funding to Window 3.
- **Window 3 and Bilateral:** increasing from the 2022 forecast of $97.2 million to $116.9 million. The two major projects contributing to this position is the incoming MasAgro for Africa project and ($27m) and Crops to End Hunger ($24.4m).
- **Reserves** are projected to increase by $0.53 million in 2023 driven by the overall increase in revenue.



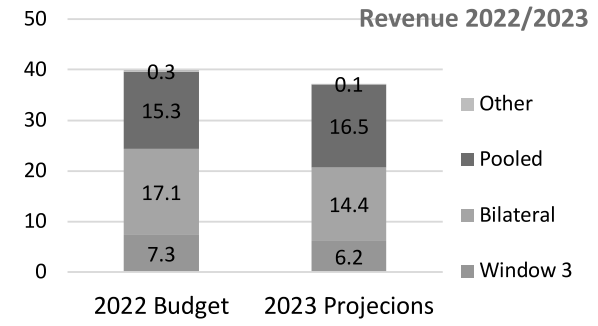



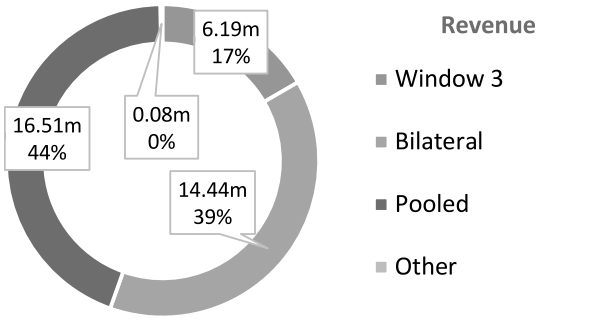



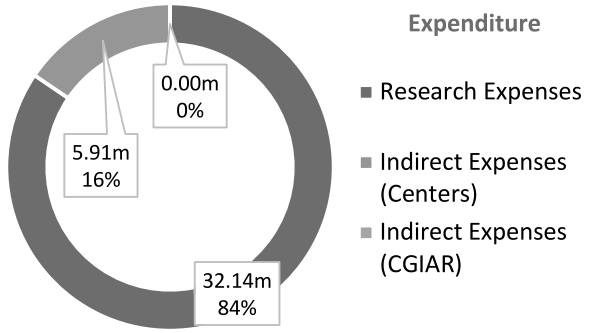
| Budget 2023 - $'m | Revenue | Expenditure | Surplus / Deficit | Overhead Rate |
|---|---|---|---|---|
| CIP | 37.21 | 38.05 | -0.84 | 17% |

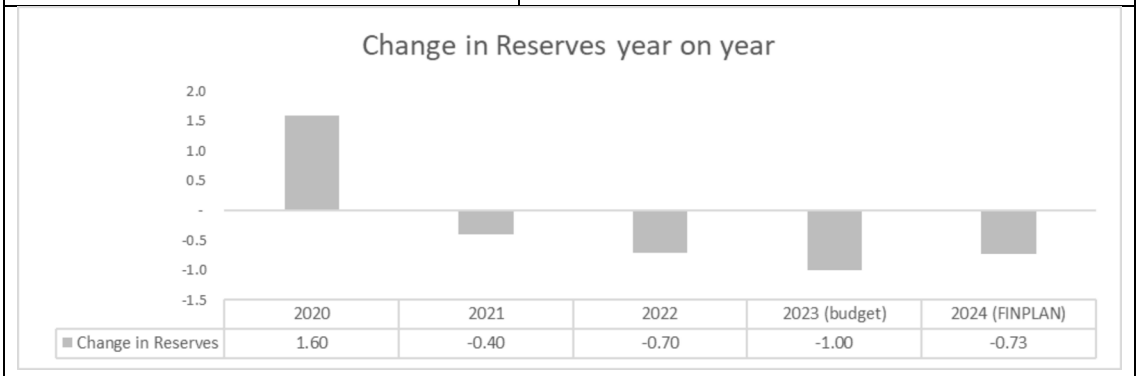
**High-level commentary:**

- **Total Revenue:** Overall, a decrease in total revenue from 2022 to 2023 of $2.7 million, driven by a reduction in Window 3 and Bilateral projects.
- **Pooled funding**: The flow of funds in 2022 for CIP was $16.1 million. The forecasted revenue is estimated at $15.3 million, indicating a potential underspent of $1.1 million. In 2023 the flow of pooled funds is estimated at $16.5 million.
- **Window 3 and Bilateral:** decreasing from the 2022 forecast of $24.4 million to $20.6 million in 2023. This decrease is mainly driven by a number of projects ending in 2022.
- The preliminary deficit will reduce the reserves and are caused by a number of factors including disallowable costs (GIZ), currency losses (mostly EU and Rupee), and Kenya laboratory deficit. The resulting $0.8 million deficit in 2023 represents the combination of investments and losses above plus a potential indirect cost recovery gap.



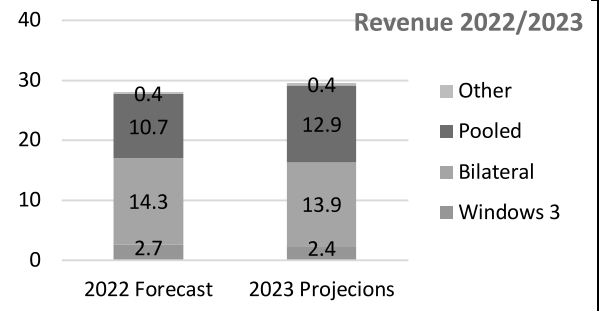



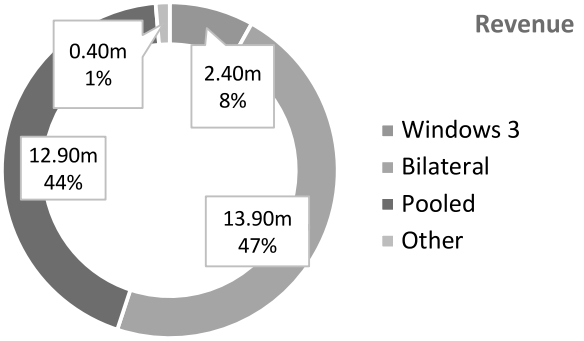



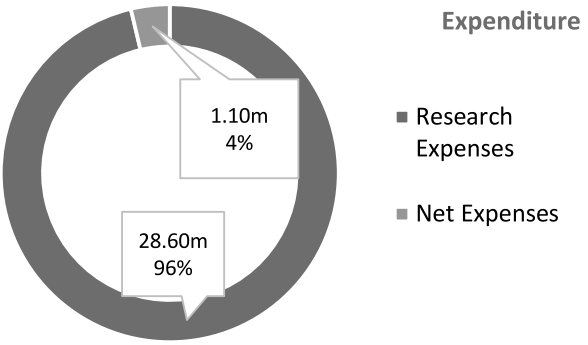
| Budget 2023 - $'m | Revenue | Expenditure | Surplus / Deficit | Overhead Rate |
|---|---|---|---|---|
| ICARDA | 29.60 | 29.60 | 0.00 | 16% |

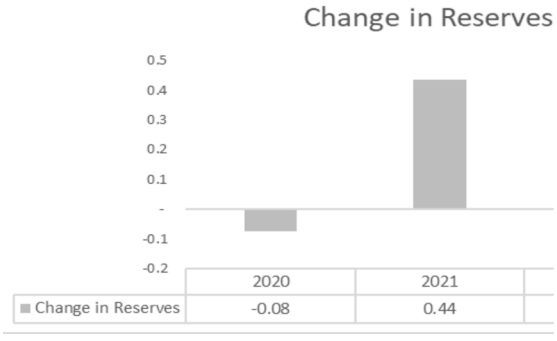
**High-level commentary:**

- **Total Revenue:** Overall, an increase in total revenue from 2022 to 2023 of $1.5 million as a result of increase flow of pooled funds.
- **Pooled funding**: The flow of funds in 2022 for ICARDA was $13.4 million. The forecasted revenue is estimated at $10.7 million, indicating a potential underspent of $2.7 million. In 2023 the flow of pooled funds is estimated at $12.9 million mainly due to the shift of Breeding Resources initiative funding to Window 3.
- **Window 3 and Bilateral:** decreasing from the 2022 forecast of $17.0 million to $16.3 million in 2023. The 2023 budget is composed of current grants available for implementation in 2023, including $3.1 million carryover from 2022, estimated funding of $2.5 million for Accelerated Breeding and a conservative pipeline of $1.9 million, but with a high likelihood for upward adjustments in 2023.
- **Reserves:** the Center is proposing a breakeven budget, but a surplus may be achieved, provided the $2.5 million pooled funding carryover is reallocated to the Center in 2023.



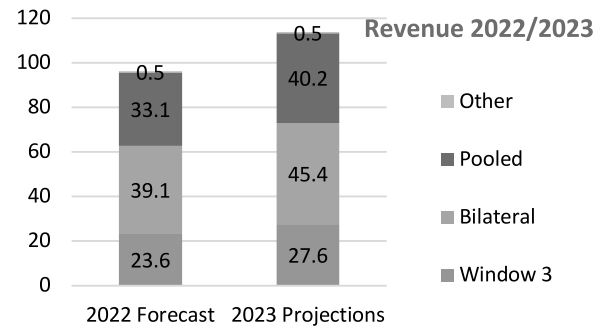



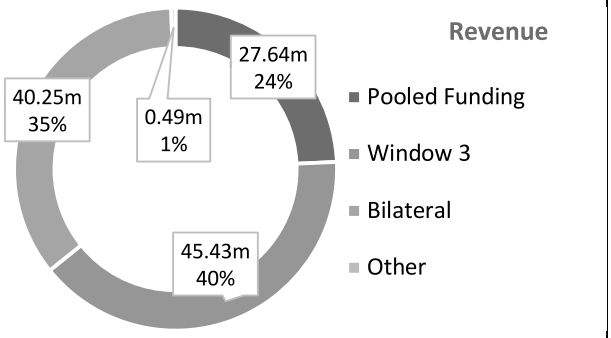



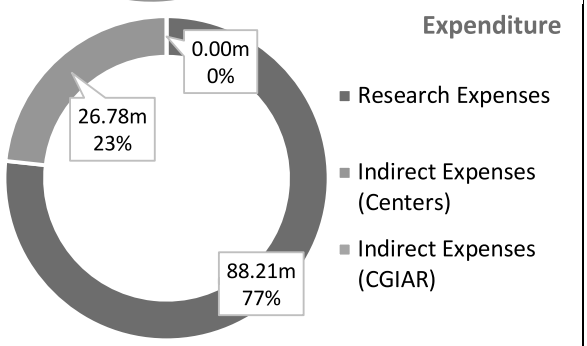
| Budget 2023 - $'m | Revenue | Expenditure | Surplus / Deficit | Overhead Rate |
|---|---|---|---|---|
| IFPRI | 111.49 | 112.69 | -1.20 | 18.5% |

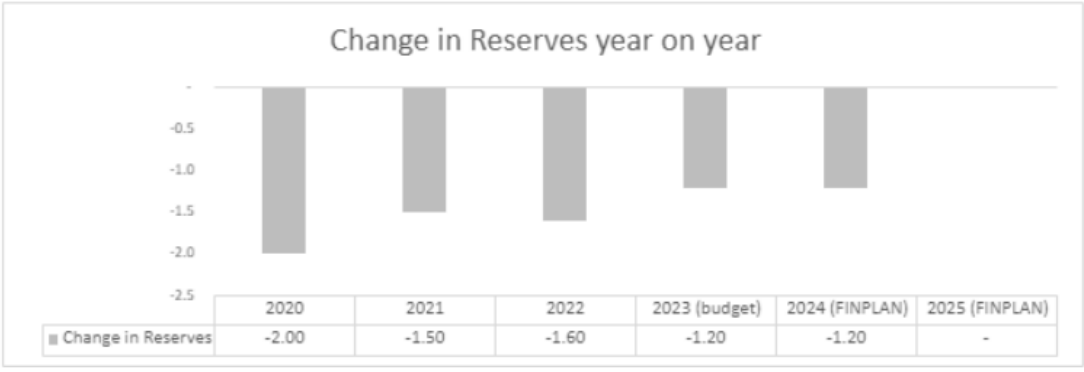
**High-level commentary:**

- **Total Revenue:** Overall, an increase in total revenue from 2022 to 2023 of $17.6 million across all revenue sources.
- **Pooled funding**: The flow of funds in 2022 for IFPRI was $36.6 million. The forecasted revenue is estimated at $33.1 million, indicating a potential underspent of $3.5 million. In 2023 the flow of pooled funds is estimated at $40.2 million, mainly due to the increase in overall funding to System Transformation Initiatives.
- **Window 3 and Bilateral:** increasing from the 2022 forecast of $62.7 million to $73 million in 2023.
- **Reserves:** $1.2 million deficit is forecast in 2023 primarily due to ongoing co-financing commitments of Bilateral and Windows 3 projects.



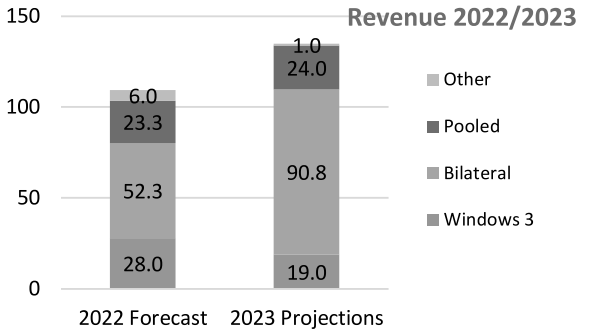



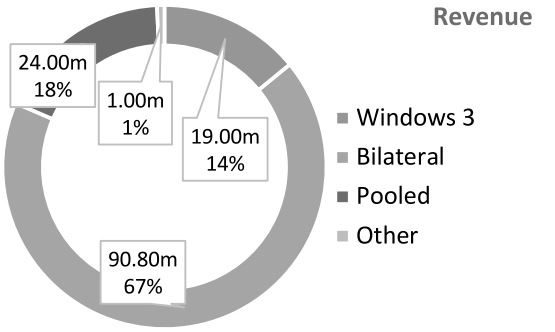



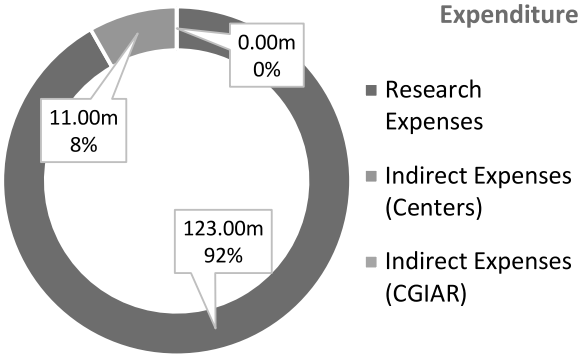
| Budget 2023 - $'m | Revenue | Expenditure | Surplus / Deficit | Overhead Rate |
|---|---|---|---|---|
| IITA | 134.80 | 134.00 | 0.80 | 18% |

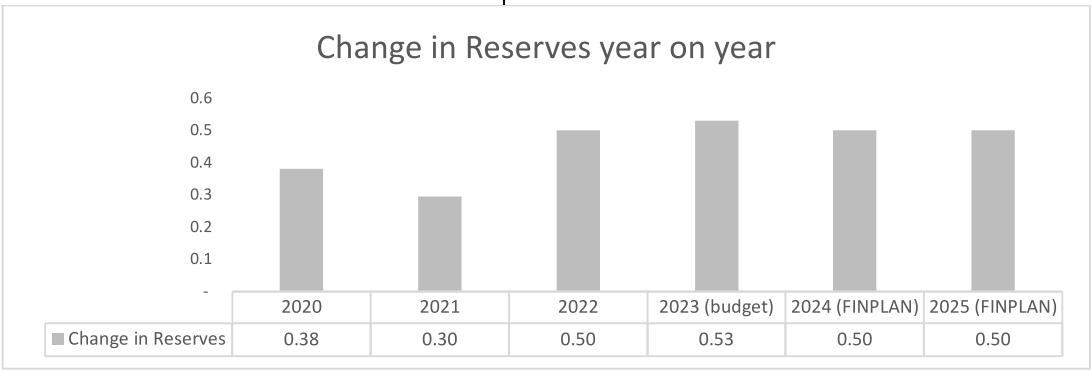
**High-level commentary:**

- **Total Revenue:** Overall, an increase in total revenue from 2022 to 2023 of $25 million primarily from new Window 3 and Bilateral projects.
- **Pooled funding**: The flow of funds in 2022 for IITA was $23.5 million. The forecasted revenue is estimated at $23.0 million, indicating a potential underspent of $0.5 million. In 2023 the flow of pooled funds is estimated at $24 million, following additional allocation to the Accelerated Breeding initiative.
- **Window 3 and Bilateral:** increasing from the 2022 forecast of $81.0 million to $110.0 million in 2023. The budget comprises $95 million of signed agreements and $15 million of pipeline with high likelihood of being approved.
- **Reserves** ITA has low reserves ratios, which leaves the Center exposed to funding related risks. Any challenges in funding have a negative impact on the IITA's finances/performance. Efforts are being geared towards rebuilding reserves by including an element of surplus in the budget since 2020.



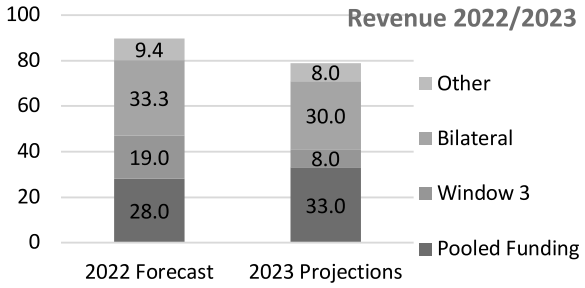



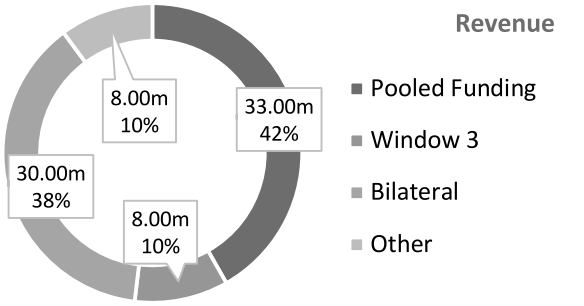



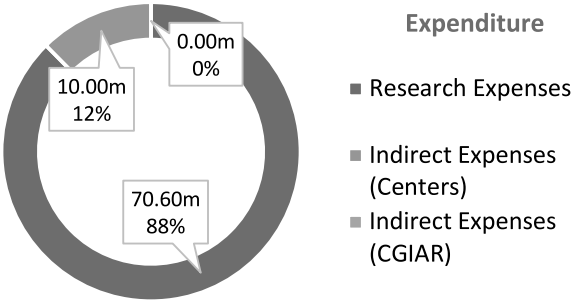
| Budget 2023 - $'m | Revenue | Expenditure | Surplus / Deficit | Overhead Rate |
|---|---|---|---|---|
| ILRI | 79.00 | 80.60 | -1.60 | 15% |

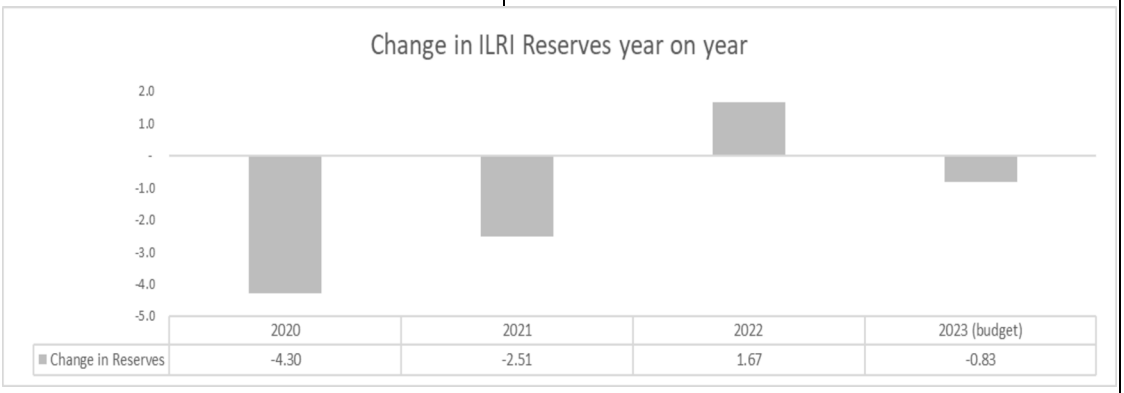
**High-level commentary:**

- **Total Revenue:** Overall, a decrease in total revenue from 2022 to 2023 of $10 million following decreases across all revenue sources.
- **Pooled funding**: The flow of funds in 2022 for ILRI was $33.0 million. The forecasted revenue is estimated at $28.0 million, indicating a potential underspent of $5.0 million. In 2023 the flow of pooled funds is estimated at $32.3 million primarily due to the reduction in Gender Platform funding.
- **Window 3 and Bilateral:** decreasing from the 2022 forecast of $52.0 million to $38.0 million in 2023. The decrease in funding is as a result of projects ending/ended in 2022. The impact of COVID and the Ukraine war has also affected donor priorities and potential investments.
- **Reserves** are being utilized to co-finance strategic projects. It remains of concern on how this can be avoided, without losing potential strategic opportunities. The budgeted reserves for co-financing underfunded projects is $1.1 million in 2023, contributing to the planned deficit of $0.8 million.



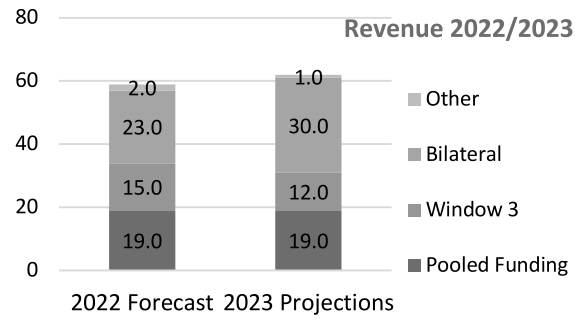



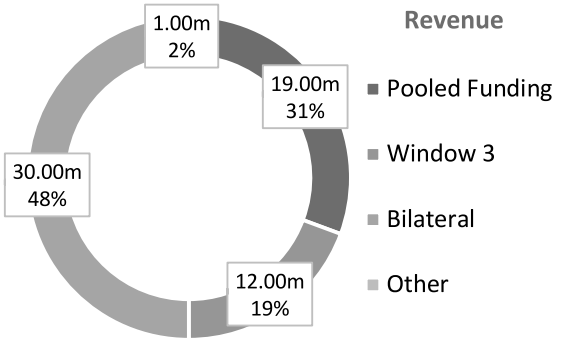



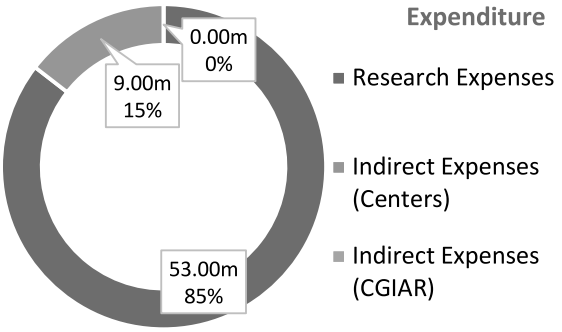
| Budget 2023 - $'m | Revenue | Expenditure | Surplus / Deficit | Overhead Rate |
|---|---|---|---|---|
| IRRI | 62 | 62 | 0 | 18.7% |

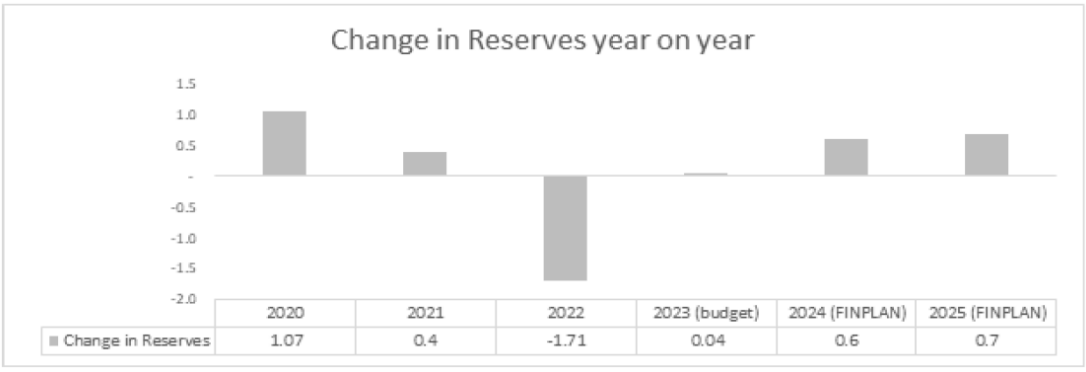
**High-level commentary:**

- **Total Revenue:** Overall, an increase in total revenue from 2022 to 2023 of $3 million following an increase in pooled funding.
- **Pooled funding**: The flow of funds in 2022 for IRRI was $19.4 million, forecasted to be fully spent in 2022. In 2023 the flow of pooled funds is estimated at $19 million primarily due to the reduction in Gender Platform funding.
- **Window 3 and Bilateral:** increasing from the 2022 forecast of $38 million to $42 million in 2023.
- **Reserves:** the Center has budgeted to break even in 2023.



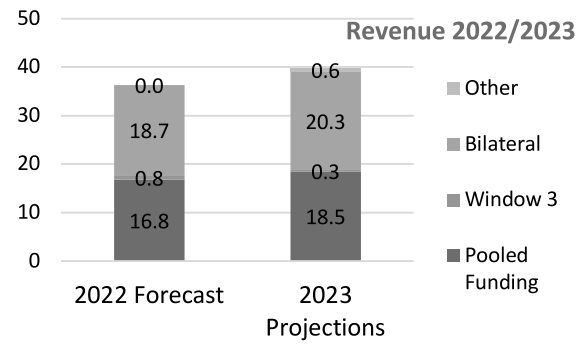



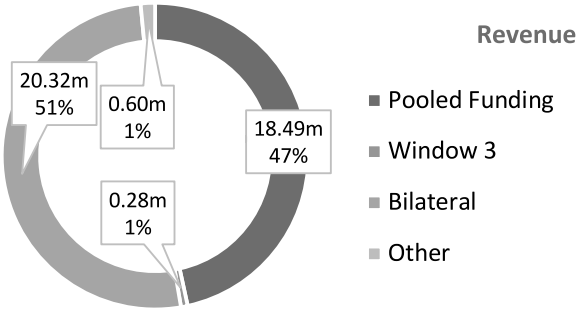



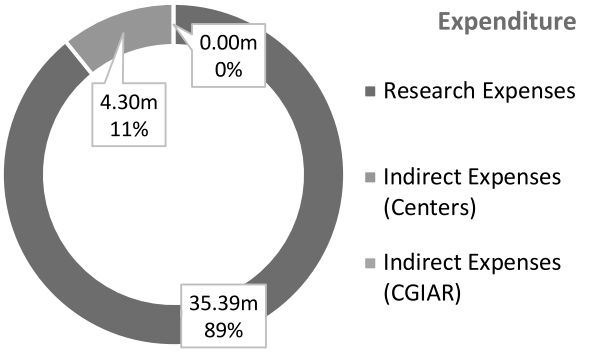
| Budget 2023 - $'m | Revenue | Expenditure | Surplus / Deficit | Overhead Rate |
|---|---|---|---|---|
| IWMI | 39.69 | 39.69 | 0.00 | 12% |

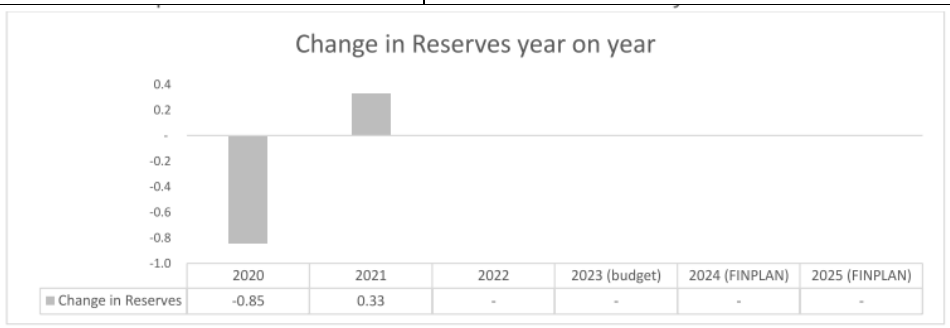
**High-level commentary:**

- **Total Revenue:** Overall, an increase in total revenue from 2022 to 2023 of $3.4 million.
- **Pooled funding**: The flow of funds in 2022 for IWMI was $16.8 million, forecasted to be fully spent in 2022. In 2023 the flow of pooled funds is estimated at $18.5 million following additional allocation to Fragility and Excellence in Agronomy Initiatives.
- **Window 3 and Bilateral:** increasing from the 2022 forecast of $19.5 million to $20.6 million in 2023.
- **Reserves:** the Center has budgeted to break even in 2023.



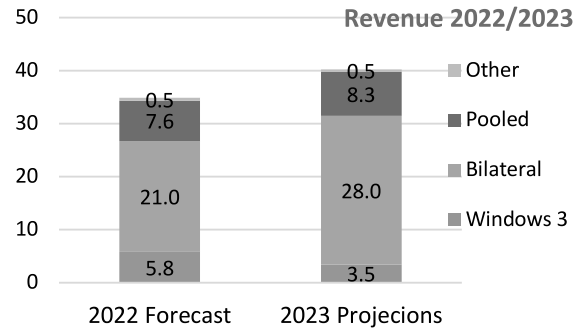



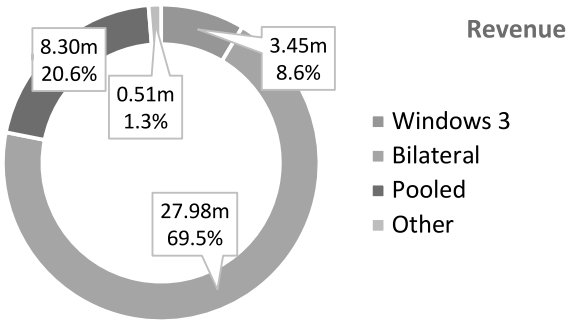

| Budget 2023 - $'m | Revenue | Expenditure | Surplus / Deficit | Overhead Rate |
|---|---|---|---|---|

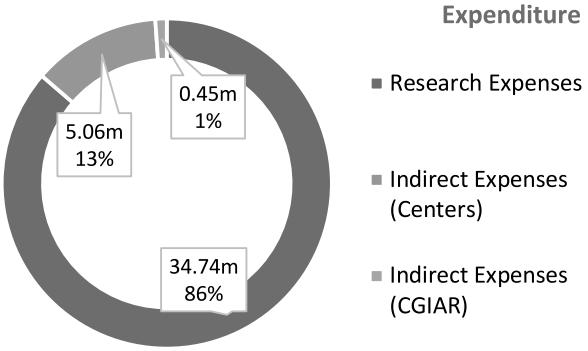
| | | | | |
|---|---|---|---|---|
| **WorldFish** | 40.25 | 40.25 | 0 | 16% |

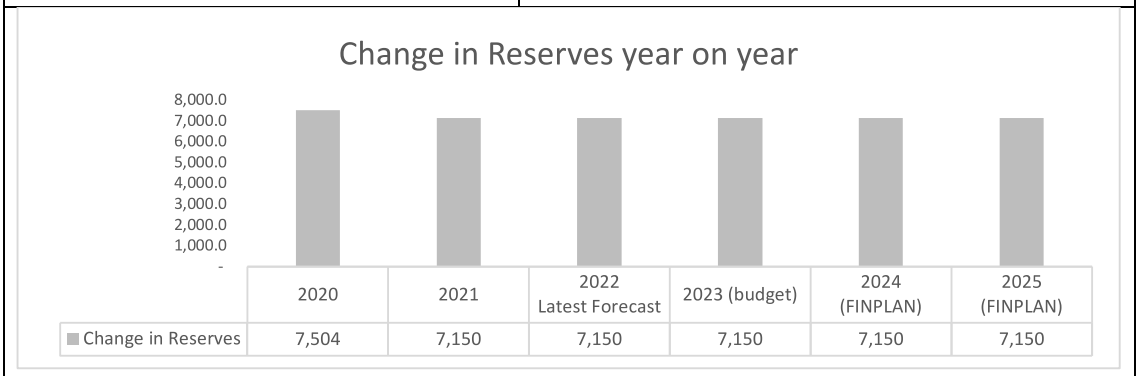
**High-level commentary:**

- **Total Revenue:** Overall, an increase in total revenue from 2022 to 2023 of $5.4 million following a substantial increase in bilateral projects.
- **Pooled funding**: The flow of funds in 2022 for WorldFish was $8.0 million. The forecasted revenue is estimated at $7.6 million, indicating a potential underspent of $0.4 million. In 2023 the flow of pooled funds is estimated at $8.3 million with an increase of $1.0 million in Aquatic Foods and decrease of $0.7 million across other Initiatives.
- **Window 3 and Bilateral:** increasing from the 2022 forecast of $26.8 million to $31.4 million in 2023. Several projects are in the pipeline with a high likelihood of approval in 2023.
- **Reserves:** the Center has budgeted to break even in 2023.




## 5.4 Budget by Science Groups

This section sets out the 2022 forecast against the budget to show the movements across Science groups. As seen in Table 11 below, most science groups have increased in funding apart from Platforms. The adverse variance of $4.3 million is derived from carryover in 2021 for Gender, that was utilized in 2022, showing an artificial reduction in 2023. 2023 budget excludes carryover at this stage.

| 2023 Budget | 2022 Forecast $ 'm | 2023 Budget $ 'm | Variance $ 'm |
|---|---|---|---|
| Resilient Agrifood Systems | 75.8 | 79.7 | 3.9 |
| Systems Transformation | 72.5 | 81.4 | 8.9 |
| Genetic Innovations | 73.8 | 75 | 1.2 |
| Platforms | 14.7 | 10.4 | -4.3 |
| Regional Integrated Initiatives | 25.5 | 25.3 | -0.2 |
| **Total** | **262.3** | **271.8** | **9.5** |

*Table 10 – 2023 Budget Science Groups*

- **Resilient Agrifood Systems - Funding** target of $79.7 million, for 9 Initiatives with an average value of $8 million per Initiative, across 12 Centers in 2023. The variance of $3.9 million against forecast is mainly related to the allocation of $1.5 million to the Excellence in Agronomy Initiative in 2022 for use in 2023.
- **Systems Transformation -** Funding target of $81.4 million, for 12 Initiatives with an average value of $6.8 million per Initiative, across 11 Centers in 2023. The variance of $8.9 million from 2022 is mainly due to the introduction of the Fragility Initiative in 2023, with an initial budget of $5.0 million.
- **Genetic Innovations -** Funding target of $75 million, for 4 Initiatives with an average value of $19 million per Initiative, across 10 Centers in 2023.
- **Platforms -** Funding target of $10.4 million, for 5 Platforms, with Gender budgeted at $6.4 million and 4 other Platforms being allocated $1.0 million each in 2023.
- In 2022 the disbursement target was $14.7 million, which included $4.3 million of carryover from 2021 to the Gender Platform.
- **Regional Integrated Initiatives -** Funding target of $25.3 million, for 6 Initiatives with an average value of $4.22 million per Initiative, across 8 Centers in 2023.




# Provisional Window 1 Budget for 2023

## December 2022

# CONTENTS

**GLOSSARY** ..... 3
**REDESIGN OF THE FINPLAN** ..... 4
**A. CONTEXT** ..... 5
**B. OUR APPROACH IN PREPARING THE BUDGET** ..... 8
**C. FUNDING TARGETS 2023-2024** ..... 9
**D. PROVISIONAL DESIGNATIONS FOR 2023** ..... 12
**E. 2023 CGIAR SYSTEM ENTITIES BUDGET** ..... 14
**F. LIQUIDITY AND STABILISATION FUND** ..... 17
**ANNEX 1: GUIDING PRINCIPLES FOR 2022-2024 WINDOW 1 BUDGET** ..... 18
**ANNEX 2: IMPLEMENTING GUIDELINES TO THE 2023 WINDOW 1 BUDGET** ..... 20
**ANNEX 3: CAPSHA PROJECT (UNDER TRANSITIONAL FUNDING FACILITY)** ..... 22

# GLOSSARY

| Term | Description |
|---|---|
| **Carry-over** | Unspent and uncommitted funds at the end of a financial year that are used the following year for similar intended activities. |
| **Designated funding** | Pooled funding allocated to a specific Initiative or Platform by Funder designations. |
| **Initiatives** | Major, prioritized areas of programming that bring capacity from within and beyond CGIAR to bear on well-defined, significant challenges. |
| **Platforms** | Sets of activities that enhance the results of CGIAR research and innovations in each of the five Impact Areas set out in CGIAR's 2030 Research and Innovation Strategy. |
| **Pooled funding** | Funding provided for the delivery and oversight of CGIAR's 2030 Research and Innovation Strategy and the portfolio of Initiatives and Platforms. |
| **Portfolio funding** | Pooled funding made available by a Funder to support the full portfolio of Initiatives and CGIAR's integrated operations. |

## REDESIGN OF THE FINPLAN




To simplify the FINPLAN, we have split the current FINPLAN to cover the financial aspects and non-financial aspects separately. The two new financial papers are:

- Window 1 budget; which will cover the funding outlook and budget for pooled funding; and
- Three-year business plan; which outlines the three-year financial plan across all funding channels of the CGIAR.

There are two non-financial support papers, which are:

1. Three-year integration plan; setting the pathway to integration of the CGIAR and providing wider context to the priorities.
2. Portfolio Annual Report which assesses the performance of the portfolio and in turn, helps to guide on corrective action necessary.

**This document is the Window 1 Budget paper, focused specifically on pooled funding.**

# A. CONTEXT

## Our purpose

1. CGIAR is the world's largest public agricultural research network. It is an aggregate of not-for-profit research organizations that carry out innovative research. Home to more than 9,000 scientists, researchers, professionals and technicians, in more than 90 countries, CGIAR works to transform food, land and water systems in a climate crisis.

2. CGIAR's mission, as set out in its 2030 Research and Innovation Strategy, is to deliver science and innovation that advance the transformation of food, land, and water systems in a climate crisis. CGIAR seeks transformative change to deliver gains across many of the Sustainable Development Goals, especially SDG2 to 'End Hunger'.

3. To deliver on the strategy (which will drive excellence in research and innovation, as well as professional services), adopting an integrated approach is essential. The integrated and matrixed way of working involves working across Centers and functions, to facilitate coordination, improved on-the-ground impact, effectiveness, and efficiency. Initial investment over a number of years is necessary in the formulation of the matrix structure, creating common systems, processes, and data platforms. This is the pathway envisioned in the medium to longer term to effectiveness and efficiencies.

## How we are funded

4. Across CGIAR, research and research related activities are funded through three main channels; CGIAR Trust Fund Window 1, Window 3 and Bilateral, as detailed in Table 1 below. Within each of the channels, specific Initiatives or projects deliver on activities that contribute to CGIAR's mission.

**Table 1: CGIAR Funding channels**

| Window 1 ("Pooled funding") | Window 3 | Bilateral |
|---|---|---|
| • Window 1 of the CGIAR Trust Fund holds funds for the entire portfolio of CGIAR-wide investments.<br>• The use of these funds is approved by the System Council, supporting the CGIAR as a whole.[1]<br>• The CGIAR-wide investments for 2022 to 2024 are | • Window 3 of the CGIAR Trust Fund holds funds for individual and specific projects, carried out by Centers.<br>• These can be Center led or led and managed by the Global Science Groups through Science Group Projects[5]. | • Bilateral funds are for individual and specific projects.<br>• Centers contracted to deliver the activities are paid directly by the Funder.<br>• Similar to Window 3, bilateral projects can be led by a Center or |

[1] Representatives of Funders and developing countries form the System Council; a membership of 20 voting members. The System Council works collaboratively with the CGIAR System Board to deliver on CGIAR's mission and vision.

[5] The Global Science Group Mechanism provides a channel for funding projects through W3 and bilateral agreements that are complementary to the CGIAR Portfolio of Initiatives and, as is the case for CGIAR Initiatives, led and managed by CGIAR's Global Science Groups. The intent is to provide funders with an option to coordinate delivery through the Science Group structures and aligned programming

| Window 1 ("Pooled funding") | Window 3 | Bilateral |
|---|---|---|
| predominantly the 31 Initiatives and 5 Platforms[2] - as set out in the CGIAR 2030 Research and Innovation Strategy.<br>• Within Window 1 there is a Transitional Funding Facility (endorsed by the System Council) for targeted contributions to fund implementation of the CGIAR objectives. To date Funders have disbursed funds to facilitate CGIARs integration. In 2023 it is proposed that in addition to any other transition/integration funds, this facility is utilised also for the CapSha project[3].<br>• Funders of Window 1 are typically System Council members.<br>• Funders pay their Window 1 contributions into the CGIAR Trust Fund. Funds are disbursed to Centers based on instructions from the System Organization[4]. | • Center led projects are defined by the Funder and aligned with system-wide investments.<br>• Activities from Science led projects are subcontracted to Centers under the principle.<br>• Funds are disbursed to Window 3 of the CGIAR Trust Fund and paid directly to Centers.<br>• Window 3 funders are predominantly System Council members. | by the Global Science Groups, though Science Group Projects, subcontracted to Center.<br>• Bilateral funding is administered entirely separately from the CGIAR Trust Fund.<br>• Bilateral funders are not limited to System Council members. |

5. This paper focuses on the 2023 budget for Window 1 "Pooled funding". It sets out the level of funding based on Funder discussions and conservative estimates. It also details anticipated costs that will be covered by pooled funding.

6. The aggregate CGIAR budget for 2023, which incorporates all funding channels (including pooled funding) across Centers, and details the mid-term cost management plan, is detailed in the 3-year Financial Business Plan, 2023 update paper. This paper does not set out the rationale for funding allocation and prioritization across Initiatives and Platforms. This can be found in the Portfolio Annual Report, due in the first quarter of 2023.

## Window 1 "Pooled funding"

7. 89% of pooled funding is spent on the CGIAR portfolio of Initiatives and Platforms. Funders can:
    a. invest in the CGIAR portfolio (all 31 Initiatives and 5 Platform Areas); and/or

[2] CGIAR Initiatives are major, prioritized areas of programming that bring capacity from within and beyond CGIAR to bear on well-defined, major challenges. Platforms are sets of activities that enhance the results of CGIAR research and innovations in each of the five Impact Areas set out in CGIAR's 2030 Research and Innovation Strategy.

3 Refer to Annex 3

[4] The role of the System Organization is to facilitate and oversee the development and implementation of the CGIAR Strategy and Results Framework.

b. invest in other CGIAR-wide costs, for example funding the transition; and/or
c. opt to designate their investments to specific Initiatives or Platforms; and/or
d. opt to split their funding between specific Initiatives and funding the whole portfolio.

8. As illustrated in Diagram 1 below, pooled funding also covers an element of System Entities costs. These are costs needed for the running of the wider CGIAR core operations. Their respective responsibilities vary from governance bodies to oversight committees. These "entities" include:

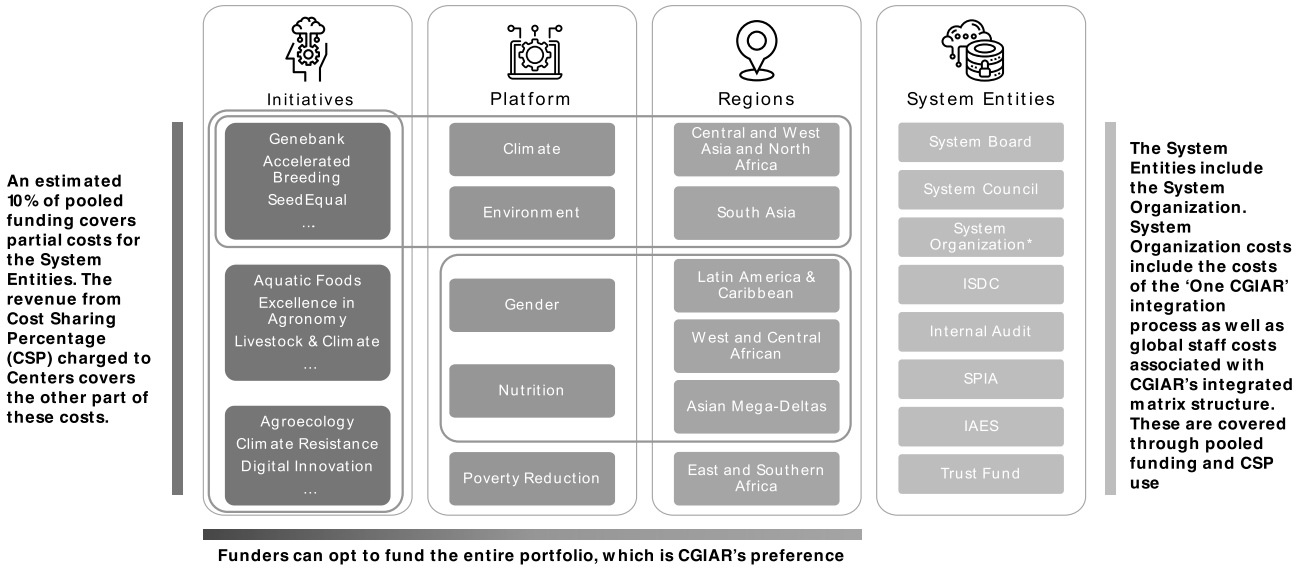
a. CGIAR System-wide governing bodies; the System Board, the System Council and their respective committees;

b. Independent advice and assurance functions, which include the Independent Advisory and Evaluation Services (IAES)[6]; Internal Assurance Services and Ethics and Business Conduct;

c. System Organization, incorporating the operational costs of the System Organization as well as the Integration costs for the One CGIAR.

Further details on the System Entity costs and funding for them can be found in Section E of this paper.

**Diagram 1: Areas of investment across pooled funding**




9. The System Organization costs comprise of costs relating to the running of the wider CGIAR core functions, as well as the 'One CGIAR' transition and integration process. Integration costs are predominantly global staff costs associated with CGIAR's integrated matrix structure and consultancy costs to support the process.

[6] IAES provides operational support as the Secretariat for the Independent Science for Development Council (ISDC) and the Standing Panel on Impact Assessment (SPIA).

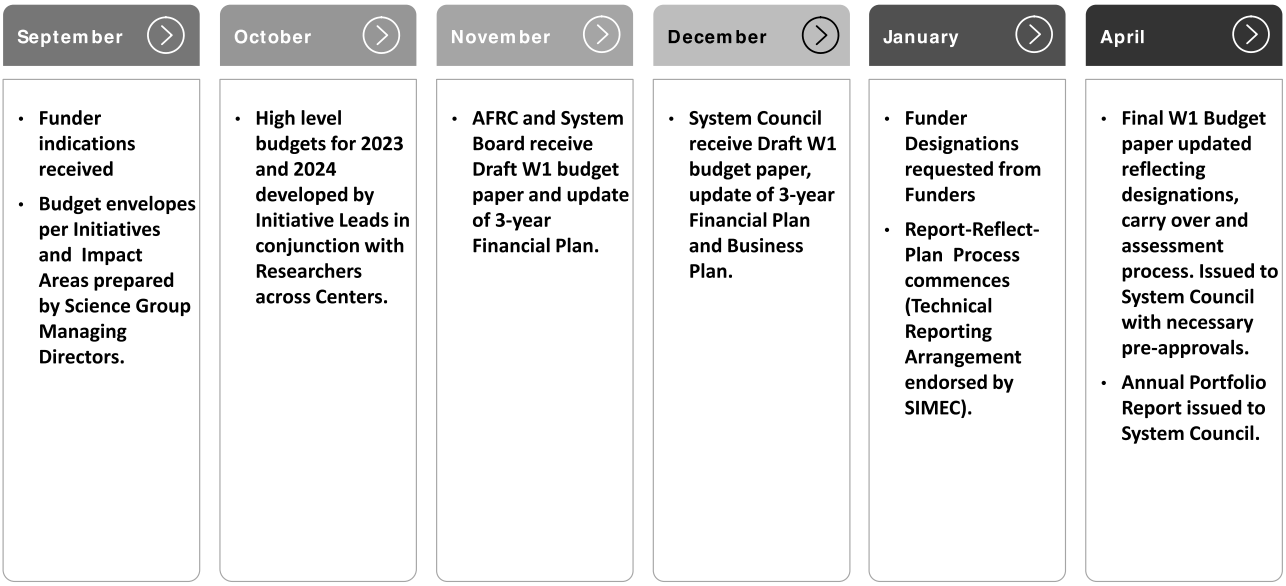
10. Sections C and D set out the pooled funding targets for 2023 and 2024, as well as the anticipated designations for 2023. Section F details System Entities' budgets for 2023 and expected areas of spend on the CGIAR integration and future management costs.

# B. OUR APPROACH IN PREPARING THE BUDGET

## Process

11. The process undertaken in preparing the budget is summarized in Diagram 2 below. Key steps include obtaining funder indications in September 2022 and developing the budget envelope for each Initiative, taking into account the strategic direction of each action and impact area. In November 2022, the high-level draft budget paper is issued to the Audit Finance and Risk Committee for recommendation, before presenting to the System Board and System Council for approval in December.

**Diagram 2: Process flow for the W1 Budgeting Process**




12. Assuming approval by the System Council, Initiative and Platform activities commence at the start of 2023, based on the draft Window 1 budget paper. The Report-Reflect-Plan process, which reviews the performance of the Initiatives and Platforms, is completed in the first quarter of the year. At the same time, Funders complete their designations and the amount carried over per Initiative is assessed.

13. The Window 1 Budget paper is then finalized, incorporating funder designations, carryover amounts (from 2022) and any adjustments from the Report-Reflect-Plan process. The release of the final Window 1 Budget paper is expected in April 2023, together with the Annual Portfolio Report that details the 2022 performance for Initiatives and Platforms.

### Underlying assumptions

14. There are eight guiding principles that underpin this budget are set out in Annex 1.

15. For the purpose of this draft Window 1 Budget, we have *excluded* carryover. The carryover amounts will be included in the final budget paper in the first quarter of next year, once the 2022 financial year of 2022 has been closed. The provisional budget set below in Section D is therefore likely to increase as a result.

16. Given that this is the first year of the Initiatives, it is considered unlikely that 90% implementation of Initiatives will be achieved in 2022. It is therefore expected that the new 2023 financial year will have unspent funds from 2022, for both Research Initiatives and Platforms as well as the System Entities.

17. Current indications are that 80% of the budgeted pooled funds will be spent by the end of 2022 and therefore a carryover of $48m is anticipated. The carryover could however range between $30m and $60m.

18. As the 'One CGIAR' integration process has been adaptively managed over the course of this year, some of the associated activities have been suspended, rescheduled, redesigned, and/or delayed. As a result, some of the funds allocated to meet the costs of the integration process and to fill global roles in CGIAR's integrated matrix structure have not been fully utilized and we expect to carry these residual funds forward into 2023.

## C. FUNDING TARGETS 2023-2024

### Targets and growth

19. To deliver on the 2030 Research and Innovation Strategy, CGIAR seeks to double its research and innovation funding between 2020 and 2030 with a view to maximizing its contributions to global efforts to meet the UN Sustainable Development Goals.

20. The funding targets for 2023 and 2024 at this stage exclude carryover. They take into account Funders' indicative allocations, the pipeline, and an assessment of global macroeconomic factors[7]. Table 2 below shows 7% growth from 2022 forecast to 2023 projections. It is hoped that the more modest growth in 2023 will be made up for in 2024, in line with CGIAR's $2 billion ambition.

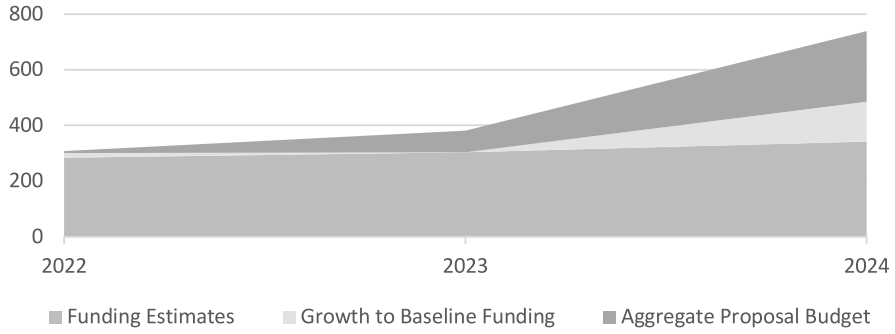
[7] Pipeline in this context refers to potential opportunities under the Transition fund within Window 1

**Table 2: Funding Estimates 2022-2024**

| ($m) | 2022 Forecast | 2023 Projection | % Growth | 2024 Projection | % Growth |
|---|---|---|---|---|---|
| **Funding estimates** | **284** | **303** | **7%** | **342** | **13%** |
| **Carryover from prior year** | **17** | **TBD** | **-** | **TBD** | **-** |
| **Total** | **301** | **303** | **-** | **342** | **-** |

21. This plan presents our best estimates for the business cycle ending in 2024. However, it is important to note that meeting these fundraising targets will not fulfill the entire funding requirements of CGIAR. The portfolio of Initiatives and Platforms remains significantly under-resourced compared with the proposals approved by the System Council, as set out in Chart 1 below. In 2023, there is an expected 26% funding gap from the original proposal budget request.

**Chart 1: Funding requirements vs Funding estimates**




| ($m) | 2022 | 2023 | 2024 |
|---|---|---|---|
| Funding Estimates[8] | 284 | 303 | 342 |
| Baseline Funding Requirements[9] | 301 | 303 | 485 |
| Original Budget Request[10] | 307 | 382 | 739 |

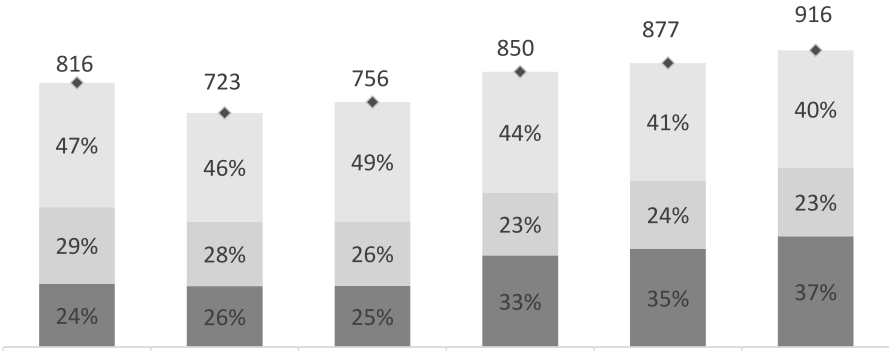
For comparison, all targets above include estimated CSP and transition costs

## Current position in achieving targets

22. The CGIAR System Reference Group's recommendations for 'One CGIAR', unanimously endorsed by the System Council at its 9th meeting in November 2019, set a target of 50% pooled funding by 2022 rising subsequently to 70% by 2024. As shown in table 3 below, pooled funding has increased to an estimated 33% in 2022 from a 2019—21 baseline of 25%. In 2023, current projections suggest that the share of pooled funding will reach 35%. In absolute terms, pooled funding is set to increase by 48% per cent in 2022 compared with the 2019—21 baseline.

[8] Estimated funding estimates based on pledges and conversations with Funders.
[9] Funding requirements to achieve minimum deliverables across Initiatives and Platforms.
[10] Budget included in the original proposals approved by the ISDC in 2022 (for comparison, CSP and transition costs have been included).

**Table 3: CGIAR 2019-21 funding and projections for 2022-2024**

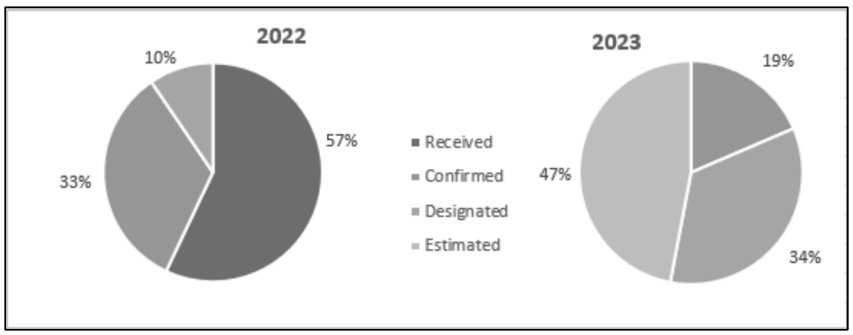



| | 2019 (Actual) | 2020 (Actual) | 2021 (Actual) | 2022 (proj) | 2023 (proj) | 2024 (proj) |
|---|---|---|---|---|---|---|
| Bilateral | 384 | 336 | 368 | 374 | 363 | 363 |
| W3 | 236 | 199 | 199 | 193 | 211 | 211 |
| Pooled | 196 | 188 | 189 | 283 | 303 | 342 |
| Total | 816 | 723 | 756 | 850 | 877 | 916 |

23. At this early stage of the budgeting process, indications of securing the 2023 pooled funding target of $303m appear good, despite the challenging market conditions. As seen in Chart 2 below, over half of the funding has been designated or confirmed, through multi-annual designations. It is hoped in future more Funders can designate or confirm their funding before the start of the following year, as it enhances the stability of Initiatives and Platforms and general predictability of funding.

24. The 2023 funding target does not take into account substantial and unexpected changes in the market or geopolitical environment. A lesser disbursement target may therefore be required in the new year, dependent on the risks that may emerge[11].

**Chart 2: Pooled funding breakdown latest estimate 2022 and 2023**




With regards to Chart 2**, received** contributions are those that have been deposited in the CGIAR Trust Fund while those that are **confirmed** are supported by signed Contribution Agreements but awaiting Funder disbursement. **Designated** are those that the funders have allocated to the CGIAR but have yet to be approved in each of the Funders' internal processes. **Estimated** are estimates made based on conversations with Funders.

[11] Disbursement target can be described as targeted level of payments anticipated to be made for Initiatives and Platforms based on the potential levels of risk in receiving the funds.

# D. PROVISIONAL DESIGNATIONS FOR 2023

25. Budgets per Initiative and Platform for 2023, are based on:
    - Designation for 2023 (based on data provided by multi-annual Funders in 2022); and
    - For single-year Funders, an estimation of designations based on 2022 designations. It was assumed that funders would broadly maintain their designations of 2022.

    Science Group Managing Directors reviewed these numbers, making adjustments (based on estimated portfolio funding amounts) to ensure the strategic direction of the portfolio was honored. This provides the provisional budgets to start activities in 2023. In early 2023, actual funder designations will be attained facilitating the designations for 2023

26. Table 4 below sets out the budget envelopes per Initiative and Platform following on from the process described above. This position may change for a number of Initiatives and Platforms, following the Funder designation procedure early in the new year.

27. As stated earlier in the report, the projections in Table 4 below do not include carryover at this stage but will include it in the final draft due in the first quarter of 2023.

**Table 4: Potential split between portfolio and designated**

| ($m) | FINPLAN 2022 | 2022 Forecast | Current 2023 Projection |
|---|---|---|---|
| Portfolio[12] | 117 | 121 | 109 |
| Designated[13] | 156 | 163 | 155 |
| Funds indicated but not designated | 9 | | 39 |
| Unspent funds from previous year (pre-audited estimate) | 15 | 17 | |
| **TOTAL** | **297** | **301** | **303** |

28. Early indication for 2023 suggests an expected similar level of portfolio funding as was in 2022 of 43%.

29. Table 5 below lists the budgets for each Initiative and Platform. It shows broadly similar funding levels as the 2022 disbursement target, for most Initiatives. It is however 27% short from the desired position stated in the original proposals in 2022, approved by the System Council.

[12] Pooled funding made available by a Funder to support the full portfolio of Initiatives and CGIAR's integrated operations.
[13] Pooled funding allocated to a specific Initiative or Platform by Funder designations.

**Table 5: Allocation of 2022-2023 Pooled Funding**

| Science Group | Initiatives Names | In USD Million | |
|---|---|---|---|
| | | 2022 Disbursement Targets | 2023 Funding Target |
| Genetic Innovations | Accelerated Breeding | 26.8 | 31.4 |
| | Breeding Resources | 7.0 | - |
| | Genebanks | 22.4 | 24.9 |
| | Market Intelligence | 7.5 | 7.5 |
| | Seed Equal | 10.1 | 11.2 |
| | | 73.8 | 75.0 |
| Systems Transformation | Agroecology | 6.8 | 7.0 |
| | Climate Resilience | 9.5 | 9.1 |
| | Digital Innovation | 4.8 | 5.0 |
| | Foresight | 6.7 | 7.2 |
| | Fragility | - | 5.0 |
| | Fruits and Vegetables | 7.0 | 7.1 |
| | Gender Equality | 5.8 | 6.0 |
| | Rethinking Food Markets | 5.6 | 6.3 |
| | Low-Emission Food Systems | 6.8 | 7.0 |
| | NEXUS Gains | 6.2 | 6.4 |
| | National Policies and Strategies | 6.9 | 7.1 |
| | Sustainable Healthy Diets | 6.4 | 8.1 |
| | | 72.5 | 81.4 |
| Reseilient Agrifood Systems | Aquatic Foods | 5.7 | 6.7 |
| | Excellence in Agronomy | 15.5 | 17.4 |
| | Livestock and Climate | 7.9 | 7.9 |
| | Mixed Farming Systems | 7.8 | 7.9 |
| | Nature-Positive Solutions | 4.4 | 5.3 |
| | One Health | 5.9 | 6.0 |
| | Plant Health | 9.3 | 9.4 |
| | Sustainable Animal Productivity | 15.2 | 15.2 |
| | Resilient Cities | 4.1 | 4.0 |
| | | 75.8 | 79.7 |
| Regional Integrated Initiatives | Fragility to Resilience in Central and West Asia and North Africa | 4.1 | 4.0 |
| | Diversification in East and Southern Africa | 5.0 | 5.0 |
| | AgriLAC Resiliente | 4.0 | 4.0 |
| | Transforming Agrifood Systems in South Asia | 4.2 | 4.3 |
| | Asian Mega-Deltas | 4.0 | 4.0 |
| | West and Central African Food Systems Transformation | 4.1 | 4.0 |
| | | 25.5 | 25.3 |
| Impact Area Platforms | Climate | 1.0 | 1.0 |
| | Environment | 1.0 | 1.0 |
| | Gender | 10.7 | 6.4 |
| | Nutrition | 1.0 | 1.0 |
| | Poverty reduction | 1.0 | 1.0 |
| | | 14.7 | 10.4 |
| **Total** | | **262.2** | **271.8** |

# E. 2023 CGIAR SYSTEM ENTITIES BUDGET

## Costs for the System Entities

30. Cross CGIAR oversight, governance, management and advisory activities are overseen by System Entities. System Entities include the CGIAR Trust Fund, System Board, Independent Advisory & Evaluation Service, CGIAR Internal Assurance Services, and the System Organization.

31. Since the launch of the 'One CGIAR' integration process in 2019, the System Organization has been the channel to facilitate:

    a. **Global staff costs** to fill senior positions in the Global and Regional Groups in CGIAR's integrated matrix structure. These roles are critical to driving deeper integration and teamwork across CGIAR's Centers, consistent with the agreed 'One CGIAR' vision.

    b. **Non-staff integration costs,** including costs related to the engagement of consultants to provide expert analysis, advice, and support towards the implementation of the endorsed System Reference Group recommendations; and

32. This sub section outlines the expected CGIAR System Entities' costs, including integration costs and global staff costs. It also sets out the sources of funding based on the projected available funds.

**Table 6: System Entities' Costs**

| Funding Source & Uses | 2022 Budget | 2022 Forecast | 2023 Budget | 2024 Budget |
|---|---|---|---|---|
| **Use of Funds:** | | | | |
| **CGIAR System-wide governing bodies** | | | | |
| System Council & committees | 1.4 | 1.4 | 1.6 | 1.7 |
| System Board & committees | 1.0 | 1.0 | 1.3 | 1.3 |
| **Subtotal** | **2.4** | **2.4** | **2.9** | **3.0** |
| **Independent advice and assurance functions** | | | | |
| Independent Advisory & Evaluation Services (IAES) | 7.6 | 5.3 | 8.0 | 7.0 |
| Internal Assurance Services | 0.8 | 0.8 | 1.2 | 1.2 |
| Ethics and Business Conduct | 0.3 | 0.5 | 1.2 | 1.3 |
| **Subtotal** | **8.7** | **6.7** | **10.4** | **9.5** |
| **System Organization** | | | | |
| **Operational costs** | **10.8** | **9.6** | **5.0** | **5.3** |
| **One CGIAR implementation costs** | **39.0** | **15.4** | **41.6** | **47.0** |
| Global Staff costs (within matrix) | *17.8* | *8.1* | *24.9* | *30.7* |
| Integration consultancy costs | *14.2* | *5.9* | *8.8* | *8.3* |
| Other integration costs (meetings, travel, facilities, support costs, etc.) | *6.9* | *1.4* | *7.9* | *8.0* |
| **Subtotal** | **49.8** | **25.0** | **46.6** | **52.3** |
| **Total Uses of Funds:** | **60.9** | **34.0** | **59.9** | **64.9** |

33. In 2023, 69% of System Entities costs relate to the CGIAR implementation costs; both staff and integration costs. While the integration costs will be phased out over time, the global staff costs are anticipated to remain, through potential sharing across the Centers. In the future, the vision is that staff and other costs related to CGIAR's integrated matrix structure could be shared across Centers for services delivered, through Service Level Agreements or other similar mechanisms.

34. At the end of 2021, CGIAR had an estimated 193 director-level or more senior roles across Centers, Alliances and the System Organization. As part of the 'One CGIAR' integration process, 48 senior leadership positions were filled in CGIAR's Global and Regional Groups, with an additional 10 roles likely to be filled by early 2023. Of the 58 roles, 80% have been filled internally. For roles filled internally, several are dual-hatted, with roles embedded in Centers as well as Global Regional Groups (including 10 Center Director Generals and the Executive Director of the System Organization who also hold CGIAR-wide roles as Managing Directors, Global Directors, Regional Directors, and Senior Directors).

35. If assumed that 25% of the internally filled Phase 3 (Senior Director and other roles reporting to Global/ Regional Directors) recruitments are backfilled at the same level of seniority in their Centers/ the System Organization, to ensure business continuity in transition, the leadership recruitment to end 2022 may result in a net increase of 17 senior roles or 9% relative to the baseline of 193.

36. Therefore, while an increase in global staff costs is evident from 2022 forecasted position to 2023 budget by $16.8m within the System Organization, it specifically relates to filling in the 58 Senior roles within the matrix.

37. Supportive roles for the Senior Leadership team have not been included, until such point there is an agreement on the IFA and how these costs can be shared across Centers[14].

38. An estimated $7.9m will be required in 2023 to support and mobilize the OneCGIAR leadership team. This includes travel, office operations, IT, etc.

39. A total budget of $64.9m is projected for 2024, an 8% increase from 2023. It is assumed that 31 Senior roles will be filled in the second half of 2023, with their total costs reflected in the 2024 budget. The 23% increase in Global Staff costs from 2023 also includes an inflation adjustment of 5%.

40. The cost related to the strategic large projects for integration such as the Integrated Professional Services Program, Rebranding of the CGIAR, Data Integration and HLAP *are not included* in the 2023 and 2024 budgets. This cost is estimated at $11.7m in 2023 and $12.0m in 2024. Funds will be sought separately for these critical and transformative projects, without which One CGIAR cannot not be delivered.

[14] IFA is the Integrated Framework Agreement intended to stipulate how the CGIAR will work together in an integrated manner.

## How System Entities costs are funded

41. While System Entities costs are indirect, they are not paid for using an overhead rate, as is the case across Centers. Instead, System Entities' costs are funded primarily through the Cost Sharing Percentage (CSP) and pooled funding.

42. CSP is the annual cost-sharing allocation that is charged to all funds, across Centers, to cover the cost of the CGIAR System Entities. Once collected it is deposited to Window 1 in the Trust Fund. As shown in Table 7 below, the CSP is estimated to increase over the years from 2021 to 2024.

**Table 7: CSP Collection and Use**

| ($m) | 2021 Actual | 2022 Budget | 2022 Forecast | 2023 Budget | 2024 Budget |
|---|---|---|---|---|---|
| CSP unused from prior year | 3.8 | 0.4 | 0.4 | 0.4 | 0.8 |
| CSP Collection | 14.6 | 13.5 | 16.1 | 14.9 | 18.3 |
| CGIAR Entities' costs funded from CSP | (18.0) | (13.5) | (16.1) | (14.5) | (19.1) |
| **(over) under utilized** | 0.4 | 0.4 | 0.4 | 0. 8 | 0.0 |

43. As seen in Table 7 above, there is insufficient CSP to cover all the System Entities' Costs as detailed in Table 6, which include global staff costs related to the matrix as well as integration costs. Portfolio funds cover the gap and in 2023, which is planned to be capped at $27m as was the case in 2022. CSP collection is projected to increase in 2022 as explained in paragraph above, which means the sources available for use by System Entities also increased so that Portfolio funds cover a lesser amount.

**Table 8: Available resources for System Entities**

| System Entities | 2022 Budget | 2022 Forecast | 2023 Budget | 2024 Budget |
|---|---|---|---|---|
| **Sources of Funds:** | | | | |
| Estimated W1 carry-forward | 0.0 | 0.0 | 14.7 | 0.0 |
| Dedicated integration funds | 15.8 | 8.2 | 9.4 | 2.4 |
| Cost Sharing Percentage (CSP) | 13.5 | 16.1 | 14.5 | 19.1 |
| W1 contribution to costs ('Global Budget' as per FINPLAN) | 31.1 | 9.7 | 20.8 | 27.0 |
| Bilateral / Other revenue | 0.5 | 0.0 | 0.5 | 0.0 |
| Fundraising Target | 0.0 | 0.0 | 0.0 | 16.4 |
| **Total Sources of Funds:** | **60.9** | **34.0** | **59.9** | **64.9** |

44. As seen in Table 6, $59.9m is required in 2023 to meet the System Entities' costs. This means that the carryover funds from 2022 of approximately $14.7m as shown in Table 8 above are critical to meeting 2023 global staff and other costs. These resources allow for the set-up and mobilization of key leadership roles. However, they do not include critical funding required for integration projects that will transform the CGIAR and enable it to meet future requirements to operate as one.

45. Funding in 2024 is limited to $48.5m, (sourced from Integration funds: $2.4m, CSP: $19.1m and Portfolio funds: $27m). This leaves a funding gap of $16.4m to fund the

2024 proposed budget of $64.9m. Funds will need to be secured urgently to ensure the continuity and progress of the One CGIAR in 2024 and beyond.

# F. LIQUIDITY AND STABILISATION FUND

46. The Liquidity and Stabilization Fund is a balance in Window 1, maintained in order to buffer changes and provide a smoother funding pattern to Centers, necessary for the effective management and delivery of results. The purpose of the Fund is to provide:
    a. reliable source of pre-financing cash flow for a portion of W1 funding to research programs during the first quarter of the fiscal year. This is a period in which Funder contributions are typically low; and
    b. a contingency fund if fundraising targets are not realized in-year.

47. The System Board may recommend to the System Council that CGIAR make strategic use of this Fund for investments required to address such global challenges. This in turn enhances the CGIAR's response and ability to position itself as an innovative and transformative global leader of agricultural research excellence.

48. As approved by the System Council, a multi-year target of $50m (+/- 10%) for the Window 1 Liquidity & Stabilization Fund ('Fund') has been established. This represents a little less than one-quarter of the projected annual pooled funding requirements.

49. Table 9 below shows the projected level of this Fund is expected to increase year-on-year by 32% between actual end-2021 and forecast end 2022, as a result of an underspend within the System Organization[15]. This could follow a year-on-year decrease by 59%, between forecast end 2022 and proposed budget 2023 and by 27% to 2024. This position does not include carryover from Initiative and Platform activities in 2022. It is anticipated that level of carryover from 2022, could exceed $20m, which would increase the target balance to over $40m.

50. The budgeted disbursement to System Entity cost of $52.8m includes unspent budget from 2022.

**Table 9: Liquidity and Stabilization Fund**

| ($m) | 2021 Actual | 2022 Budget | 2022 Forecast | 2023 Budget | 2024 Budget |
|---|---|---|---|---|---|
| 1. Opening Balance | 32.3 | 40.4 | 40.4 | 53.0 | 21.6 |
| 2. W1 Contributions from Funders | 94.6 | 282.0 | 284.1 | 303.0 | 342.0 |
| 3. Carryover returned W1 | 0.0 | 15.0 | 4.9 | 0.0 | 0.0 |
| 4. Projected W1 disbursements to Initiatives | (79.4) | (261.4) | (250.9) | (291.0) | (310.0) |
| 5. W1 disbursements to System Entity costs | (19.7) | (59.1) | (37.5) | (52.8) | (47.1) |
| 6 CSP deposit (W3 and Bilateral) | 12.4 | 9.6 | 11.8 | 9.2 | 8.9 |
| 7. Interest Income from Trust Fund | 0.2 | 0.4 | 0.2 | 0.2 | 0.2 |
| **Target ending balance** | **40.4** | **26.9** | **53.0** | **21.6** | **15.6** |

*Notes: 1. Budget opening balance adjusted to reflect actual balance / 2. Current year contribution from Funders / 3. Unspent funds from 2021 / 4. Amount projected to be disbursed to Initiatives (net of Gender and CtEH carryover in 2022) / 5. CGIAR System Entities' cost / 6. CSP collected from (W2 2021 only), W3 and Bilateral / 7. Projected interest earnings of balance kept in the Trust Fund.*

[15] Delays in the recruitment and onboarding of staff as resulted in an underspend in 2022.

# ANNEX 1: GUIDING PRINCIPLES FOR 2022-2024 WINDOW 1 BUDGET

The FINPLAN is underpinned by the following eight guiding principles:

**I. Figures presented in USD.**

All amounts are presented in US Dollars ($). Those contributions originating in non-USD currencies have been converted to USD in this FINPLAN and are subject to foreign exchange volatility. The effects of this volatility will be closely monitored and communicated to stakeholders throughout the period that this plan covers.

**II. Carry-over within the 2022-2024 portfolio**

Carry-over of Pooled funding (both portfolio and designated) within the implementation period (2022-2024) of an Initiative or Platform is permitted subject to rules of carryover as presented in One CGIAR Budget Procedures.

**III. Indistinguishable Pooled funds at the CGIAR Center and thereafter**

Portfolio and Designated funding for a specific Initiative or Impact Platform will be treated as indistinguishable by Funder in terms of financial reporting once received by the CGIAR Center.

**IV. Additional Funding Post Window 1 final Budget Paper**

Any additional funding received following the approved Window 1 Budget Paper will be treated as additive and aligned to Funder designation requirements.

**V. Possible impact of foreign exchange fluctuation**

While all figures are presented in USD, there is actual foreign exchange risk as a substantial portion of pooled funding originates in other currencies. Where possible, the Window 1 Liquidity and Stabilization Fund will be used to mitigate any material downside foreign exchange impacts on portfolio receipts. However, the impact (positive or negative) of any foreign exchange volatility in pooled designated receipts, will be passed on to the respective Initiative or Platform.

**VI. Managing Unspent funds at end of 2024**

At the end of 2024 no carry-over of unspent funds is permitted beyond 2024 to future years. All Initiatives and Platforms should be planning to fully implement the funds available to them, including unspent funds from prior years (2022-2023). Accruals related to issuing final Initiative or Platform reports, as included in the audited financial statements of each CGIAR Center, will be permitted. Otherwise, all unspent funds must be returned to Window 1 of the CGIAR Trust Fund no later than 31 March 2025[16]. Funders at this stage, funders can direct any unspent funds to the closest aligned Initiative in 2025.

[16] A working assumption is that the CGIAR Trust Fund, with a current term of 31 December 2024, will be extended well before its end date, to facilitate ongoing contributions by Funders.

## VII. Cost Sharing Percentage

Unless otherwise stated, all figures are presented throughout this FINPLAN are stated on a gross basis inclusive of the 2% CSP that is applicable to all funding from the CGIAR Trust Fund and bilateral funded project activities. The CSP model is under review as CGIAR transitions to a new operating model. In the interim, CGIAR will continue to implement the CSP mechanism to pay for costs across CGIAR (as opposed to costs at CGIAR Center level).

# ANNEX 2: IMPLEMENTING GUIDELINES TO THE 2023 WINDOW 1 BUDGET

## Background:

1. Since 2019, the principle of partial de-linking of the Pooled Portfolio and Designated funding (then-titled Window 1 and Window 2, respectively) was applied to allow for funding growth of individual CRPs and Platforms.

2. Pooled Window 1 funds were 'linked' to Pooled Window 2 funds at the beginning of the planning cycle in the sense that they were combined to build up the target CRP/Platform budgets over the business plan period. Pooled W1 funds were then allocated after considering the available W2 funding.

3. The W1 funding was 'de-linked' from W2 funding after the combined FINPLAN allocation/disbursement targets were identified, and the FINPLAN was approved by the System Board and the System Council.

4. This partial de-linking approach had the advantage of allowing the CRPs and Platforms to grow their funding beyond the approved FINPLAN target distribution over the course of the portfolio implementation.

## Partial de-linking from 2022 onwards

5. Window 2 subaccounts of the CGIAR Trust Fund were wound down as of 31 December 2021. The Trustee will not be instructed by the CGIAR System Organization to create any new Window 2 subaccounts for CGIAR Initiatives or Impact Area Platforms. Any designation of funding by Funders to CGIAR Initiatives or Impact Area Platforms will be through the designation of Window 1 contributions ('Designated funding'). This will be done in accordance with the 'CGIAR Procedure for the Designation of Pooled Funding' approved by the System Board, as amended from time to time. The partial de-linking will be utilizing Portfolio funding and Designated funding.

6. In the event of receipt in 2022 of unplanned Designated funding for a specific Initiative or Impact Area Platform that are more than the approved allocations, it will be considered as additional funds available for use by the relevant Initiative or Impact Area Platform. It <u>will not result in a downwards</u> adjustment of the planned allocation of W1 Portfolio funding.

7. If <u>total</u> Designated funding received in 2022 for a specific Initiative or Impact Area Platform are less than the FINPLAN allocations, additional portfolio funds will be allocated to offset the reduction – although in this eventuality, contributions from the W1 Liquidity and Stabilization Fund will be considered subject to the limitation of paragraph 8 below on the use of Window 1 Liquidity Stabilization Fund.

8. **Window 1 Liquidity and Stabilization Fund** ('Fund'): Recognizing the need to provide

near-term predictability, this Fund will be used to provide a partial guarantee of original combined Pooled funding FINPLAN targets to each Initiative and Impact Area Platform, subject to the following limitations:

a. The balance of the Fund is not drawn down more than $10 million in any one year. In the event more than $10 million would be needed to fully guarantee combined Pooled funding FINPLAN targets, the ceiling of $10 million will be distributed on a pro-rata basis.
b. There remains a minimum balance of $10 million in the Fund at the end of each calendar year.
c. Should there be a reduction of more than 20% of the overall 2022 Pooled funding inflow, the System Board may recommend to the System Council to make strategic use of the Fund to partially fulfil targets established in the FINPLAN.

# ANNEX 3: CAPSHA PROJECT (UNDER TRANSITIONAL FUNDING FACILITY)

Utilizing the transitional funding facility, BMGF propose and investment CapSha, for $4.7m between November 2022 and December 2024. The purpose of this project is to support dedicated NARIS & CGIAR partnerships to drive impact outcomes in-country. This investment has both planning and pilot components, intended to:

1. design and estimate costed recommendations of the incremental scope and approach for National Agricultural Research and Innovation Systems (NARIS)-CGIAR partnerships, to effectively realize country level impact outcomes in BMGF-funded CGIAR Initiatives; and
2. pilot NARIS-CGIAR joint research collaborations within 3 BMGF-funded initiatives (1 per research Action Area) and assess how the CGIAR can incorporate this function more systematically.

The investment is aimed at ensuring strong CGIAR & country collaborations in order to fulfill the innovation and research commitments of the Initiatives. This as a result will contribute to improved relevance, uptake and implementation of these innovations/research at a country level; most often through government and private sector scaling partnerships. This new partnership with the CGIAR's Partnerships & Advocacy Global Group, will coordinate the investment across numerous Initiatives and manage the program holistically.

The three primary goals envisioned for CapSha project are:

a. To fund NARIS research and scaling activities that are aligned to CG's Research Initiatives, sharing responsibilities, risk, benefits and rewards around agreed upon outcomes.
b. To facilitate matchmaking between Research Initiatives and NARIS around jointly defined research, as well as South-to-South and Triangular research and scaling collaboration with and among Global South partners.
c. To ensure that CG and NARIS partners in the Global South harness the full potential of their collaboration, prototyping novel research and scaling partnership models, garnering best practices and lessons learned, tracking outputs, and capturing the impacts from this deeper engagement, all in line with CG's Engagement Framework and propped by its emerging CapSha4Dev function.