

Allocation of 2017 funding for the CGIAR Portfolio

Purpose

This paper sets out the outcome of discussions of the joint System Council/System Management Board Funding Allocations Working Group ('FAWG') on an appropriate approach for the allocation of Window 1 and 2 ('W1-2') funding for 2017 for the System Council approved 2017 – 2022 CGIAR Portfolio in the context of:

1. Ongoing development of a comprehensive performance management framework; and
2. The absence of guidelines for the allocation of W1-2 funds from the CGIAR Trust Fund.

In recognition of the importance placed on both items by Funders and the System as a whole, the paper also sets out a proposed timeline for the System Council to have a comprehensive dialogue by end June 2017 on a performance-based funding model for the CGIAR System.

Action Required

The System Council is invited to consider the proposal set out in this document, namely: (i) that the System Council make a 2017 allocation decision for the CGIAR Portfolio in an amount of US\$ 191.1 million; (ii) that certain amounts be directed to meeting that allocation; and (iii) that the Funding Allocation Working Group's mandate be extended to 30 June 2017.

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Prepared by: System Management Office

Summary

1. The FAWG tables for System Council consideration the proposal set out ***in bold italics*** below based upon the discussion in this paper, as additionally informed by:
 - a. The System Management Board’s submission of a revised budget request of approximately US\$ 193.1 million for 2017 Window 1 and 2 funding (“W1-2”) for the CGIAR Portfolio, as set out in meeting document [SC3-2A](#);
 - b. The System Council’s deliberations when approving the new Portfolio at its 2nd meeting in Mexico City held on 25-26 September 2016 (“SC2”), as informed by both the ISPC’s advice and observations presented from the complementary (and broadly consistent) donor-led review process; and
 - c. The early progress that has been made towards identification of the ‘CRP Performance 2017’ framework, as set out in meeting document [SC3-03](#), and in particular, the separate [Annex 4](#) (with draft progress markers, proposed indicators and targets), as further supported by the timetable in the cover paper to put in place the essential performance management framework.

The System Council approves, pursuant to Article 6.1.(s) of the CGIAR System Framework, for the 2017 calendar year, the allocation of US\$ 191.1 million W1-2 funds (“2017 W1-2 Allocation Amount”) for the approved 2017-2022 CGIAR Portfolio, comprised of 11 CGIAR Research Programs (‘CRPs’) and 3 Platforms, which sum is allocated between the CRPs and Platforms as set out in [Appendix 1](#).

The System Council approves the use of US\$ 8.4 million of Window 1 funds from the CGIAR Balancing Fund as a contribution toward the 2017 W1-2 Allocation Amount.

The System Council notes that as a further contribution towards the 2017 W1-2 Allocation Amount, part of the financing for the ‘CGIAR Big Data Coordination Platform’ will be satisfied by the existing US\$ 2.6 million Window 1 resources that are available, comprising funds that were originally identified for the Open Access/ Open Data special initiatives grant, the work of which will continue in 2017 as part of the Big Data Coordination Platform.

The System Council requests that the joint System Council/System Management Board Funding Allocations Working Group continues its deliberations until 30 June 2017, and present reflections and suggestions on key elements of optimal financing modalities for the CGIAR System through the System Management Board to the first meeting of the System Council in 2017, to help prepare the ground for a substantive and evidence-based discussion on the allocation of resources for 2018 and beyond at the second System Council meeting in 2017.¹

¹ This work would need to be undertaken alongside further progress in developing a performance framework.

Background

2. At SC2 in Mexico, the System Council considered and approved a high-quality 2017-2022 CGIAR Portfolio comprised of 11 CRPs and 3 Platforms for investment from sources including W1-2 funds from the CGIAR Trust Fund. However, the System Council did not make an allocation of W1-2 funding at that point, proposing to return to that discussion at SC3 (23 November 2016 virtual meeting).
3. Relevant to the planned discussion on funding allocations at SC3, with effect from 1 July 2016, the CGIAR System adopted revised governance documents that envisage that the System will put in place “*guidelines and criteria for prioritization and for annual allocation of Unrestricted Funding across CGIAR Research based on strategic priorities and performance.*”² Without underestimating the enormity of the effort required to develop such guidelines in a matrix-based system like CGIAR, the purpose of the guidelines is to facilitate the System Council’s approval of indicative funding for the lifetime of proposals, and annual funding allocation decisions.³ To demonstrate that CGIAR is clearly linking research to outputs and outcomes, and that funding decisions are made based on performance and prioritization, such work will need to be informed by the work being undertaken to develop a comprehensive performance measurement framework for CGIAR Research.
4. To support the development of the guidelines for allocation of funding, and in conjunction with related decisions taken by the CGIAR System Management Board also in Mexico in September 2016, at SC2 the System Council also agreed to establish a joint working group of the System Council and System Management Board to consider funding allocations for the 2017-2022 CGIAR Portfolio (the ‘Funding Allocations Working Group’ or “FAWG”).
5. The Terms of Reference for the FAWG, as agreed between its members and based on the System Council’s direction from SC2, are as set forth in [Appendix 2](#) of this paper. The TOR confirms the FAWG’s election of Andrew Campbell, System Council member representing Australia, as Chair. The ISPC (represented by the Chair and/or Executive Director) participated in the FAWG as an additional expert resource.
6. The FAWG met on four occasions, and has endorsed the proposed allocation approach for 2017 set out in Part C below as being the most pragmatic in the circumstances, whilst recognizing that considerably more work must be done to ensure that such an approach is not the model for future years. It is for this reason that one of the proposals made for consideration at SC3 is that the FAWG’s mandate be extended to 30 June 2017.

² A decision that is the responsibility of the System Council pursuant to Article 6.1(p) of the CGIAR System Framework, such decision to be made taking into account advice from the ISPC and proposals from the System Management Board.

³ Taking into account the provisions of Article 6.1(q) and (s) of the CGIAR System Framework.

7. The FAWG's deliberations were informed by feedback received from the System Management Board's 3rd meeting held on 1 November 2016.
8. To support the recommendations set out in paragraph 1 above, the balance of this paper provides:
 - a. **In Part A** – Brief summary of the FAWG's mandate and challenges presented in fulfilling that mandate in the time available between the 25-26 September 2016 SC2 Mexico meeting, and SC3 to be held virtually on 23 November;
 - b. **In Part B** – Considerations of the FAWG during its deliberations;
 - c. **In Part C** – The proposed allocation approach for W1-2 funding in 2017 and the overall rationale for the proposal that is being put forward; and
 - d. **In Part D** – A proposal for additional work to be undertaken (by the FAWG if determined appropriate by the System Council) by mid-2017 to ensure that future funding allocation decisions can be taken according to a methodology that is performance focused, and evidence based.

Part A – FAWG mandate and challenges experienced

9. In broad terms, the FAWG's Terms of Reference (at Appendix 2) set out the following overarching mandate:
 - a. Clarifying modalities of funding the CGIAR Portfolio, including suggesting a means to establish how any major divergence between anticipated and actual funding will be accommodated;
 - b. Checking overall alignment between indicative funding availability and proposed budget, including summarizing best available information of donors' funding intentions for 2017, by Funder and by Window, as a precursor to establishing the 2017 CRP and Platform financing plan ("2017 FinPlan");
 - c. Assessing the intended use and purpose of Window 1 and Window 2 funding in the CGIAR Portfolio, including make an informed assessment of the reasonableness of the intended use and purpose of the Window 1 and 2 funding for 2017; and
 - d. Considering possible ways forward for prioritization in the longer term, and taking into account advice from the ISPC, consider what might be needed to place the System Council in the position of applying Article 6.1(p) of the Framework in the longer term, viz, approving "*guidelines and criteria for prioritization and for annual allocation of Unrestricted Funding across CGIAR Research based on strategic priorities and performance*".

10. Delivery on such a complex mandate in the less than two months that have passed since the SC2 Mexico meeting would have required, at a minimum, the following to have been available early into the FAWG's mandate:
 - a. A breakdown within the approved proposals between Window 1 versus Window 2 requested funding;
 - b. Greater visibility of Funders' projected 2017 contributions, split between Windows 1, 2, 3 and bilateral, to inform a suggested allocation methodology that takes into account both Funder priorities and the goal of ensuring delivery of Portfolio of interconnected research;
 - c. Better information on permitted and actual uses of W1-2 funding, requiring additional information from both the Funders and Centers; and
 - d. A performance management framework that sets out in advance how performance will impact future funding.

11. Critically, such information is not readily available, despite best intentions. Various reasons include:
 - a. There was no request for a breakdown between W1-2 funding in either the 19 December 2015 '[Final Guidance for Full Proposals](#)' document, or from the Funders during the assessment period of the pre-proposals. Further, there was agreement at SC2 in Mexico that further adjustments in the proposals would not be requested before SC3;
 - b. Internal decisions of Funders on their projected contributions for the CGIAR System are made at very different times during the year, so that a number of key Funders are typically unable to provide full information for 2017 until well into the 2017 calendar year;
 - c. There is a continuing tension on whether the optimal way to address intended uses of W1-2 funding is for increased clarity by Funders on permitted uses, or more clarity from the Centers on actual uses without requiring donor-specific reporting that would normally be attached to bilateral projects; and
 - d. The performance management framework is far from complete, although significant progress has been reported to the FAWG via document SC3-03.

12. In the short-term, a funding allocation decision in regard to W1-2 CGIAR Trust Fund resources is needed for the approved 2017 – 2022 CGIAR Portfolio for 2017.

Part B - Considerations of the FAWG

13. Whilst endorsing the need for robust guidelines to drive allocation of resources, the FAWG nevertheless accepts the difficulty for those guidelines to have been developed at the same time that the System so significantly transformed its governance arrangements. In such circumstances, the FAWG suggests that a prudent approach for 2017 (and not as the recommended model for future years), is to recommend the allocation of funds for the 2017 implementation period in a

manner consistent with information that is currently known about what new W1-2 contributions may become available in 2017.

14. The FAWG thus considered how best to allocate available funding, taking note of the strong sentiment expressed by Funders over the past year that performance and evidence-based prioritization should guide such decisions.

Materials before the FAWG

15. Materials prepared or collated by the System Management Office to assist the FAWG included:
 - a. Resource note on the historical operation of W1-2 and Window 3 funds;
 - b. System Management Office prepared financial evaluation of the approved 2017 – 2022 CGIAR Portfolio, updated following the System Council’s decision taken at SC2;
 - c. Summary data from the CRPs and Platforms on the proposed uses of W1-2 funding in the new 2017 – 2022 CGIAR Portfolio, including a compendium from the Centers on the strategic rationale for W1-2 funding throughout the Portfolio;
 - d. The elaboration of four intended strategic uses of W1-2 funding as summarized in [Appendix 3](#). The material suggests how W1-2 funding enables CRPs to engage in strategic activities⁴ that are difficult to implement in a timely and comprehensive way through bilateral funding;
 - e. Information on the major countries, activities and strategic areas addressed in the proposals;
 - f. Estimations of likely consequences of the decisions taken at SC2 to not allocate W1-2 funding for five flagships for the 2017 year, in terms of managing flagships for results, and the ability to deliver outcomes; and
 - g. Funding scenario models based on a range of potential allocation strategies.
16. During its discussions, the FAWG was mindful that:
 - a. The System Council has begun a conversation on opportunities within the System to potentially expand available W1-2 resources over time in response to ongoing System strengthening, in addition to the System Management Board’s ongoing discussions on strengthening Funder engagement, and expanding the resource envelope through new avenues and new partners;

⁴ Examples of such activities include: upstream proof-of-concept work; critical global syntheses leading to International Public Goods; ensuring adequate investment in cross-cutting activities such as gender, youth, and capacity development; management, monitoring and evaluation; bridging research within and across CRPs and contributing to CGIAR site integration; mobilizing new funding and partners. The CRP Leaders’ submission is that these are essential ingredients that enable the CRP teams to have confidence in setting outcome targets and add value to bilaterally funded projects included in each program.

- b. Current estimates based on verbal advice from funders to the System Council's Mexico meeting, are that additional 2017 W1-2 funding for the newly approved CGIAR Portfolio may be around US\$ 180 million combined; and
- c. The System Council concluded at SC2 that it was approving a strong Portfolio of CRPs and Platforms. In the circumstances, there was a strong preference from the Centers' perspective for the System Council to make an allocation decision at the full requested US\$ 193.1 million amount, leaving scope for the gap to be filled through targeted efforts to expand available resources.

17. The FAWG also reflected on:

- a. **The relative merits of seeking System Council support for the establishment of a strategic set-aside/reserve within the anticipated W1-2 envelope for 2017.** If approved, that set-aside could be targeted for 2017 research activities for any new or revised initiative(s) that are approved for inclusion in the 2017 – 2022 CGIAR Portfolio by the System Council, based on a proposal by the System Management Board.

On balance, and consistent with feedback of the System Management Board from its 1 November 2016 virtual meeting, the FAWG determined not to put such a proposal forward in the interests of ensuring that the FAWG's final recommendations were coherent with SC2 decisions on what represented the highest priority for the 2017-2022 CGIAR Portfolio for the present; and

- b. **CRP leaders' observations on the impact of the System Council's decision to exclude W1-2 funding for at least 2017 for certain flagships⁵.** The FAWG accepted that such decisions gave rise to legitimate questions as to the residual integrity of a number of affected CRPs, particularly in those circumstances where CRPs lost more than one flagship as compared to the initial proposal.

For the 5 affected CRPs, the FAWG's recommended approach for the 2017 funding allocation decision is to not reduce further the adjusted funding now requested for 2017 for those CRPs (at Appendix 1), which adjusted request does not include: (i) the W1-2 amounts for flagships not approved for 2017 W1-2 funding; or (ii) the W1-2 funding request for the two flagships not finally presented as part of the 2017-2022 CGIAR Portfolio, as shown as already having been deducted by the System Management Board in Appendix 1.⁶

⁵ Fish – FP 2; Forests, Trees and Agroforestry – FP 2; Livestock – FP 3 and FP 5; and Water, Land and Ecosystems – FP 5.

⁶ This would mean that 5 of the CRPs (Fish, FTA, Livestock, Maize and WLE) are not further reduced.

Options discussed by the FAWG

18. The FAWG's deliberations included:
- a. **Consideration and rejection of an “across the board” proportional reduction in the W1-2 funding requests for all CRPs and Platforms**, on the basis that such an approach would have been wholly inconsistent with a System that prioritizes research quality (including science and relevance) and performance. If implemented, the approach would simply have been to select an amount, and reduce all CRPs and Platforms accordingly;
 - b. **Consideration and rejection of using past performance as a guide to allocating funding.** It was acknowledged that the proposals approved by the System Council at SC2 had evolved from different processes, with some coming with a considerable body of research behind them, and others bringing a much newer composition or area of focus. In the circumstances, the FAWG accepted that past performance was not a criterion that could be applied equally to all;
 - c. **Identification of additional funding available for the 2017 period which could be incorporated into the ‘CGIAR Big Data Coordination Platform’.** Currently, US\$ 2.6 million in available Window 1 resources is held by the Trustee in Window 1, but is earmarked for the current Open Access/Open Data special initiatives grant. Attribution of this money to the new Big Data Coordination Platform would contribute to reducing the funding gap; and
 - d. **Identification of the potential for the existing CGIAR central balancing fund⁷ to provide an additional mechanism to keep reductions as small as possible** should the System Council not wish to make an allocation decision to the full value of the System Management Board's request.
19. Before putting forward the recommendations set out in this paper, the FAWG also had the opportunity to read meeting paper SC3-03, and particularly Annex 4, containing an update to the System Council on the development of progress markers, proposed indicators and targets disaggregated to flagship level for 2017. There is clearly more work required in respect of the proposed markers and targets, and for in terms of the development of a comprehensive performance management system as a whole. Nevertheless, the FAWG views the draft materials and the proposed timetable as important progress in the available time.

⁷ The historical annual value of this balancing fund, as established by the Fund Office and acknowledged by the Fund Council to mitigate the risk of unexpected shocks, is US\$ 30 million. This amount continues to remain with the Trustee and comprises W1 funds, a portion of which could be used to mitigate the effects of the anticipated 2017 W1 funding shortfall.

Part C - Suggested way forward for 2017 and overall rationale

Suggested approach

20. On balance, and formulating its recommendations in the interests of the CGIAR System as a whole⁸, the FAWG considers that alignment between the requested US\$ 193.1 million and the anticipated US\$ 180 million new W1-2 funds in 2017, could be achieved by:
- a. **Applying a combined US\$ 2 million reduction in the 2017 W1-2 budgets for 12 flagships that were assessed as less compelling by the ISPC assessments and donor-led reviews that were discussed and accepted by the System Council at SC2.** Applying a proportional reduction, this would reduce the W1-2 budgets for each of the 12 flagships by 6%⁹. This recommendation adopts the FAWG position as set out at paragraph 17.b above, namely that the 2017 W1-2 budgets of the Fish, FTA, Livestock, Maize and WLE CRPs not be reduced beyond the decision taken at SC2 to exclude certain flagships within those CRPs from access to W1-2 funds in 2017; and
 - b. **Meeting the approximately US\$ 11 million difference** between the now US\$ 191.1 million budget, and the anticipated available new W1-2 funds of US\$ 180 million for 2017, by:
 - i. **Part-financing the ‘CGIAR Big Data Coordination Platform’ with the US\$ 2.6 million the funds held in account**, as discussed in paragraph 18.c above; and
 - ii. **In respect of the balance US\$ 8.4 million, drawing on the existing historical balancing fund operating at the CGIAR System level**, as noted in paragraph 18.d above. A goal would be to replace that amount over the coming year should additional W1 funding become available, through either new contributions or via savings achieved through operational efficiencies.
21. The modeling for this proposal, as it affects the approved 2017 – 2022 CGIAR Portfolio at the individual CRP and Platform level is set forth at [Appendix 1](#) to this paper (as referenced before, at paragraph 1 above).
22. At the same time, the FAWG recommends continued efforts by the Centers and the CGIAR System Organization to explore potential efficiencies that could reduce management and support costs, currently totaling \$23.6 million for 2017 (slightly

⁸ As required pursuant to Article 3.5 of the CGIAR System Framework, and Article 7.8 of the Charter of the CGIAR System Organization.

⁹ The 12 flagships that will be affected comprise: A4NH - FP1, FP4 & FP5; CCAFS - FP4; PIM – FP1, FP4 & FP5; Rice - FP2 & FP3; RTB - FP5; Wheat - FP1 & FP4.

more than 3% of the total 2017 CGIAR Portfolio envelope of approximately \$ 763 million from all funding sources), through standardization and internal consistency.

23. Taking available data into account, the management and support costs have been reviewed since SC2 by the System Management Office to assess whether the funding requests for such costs are in line with the end-2015 Guidelines for Full Proposals. The overriding view is that they do. Nevertheless, the System Management Office remains of the view that there is an opportunity to continue to apply focused effort to find all available efficiencies as CRP and platform implementation starts, and it welcomes the opportunity to work closely with Centers in that regard.

Overall rationale for approach

24. The FAWG's decision to propose a US\$ 2 million reduction shared against the 12 affected flagships was taken in consideration that the System Council's decision in Mexico in September 2016 was that it was approving a strong new 2017 – 2022 CGIAR Portfolio. To suggest a reduction greater than US\$ 2 million (by drawing less on the CGIAR central balancing fund and/or not taking up the available US\$ 2.6 million for the Big Data platform) may have sent a message both internally and externally that was inconsistent with the System Council's very recent strong support for the Portfolio as a whole.
25. The recommendation to apply the US\$ 2 million reduction against the 12 affected flagships equally was taken on the basis that there was insufficient granular detail discussed at SC2 that would have provided for any other fair basis to apply that reduction.

Part D - Additional work to be undertaken

26. The FAWG's recommendations relate only to the 2017 funding allocation decision that is anticipated to be made at this SC3 in respect of W1-2 projected available resources for 2017. Such a decision satisfies the requirement for the System Council to make an annual allocation of funding in Article 6.1(s) of the CGIAR System Framework.
27. However, it does not address the higher level topic of approving 'indicative funding' for the lifetime of the 2017 – 2022 CGIAR Portfolio as contemplated by Article 6.1(q) of the CGIAR System Framework. Such a decision remains important to give medium term visibility to the CRPs and Platforms on overall scope of the research agenda.
28. Additionally, the FAWG notes that its work has surfaced a number of related issues concerning CGIAR's overall funding mechanisms and which require further consideration. These include:

- a. How to manage within-year fluctuations (up or down) in actual contributions at the System-level, particularly in the case of late-year allocations to Window 2;
 - b. Whether it is possible to have earlier information on projected Window 2 contributions from Funders, and the related question of how to manage situations where aggregated Funder contributions to Window 2 do not align with System Council allocations at calendar year start;
 - c. Benefits and potential risks to the System of separating (unmingling) W1-2 funds as they are received at the Centers;
 - d. CGIAR's role in co-funding the Genebanks amongst other platform priorities, and optimal modalities to deliver the agreed level of funding;¹⁰
 - e. Benefits and potential risks of providing Window 2 funding at the flagship level, and whether this would provide an incentive for W3 and bilateral Funders to bring some (or some more) funding into the shared agenda envisaged by Window 2;
 - f. What are Funders' indications of Window 2 allocations for 2017 to help inform the development of a 2017 CRP and Platform Financial Plan ("2017 FinPlan"); and
 - g. How to ensure that any funding allocation guidelines are coherent with the performance framework and provide the right incentives to ensure the ongoing delivery of strong outputs, outcomes or goals.
29. Given the need for an indicative funding decision to be taken in respect of the now approved 2017-2022 CGIAR Portfolio, and the presence of these remaining challenges and opportunities, it is proposed that FAWG continues its deliberations until at least 30 June 2017.¹¹
30. The FAWG would use this time to present reflections and suggestions on key elements of optimal financing modalities for the CGIAR System through the System Management Board to the first meeting of the System Council in 2017. Alongside further progress in developing a performance framework, this would help prepare the ground for a substantive and evidence-based discussion on the allocation of resources for 2018 and beyond at the second System Council in 2017.

¹⁰ At its 14th meeting, the former Fund Council decided that a 3% levy would be applied to Window 2, 3 and bilateral funds, applicable only to the relevant CRPs for the purpose of co-financing the cost of the Genebanks, and that this new level should be included as a line item in CRP budgets. Whilst the Fund Council's decision was to implement this decision in 2016 and not 2017, it was also agreed that existing contracts should not be re-opened. The levy was not in fact implemented in 2016 as contractual modifications would have been required. Given that the levy is one of a number of topics that play to CGIAR having an effective performance-based funding model, it is suggested that this levy not be immediately implemented for 2017, but that all of the various challenges and possible funding solutions be considered together.

¹¹ With effect from 1 November 2016, Elwyn Grainger-Jones, Executive Director of the CGIAR System Organization, has taken up the additional resource role for the FAWG as set out in Part D, paragraph 7 of the Terms of Reference of the FAWG.

Appendix 1 – FAWG suggested 2017 W1-2 allocations by CRP and Platform

		Original request in combined proposals at 31 July 2016		2017 - 2022 Portfolio as proposed by SMB to SC2		SC2 approved 2017-2022 CGIAR Portfolio		FAWG proposed adjustments to 6 CRPs	Adjusted 2017 W1-2 allocation based on FAWG proposal	
		2017		2017		2017			2017	
		All Funding Sources	W1&2	All Funding Sources	W1&2	All Funding Sources	W1&2	Total of 12 FPs ranked lower ISPC/FEWG	All Funding Sources	W1&2
GLDC	Proposal	78.9	11.5							
Fish	Not FP3	26.2	8.7	20.7	6.8	17.6	3.8		17.6	3.8
FTA		73.2	11.0	73.2	11.0	71.1	8.8		71.1	8.8
Livestock		43.5	20.2	43.5	20.2	37.3	14.0		37.3	14.0
Maize	Not FP5	68.0	12.5	65.6	11.3	65.6	11.3		65.6	11.3
Rice		78.5	16.4	78.5	16.4	78.5	16.4		78.3	16.1
RTB		114.2	22.5	114.2	22.5	114.2	22.5	0.2	113.9	22.2
Wheat		43.0	15.0	43.0	15.0	43.0	15.0	0.3	42.8	14.8
A4NH		91.4	20.0	91.4	20.0	91.4	20.0	0.2	90.8	19.4
CCAFS		57.1	21.0	57.1	21.0	57.1	21.0	0.6	56.9	20.8
PIM		92.8	18.8	92.8	18.8	92.8	18.8	0.2	92.3	18.3
WLE		50.0	10.0	50.0	10.0	47.9	7.9	0.5	47.9	7.9
Genebanks		31.6	24.9	31.6	24.9	31.6	24.9		31.6	24.9
Excellence in Breeding		10.0	2.0	10.0	2.0	10.0	2.0		10.0	2.0
Big Data		6.7	6.7	6.7	6.7	6.7	6.7		6.7	6.7
									Sub total	191.1
									Adjustment for OA/OD funds held	-2.6
									Balancing fund contribution	-8.4
Total		865.1	221.1	778.3	206.6	764.8	193.1	2.0	762.8	180.1

* Fish FP2; FTA FP2;
Livestock FP 3 and FP5
WLE FP5

Appendix 2 – Terms of Reference, CGIAR Joint System Council/System Management Board Working Group on Portfolio Funding Allocations

As adopted by the Fund Allocation Working Group on 19 October 2016

A. Purpose

1. The Joint Working Group on Fund Allocation is established by the System Council and System Management Board (“Board”) to work with the (Interim) Executive Director to establish a pragmatic approach to optimizing the effective allocation of Window 1 and Window 2 funding to the CGIAR Portfolio for 2017.
2. The Working Group is an ad hoc advisory group formed as a joint initiative of the System Council and Board to provide inputs to assist the Board and the System Council in the discharge of their respective functions. It does not have any executive authority, and as such, does not make decisions.

B. Operational context

3. Words and expressions used in these Working Group Terms of Reference (“TOR”) shall, unless the context requires otherwise, have the meaning attributed to them in the Charter of the CGIAR System Organization (“**Charter**”).
4. The Working Group has been formed to deliver inputs for the benefit of the CGIAR System as a whole. Working Group members shall serve until their roles are performed, or until 16 November 2016, whichever is sooner.

C. Role of the Working Group

5. Taking into consideration the functions of the Board as set out in Article 8.1(bb) and (cc) of the Charter, and its stated overall purpose, the Working Group shall have the following roles:

Clarifying modalities of funding the CGIAR Portfolio

- a. Establish how sources of funding (*Unrestricted Funding, research program specific funding*; and other sources of funding including bilateral) interact with each other, if at all.
- b. Establish whether overall budget (all funding sources) should be limited according to the submitted proposal (i.e. a ‘ceiling’) or whether the proposed funding requirements should change if/when more funds are obtained or allocated by Funders to a specific CRP.

- c. Establish how any major divergence between anticipated and actual funding will be accommodated, including consideration of the role of the submitted 'up-lift' budget.
- d. Establish what Unrestricted Funding (i.e. Window 1) can and cannot be used for. For example, whether Management and Support costs ('M&S'), accounting for 3.0% of the overall Portfolio, should be entirely financed by Unrestricted Funding, or if some other arrangement should be applied (i.e. pro rata by funding source).

Checking overall alignment between indicative funding availability and proposed budget

- e. Summarize best available information of donors' funding intentions for 2017, by Funder and by Window, as a precursor to establishing the 2017 CRP and Platform financing plan.
- f. Summarize, by CRP and Platform, and by Window, requested CGIAR Portfolio funding in total, and specifically for 2017.
- g. Identify areas of funding misalignment, if any, recognizing that this will necessarily be a 'rough check' given the various inexactitudes (principally, uncertainty around Funder intentions).

Assessing the intended use and purpose of Window 1 and Window 2 funding in the CGIAR Portfolio

- h. Summarize, to the extent possible, the intended use and purpose of Window 1 and Window 2 financing across and within the 2017 – 2022 CGIAR Portfolio, as approved by the System Council on 25 September 2016¹², noting that the proposals did not disaggregate Window 1 and Window 2 funding.
- i. Make an informed assessment of the reasonableness of the intended use and purpose of the Window 1 and 2 funding for 2017, taking note that specific guidance was not provided on preferred uses of Window 1 and Window 2 funding at the time of issuing the Call for Proposals, but that a definition and guidelines as to what constitutes a reasonable use of Window 1 and 2 funds is identified as an area that could be developed for the years beyond 2017.

¹² Note that the System Council decision was not intended to define the CGIAR Portfolio until 2022, and in due course, additional Flagship Programs and CRPs may be introduced.

Considering possible ways forward for prioritization in the longer term

- j. Assess the practical implications of Funder intentions and constraints on both System-wide financial planning, and the efficient and effective operation of the CGIAR System.
- k. Taking into account advice from the ISPC, consider what might be needed to place the System Council in the position of applying Article 6.1(p) of the Framework in the longer term, viz, approving “*guidelines and criteria for prioritization and for annual allocation of Unrestricted Funding across CGIAR Research based on strategic priorities and performance*”. Recognizing the short duration of this joint working group, this aspect will necessarily be rather circumscribed, but could usefully include discussion of the criteria that might be used (e.g. geographic mapping of where the CRPs are working).
- l. Make recommendations to the virtual meeting of the System Management Board on 1 November 2016 and, through the Board, to the virtual meeting of the System Council on 16 November, on the development of a process and a timeline for prioritization.

D. Composition

6. The Working Group will be comprised of 7 members as follows:
 - a. System Council voting members – Australia (**Andrew Campbell**, Member; Mellissa Wood, Alternate), Germany (**Michel Bernhardt**, Member; Marlis Lindecke, Alternate), UK (**Alan Tollervey**, Member; Andrew Clayton, Alternate), USA (**Rob Bertram**, Member; Eric Witte, Alternate)
 - b. System Management Board voting members – **Gordon MacNeil, Eugene Terry, Ann Tutwiler**.
7. **Additional resources:** Maggie Gill, Chair of CGIAR’s Independent Science and Partnership Council (“ISPC”); and Nick Austin, Interim Executive Director, System Management Office.
8. **Chair:** The Working Group will be chaired by Andrew Campbell, as selected by the Working Group members at the group’s first meeting.

E. Operations

The Working Group shall operate according to the following guidelines:

9. **Meetings:** The Working Group shall meet virtually as determined by the Chair in consultation with the other Group members.

10. **Disclosing conflicts of interest:** Where a member has a conflict of interest on a specific topic under discussion, they will make the circumstances of the conflict known to the Working Group, to ensure that discussions proceed in an open and transparent manner.
11. **Quorum:** A majority of members shall constitute a quorum for the transaction of business, with at least two Board and two System Council member representatives (or their alternates) present.
12. **Meeting support:** The System Management Office carries the responsibility for:
 - a. preparation of a draft agenda and meeting materials in advance of discussions;
 - b. timely circulation of meeting summaries; and
 - c. preparation of materials to support Working Group member requests for additional inputs, including, to the extent possible, heat mapping and other analysis that provides additional clarity on the spread of funding according to regional and/or other aspects.
13. **Arriving at agreement on matters to be provided as formal inputs into the deliberations of the Board and System Council:** The Chair should aim for consensus on inputs that are proposed to be put forward to the Board and System Council. If consensus cannot be reached, both the majority and minority positions shall be reported.
14. **Access to expertise, including consultants:** The Working Group in fulfilling its duties under these TOR will draw on expertise the System Management Office, and subject to budget resources permitting, external consultants, individuals and institutions as appropriate taking into account direction, if any, provided by the Board and System Council.
15. **Delegation of Authority:** The Working Group shall have the power to delegate on an exceptional basis its authority and duties to the Chair or individual Working Group members as it deems appropriate.

Appendix 3 - Intended best use of W1-2 funding

To inform the FAWG, and in response to an invitation from the System Management Office, a group of interested CRP Leaders prepared a summary of intended uses of W1-2 funding. They proposed that W1-2 funding enables CRPs to engage in strategic activities¹³ that are difficult to implement in a timely and comprehensive way through bilateral funding.

Broadly, these include activities to:

1. **Ensure the coherence and continuity of the CRP and flagship portfolio:** The CRPs have a Theory of Change that builds interdependencies and supports the integrated nature of the flagships. Few CRPs have flagships that can deliver outcomes in isolation. W1-2 funding ensures that a CRP can manage and conduct research as a part of an integrated program of activities cross flagship programs (FP); and, also enables continuity of research through bilateral funding gaps.
2. **Sharpen the agenda for results:** Bilateral projects do not typically support planning or monitoring, evaluation, and learning (MEL) at flagship and CRP levels. W1-2 funding enables the FP teams to agree priorities for the work plan, invest in MEL and to orient resource mobilization efforts to support the flagship and CRP objectives. Investment in integrated planning at flagship and CRP levels in turn enables new bilateral activities to be effectively aligned with those objectives.
3. **Expand investment in cross-cutting dimensions:** The SRF recognizes the critical role of cross-cutting dimensions to deliver CGIAR-wide research effectiveness. These dimensions include: gender, youth, sustainability and capacity development. Much of this work is supported by W1-2 funding, allocated across the flagships. As the SRF argues, CGIAR research cannot effectively achieve its targeted outcomes if there is insufficient investment in these cross-cutting areas.
4. **Enable inter- and intra-CRP synergies and site-integration:** W1-2 funding is critical for promoting cross-CRP collaboration to ensure the CGIAR portfolio delivers to its maximum potential and specifically within the CGIAR integration countries. Bilateral projects based in these target countries may not be able to contribute significantly to a joint CGIAR research agenda.
5. **Support strategic, transformational, high-risk/high-return research.**

¹³ Examples of such activities include: upstream proof-of-concept work; critical global syntheses leading to IPGs; ensuring adequate investment in cross-cutting activities such as gender, youth, capacity development; management, monitoring and evaluation; bridging research within and across CRPs and contributing to CGIAR site integration; mobilizing new funding and partners. These essential ingredients enable CRP teams to have confidence in setting outcome targets and add value to bilaterally funded projects.