

Report from the Finance Working Groups Update & Final Reports

Purpose

This document sets out an update for the Working Groups commissioned at System Council 21 in December 2024, i.e.:

- Working Group on Incentives for Portfolio Funding (Window 1 and 2), including cost-sharing mechanisms
- Working Group on Innovative Finance Modalities

The Working Groups were established in March 2025 with the objective of issuing recommendations on incentive structures for funders and on new funding mechanisms, respectively, to enhance CGIAR's long-term financial sustainability and impact. An Inception Report for each of the Working Groups was shared in SC22 in June 2025, and since then, the Working Groups have implemented the suggested workplans.

- **Working Group on Incentives for Portfolio Funding (W1/W2), including cost-sharing mechanisms.** Following the updates provided at the IPB-006 and IPB-007 meetings, the Working Group will present at SC23 the final recommendations to strengthen incentives for contributions to CGIAR Portfolios, including proposed updates to Window 1 and Window 2 rules, the cost-sharing mechanism, and System Council seat arrangements.
- **Working Group on Innovative Finance Modalities.** Following the updates provided at the IPB-006 and IPB-007 meetings, the Working Group will present at SC23 the recommendations to design, pilot, and roll out a set of initiatives designed to expand scale and impact while establishing a complementary revenue stream for CGIAR. Implementation of each of the recommendations will require the set-up of structured and well-resource group for each of the recommendations

Materials provided:

- Final Report of the Working Group on Incentives for Portfolio Funding (W1&2), including cost-sharing mechanisms
- Final Report of the Working Group on Innovative Finance Modalities

Action Requested

Endorsement of each of the final reports of the Working Groups.

<p>Document category: Working document of the System Council. There is no restriction on the circulation of this document.</p>

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Executive Summary

- **Working Group on Incentives for Portfolio Funding (W1/W2), including cost-sharing mechanisms**
 1. The 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.

- **Working Group on Innovative Finance Modalities**
 1. The report from CGIAR's Working Group on Innovative Finance Modalities builds on the Inception Report presented at System Council 22 (June 2025).
 2. The Working Group, established in April 2025, was mandated to identify and assess innovative finance mechanisms to strengthen CGIAR's long-term financial sustainability and strategic positioning. Over the past months, the Group has convened regularly and applied a structured, criteria-based assessment to prioritize modalities with the greatest potential impact and mission alignment.
 3. Consistent with the Bellagio meeting outputs, the Working Group proposes CGIAR SO Management to advance the coordination of further design and piloting of the three high-impact initiatives. These are presented below:
 - i. **Developing the private-sector arm of CGIAR: CGIAR Impact Ventures** – a system-wide platform to commercialize innovations, intellectual property, and services, acting as a key enabler of multiple innovative finance strategies and strengthening both resource mobilization and impact. Note that the first workshop to advance the conceptualization of CGIAR Impact Ventures took place in Oslo on 4-5 November 2025 with participation of Working Group members.

- ii. **Advancing High-Integrity Carbon Markets: Ethiopia Pilot and Beyond** – a technical partner role in a government-to-government carbon markets transactions, including participation in an initial deal between Ethiopia and the United Arab Emirates (UAE), positioning CGIAR in high-integrity carbon and nature markets. Note that initial engagements are taking place in regard to the pilot, in close coordination with CGIAR science program and geography representatives.
 - iii. **Unlocking Philanthropic Capital: Endowments & Donor-Advised Funds (DAFs) Dual-Track Strategy** – a diversified philanthropic finance approach bringing that attracts new donor profiles (e.g. high-net-worth individuals), and decreasing reliance on traditional, short-term donor funding cycles. It entails establishing a System-wide facility for receiving, and tax receipting, individual donor contributions to CGIAR Centers and the System Organization.
4. Given the potential of these modalities and the need for rigorous design, development, and operationalization, the Working Group recommends formal institutionalization of follow-on efforts. Dedicated, well-resourced groups or task forces need to be established to design, pilot and scale each modality. These would replace the current Working Group and ensure continuity, accountability, and execution capacity. Clear collaboration and coordination mechanisms with centers and existing structures (like the Functional Area Committee on Resource Mobilization) will need to be put in place.
5. To ensure rigor and adaptability, each modality will move through three phases, including feasibility and design, piloting, and scale-up. When possible, early pilots are recommended from the outset to accelerate learning, test demand, and refine structure and governance.