

The 2011 Funding Stability Request for CGIAR Centers and Challenge Programs to the Fund Council

July 2011

Background

In 2011 the first CGIAR Research Programs (CRP) are being implemented, and it is expected that all will be fully operating by 2012. This shift to a program focus from an institutional focus has profound implications for the traditional business model of the centers that have traditionally relied on a certain level of unrestricted financing, which facilitated the strategic development and implementation of research programs, as well as capital infrastructure and other non-project-specific costs. While the reforms of the CGIAR will take some years to play out, 2011 is a transition year in the restructuring of CGIAR programmatic work and financial mechanisms to support this work.

Given the inevitable staggered implementation schedule of the CRP's in 2011, the Fund Council in November 2010 accepted the principle of a Consortium proposal to provide special financial support in the form of unrestricted funding for the 15 Centers and two of the Challenge Programs in 2011 (Generation and Water and Food). The amount of such funding is calculated using the 2010 unrestricted funding as the starting point, adjusted for aspects such as genebank support from the Fund.

This paper sets out the approach adopted by the Consortium Office ("CO") in creating a financial model as the basis of the calculated amount of the "stability funding", with the over-riding objective of ensuring continued program operation with few disruptions, and equity of financing between centers. Throughout 2011 the Consortium has consulted with the Fund Office on this mechanism, to ensure that all parties have the same understanding of how it should be implemented.

Amount Requested

The request to the Fund Council for stability financing for the centers and two Challenge Programs for the period January 1-June 30, 2011 is

\$57.6 million

Stability Funding Model

The model that was employed to generate the results required a number of starting point calculations and assumptions:

1. That centers' 2010 audited financial statements would be the starting point for the level of unrestricted funding received in 2010;
2. That some technical corrections in the unrestricted result are needed to account for post-calendar year events that modified the actual funding level at some centers;
3. That there is a degree of unrestricted support available to centers from window 3 and bilaterally in 2011, which reduces the call on the stability fund itself;

4. That since the genebank proposal has been approved and the exact value of genebank funding for each center is known and will be financed through the Fund, this amount automatically reduces the stability funding requirement at those centers;
5. That a dollar of window 1-2 financing as budgeted for CRP activity in 2011 would be equal in value at the center operational level to a dollar of unrestricted funding in 2010;
6. That it would be necessary to calculate the results in a two-step process, with the first period being January-June (providing virtually actual results by the time of the July Fund Council meeting).

For the second-half of 2011, it is required to monitor the implementation of CRP post-July, and therefore it is not possible to produce an accurate enough estimate of the full annual requirement in mid- 2011. Accordingly, a second tranche will be needed for the period July-December 2011. This present proposal is for financing of the period January-June 2011. Because there were only two CRP operational in the first half of 2011, it is a certainty that the January-June stability financing tranche will be the larger than that for July-December, and probably by a significant margin.

Generating the Results

STEP 1: Determining the starting point

For each center, and for two Challenge Programs for which the case was clear that they had a level of unrestricted support in 2010, the Financial Statements were the source for determining the *unadjusted unrestricted funding level*. Subsequent to this, minor adjustments were required in 5 centers to avoid double-counting income (some late payments intended from donors as 2009 support was received in early 2010 and was considered 2010 income). According to the centers audited financial statements the unrestricted funding in 2010 amounted to \$200 million, with an additional \$13 million available for the Generation Challenge Program and the Water and Food CP. The technical adjustments noted above reduce the total base funding to approximately \$209 million.

STEP 2: Adjusting for 2011 non-CRP funding impacts

Whereas the main adjustment that modifies the starting point of unrestricted funds is a center's participation in different CRP, it is not the only one. There are two additional changes:

1. **Donor contributions of unrestricted funds in 2011 direct to centers from outside windows 1 and 2.** The value that has been used in the model is the half of 2010 actual contributions from donors believed to not be participating in windows 1 or 2 in 2011. This is based on historical data and what is known with certainty at this point in 2011. The numbers will be adjusted later in 2011 when the actual receipts are all confirmed.
2. **50% of the genebank funding that will be provided as a Fund contribution to 10 centers.** This financing was approved by the Fund Council in April 2011. As this comes from the Fund the amount must be taken out from the base on which to calculate stability financing for the relevant centers.

Table 1 provides these financial calculations and resulting base from which the CRP budgeted amounts for each center in the first half of 2011 are to be deducted.

Table 1: 2010 Funding and 2011 Adjustments (\$'000)

	2010 funding for the stability model	January to June 2011 funding base	less 50% of 2011 unres. Funds outside w1 &2	less 50% of 2011 approved genebank fund	equals Fund request before CRP budgets
AfricaRice	7,557	3,779	1,349	171	2,259
Bioversity International	16,331	8,166	1,611	406	6,149
CIAT	13,378	6,689	1,202	1,054	4,433
CIFOR	11,511	5,756	925	0	4,831
CIMMYT	13,750	6,875	986	428	5,461
CIP	11,407	5,704	2,000	1,516	2,188
ICARDA	12,003	6,002	1,154	491	4,357
ICRISAT	14,338	7,169	1,338	1,075	4,756
IFPRI	17,215	8,608	1,739	0	6,869
IITA	15,053	7,527	1,757	459	5,311
ILRI	17,185	8,593	1,916	378	6,299
IRRI	15,247	7,624	1,198	562	5,864
IWMI	9,521	4,761	805	0	3,956
WorldAgroforestry	13,302	6,651	1,679	0	4,973
WorldFish	7,836	3,918	832	0	3,086
Centre Sub-total	195,634	97,817	20,489	6,539	70,790
Generation CP	6,010	3,005	0	0	3,005
Water and Food CP	6,956	3,478	0	0	3,478
CP Total	12,966	6,483	0	0	6,483
CGIAR Total	208,600	104,300	20,489	6,539	77,273

The next and most complex step in the model is to determine each center's financial participation in the CRP, since the basic assumption is that there is "equivalence" between historical unrestricted funds and the funds for CRP from windows 1 and/or 2. In other words, the intention is to ensure that the participation in CRP activity is broadly consistent with prior program activity at a given center. A couple of examples illustrate this condition:

1. Center A spent \$1 million of unrestricted funds on climate change-related activity in 2010. This is the amount that is budgeted for that center in the CCAFS CRP in 2011. Half of that is expected to be spent in January-June, 2011. Therefore the amount to be deducted from the base funding for the first half of 2011 is \$500,000. An additional \$500,000 will be deducted from the base in the second half of the year.
2. Center B had no activity in any climate change-related programs in 2010, but agreed to participate in the CCAFS CRP in 2011. The budget that was allocated to that center for window 1-2 CCAFS activity in 2011 is \$500,000. In this case, no reduction should be made from the base for either January-June or July-December because that would result in an absolute loss of unrestricted funds year over year, and would result in unintended cut-backs in 2011.

In short, the intention of the “safety-net” that is stability financing is to ensure that the cross-walk to new CRP budgets and activity does not result in a sudden and unplanned reduction of unrestricted funds, requiring ad hoc reductions in personnel or other critical activities.

The CCAFS CRP is unique inasmuch as an estimated 50% of the program is new activity where a direct comparison with 2010 expenditures and budgets is not possible. This has been taken into account in the calculations for each center, based on data provided by the CCAFS lead center.

Table 2 below is the CRP budget, by center and by CRP, for January 1-June 30, 2011.

For the sake of full transparency, annex 1 provides a variant of table 2, based on the approach of not discounting the CCAFS budget. To use those numbers in the model, however, would cause serious damage at a number of centers, so what is in table 2 below is the appropriate level.

Table 2: January-June 2011 CRP Budgets

	GRiSP	CCAFS	TOTAL
AfricaRice	5,813		5,813
Bioversity International		1,830	1,830
CIAT	2,205	945	3,150
CIFOR			0
CIMMYT		1,045	1,045
CIP		260	260
ICARDA		745	745
ICRISAT		880	880
IFPRI		305	305
IITA		380	380
ILRI		1,010	1,010
IRRI	9,414		9,414
IWMI		400	400
WorldAgroforestry		1,490	1,490
WorldFish		75	75
Centre Sub-total	17,432	9,365	26,795
Generation CP	0	0	0
Water and Food CP	0	0	0
CP Total	0	0	0
CGIAR Total	17,432	9,365	26,795

It is clearly seen, and is not surprising, that the three centers participating in GRiSP (AfricaRice, CIAT, and IRRI) account for a large share – roughly 69% - of the CRP spending to date in 2011.

RESULT

Table 3 below is the final calculation needed to arrive at the 6-month stability funding request. It is the result of reducing the “Fund request before CRP budgets” values by the CRP budgets for the centers in Jan-June 2011.

For the 15 centers, the total stability request is \$51 million for January-June. The two Challenge Programs, which also received unrestricted funds in 2010 and hence are included in this proposal, request a total of \$6.5 million for the same January-June period.

Two centers have CRP financing that is above the level of their past unrestricted funding for the half year period (AfricaRice and IRRI), so they do not qualify for any stability funding assistance. However, both these centers will receive genebank funding, which will be disbursed separately from this stability funding exercise.

There will be an opportunity to update these calculations later in 2011 when more actual data are available.

Table 3: Stability Fund Request for Jan-June 2011

	Fund request before CRP budgets	less Jan-June CRP Budgets	equals 6 mo Stability Financing Request
AfricaRice	2,259	5,813	
Bioversity International	6,149	1,830	4,319
CIAT	4,433	3,148	1,285
CIFOR	4,831	0	4,831
CIMMYT	5,461	1,045	4,416
CIP	2,188	260	1,928
ICARDA	4,357	745	3,612
ICRISAT	4,756	880	3,876
IFPRI	6,869	305	6,564
IITA	5,311	380	4,931
ILRI	6,299	1,010	5,289
IRRI	5,864	9,414	
IWMI	3,956	400	3,556
WorldAgroforestry	4,973	1,490	3,483
WorldFish	3,086	75	3,011
Centre Sub-total	70,790	26,795	51,099
Generation CP	3,005	0	3,005
Water and Food CP	3,478	0	3,478
CP Total	6,483	0	6,483
CGIAR Total	77,273	26,795	57,582

Alternate January-June 2011 CRP Budgets
(no adjustments for CCAFS)

	GRiSP	CCAFS	TOTAL
AfricaRice	5,813	290	6,103
Biodiversity International		1,830	1,830
CIAT	2,205	4,003	6,208
CIFOR		250	250
CIMMYT		2,090	2,090
CIP		900	900
ICARDA		745	745
ICRISAT		1,735	1,735
IFPRI		990	990
IITA		420	420
ILRI		2,555	2,555
IRRI	9,414		9,414
IWMI		1,555	1,555
WorldAgroforestry		2,745	2,745
WorldFish		205	205
Centre Sub-total	17,432	20,313	37,743
Generation CP	0	0	0
Water and Food CP	0	0	0
CP Total	0	0	0
CGIAR Total	17,432	20,313	37,743