

**CGIAR Fund Council Meeting
November 1 – 2, 2010**

Please find attached the CGIAR Non-Research System Costs Financing paper. The Non-Research System Costs Financing paper is intended to be one of the chapters in the Common Operational Framework. The Fund Council is requested to:

Approve the CGIAR Non-Research System Costs Financing paper.

CGIAR Non-Research System Costs Financing

Background¹

A paper on CGIAR System Costs was submitted to the Funders Forum in July 2010. This paper defined these non-research costs of the new CGIAR and described formula options for equitably sharing these costs among CGIAR Funders (both Fund Donors and Bilateral Funders). A presentation describing the cost sharing formulas with numerical examples was made at the Funders Forum.

The Funders Forum agreed on a formula to equitably share the non-research cost burden and also agreed on uniform application of this formula (CSF) as a single rate, the Cost Sharing Percentage (CSP) for all CGIAR Funders. This approach assumes full transparency of funding to the CGIAR, including Consortium and Center reporting of Bilateral Funding.

The CSP is to be calculated as follows:

Total approved System Costs / Total projected CGIAR Fund contributions & Bilateral Funding

This Note summarizes the key components related to the agreed financing of System Costs.

System Costs

The CGIAR non-research System Costs to be financed through this single rate are identified as follows:

Fund Council and Fund Office	Consortium Board and Consortium Office
Trustee	Independent Evaluation Arrangement
Funders Forum	Dispute Resolution Mechanism for the CGIAR
ISPC and Secretariat	CGIAR's share of the cost of the GCARD

Budget Approval

Based on budgets and work plans submitted in a timely fashion, the CGIAR non-research cost units are expected to have their annual budgets and work plans approved by the Fund Council prior to the start of each calendar year. Approved budget amounts will be designated by the Trustee of the CGIAR Fund in Window 1 for transfer to the recipient upon completion of the relevant Fund Use Agreements with the Fund Council.

¹ Defined terms not otherwise defined herein are used as defined in the CGIAR Glossary.

Step-by-Step Application of the CSF

1. Prior to the start of the calendar year, the FC approves budgets and work plans submitted from recipients of the various System Costs (e.g. Fund Council and Fund Office, Trustee, ISPC, IEA, Consortium Board and Consortium Office).
2. The Trustee assigns any approved budget amounts from pool of funds in Window 1.
3. The Trustee transfers the approved budget amounts for the Trustee and Fund Office out of Window 1 into administrative accounts established for Fund Office and the Trustee, respectively, in the World Bank's "institutional books".
4. The Trustee transfers amounts for the approved budgets to the relevant non-Bank entities based on effective Fund Use Agreements with and Payment Requests from these entities.
5. In the fourth quarter of each calendar year, the Consortium provides the Fund Office with a projection of Bilateral Funding expected during the next calendar year.
6. In the fourth quarter of each calendar year, the Fund Office determines the projected total contributions expected to be provided to the CGIAR Fund during the next calendar year.
7. Prior to the end of the calendar year, upon receipt of the Consortium's projections and determination of projected contributions to the CGIAR Fund, and based on approved budgets for System Costs for the current calendar year and on projected funding to the CGIAR for the next calendar year, the Fund Office determines and announces the Cost sharing Percentage (CSP).
8. During the course of the next calendar year, the Consortium requests that the Centers transfer their bilateral share of System Costs, i.e., their total CSP amount, to the Trustee for deposit into Window 1.²
9. During the course of the next calendar year, each Window 2 and Window 3 contribution to the CGIAR Fund is assessed the CSP by the Trustee and is then transferred into Window 1.
10. If the aggregate amount assessed during any calendar year is less (or more) than the amount based on actual contributions (because of lower (higher) than projected contributions),³ then the following calendar year's CSP will be adjusted accordingly to compensate for the shortfall (excess).

Estimated CSP for 2011

Using the CSF, the Fund Office has estimated the CSP to be **2 percent in 2011 for all CGIAR funding**. This rate is based on projected System Costs of US\$12 million over projected CGIAR Fund contributions and Bilateral Funding of US\$600 million (as illustrated at the Funders Forum in July 2010). As the numerator and denominator of the CSF for 2011 are both estimates during this transition period, the CSF for 2012 is expected to take into account actual System Costs for both 2011 and 2012 at the end of the next calendar year.

² The Consortium may determine its own procedures for providing such funds to the Trustee, including transfers directly from Centers to the Trustee.

³ Adjustments will also be made in the event the total CSP amount for Bilateral Funding is not received by the Trustee or any CSP amounts do not reach the Trustee for any reason, so as to ensure equitable burden sharing among all remaining funders of any unpaid amounts.