



Fund

Fund Council

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WORKING DOCUMENT

TIMELINE FOR DISBURSEMENT OF FUNDS FROM DONORS TO CRPs

Submitted by:
Fund Office

TIMELINE FOR DISBURSEMENT OF FUNDS FROM DONORS TO CRPs

At FC11, the Fund Council requested the FO, with support from the CO, to do an assessment of the cash flow chain of activities to identify bottlenecks and suggest recommendations for improvement. This report is submitted for PRT's review in compliance with FC11.

Background

The fifteen CRPs and their budgets were approved over a two-year period, beginning in CY2010 (2010-2012). During this approval period, the Fund Council knew neither what the total annual fund contributions would be, nor the total requirement for the CRPs. As a result, the total Window 1 & 2 budgets approved for the CRP portfolio is over \$500m a year, while the average level of contributions received in Windows 1 & 2 of the CGIAR Fund is approximately \$330m a year (average over 2011-2013). In addition, donor contribution deposits are not received evenly throughout the year. For example, in both 2012 and 2013, less than a quarter of the total annual commitments from donors had been received by July. Although this is improving, the uneven flow of funds from donors during the year presents a challenge to the annual cash flow planning of the Centers.

In order to help ensure all Centers get an equitable share of the fund balance in the CGIAR Fund, the Consortium Office prepares an annual Finance Plan, which is presented to the Fund Council. This Plan is used as the basis for the CRP disbursement requests prepared quarterly.

Disbursement process for Windows 1 & 2

Donors deposit their contributions to the CGIAR Fund at different times of the year. The Fund Office informs the Consortium Office of the balance in the CGIAR Fund as soon as there are sufficient funds in Windows 1 and 2 to satisfy the quarterly requirement. The detailed balances in the two Windows and for each CRP sub-accounts are also provided.

Window 1 allocations are required to ensure equitable distribution of available funds. The Consortium Office then submits a Window 1 allocation request to the Fund Council through the Fund Office; the request lists each CRP's Window 1 funding requirement, taking into account the available balance in Window 2. A request for approval of the allocations is made to the Fund Council on a no-objection basis in which Council members are given fifteen calendar days to send their comment or objection. The approval by the Fund Council authorizes the Trustee to allocate and disburse Window 1 funds to each CRP.

Upon approval, the Consortium Office prepares payment requests for each CRP and submits these to the Trustee at the World Bank. The payment is processed based on the amounts requested, first from Window 2 and the balance from Window 1.

Window 2 funds on the other hand can be disbursed without Fund Council approval. Hence, in 2013, we suggested that the Consortium make payment requests against Window 2 (ahead of Window 1) to help move some funds faster to the CRPs.

Figure 1 illustrates the time it takes to transfer funds to the Lead Centers beginning from when enough contributions are received.

Figure 1. Time for contributions to reach the Lead Centers



Legend:

- Step 1. Sufficient funds are received in the Trust Fund to satisfy quarter requirement
- Step 2. Fund Office notifies Consortium Office that there are sufficient funds
- Step 3. Consortium Office prepares and submits request for Window 1 allocation
- Step 4. Fund Office sends Window 1 request to Fund Council for approval
- Step 5. Fund Council approves Window 1 allocation
- Step 6. Consortium Office prepares and submits payment requests
- Step 7. Trustee makes payment to Lead Centers

Analysis:

The disbursement patterns of different donors affect the time needed for contributions to be transferred to the programs. The length of time it takes to receive enough contributions to the Trust Fund plays a critical role in the whole disbursement process.

Disbursements from each donor are bound by the policies of each government or agency. Efforts are being made to encourage donors to enter into multi-year agreements in order to shorten the processing time on the donor side. However, some donor disbursement schedules are still bound by certain governmental policies. In addition, funds flows are affected by the ability of the CGIAR system to respond to reporting requirements of individual donors, especially the availability of annual reports. Hence, there is limited opportunity to influence timing of disbursements of donor contributions to the CGIAR Fund.

However, processing from the time enough funds are received in the Trust Fund can be improved. Each step in the process is affected by different variables but there is one key step which remains fixed in each disbursement cycle. This is the length of time required to obtain Fund Council approval of Window 1 allocation to CRPs (step 5). This step alone requires 15 calendar days. If we shift to an annual envelope allocation based on the financing plans (instead of quarterly based on available funds), two additional steps may be eliminated and can save an additional 11 days on average. Hence eliminating steps 3, 4 and 5 would save the system 26 days, or nearly a month.

Recommendation

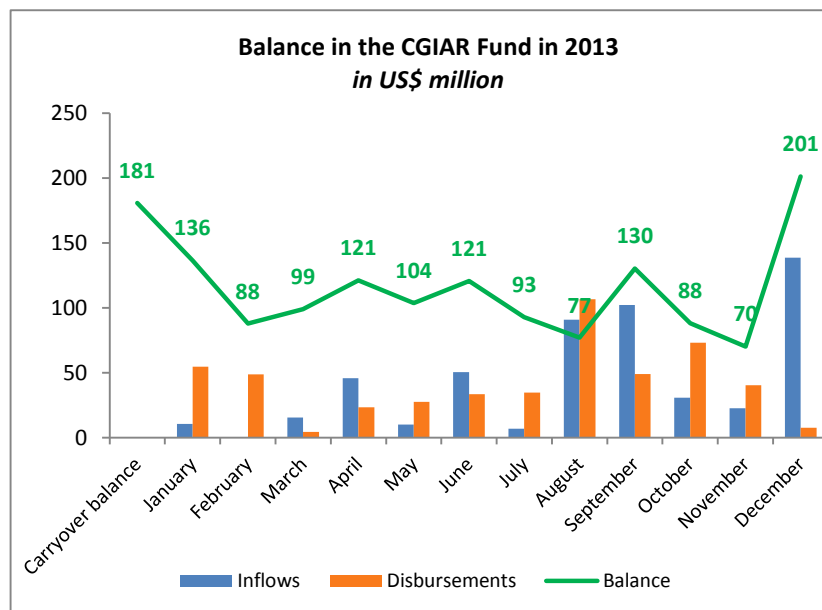
We propose that an annual allocation of Window 1 funds be approved by the Fund Council based on financial plans (currently this is done quarterly based on available funds). Request for payments made by the Consortium will still be based on availability of funds and the Trustee will draw on the annual envelope approved by the Fund Council for Window 1. The Fund Office will help manage the envelope /allocation to ensure that Window 2 contributions are taken into account and Window 1 is used equitably.

The request for the annual approved allocation should be made at the same time the final financing plans are presented to the Fund Council.

Annex 1

2013 Cash Flows to CRPs								
Action	2013 Q1		2013 Q2		2013 Q3		2013 Q4	
	Actual (Win 2)	Actual (Win 1)	Actual (Win 2)	Actual (Win 1)	Actual (Win 2)	Actual (Win 1)	Partial W1&2	Final W 1&2
Sufficient Funds are received in Trustee Account to satisfy Quarter requirements, per Finance Plan	18-Apr-13	18-Apr-13	26-Jul-13	26-Jul-13	3-Sep-13	3-Sep-13	25-Nov-13	11-Feb-14
Fund Office notifies Consortium Office that there are sufficient funds for disbursement	18-Apr-13	18-Apr-13	26-Jul-13	26-Jul-13	3-Sep-13	3-Sep-13	25-Nov-13	11-Feb-14
Consortium Office prepares and submits request for allocation of funds to Window 1		22-May-13		29-Jul-13		6-Sep-13	26-Nov-13	21-Feb-14
Fund Office sends Window 1 allocation request to FC for approval		28-May-13		1-Aug-13		6-Sep-13	27-Nov-13	24-Feb-14
FC approves Window 1 allocation		15-Jun-13		22-Aug-13		20-Sep-13	19-Dec-13	12-Mar-14
Consortium Office prepares and submits payment requests	13-May-13	20-Jun-13	29-Jul-13	21-Aug-13	9-Sep-13	25-Sep-13	12/19/13 - 1/16/14	7-Mar-14
Trustee makes payment to Lead Center	23-May-13	19-Jul-13	19-Aug-13	26-Aug-13	19-Sep-13	3-Oct-13	15-Jan-14	31-Mar-14

Annex 2



Inputs from Centers/CRPs on the Impact of delays in disbursement of funds

From ICRISAT:

Delays in disbursement has the following negative consequences:

1. Centers are not able to fully implement CRP activities, as planned in POWB
2. Funding to the NARS partners is also delayed, which negatively affects the deliverables expected from NARS
3. Staff hiring is delayed
4. Salary payments to staff could be delayed
5. Transfer of funds to the participating centers is delayed
6. All these negatively impacts the deliverables as promised in the CRP

From World Fish:

If we presume that the funding in the financing plan is secure (and that is another story) the Centre's have to fund the CRP activities. In order to do this we need reserves (at a level of at least 100+ days of operations given the delays in cash receipt).

We can only fund activities of the CRPs to the level of our reserves and we are therefore careful about committing activities and long term initiatives given the delays in funding and the differences in funding amounts. We hold back on recruitments and other long term commitments due to the uncertainty of being able to cash fund our cost base. This becomes especially acute in the 1Q of every year.

So net we can only deliver long term programs with constant funding and regular cash flow.

From IRRI:

I believe you want the feedback only on transfer of funds from the central pot to the CRP lead centre and not on the timing of the donor contribution to the central pot, hence I believe no point in talking about the delay in confirmation of the final W1-2 amounts and financial management challenges around that.

I see the following issues:-

1. We had to pre-financing the W1-2 expenses for as much as 6 months i.e. the cash flow issue.
2. Some centres might be delaying the spending, which impacts the program.
3. I was checking figure 4, page 12 of the CGIAR financial report for the year 2013. The graph shows that huge cash stays in central pot (perhaps waiting for the approval of fund before disbursing to CRP's). As per the subject graph the cash held at the central pot was in the range of 70-201 million in 2013 and the average was about USD 125 M.

And from CIMMYT:

Late payments are not only a cash flow issue. Late payments are intrinsically linked to budget insecurity. Next year's budget is determined by this year's income in spite of multi-year W1&W2 agreements. The Oct 2014 Financial Plan by the Consortium is the best example of this. Here are some of the consequences:

1. In spite of best efforts from all CGIAR offices, actual budgets are only confirmed at the end of a budget year (December) when activities are supposed to have been completed and can no longer be adjusted.
2. Effective 2014, CRPs have no income guarantee. They and the Centers will need to absorb financial losses if income is less than actual budgets indicated by the Consortium.
3. Cash flow is delayed by 3-6 months which implies that centers must pre-finance implementation of W1&W2 work plans. This comes at a cost.
4. Contractually, Centers only have the obligation to implement CRPs based on cash flow. However, any attempt to do so would be disastrous for the implementation of the CRP.
5. Worse yet, CRPs that have been more conservative in spending due to income insecurity have been penalized. Carry-over (even in cases where they entailed irrevocable commitments to partners) have been counted towards next year's budget and reduced the multi-year budget available to the CRP. Fortunately the Consortium abandoned this practice in 2014. Reinstatement would foster irresponsible budget management practices, as CRPs are in danger of losing scarce W1&W2 resources if they underspend while they have no control over late in the year income shortfalls when ongoing activities can no longer be adjusted.
6. Budget insecurity has hampered the contracting of best partners and attracting good scientists to Centers. Good science is driven by human resources. Partners do not agree to commit time of a valued principal investigator, or hire PostDocs or PhD students if there is no multiyear budget guarantee.
7. Likewise, excellent scientists are increasingly reluctant to be hired on W1&W2 resources. They move their family to a different location, often live in difficult circumstances, yet W1&W2 funding is not even guaranteed for one year.