



## REPORT

### Working Group on Incentives for Portfolio Funding (W1/2)

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## REPORT

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#### 1. Executive Summary

1. This final report from the CGIAR Working Group (WG) on Incentives for Portfolio Funding (Windows 1 and 2) builds on the inception report shared with the System Council during the SC22 meeting in June 2025.
2. This report outlines the WG's recommendations and actions to address these priorities through regular milestone-based progress tracking.
3. The Working Group on Incentives for Portfolio Funding (Windows 1 and 2) was established in April 2025 to address systemic issues limiting the attractiveness and sustainability of CGIAR's pooled funding model. Over the past six months, the group has convened regularly, consulted with the System Council, IPB and other stakeholders, and prioritized three critical areas for review:
  - (i) **Rules governing pooled funding channels (W1/2)** to clarify incentives and strengthen the positioning of Window 1 as mission-critical to CGIAR's mandate.
  - (ii) **Cost-sharing mechanisms (CSP methodology)** to ensure fair and sustainable burden-sharing across all funding sources while safeguarding resources for Science.
  - (iii) **System Council representation and voting rules** to reinforce equity, transparency, and incentives for funders to commit to pooled funding.
4. Collectively, the measures proposed in this report will contribute to enhance confidence in the CGIAR system and improve the attractiveness and strategic value of pooled funding mechanisms.

#### A. Areas Reviewed and Proposed Measures

5. Since its formation in April 2025, the group has convened three formal meetings and presented an inception report to the System Council. Key themes have been prioritized by the WG: Window 1 and 2 rules, cost-sharing approaches, and System Council seat



arrangements and rules. For its conclusions, the group has reviewed the System cost financing policy, incentives connected to designations within funding windows, and System Council seat eligibility rules, emphasizing the need to frame Window 1 as mission critical.

6. Based on WG discussions, and feedback received during the SC22 meeting, the WG proposed the following interconnected and mutually reinforcing priority areas outlined below.

## **B. Funding Models**

7. The System Council approved new funding channels in December 2024. These are suitable for the current portfolio but will need to be continuously monitored to ensure alignment with a changing funding landscape.

## **C. Portfolio Management**

8. The 2030 Research and Innovation Strategy has streamlined the CGIAR portfolio, clarifying how Window 3-funded projects align with Programs and Accelerators (PAs). This strengthens transparency and coherence across 12 PAs and 50 areas of work.

## **D. Strategic Assets**

9. An ongoing review is mapping CGIAR's assets, identifying those most at risk due to unsustainable long-term funding or high maintenance costs, and proposing cost-efficiency measures based on the study's findings.

## **E. Resource Mobilization**

10. Efforts focus on expanding the donor base, strengthening advocacy, and delivering a replenishment campaign. A new Working Group on Innovative Finance Modalities (est. April 2025) is developing non-traditional financing options to diversify and sustain funding. Updates from this group are provided in a separate report.

## **F. Full Cost Recovery**

11. Full cost recovery has been implemented across Centers and the System Organization, though donor policy challenges persist. Regular reviews and tight indirect cost controls shall be performed to ensure continuous improvement and adaptation across the system.



## **G. Efficiency and Cost Discipline**

12. Recent restructuring in the System Organization has delivered significant efficiency gains. Ongoing reviews of governance and other functions aim to continue the progress towards a System Organization that is streamlined, cost-effective, and fit for purpose.

## **H. System Council Representation and Incentives**

13. As CGIAR evolves within a rapidly changing funding landscape, there is broad recognition that while the current donor seat allocation model within the System Council has been efficient and continues to function well, adjustments are needed in the current model to strengthen CGIAR's governance and financial sustainability.
14. To that end, the proposal outlined below seeks to create a more incentive-driven and responsive governance structure that is in line with the CGIAR's priorities and agenda. It is designed to enhance donor engagement, with a particular focus on pooled funding (W1/W2), as well as to reflect the increasing importance of sustained, predictable financial support to CGIAR's strategic priorities.
15. Specifically, this revised model aims to encourage greater participation and commitment from funders, and reward active supporters, leading to a better alignment of governance to the evolving profile and diversity of funders, ensuring that the System Council reflects both financial contributions and strategic partnership value.
16. Building on the model set out at the CGIAR System Framework (Annex B2), the recommendations for the new seat allocation model are:
- (i) Eliminate the perceived discrepancy between System Council Voting Seats and the Temporary System Council Voting Seats.
  - (ii) Establish System Council membership through two transparent and consistent pathways: (a) rolling reconciliation process where funders meet established weighted thresholds for W1/2/3/B, and (b) funder multi-year pledges of minimum three-year duration meeting the same weighted thresholds across W1/2/3/B.
  - (iii) Incentivize growth with at least an inflation-adjusted increase.
  - (iv) Establish a phased approach for gradual increases to the weighted thresholds at agreed intervals through 2030.



- (v) Continue to incentivize Portfolio and multi-year contributions.
- (vi) Remove the seat limits, currently at 15 for Voting Members, and 5 for Temporary Voting Members. All funders who meet the threshold will be granted a System Council membership consisting of a Member and Alternate.
- (vii) Update the reconciliation process to be an annual recurring activity, to be synced with the budget approval process in Q4 of each year, and for notification at System Council Q4 meeting.
- (viii) For ongoing funders: weighted average calculations (covering W1/2/3/B) will consist of the average of four years of funding including:
  - a) Audited contributions from the previous two years (including W1, W2, W3, and Bilateral). E.g., 2024 and 2023,
  - b) Current year committed contribution (including W1/2) (e.g. 2025),
  - c) Next year budgeted contribution (including W1/2) (e.g. 2026).<sup>1</sup>Reconciliation will be integrated into the budget process and paper starting in Q4 2026.
- (ix) For new pledging funders: weighted average calculations (covering W1/2/3/B) for a minimum pledge of 3 years will be considered for System Council membership. Pledges can come at any time.
- (x) Weighted average thresholds will be reviewed on an annual basis and confirmed through the budget process. Any increases or adjustments will be announced with a one-year notice period and will apply to forthcoming year budgeted contributions and any new pledges.

## I. Cost Sharing Percentage (CSP) Methodology

17. Over the last two years, the System Organization has taken steps to reduce its reliance on W1 funds, while managing immediate funding constraints. Actions already implemented include a 26% budget reduction from 2024 to 2025, followed by an additional 15% cut in April 2025. Further structural and cost optimization measures are anticipated for 2026, including a reduction in the Independent Advisory and Evaluation Service (IAES) budget.

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<sup>1</sup> In case this information is not available, the weighted average calculations are based on point 1 and 2.



18. Along with these reviews, the WG recommends the implementation of principles that ensure a sustainable and equitable financing model for the CGIAR Partnership going forward, which includes:
- (i) The CGIAR System Organization (SO), including the Integrated Partnership Board (IPB), the System Council (SC), and the Independent Advisory and Evaluation Service (IAES) spending should remain cost-effective and limited to what is strictly required to deliver on its partnership functions, with costs kept under scrutiny.
  - (ii) Review the System Cost Financing Policy in 2026 to ensure that a fair and balanced full cost-recovery mechanism is applied to deliver on the partnership functions. The current 2% CSP level should not be treated as fixed, as maintaining it unchanged could lead to the depletion of W1 resources.
  - (iii) Budgets for all entities under the System Organization, including the Integrated Partnership Board (IPB), the System Council (SC), and the Independent Advisory and Evaluation Service (IAES), follow a similar review and approval process before being presented to the System Council, SIMEC, and other governance bodies for final approval.
  - (iv) Given ongoing funding pressures and the need to align with project budget cycles, adjustments to the CSP recovery fee will be introduced gradually. The revised System Cost Financing Policy will therefore be implemented in phases: changes will apply to Windows 1 and 2 from 2027, to Window 3 for new projects signed from January 2027, and will be fully extended to Bilateral projects from the 2028 budget cycle.
19. Efforts are also focused on building a more resilient and diversified funding, thereby increasing the System Costs recovery base. Multi-stakeholder working groups are designing new financial instruments to expand the funding base, including a first US\$40 million proposal submitted to the Green Climate Fund in partnership with Centers. In parallel, active engagement with emerging funders such as China, Brazil, Japan, and the UAE is helping broaden both pooled and bilateral commitments.



## 2. Conclusions

20. This package of recommendations underscores three conclusions of strategic importance.
- (i) Pooled funding, especially Window 1, must be positioned as indispensable to CGIAR's mission. A compelling value proposition and stronger incentives are required to reverse recent declines.
  - (ii) A phased (per paragraph 18.iv above), equitable cost-sharing method will fairly distribute system costs among funders and lessen reliance on W1 resources for SO, IPB, SC and IAES. This ensures partnership support costs stay transparent, cost-effective, and properly funded.
  - (iii) Reforms to the System Council seat allocation and representation model present an opportunity to strengthen accountability, encourage sustained commitments to pooled funding, and attract new funders. The proposed model, anchored in transparent, weighted thresholds and multi-year pledges, seeks to balance equity with incentives and to ensure that CGIAR's governance reflects both financial contributions and strategic partnership value.
21. In combination, these reforms represent a significant opportunity to modernize CGIAR's financial architecture, strengthen governance, and secure sustainable, diversified resources for the new Science and Innovation Portfolio.



## Annex 1

### Terms of Reference of the Working Group on Incentives for Portfolio Funding (W1/2)

#### SC/M21/AP4 – CGIAR Windows 1 & 2 budget for 2025

##### **Working Group on Innovative Finance Modalities**

The System Council requested that two working groups be formed in Q1 2025, focusing on the following, and with diverse membership (including from the IPB and System Council) drawn from those with direct experience in the respective areas:

- a) Innovative finance modalities
- b) Incentives for portfolio funding (Windows 1 & 2), including the role of cost sharing mechanisms

The Working Groups should work together collaboratively and would be asked to provide updates on progress and any recommendations for System Council decision in advance of the 2025 regular System Council meetings.

##### **Terms of Reference: Incentives for portfolio funding (W1/2), including the role of cost sharing mechanisms**

1. **Overview:** Portfolio funding empowers donors to achieve a broader reach and greater impact with their investments, enhancing the effectiveness and sustainability of CGIAR research operations. However, its current structure can limit donors' ability to focus on specific areas of interest through pooled funding. Consequently, it is vital to develop incentives for additional investments in portfolio funding that align CGIAR's research strategies with donors' specific priorities, ensuring mutual success and long-term impact.
2. **Objectives:** Evaluate and identify potential incentives to increase portfolio funding and the role and treatment of cost sharing mechanisms between all CGIAR funding sources, including:
  - a) Review the current rules for fund allocation to specific areas of work and geographic regions while examining the application of pooled funding to match W3 and bilateral funding and vice versa.
  - b) Develop sustainable cost-sharing mechanisms to fund System Entity costs and recommend updates to the CGIAR System Cost Financing Policy.
3. **Outputs:** Develop recommendations to enhance portfolio funding (W1/2) through targeted incentives and sustainable cost-sharing mechanisms. This involves, proposing updates to the CGIAR System Cost Financing Policy, and formulating an implementation roadmap with defined milestones and performance indicators.



- 4. Membership:** The Working Group will be chaired by the Director of Business Operations & Finance and co-chaired by the Director of Donor Relations & Business Development and be composed of up to 8 members comprising **two System Council representatives**, two Integrated Partnership Board or IPB AFRC members, and two Global Leadership Team members or their delegate. The Working Group will be supported by SO and Centers staff from the Business Operations and Finance, and Donor Relations and Business Development functions. The Deputy Executive Managing Director will be an observer.

### **Reporting, timeline and resources for both working groups**

- 5. Reporting and Communication:** The Working Groups will provide an inception update at System Council 22, and a final report and recommendations by or before System Council 24. The inception report will seek input and alignment from the Global Leadership Team and Science Leadership Team in advance of all formal reporting.
- 6. Timeline:** The Working Group will operate for a period of 12 months from inception or until the work is completed. Following a nomination period of 14 days, each Working Group will meet periodically, with joint sessions across both Working Groups as appropriate.
- 7. Resources:** The Working Groups will have access to necessary resources, including funding history, policies, financial reports from Centers, and access to relevant data and information on research funding, private partnerships, and intellectual property. Support will be made available from the approved CGIAR Business Functions operating budgets or specific contributions for meeting support, facilitation, and research. All meetings will be held virtually, except if in-person meetings can be linked to existing travel or meeting schedules. Additional financial support can be provided by stakeholders via CGIAR's Special Projects window.
- 8. Amendment:** These Terms of Reference may be amended from time to time by mutual agreement of the members of the Working Groups, with the approval of the CGIAR Integrated Partnership Board.



**Annex 2**

**Composition of the Working Group on Incentives for Portfolio Funding (W1/2)**

<b>Incentives for portfolio funding (W1/2), including the role of cost-sharing mechanisms</b>	<b>Governance Body</b>	<b>Organisation</b>
Ruben Echeverria	System Council	Gates Foundation
Renaud Seligmann	System Council	World Bank
Celso Moretti	IPB	
Nick Austin	IPB	
Greg Johnson	IPB-AFRC	
Appolinaire Djikeng	GLT	ILRI
Bram Govaerts	GLT	CIMMYT
Luis Felipe Mendes	Co-chair/co-convener	CGIAR SO
André Zandstra	Co-chair/co-convener	CGIAR SO
Sandra Milach, on behalf of DEMD	Observer (DEMD)	CGIAR SO