



Funding CGIAR System actions and entities moving forward

Purpose

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

The objective of this session with the System Management Board, is to identify some of the considerations pertinent to: (i) identifying CGIAR System actions and entities; (ii) the costing of these actions and entities; and (iii) funding the actions and entities, including the allocation of the costs between the System Council and CGIAR System Organization.

As for the request to the System Council, nominations will be sought at the 1st System Management Board meeting, to participate in a working group to consider the issue of System Costs moving forward. It is anticipated that the working group will report at the 2nd System Management Board meeting in September 2016.

Distribution notice:

This document may be distributed without restriction.

All CGIAR Fund donors reaffirmed their alignment with “no free riding” principle in financing the System Costs. The Fund Council requested the Consortium Office to prepare a note on how the system cost thru the CSP will be collected.

In the paper that was submitted⁶ the Consortium Board recommended the following to the Fund Council and CGIAR Centers:

1. To make major effort at all levels to encourage bilateral grant donors to use the CGIAR Fund for financing and allocation purposes;
2. For donors to accept to pay a higher amount of the System Costs for the period 2011-2013, for "legacy project" and center methodological reasons.
3. For Centers to accelerate the costing working group efforts in standardizing the activity-based-costing and budgeting such that Centers are able to lower their indirect cost rate to an acceptable level for all donors, and which encourages operational efficiencies. Further, that donors must also agree to pay for all valid direct costs;
4. For the Consortium Office, if necessary, to work with smaller Centers in finding a solution that fits their circumstances, if they cannot achieve the needed lower benchmark rate as described in this paper.

At the 11th Fund Council meeting (Mexico City, Mexico, 7-8 May 2014), the total System Costs were projected at \$16.7m in 2014 and \$16.3m for the subsequent years 2015, 2016 and 2017, without including Special Initiatives Projects assigned to the Consortium Office by the Fund Council.

In 2014, the system collected 49% of CSP on \$426m of bilateral funding while in 2015 the collection will increase to approximately 75% of CSP on \$370m of bilateral funding.

The increased 2015 collection is the result of applying the amended Program Implementation Agreement (“PIA”) for the 2015/2016 CRP extensions that provides the option to enforce collection on all bilateral projects that are classified as “*Donor does not accept or donor overhead cannot cover CSP*” by offsetting against W1&2 disbursements to Lead Centers in 2016.

Legacy projects (multi-year agreements, multi-phase projects and umbrella agreements) for which no CSP is collected, still amounted to \$66m or 18% of bilateral funding in 2015, of which 2 Centers accounted for almost 60%.

⁶ Recovery of 2% System Cost, 6th Fund Council meeting, November 8-9, 2011

Funding CGIAR System actions and entities moving forward
For input post meeting

In 2015, 80% of total expenditures were aligned to CRPs and only 0.5% of total expenditures were reported outside of the SRF. For bilateral project expenditures outside of the SRF, no CSP is collected, as per signed PIAs.

Actual System Costs in 2015 were \$17.26, which included \$0.7m of unplanned shortfall in the CGIAR shared services Internal Audit Unit's ("CGIAR IAU") income from Centers and carry-over from previous years' expenditures.

Actual System Costs, excluding the adjustment for CGIAR IAU, is within 1.5% of the 2014 projection. Special Initiative Projects assigned to the Consortium (GRAP, VIP, SIAC, OA-OD) accounted for \$3.1m and other costs absorbed accounted for \$8.4m⁷.

⁷ CGIAR Financial Report for the year 2015

Appendix 2

Potential model for System Council and System Organization budgets for 2017

System Council Budget

Clarity regarding major cost items and activities for the 2017 System Council operation (is ISPC, IEA and the Internal Audit Function included?) is required in order to prepare the System Costs budget.

The System Council budget might include the following items:

CGIAR System Council - Budget 2017 as of <i>day, month</i> 2017							
Budget Header	OCS Expense Category	Budget System Chair 2017	Budget ISPC 2017	Budget IEA 2017	Budget IAU 2017	Total SC Budget 2017	Actual previous year
Unrestricted/Window 1 funding							
Other Income							
Foreign exchange							
Internal Audit - Center Service fees							
INCOME							
Staff Cost	M100						
Board Fees & Insurance	M120						
Consultancy	M150						
Travel	M200						
Operating Expense	M300						
Publications	M400						
Capacitation	M700						
Meetings and workshops	M750						
Contingency	M900						
EXPENSES							7,000,000
RESULT (+ SURPLUS/-LOSS)							

The actual previous year does not include expenditures for the System Council Chair

System Organization Budget

It is proposed to set up an independent budget for the System Management Board and for the System Management Office.

The System Management Board budget might include the following items:

CGIAR System Management Board - Budget 2017 as of day, month 2017				
Budget Header	OCS Expense Category	Budget SMB 2017	Total SMB Budget 2017	Actual previous year
Unrestricted/Window 1 funding				
Internal Audit - Center Service fees ?				
INCOME				
Board Fees & Insurance	M120			
Consultancy	M150			
Travel	M200			
Operating Expense	M300			
Capacitation	M700			
Meetings and workshops	M750			
Contingency	M900			
EXPENSES			-	481,000
RESULT (+ SURPLUS/-LOSS)				

The actual previous year represents the 2015 Consortium Board expenditures.

Funding CGIAR System actions and entities moving forward
For input post meeting

The budget for the System Management Office is more complex and needs definitions as to which additional responsibilities the office will assume, or not, from the former Fund Office and which responsibilities will carry over, or not, to the office from the former Consortium Office.

Assuming that all Consortium Office responsibilities will continue, and making certain projections as to additional tasks and responsibilities the office will need to implement, a proposed initial and preliminary budget might look as follows:

CGIAR System Management Office - Budget 2017
as of *day, month* 2017

Budget Header	OCS Expense Category	Budget former CO 2017	Budget Residual Transition Cost 2017	Budget tasks from former FO 2017	Budget additional tasks assigned to the SMO 2017	Total Budget 2017	Actual previous year
Unrestricted/Window 1 funding							
Transition income							
Income tax on SMO salaries							
Bilateral funding for SMO tasks							
Shared services							
Foreign exchange							
INCOME							
Staff Cost	M100	3,400,000		750,000	300,000	4,450,000	
Consultancy	M150	1,060,000		150,000	150,000	1,360,000	
Travel	M200	50,000		50,000	75,000	175,000	
Operating Expense	M300	110,000		150,000	20,000	280,000	
Building/Infrastructure management and maintenance	M350	60,000		-		60,000	
Publications	M400	190,000		50,000	25,000	265,000	
Partner activities	M600	250,000		-		250,000	
Capacitation	M700	75,000		15,000		90,000	
Meetings and workshops	M750	210,000		-	25,000	235,000	
Contingency	M900	200,000		150,000	20,000	370,000	
EXPENSES		5,605,000		1,315,000	615,000	7,535,000	9,600,000
RESULT (+ SURPLUS/-LOSS)							

The actual previous year represents the 2015 Consortium Office and Fund Office expenditures, excluding cost for the Consortium Board.

As mentioned previously, this budget does not include Special Initiative Projects which are currently assigned to the System Management Office, or for other activities that are not related to the responsibilities and the operation of the office

Note, this is a provisional System Management Office budget and needs adjustment following any decisions taken during the System Management Board meeting in Paris, 11-13 July 2016 that has budget implications, amongst others.

Funding CGIAR System actions and entities moving forward
For input post meeting

The Management Account reporting structure for the System Council, the System Management Board and the System Management Office might include the following items and can be presented as follows:

CGIAR System Management Accounts - Budget and Expenditure Reporting 2017
as of *day, month* 2017

Budget Header	OCS Expense Category	Budget 2017	Actual Year to Date 2017	Year End Forecast 2017	Variance Year to Date vs. Actual Budget Year to Date	Variance Year End Forecast vs. Budget	Actual previous year
Unrestricted/Window 1 funding							
Transition income							
Internal Audit - Center Service fees							
Income tax on SMO salaries							
Shared services							
Foreign exchange							
INCOME							
Staff Cost	M100						
Board Fees & Insurance	M120						
Consultancy	M150						
Travel	M200						
Operating Expense	M300						
Building Management and Operational Costs	M350						
Publications	M400						
Partner Activities	M600						
Capacitation	M700						
Meetings	M750						
Contingency	M900						
EXPENSES							
RESULT (+ SURPLUS/-LOSS)							

Financing Plan and funding projections for 2017

As of today we have not undertaken any funding projections for 2017, be it funds to the CGIAR Trust Fund (today, the CGIAR Fund, and identified as W1&2 and W3) or bilateral project funds.

The first estimation of the bilateral project fund by Centers will be collected by the System Management Office in October 2016.

It would be extremely helpful if the System Council could provide initial 2017 projections for fund contributions to the new CGIAR Trust Fund at its first meeting to provide important contextual information.