



Fund

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Interim 2013 CGIAR Financing Plan

(Working Document - For Discussion Only)

*Document presented for Agenda Item 5:
2013 CRP Financing Plan*

*Submitted by:
Consortium Office*



Consortium

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INTRODUCTION

This document is the first draft of the 2013 CGIAR Financing Plan, focused only at this point on windows 1 and 2 resources for the CRP's and other research activities at the system level. This Plan does not describe or estimate the CGIAR resources at the center level. Similarly, window 3 and bilateral grant fund estimates for the CRP's are being prepared by the centers and will be added to this model at a later date.

Because the 2013 Plan is prepared before the definitive financing outcome for 2012 is known, there is a significant degree of uncertainty in the model. Therefore, this draft should be considered a work in progress, to be finalized when:

1. the final or virtually final Fund allocations for 2012 are known, with which the Consortium can make a reasonably informed estimate for 2013;
2. the Consortium will have discussed the 2013 plans with the centers.

Both these conditions probably will not be met until mid to late November, at the earliest. The Consortium expectation, however, is that there will be a final version of the Plan available by the end of 2012. At this time, the Consortium feels it is possible and fair to allocate only the level of resources that we can reasonably forecast for 2013, based on known 2012 levels.

Current information from the Fund Office is the source of financing data for windows 1 and 2. At present, the 2012 estimate is for a total of \$167 million of 2012 funds in window 1, and \$150 million in window 2. However, of the W2 estimate, only about \$97 million is allocated to CRP's - the remainder is in "provisional" status. In the new financing plan model, the Consortium proposes to allocate window 1 funds based on where the window 2 funds are directed. Thus, uncertainty over window 2 allocations is important because we are unable to determine where the full expected amount of window 1 funds should be distributed. **Of the \$329 million total expectation for CRP's from windows 1 and 2 in 2013, only \$214 million can be confidently assigned to individual CRP's at this time.**

Nevertheless, the Consortium requests that the FC give provisional approval to the current estimates and especially the approach to resource allocation. Hopefully, by this time next year, there will be a greater degree of predictability of Fund income, as we will be in the third year of the reform and donor patterns should have stabilized as all CRP's will be fully operational.

COMPONENTS OF INCOME AND EXPENDITURE

The "sources" and "uses" of funds for 2013 can at least be identified, even if the exact volume of them is uncertain.

The sources of revenue for 2013 are assumed to be the following:

- new 2013 window 1 and 2 donor income;
- unallocated or "carry-over" window 1 funds from the CGIAR Fund in 2012;
- surplus (i.e. allocated but unspent) window 1 funds from CRP's in 2012.

The uses of window 1 and 2 funds in 2013 are expected to be the following:

- 15 operational CRP's;
- The gene bank "quasi-CRP";
- A final W1 grant for the Generation Challenge Program;
- Three new program activities proposed by the Consortium (gender, agrobiodiversity, and capacity-building);
- CGIAR System Costs;
- CGIAR Fund reserve or unallocated balance to retain (window 1 funds).

Table 1 summarizes the sources and uses of funds, by category.

Table 1

2012-2013 Sources and Uses of Window 1-2 Funds

	2012 (estimated)	2013 (projected)	Observation
<u>sources</u>			
Window 1 unspent from prior year	94.5	31.0	2013 is estimate
Window 1 new funds	167.3	174.0	May be undisbursed
Window 1 Carryover / unspent from CRP	0.0	55.0	
sub-total W1	262	260	
Window 2 unspent from prior year	22.4	0.0	
New Window 2	149.6	150.0	
sub-total W2	172	150	
TOTAL SOURCES	434	410	
<u>uses</u>			
Window 1 - system cost	15.0	15.0	Consortium estimates
Window 1 - balance at year-end	35.0	31.0	Consortium estimates
Window 1 - for stability funds	9.5	0.0	Actual
Window 1 - Generation Challenge Program	5.5	5.5	Agreed in 2010
Window 1 - for CRP portfolio	204.0	180.0	Estimates
Window 1 - for Gene Banks	15.2	17.5	Per approved contract
Window 1 - for additional research topics	0.0	11.0	Consortium proposal
sub-total W1	284	260	
Window 2 - for CRP portfolio	148.8	149.0	
Window 2 - for gene banks	1.2	1.2	
sub-total W2	150	150	
TOTAL USES	434	410	



As will be seen, there are areas where it is necessary to make best estimates, not only for 2013 income but for the outcome in 2012.

TIMETABLE AND PROCESS

The "game plan" for finalizing the 2013 financing scenario requires that the Fund Council is informed in late October 2012 of the current estimates, the assumptions on which the model rests, the strategy behind the proposed allocations, and the specific next steps and process of finalizing the plan. The last process involves discussions with the centers, and agreement on 2012 CRP window 1 balances at year-end, and hence levels that are adequately firm for 2013 allocation purposes. Accordingly, the present document should be considered an interim draft. The following are explained more fully in the paper:

- the assumptions behind certain decisions (and what could change);
- the proposed policy basis for how window 1 funds are allocated to CRP's;
- the proposed new research-related activities that should be supported by W1 funds;
- how the estimates of window 3 and bilateral support for the 2013 CRP activities may influence certain allocation decisions for W1 funding.

ASSUMPTIONS

It is always necessary to make some assumptions when proposing an allocation of resources, but in the current state of the CGIAR reform, there are more than the usual number of such assumptions needed. The following are the most significant:

1. that the Fund Council will concur with the Consortium plan to allocate window 1 funds not as a pure co-financing of a single level of entitlement at the CRP level, but as a consequence partly of how window 2 funds flow to the different CRP's - i.e. to effectively "de-couple" the W1 and W2 resources flowing to individual CRP's;
2. that the Consortium proposal to introduce additional "non-CRP" research support activities for W1 funding is acceptable;
3. that the CGIAR Fund should maintain a year-end balance of W1 funds of about 10% of the total W1-2 income in any given year;
4. that W3 and other bilateral revenue will be about \$600 million in 2013, meaning that the CGIAR system cost estimated at \$15 million in 2013 would represent about 1.7% of the total expected CGIAR income for 2013;
5. that new 2013 Window 1 funds will increase by about 4% and window 2 allocations will remain the same both in quantity and where they are directed, as in 2012.



THE ALLOCATION PROCESS

The mechanics of allocating the window 1 funds have been designed to "de-couple" these resources from the window 2 funds. In the contracts for the CRP's, there is a combined level of W1-2 resources planned annually in all cases. There is no distinction between these funds. Since window 2 allocations are absolute and decided by the donor, it means that under a joint-financing scheme, the window 1 funds simply act as a gap-filler, with no policy implication conferred by the level of W2 resources to an activity. When a donor allocates W2 funds, they should expect that there is an additive element to it, as a policy decision has been taken to provide such support, but under the gap-filing approach, no such benefit accrues to a CRP with "popular support". It just means their window 1 resources are reduced to the approved budget level, and possibly less-favoured CRP's are allocated a higher level of window 1 because there is a low level of window 2 allocated by donors. The incentive problem in the current scheme is obvious: it is much to the advantage of a CRP if otherwise-window 2 funds are allocated through window 3, in order to protect an elevated level of window 1 "entitlement". This disincentive to use window 2 negates some of the objectives of the reform, and is an unintended consequence of the financing mechanics that probably was not considered when window 3 was created. Accordingly, the Consortium proposes a new policy for allocating window 1 funds for CRP's.

The process will work as follows:

- Step 1: known window 2 funding for 2013 will be credited to the CRP's for which the donor has indicated support;
- Step 2: the total of window 1 income that can be allocated to CRP's (i.e. after deducting the necessary amounts for system costs and other non-CRP activities) is allocated to each CRP as a proportion - a single percentage - of all original CRP budgets.
- Step 3: the total of window 1 and window 2 resources for each CRP becomes that part of the total CRP budget for 2013. The remaining part is the window 3 and bilateral grant support at the CRP level, from the difference centers that receive those grants.

To demonstrate the process in step 2:

SCENARIO 1

- CRP A has a total W1-2 budget per the Consortium contract of \$25 million in 2013;
- CRP A will receive \$15 million from window 2 in 2013;
- There is enough money in window 1 for CRP's to allocate 34% of all original budgets, which computes to \$8.5 million. The total of W1-2 is therefore \$23.4 million, or 94% of the 2013 approved budget



SCENARIO 2

- CRP B has a total W1-2 budget per the Consortium contract of \$25 million in 2013;
- CRP B will receive \$7.5 million from window 2 in 2013;
- There is enough money in window 1 for CRP's to allocate 34% of all original budgets, which computes to \$8.5 million. The total of W1-2 is therefore \$16.0 million, or 64% of the 2013 approved budget.

These simple calculations show how window 1 funds are complementary, not gap-filling.

THE INTERIM 2013 FINANCING PLAN

As was the case for the 2012 financing plan, the total approved level of combined windows 1 and 2 budgets for the CRP's is well above the available resources. In 2012, the allocation process followed more closely the historical pattern of center-level investments in the different CRP activities, based on simulations from 2009 and 2010. For 2013, as described above, a new model is proposed.

The budgets as approved total \$531 million for W1-2, and this is based on the contracts in effect. In some cases, these are split budgets - 6 months from the year 1 plan, and 6 months from the year 2 plan, depending on when the CRP was initiated. But all CRP's in 2013 are expected to be operational for a full 12 month period - the first year where all programs are fully in effect, and with no "stability" or "transition" funding (except the final grant for the Generation Challenge Program). It is expected that window 2 funds will total \$149 million, and as of mid-October the CRP destination of about 64% of these funds was estimated based on actual allocations in 2012. This is shown in the following Interim Financing Plan table. The level of window 1 funds to allocate for CRP's is expected to be \$180 million.

Additional components that will require additional window 1 funds are shown in table 1 above, and add up to \$80 million. These are the Genebanks program, the System cost (an estimate, based on preliminary / unapproved system unit budgets in 2013), an unallocated balance of \$31 million (the same level as was planned for 2012), and smaller amounts for complementary program activities including Gender, Agrobiodiversity, and Capacity-Building. For these latter activities, specific proposals will be prepared for FC approval.

As earlier explained, it is not feasible to allocate all expected funding, and the level that remains unallocated at this point is \$115 million.

The details of what can be done at this moment are shown in table 2.

Table 2

Interim 2013 Financing Plan - Windows 1 and 2 Allocations

	W1-2 budget	Confirmed W2	Unallocated W2	Allocated W1	Unallocated W1	Total allocated	Total unallocated	2013 Total
1.1 Integrated - dry areas	23.53	5.80		5.22		11.02		
1.2 Humid tropics	23.67	0.00		5.25		5.25		
1.3 Aquatic systems	12.79	3.48		2.84		6.32		
2 Policies	47.80	12.90		10.61		23.51		
3.1 WHEAT	13.64	4.78		3.03		7.81		
3.2 MAIZE	15.64	3.13		3.47		6.60		
3.3 GRiSP	83.07	6.08		18.44		24.52		
3.4 RTB	45.80	13.43		10.17		23.60		
3.5 Grain legumes	40.39	9.50		8.97		18.47		
3.6 Dryland cereals	20.66	3.90		4.59		8.49		
3.7 Meat, milk, fish	11.88	9.41		2.64		12.05		
4 Nutrition	32.85	10.93		7.29		18.22		
5 Water, land, ecosystems	55.36	5.68		12.29		17.97		
6 Forests	34.40	3.47		7.64		11.11		
7 CCAFS	70.00	3.39		15.54		18.93		
Sub-total CRP	531	96	53	118	62	214	115	329
Gene banks	18.40	1.23		17.20		18.43		18.43
Gender	0.00	0.00		5.00		5.00		5.00
Agrobiodiversity	0.00	0.00		2.50		2.50		2.50
Capacity-building	0.00	0.00		3.50		3.50		3.50
Stability - Generation 2013	5.50	0.00		5.50		5.50		5.50
Reserve	31.00	0.00		31.00		31.00		31.00
System cost	15.00	0.00		15.00		15.00		15.00
sub-total other	70	1	0	80	0	81	0	81
TOTAL	601	97	53	198	62	295	115	410

DISCUSSION

While it obviously is too early to come to firm conclusions, some pointers seem clear:

1. CRP1.1 is shown at the full budget level as it is assumed that the preparatory period to full operation concludes in 2012;
2. CRP's 1.2, 3.5, and 3.6 are assumed to be all approved and operational as of July 1, 2012;



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3. The fact that no W2 allocations for CRP1.2 are yet known is probably a function of that CRP's late approval, and the fact that the lead center for it is IITA. It could be that there are funds in a provisional account that will be allocated at a later date;
4. There is at present quite a range of distribution of W2 funds, and in one case (CRP3.7) it seems certain that the total W1-2 budget will be exceeded once all computations are finalized;
5. It could well be that when the current unallocated W2 resources are distributed, what appears to be a somewhat skewed result may be modified;
6. Some CRP's may, however, fall well short of the budget enjoyed in 2012, and for those cases some adjustments may be necessary to smooth a transition to a lower level of (presumed) sustained W1-2 support;
7. There will be two additional and extremely important columns added to the model before year-end, and that is when the window 3 and bilateral funding estimates are available at the CRP level. How this distribution is realized may have an impact on any decision-making for adjustments on window 1 allocations, if the final model shows dramatically undesirable outcomes for some CRP's.

Montpellier
October 10, 2012