



SMB01 – 09, Revision 1
Agenda item 6
For discussion

Issued: 12 July 2016

Phase 1 CRP Portfolio Unused Funding at 31 December 2016

Purpose

This is a copy of the document submitted to the System Council for consideration at its first meeting on 12 July 2016.

It has been developed in collaboration with colleagues in Washington, D.C. and seeks System Council formal approval of the carry-over of “Unused Funding” (a defined term in the paper). It also requests that should the System Council approve the carry-over of funds into 2017, it delegates authority to the CGIAR System Organization to implement the necessary steps in 2016.

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Phase 1 CRP Portfolio Unused Funding at 31 December 2016

Purpose

This document seeks a decision from the System Council on whether the System Council will allow Centers to carry-forward funding that was provided for the phase 1 CGIAR Research Programs, but that is unspent and uncommitted at 31 December 2016.

Should the System Council agree to allow funds to be carried forward, clarification is sought on the broad parameters by which the System Council will allow Centers to carry-forward that funding into 2017.

Document category: Working document of the System Council

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Recommended Decision Point

1. Pursuant to the discussion below, the System Management Office puts forward for review, and if considered appropriate, approval of the following decision:

The System Council

Agrees that Centers be allowed to carry any funding that was provided for the phase 1 CGIAR Research Programs (“**CRPs**”), but that is unspent and uncommitted at 31 December 2016 (“**Unused Funding**”) forward into 2017.

Agrees that that Unused Funding be transferred to, and utilized by, the most appropriate phase 2 CRP and **agrees** that in the situation where a phase 1 CRP is ending, integrating or divided and re-integrated into different phase 2 CRPs, authority is delegated by the System Council to the CGIAR System Organization (“**System Organization**”) to manage the reallocation of the Unused Funding to the phase 2 CRP portfolio.

~~**Agrees** that any such Unused Funding be considered as part of, and not additional to the program budget ceiling for a particular phase 2 CRP and **agrees** that authority is delegated by the System Council to the System Organization to review and manage the carryover amounts year to year, allowing Centers to exceed the yearly budget allocation in the early years, but remain within the overall budget by the end of the phase 2 CRP approved program implementation period.~~

Agrees that in order to ensure that Unused Funding is managed effectively and efficiently towards the end of the phase 1 CRP, authority is delegated by the System Council to the System Organization to develop guidelines that specify the parameters under which Centers will be able to commit W1-2 funding until 31 December 2016.

Background

2. As phase 1 of the CGIAR Research Programs (“**CRPs**”) comes to a close on 31 December 2016, the Centers, CRP Leaders and the CGIAR System Organization (“**System Organization**”) seek clarity on Window 1 and 2 funds (“**W1-2**”) disbursed to Centers in 2016 which will not have been spent and also not committed (“**Unused Funding**”) by the Centers by 31 December 2016. Centers have indicated that they anticipate having limited amounts of Unused Funding. However, since W1-2 funding historically arrives late in the year, Centers may be reluctant to pre-finance research activity due to discrepancies experienced in previous years between expected funding and actual funding received. This may result in Centers having material amounts of Unused Funding.

3. The revised 2016 CRP Financial Plan, dated 14 December 2015, records that carry-over of Unused Funding will not be possible at the end of 2016. Furthermore, the Program Implementation Agreements entered into between Centers and the System Organization require Centers to return Unused Funding. Therefore, absent a decision to the contrary, Centers will be required to return Unused Funding to the CGIAR Fund early in 2017. However, during the recent Third Meeting of Centers and Funders on the CGIAR System held in Washington, D.C. 6-8 June 2016 a working group of Funders and Centers convened to discuss options to allow Unused Funding to be carried over by Centers and used for the phase 2 CRPs.
4. A decision is sought from the System Council on whether the System Council will allow Centers to carry-forward funding that was provided for the phase 1 CRP portfolio, but that is unspent and uncommitted at 31 December 2016. Should the System Council agree to allow funds to be carried forward, clarification is sought on the broad parameters by which the System Council will allow Centers to carry-forward the unspent funding into 2017.
5. The following three considerations are pertinent:
 - 5.1 **Will Centers be allowed to carry over Unused Funding?**
 - 5.2 ~~If Centers will be allowed to carry over Unused Funding from a phase 1 CRP and assuming such Unused Funding is not additional to the overall budget of the relevant phase 2 CRP or Platform it is suggested that the System Council delegate authority to the System Organization to review and manage the carryover amounts year to year, allowing Centers to exceed the yearly budget allocation in the early years, but remain within the overall budget by the end of the program (e.g. if the entire phase 2 CRP program budget ceiling for a particular CRP is US\$500 million over a 6 year period and the Unused Funding is US\$5 million, the budget ceiling will remain US\$500 million over the 6 year period, inclusive of the carryover of the Unused Funding).~~
 - 5.3 **Further, if Centers will be allowed to carry over Unused Funding, there could be instances where certain CRPs are ending, integrating or dividing and will therefore not be able to simply allocate the Unused Funding to the same or a similar phase 2 CRP.** In such circumstances, in order to allow for the efficient reallocation of Unused Funding, it is suggested that the System Council delegate authority to the System Organization to manage the reallocation of the Unused Funding.

6. **If the Centers will *not* be allowed to carry over Unused Funding, the Unused Funding will need to be returned to the CGIAR Fund.** In either case, in order to ensure that the Unused Funding is managed as effectively and efficiently as possible towards the end of the CRP and that funding is only committed to necessary and planned activities, it is suggested that the System Council delegate authority to the System Organization to develop guidelines that specify the parameters under which Centers will be able to commit W1-2 funding up until the end of the year.

Proposed Way Forward

7. Depending on the outcome of the decision taken by the System Council on Unused Funding, the System Management Office will engage with Centers in a more detailed process of consultation in order to:
 - a. Identify potential Unused Funding at the end of 2016 and estimate amounts;
 - b. Develop a process for reporting and tracking Unused Funding;
 - c. Identify most appropriate uses of Unused Funding (i.e. re-allocation to phase 2 CRPs and Platforms).
8. The System Management Office will ensure full consideration of and consultation on the impact on contractual obligations between the phase 1 CRPs and phase 2 CRPs and any Platforms, and how to address them in the existing legal contracts.
9. If the decision is taken by the System Council to allow Centers to carry over Unused Funding and authority is delegated to the System Organization to manage reallocations, the System Organization in 2nd quarter of 2017 will prepare a report for the System Council on the Unused Funding and how the Unused Funding has been allocated.