



Summary of Center Financial Positions

Purpose

This document sets forth a summary of the Center Financial Positions as at year-end 2016. The Audit and Risk Committee of the System Management Board discussed the document during their 7th meeting on Thursday 13 April 2017 and noted that while the current situation reported in this document is in line with the existing Financial Guidelines series, the Board might wish to consider whether, given the present funding environment, a conversation should be held at a future time on a possible Board position on Center financial health and reserve levels should be taken, regardless of Centers' own views on these matters.

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Prepared by: CGIAR System Management Office

A. Center Expenditure Forecast 2016

1. The System Management Office regularly aggregates financial expenditure projections of year-end results forecasted by Centers. For 2016 such projections are available comparing the approved 2016 FinPlan with expected expenditures at Q3, at Q4 and in February 2017. In March 2017 Centers provide the first draft Financial Statements (including results) and the audited Financial Statements are expected on 31 March 2017. Some Centers require additional time before audited Financial Statements are provided to the System Management Office.
2. The System Management Office reports Q3 and Q4 information in form of a report which is made available to the Centers. Table 1 shows the Center forecast from Q3 (November 2016). Expenditures were assumed to be 3% below the 2016 FinPlan.

Table 1

	Center CGIAR 2016 FinPlan				Q3 - Forecast for Total year				
	CRP	Non -CRP	Non -CRP %	Total Expend.	CRP	Non -CRP	Non -CRP %	Total Expend.	Forecast vs Finplan
AfricaRice	19.7	6.2	24%	26.0	19.3	5.5	22%	24.8	96%
Bioversity	31.2	4.3	12%	35.5	29.9	4.6	13%	34.5	97%
CIAT	72.7	-	0%	72.7	78.0	-	0%	78.0	107%
CIFOR	30.7	3.2	10%	33.9	30.6	3.2	10%	33.8	100%
CIMMYT	124.7	29.1	19%	153.8	109.2	18.4	14%	127.6	83%
CIP	49.3	1.4	3%	50.7	50.7	1.1	2%	51.8	102%
ICARDA	30.7	8.7	22%	39.4	29.9	10.6	26%	40.5	103%
ICRAF	66.5	9.2	12%	75.6	62.5	8.2	12%	70.6	93%
ICRISAT	57.1	4.3	7%	61.5	57.4	4.3	7%	61.7	100%
IFPRI	103.7	11.7	10%	115.4	103.1	11.7	10%	114.7	99%
IITA	88.8	8.0	8%	96.8	93.4	8.0	8%	101.5	105%
ILRI	40.0	24.8	38%	64.8	48.1	27.3	36%	75.4	116%
IRRI	68.0	4.3	6%	72.4	60.3	2.9	5%	63.2	87%
IWMI	31.9	1.1	3%	32.9	29.2	1.7	6%	30.9	94%
WorldFish	8.6	20.2	70%	28.8	7.9	18.2	70%	26.1	90%
Total for CRP & NON-CRP	823.7	136.4	14%	960.1	809.2	125.8	13%	935.0	97%
System Entities				18.3				18.3	100%
Total System				978.4				953.4	97%

3. In December 2016 Centers forecasted a slightly less favorable picture with expenditures 6% below the 2016 FinPlan and in February 2017 the gap between 2016 FinPlan and projected expenditures increased to 9%.

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4. In March the picture slightly improved and the gap between the 2016 FinPlan and the projected expenditures decreased to 6% as per Table 2. The draft result was projected at a system deficit of \$5.4 million. However, this result was favorably impacted by a non-operating income of \$4.3 million reported by ICRISAT, the result of the sale of a property.
5. Cost for System Entities is reported at \$16.3 million compared to the approved budget of \$18.3 million which is 11% below budget. For additional System cost information see Section E.

Table 2

	Center CGIAR 2016 FinPlan				March 2017 - SOA - Forecast					
	CRP	Non -CRP	Non -CRP %	Total Expend.	CRP	Non -CRP	Non -CRP %	Total Expend.	Surplus (Deficit)	Forecast vs Finplan
AfricaRice	19.7	6.2	24%	26.0	17.3	9.2	35%	26.4	(2.5)	102%
Bioversity	31.2	4.3	12%	35.5	21.9	8.7	28%	30.6	1.2	86%
CIAT	72.7	-	0%	72.7	67.1	4.2	6%	71.3	(0.4)	98%
CIFOR	30.7	3.2	10%	33.9	27.4	5.0	15%	32.4	(0.7)	96%
CIMMYT	124.7	29.1	19%	153.8	104.2	18.5	15%	122.7	(0.2)	80%
CIP	49.3	1.4	3%	50.7	43.8	7.8	15%	51.6	(0.9)	102%
ICARDA	30.7	8.7	22%	39.4	27.7	13.8	33%	41.5	(0.4)	105%
ICRAF	66.5	9.2	12%	75.6	52.7	10.8	17%	63.5	(1.2)	84%
ICRISAT ¹	57.1	4.3	7%	61.5	50.5	4.5	8%	55.0	7.6	89%
IFPRI	103.7	11.7	10%	115.4	107.2	8.4	7%	115.5	0.2	100%
IITA	88.8	8.0	8%	96.8	87.9	10.4	11%	98.3	(1.5)	102%
ILRI	40.0	24.8	38%	64.8	45.1	23.7	34%	68.8	(0.8)	106%
IRRI	68.0	4.3	6%	72.4	56.5	6.0	10%	62.5	(2.6)	86%
IWMI	31.9	1.1	3%	32.9	25.6	3.6	12%	29.2	(1.7)	89%
WorldFish	8.6	20.2	70%	28.8	8.5	21.1	71%	29.6	(1.5)	103%
Total for CRP & NON-CRP	823.7	136.4	14%	960.1	743.4	155.7	17%	899.1	(5.4)	94%
System Entities				18.3				16.3		89%
Total System				978.4				915.4		94%

¹ICRISAT reported a non-operational gain of \$4.3m resulting from the sale of a property

6. As of Friday 14 April 2017, not all Centers have provided audited Financial Statements as per Table 3, but it seems that expenditures will remain approximately at 94% of the 2016 FinPlan. The System result, based on the audited draft Center Financial Statements submitted between 31 March and 14 April is in line with the result projected in March. However, CIFOR informed that an adjustment of W1/2 revenue will impacted the result to the tune of approximately \$4 million. It is therefore expected that the system result will be negative by approximately \$10 million, including the ICRISAT non-operational, one-off windfall.

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Table 3

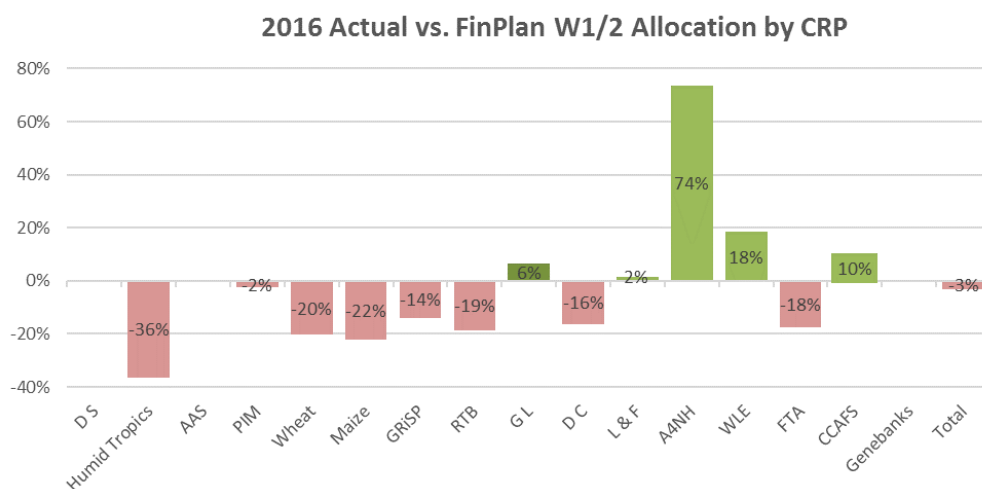
	Center CGIAR 2016 FinPlan				April 2017 - Audited FS					
	CRP	Non -CRP	Non -CRP %	Total Expend.	CRP	Non -CRP	Non -CRP %	Total Expend.	Surplus (Deficit)	Actual vs Finplan
AfricaRice	19.7	6.2	24%	26.0	17.3	6.7	26%	26.2	(2.2)	101%
Bioversity	31.2	4.3	12%	35.5	21.9	9.9	32%	30.6	1.2	86%
CIAT	72.7	-	0%	72.7	68.9	3.8	5%	73.0	(0.3)	100%
CIFOR	30.7	3.2	10%	33.9	-	-	-	-	-	0%
CIMMYT	124.7	29.1	19%	153.8	104.7	17.6	14%	123.9	(1.6)	81%
CIP	49.3	1.4	3%	50.7	43.3	7.4	14%	51.6	(0.9)	102%
ICARDA	30.7	8.7	22%	39.4	27.7	12.3	30%	40.5	(0.6)	103%
ICRAF	66.5	9.2	12%	75.6	52.6	9.5	15%	63.7	(1.6)	84%
ICRISAT ¹	57.1	4.3	7%	61.5	50.5	12.1	22%	55.0	7.6	89%
IFPRI	103.7	11.7	10%	115.4	107.2	8.7	7%	115.6	0.2	100%
IITA	88.8	8.0	8%	96.8	88.0	9.5	10%	98.9	(1.4)	102%
ILRI	40.0	24.8	38%	64.8	45.1	22.3	33%	68.3	(0.8)	105%
IRRI	68.0	4.3	6%	72.4	56.6	3.4	5%	62.7	(2.7)	87%
IWMI	31.9	1.1	3%	32.9	25.7	2.4	8%	29.8	(1.7)	90%
WorldFish	8.6	20.2	70%	28.8	-	-	-	-	-	0%
Total for CRP & NON-CRP	823.7	136.4	14%	960.1	709.5	125.6	15%	839.8	(4.7)	87%
System Entities				18.3				16.3		89%
Total System				978.4				856.1		87%

1 ICRISAT reported a non-operational gain of \$4.3m resulting from the sale of a property

B. Window 1 and 2 allocation in 2016

7. Overall W1/2 funding was at 97% or \$175 million of FinPlan but due to de-link of W1 from Funder allocated W2, a significant under and over allocation resulted between CRPs as can be seen in Chart 1.

Chart 1



- 8. W1/2 expenditure of \$175 million account for 19% of total expenditure of \$900 million. W3 expenditure account for \$399 million or 44% and Bilateral and Center own funds made up the difference of \$326 million or 37%.

C. Fund inflow and disbursements in 2016

- 9. Charts 2 and 3 show how funds were received and disbursed in 2016. It is evident that most of the funds are only available to Centers (Lead Centers for W1/2) during the 2nd half of the year.

Chart 2

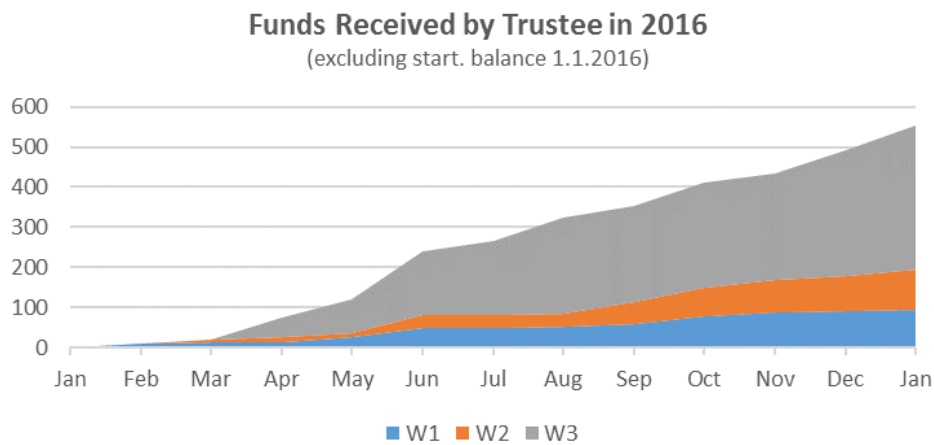
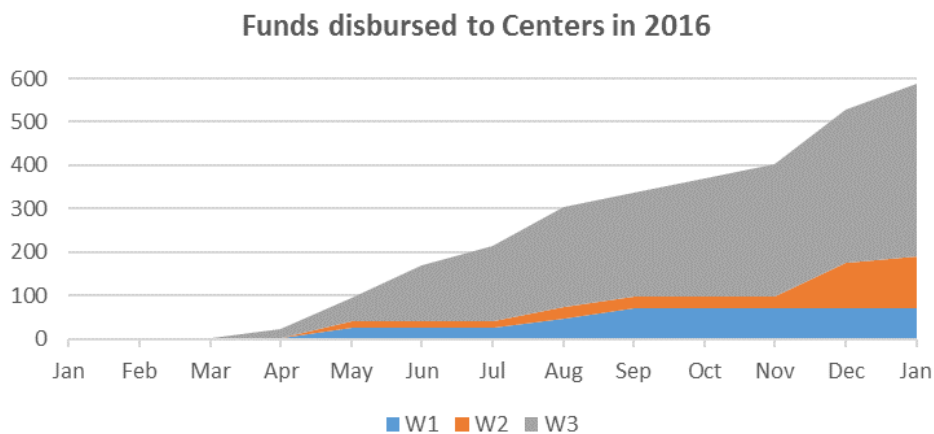


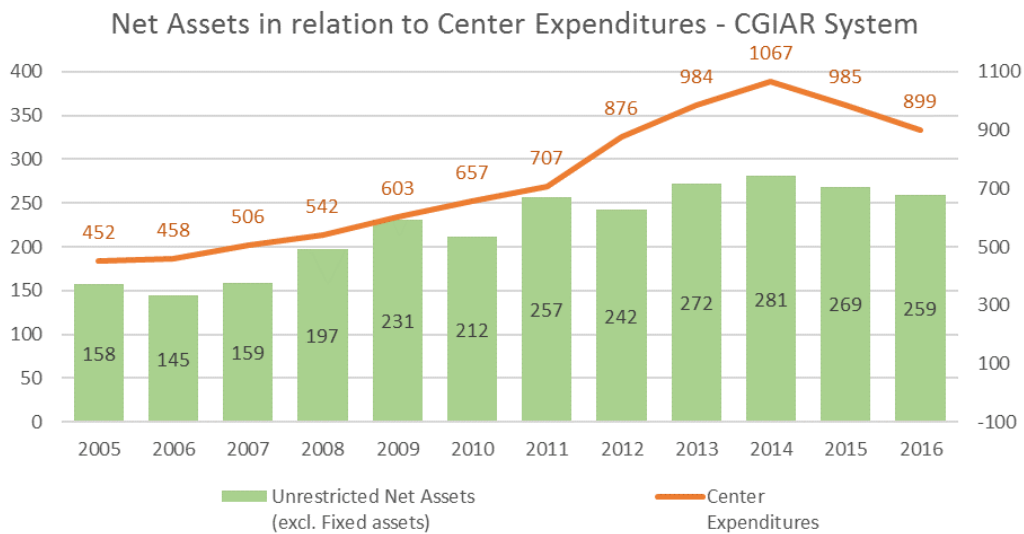
Chart 3



D. Center Financial Health

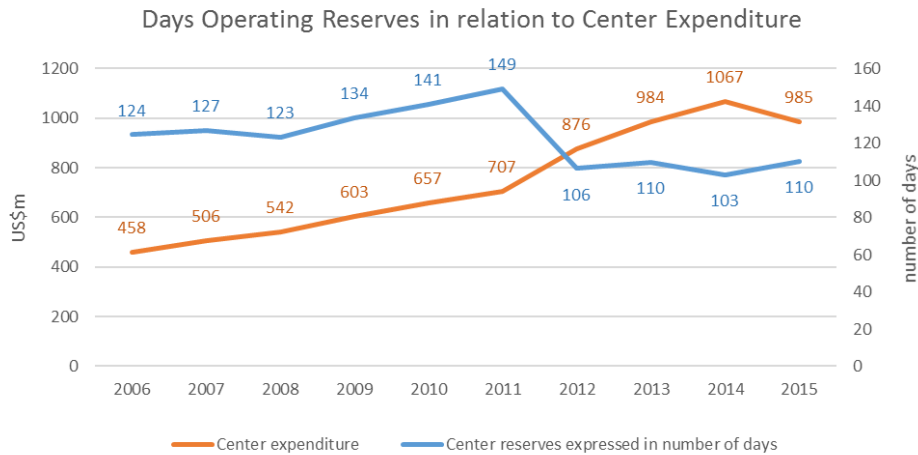
10. Except for Africa Rice, cost for relocation, and CIFOR, continued loss of W1/2, none of the Centers has reported financial difficulties. While ICARDA and IITA in 2015 reported below minimum operating reserves expressed in days of operation with 50 and 40 days respectively, it is assumed that both Centers will remain below the required minimum of 75 to 90 days. It remains to be seen how ICARDA and IITA results will impact 2016 operating reserves.
11. During the years prior to the reform process (2011 and before) System unrestricted net assets (excluding fixed assets) increased approximately in line with System expenditures as per Chart 4. From 2012 onwards, with the implementation of the Window funding structure, Centers no longer receive (or receive very minimal) unrestricted funding and unrestricted net assets no longer follow the expenditure trend. Replenishing reserves is now almost impossible.

Chart 4



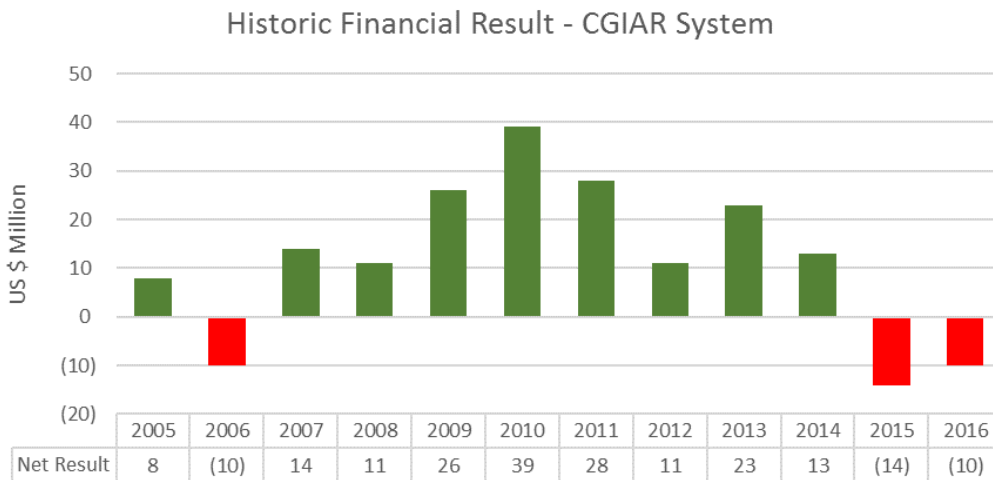
12. This results in lower operating reserves expressed in number of days and the trend is now reversed. The higher the Center expenditure the lower the reserve expressed in number of days of operation as per chart 5. Since reserves provide flexibility to the Centers to absorb temporary funding shocks, the higher Center expenditure and lower Center reserves increase the risk and exposes the whole System.

Chart 5



13. In 3 out of the last 15 years the System has reported a deficit. As mentioned before, the 2016 deficit is reduced by \$4.3 million because of a non-operational income.

Chart 6



E. System Entities Cost

14. System cost have decreased from 2015 onwards, year on year. In 2016 actual cost were 11% below the allocated budget and represent 1.8% of total System expenditure.

Table 4

CGIAR System Entities							
Budget 2015, 2016, 2017 - Actual expenditure 2015, 2016							
System Unit	Budget 2015	Actual Expenditure 2015	Change Actual to Budget %	Budget 2016	Actual Expenditure 2016	Change Actual to Budget %	Budget 2017
Fund Office	3,650	3,020	83%	1,910	1,542	81%	
System Council Support				150	150	100%	820
ISPC	3,910	3,390	87%	3,894	3,760	97%	3,520
IEA	3,940	3,160	80%	2,480	2,040	82%	1,880
Trustee	620	620	100%	630	630	100%	690
SMB (CO-Board)	299	222	74%	558	339	61%	522
SMO (CO-Office)	6,771	6,109	90%	6,893	6,522	95%	8,281
Options Team / Transition	700	540	77%	1,673	1,159	69%	
Other / GA				150	196	131%	30
IAU		697	na				500
Total	19,890	17,758	89%	18,338	16,338	89%	16,243