



## **INCEPTION REPORT**

### **Working Group on Incentives for Portfolio Funding (W1/2)**

**May 2025**

**Prepared by: CGIAR System Organization**

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## **INCEPTION REPORT**

### **Working Group on Incentives for Portfolio Funding (W1/2)**

#### **Executive summary**

This inception report presents the foundational scope, objectives, and progress of the CGIAR Working Group (WG) on Incentives for Portfolio Funding. As decided by its members, the group has suggested to accelerate its timeline, targeting delivery of final recommendations by December 2025—six months ahead of the originally planned June 2026. Prioritized areas include Window 1 and 2 funding modalities, equitable cost-sharing mechanisms, and the allocation and governance of System Council seats (which is currently under review by a separate working group, and their findings will be integrated into the work of this group). The report outlines a roadmap to address these priorities through regular engagement and milestone-based progress tracking.

The working group will work collaboratively over the next months to develop recommendations to effectively incentivize both current and prospective funders to channel their contributions through Window 1 (W1) and Window 2 (W2).

#### **Progress to date**

Since its formation in April 2025, the group has convened two formal meetings and scoped its terms of reference and working agenda. Key themes have been prioritized: Window 1 and 2 rules, cost-sharing approaches, and System Council seat arrangements and rules. The group has initiated a discussion on revising the System cost financing policy, as well as incentives connected to designations within funding windows, and System Council seat eligibility rules. The value proposition for pooled funding is under active refinement, with early discussions emphasizing the need to frame Window 1 as mission-critical.

In their first two meetings, the working group identified the following interconnected and mutually reinforcing priority areas outlined in the table below. When implemented as a cohesive package of changes, these areas can enhance confidence in the CGIAR system and improve the attractiveness and strategic value of pooled funding mechanisms.

Element	Current Status WG Actions
<b>Element 1: Adopting solid funding models with clear avenues for investments in the CGIAR.</b>	
	The current funding channels were approved at the System Council meeting (SC21) in December 2024. While these models were deemed suitable for supporting the existing portfolio, they must be continuously monitored to ensure they remain aligned with the evolving funding landscape.
<b>Element 2: Enhanced CGIAR Management of Science, Business and Governance</b>	
<ul style="list-style-type: none"> <li>• <b>Portfolio Consolidation and Transparency:</b> Streamlining and consolidating the CGIAR portfolio (e.g., the current 12 Programs and Accelerators and 50 Areas of Work), including clearly mapping how Window 3-funded projects align with or complement core programming.</li> </ul>	Adopted in the 2030 Research and Innovation Strategy, including mapping Window 3-funded projects.
<ul style="list-style-type: none"> <li>• <b>Strategic Asset Protection:</b> Prioritizing CGIAR-wide strategic assets (e.g., Genebanks, data systems) as collective System assets, particularly where they are not adequately funded through current resources.</li> </ul>	Ongoing asset study aimed at identifying CGIAR's strategic assets that align with the 2025–2030 Science Portfolio and are currently at risk due to the absence of sustainable long-term funding; inability to fully recover costs or require major upgrades / maintenance to ensure they are fit for purpose.
<ul style="list-style-type: none"> <li>• <b>Increased Resource Mobilization and Transparency:</b> Strengthen fundraising efforts and improve reporting and visibility to build funder trust and engagement.</li> </ul>	Current Resource Mobilization efforts focus on three strategic approaches: (i) deepen and expand the donor base; (ii) position CGIAR as a global partner through advocacy efforts, and (iii) deliver an impactful replenishment campaign. In this context, a Working Group on Innovative Finance Modalities has also been set up in April 2025 as per request of the System Council to explore non-traditional financing mechanisms that can contribute to a long-term, sustainable and diversified financing strategy for CGIAR.

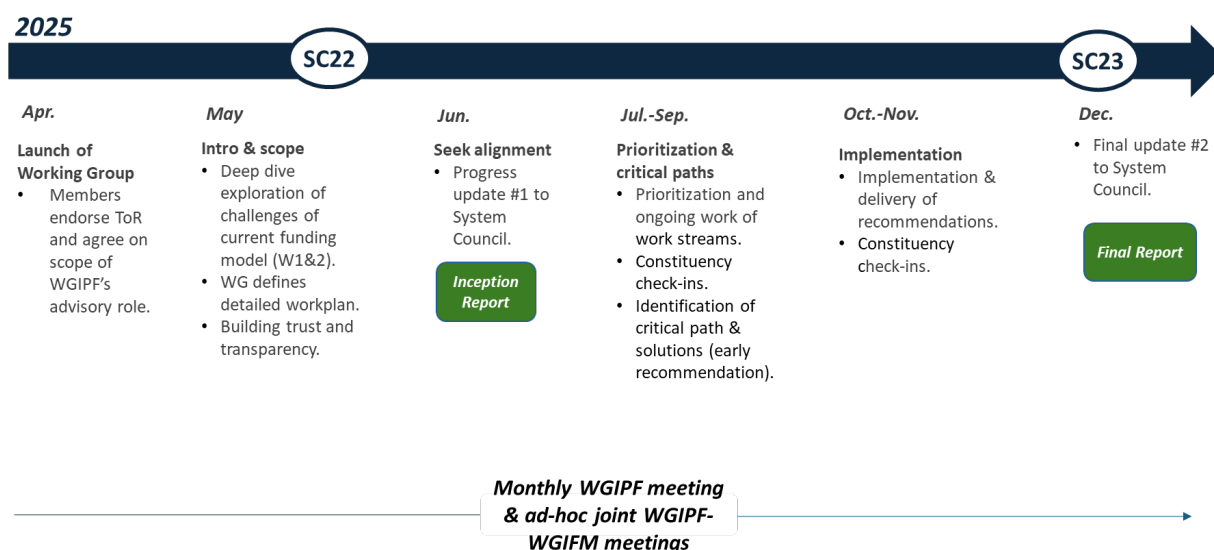
	Implementing the ROP, strengthening reporting, adopting governance best practices, and improving overall compliance are essential for building donor confidence and securing increased funding for CGIAR.
<ul style="list-style-type: none"> <li>• <b>Full Cost Recovery:</b> Implementing good practices of full cost recovery at Centers, System Organization, and across the system to promote financial sustainability and transparency.</li> </ul>	Full cost recovery has been implemented across all Centers and the System Organization, though some challenges persist due to donor policies. The process is regularly reviewed for continuous improvement and adaptation to sector developments.
<ul style="list-style-type: none"> <li>• <b>Efficiency and Cost Discipline:</b> Optimizing System Organization costs across science management, business, and governance functions, demonstrating an efficient use of resources.</li> </ul>	System Organization Business Functions have undergone a 13% reduction in 2024, with a further 20% permanent cut in 2025 – first time fully paid by CSP since 2019. Science management costs reduced by 34% in 2025. Governance and Independent costs have increased over the past years, and in 2025, particularly due to the System Council’s request for SPIA to expand its efforts to institutionalize and scale country-level data.
<b>Element 3: System Council Representation Linked to Incentives</b>	
<ul style="list-style-type: none"> <li>• <b>Reviewing System Council Voting Funder Seat numbers, funding thresholds, and weights between W1, W2, W3 and Bilateral.</b></li> </ul>	<p>Currently, CGIAR Framework limits the number of Funder Voting Seats to 15. These seats are only accessible through the triannual reconciliation process (looking at historical investments across Window 1,2,3/B).</p> <p>More recently, a “Temporary Funder Voting Seat” mechanism was introduced for public or written pledges spanning 3 years minimum and with support directed to Window 1/2 only.</p> <p>Additionally, a weighted system for investments is applied to the System Council seat eligibility with Window 1 valued at 3X, Window 2 valued at 2X, and W3 and/or bilateral valued at 1X.</p>

	<p>Thresholds required for System Council seats through the reconciliation process require a \$10M weighted average of investments (inclusive of W1,2,3,B) over the agreed prior 3 year investment period.</p> <p>For the Temporary Funder Seats, a pledge must reach \$10M weighted average annually over three years (only inclusive of W1 and 2 – Portfolio funding).</p> <p>Actions to explore:</p> <ul style="list-style-type: none"> <li>• Eliminate the fixed number of eligible Funder Voting Seats – currently 15</li> <li>• Combine the Reconciliation and Temporary Seat mechanism into one clear component of the Framework which is currently under review</li> <li>• Require continued annual threshold level investment in order to retain System Council seat</li> <li>• Increase minimum weighted threshold from current \$10M (equivalent to a \$3.33M Window 1 contribution)</li> <li>• Require an agreed % of W1 investment in order to be considered for a System Council funder seat</li> <li>• Reconsider the eligibility of W3 and Bilateral for seat calculations</li> </ul>
<p><b>Element 4:</b> Update and fully implementing the Policy on CGIAR System Cost Financing - Cost Sharing Percentage (CSP) methodology</p>	
<ul style="list-style-type: none"> <li>• <b>Revisiting CSP Regularly:</b> Recognizing that Window 1 should not be treated as a "donor of last resort," and that it is not designed to absorb the non-research overheads of the System, the current flat CSP rate (set in 2017) should be reviewed regularly—ideally every budget cycle (e.g., every three years) or annually.</li> </ul>	<p>Aligned with full cost recovery, efficiency, and cost discipline of System Costs, propose a review, in collaboration with the Centers, of CSP methodology to ensure equitable recovery of system costs from all funders.</p> <p><i>Given the current funding scenario, pressure on Center budgets, and the need for an adaptation period, a review should be conducted in 2026</i></p>

	<p>and fully implemented in the 2027 budget cycle.</p> <p>Options to explore (not limited to):</p> <ul style="list-style-type: none"> <li>• Revised rates for different funding streams (e.g. 1% W1, 2% W2, 3-4% W3/Bilateral)</li> <li>• Exclusion of IAES/SPIA costs, from the CSP formula, with the application of differentiated rates for various funding streams, as described above.</li> <li>• All the approaches above, including the use of W1/2 investment income to partially cover system costs and help reduce the pressure on the CSP.</li> </ul>
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### Workplan and future direction

The group has agreed to deliver final recommendations by December 2025 for presentation at System Council 23. Key milestones are illustrated as follows:



This intensified schedule will require regular check-ins and sub-groups to work on technical issues.

### Suggested course of action

The suggested course of action includes:

- Structured review of current funding windows and CSP mechanics.
- Development of policy options for funder seat allocation.
- Collaborative modelling of funding flows under revised rules.

Documentation of interim findings to ensure transparency and alignment.

### Assumptions and risks

Assumptions:

- Funders will remain open to modifying contribution mechanisms in support of collective priorities.
- Centers will cooperate in aligning reporting and cost-sharing protocols.
- Timely and reliable funding data will be made available for analysis.

Risks:

- Resistance from bilateral funders to paying for system costs or inability to make pooled contributions.
- CSP reforms could significantly affect Centers' financial results and reserves if an adequate adaptation period is not provided.
- Delays in aligning with other parallel initiatives within CGIAR.
- Divergence in funder interests that could slow consensus building.

### Conclusions

The Working Group is advancing rapidly toward an ambitious December 2025 target. By focusing on the core structural issues of funding channel rules, cost-sharing, and governance equity, the group aims to propose changes that can enhance system cohesion, financial sustainability, and funder confidence. This inception report sets the tone for an inclusive and evidence-driven reform process designed to strengthen CGIAR's mission alignment through improved financial incentives and governance models.



## Annex 1

### Terms of Reference of the Working Group on Incentives for Portfolio Funding (W1/2)

#### SC/M21/AP4 – CGIAR Windows 1 & 2 budget for 2025

##### Working Group on Innovative Finance Modalities

The System Council requested that two working groups be formed in Q1 2025, focusing on the following, and with diverse membership (including from the IPB and System Council) drawn from those with direct experience in the respective areas:

- i. Innovative finance modalities
- ii. Incentives for portfolio funding (Windows 1 & 2), including the role of cost sharing mechanisms

The Working Groups should work together collaboratively and would be asked to provide updates on progress and any recommendations for System Council decision in advance of the 2025 regular System Council meetings.

#### Terms of Reference: Incentives for portfolio funding (W1/2), including the role of cost sharing mechanisms

1. **Overview:** Portfolio funding empowers donors to achieve a broader reach and greater impact with their investments, enhancing the effectiveness and sustainability of CGIAR research operations. However, its current structure can limit donors' ability to focus on specific areas of interest through pooled funding. Consequently, it is vital to develop incentives for additional investments in portfolio funding that align CGIAR's research strategies with donors' specific priorities, ensuring mutual success and long-term impact.
2. **Objectives:** Evaluate and identify potential incentives to increase portfolio funding and the role and treatment of cost sharing mechanisms between all CGIAR funding sources, including:
  - a. Review the current rules for fund allocation to specific areas of work and geographic regions while examining the application of pooled funding to match W3 and bilateral funding and vice versa.
  - b. Develop sustainable cost-sharing mechanisms to fund System Entity costs and recommend updates to the CGIAR System Cost Financing Policy.

3. **Outputs:** Develop recommendations to enhance portfolio funding (W1/2) through targeted incentives and sustainable cost-sharing mechanisms. This involves, proposing updates to the CGIAR System Cost Financing Policy, and formulating an implementation roadmap with defined milestones and performance indicators.
4. **Membership:** The Working Group will be chaired by the Director of Business Operations & Finance and co-chaired by the Director of Donor Relations & Business Development and be composed of up to 8 members comprising **two System Council representatives**, two Integrated Partnership Board or IPB AFRC members, and two Global Leadership Team members or their delegate. The Working Group will be supported by SO and Centers staff from the Business Operations and Finance, and Donor Relations and Business Development functions. The Deputy Executive Managing Director will be an observer.

#### **Reporting, timeline and resources for both working groups**

5. **Reporting and Communication:** The Working Groups will provide an inception update at System Council 22, and a final report and recommendations by or before System Council 24. The inception report will seek input and alignment from the Global Leadership Team and Science Leadership Team in advance of all formal reporting.
6. **Timeline:** The Working Group will operate for a period of 12 months from inception or until the work is completed. Following a nomination period of 14 days, each Working Group will meet periodically, with joint sessions across both Working Groups as appropriate.
7. **Resources:** The Working Groups will have access to necessary resources, including funding history, policies, financial reports from Centers, and access to relevant data and information on research funding, private partnerships, and intellectual property.

Support will be made available from the approved CGIAR Business Functions operating budgets or specific contributions for meeting support, facilitation, and research. All meetings will be held virtually, except if in-person meetings can be linked to existing travel or meeting schedules. Additional financial support can be provided by stakeholders via CGIAR's Special Projects window.

8. **Amendment:** These Terms of Reference may be amended from time to time by mutual agreement of the members of the Working Groups, with the approval of the CGIAR Integrated Partnership Board.

## Annex 2

### Composition of the Working Group on Incentives for Portfolio Funding (W1/2)

Incentives for portfolio funding (W1/2), including the role of cost-sharing mechanisms	Governance Body	Organisation
Ruben Echeverria	System Council	Gates Foundation
Renaud Seligmann	System Council	World Bank
Celso Moretti	IPB	
Nick Austin	IPB	
Greg Johnson	IPB-AFRC	
Appolinaire Djikeng	GLT	ILRI
Bram Govaerts	GLT	CIMMYT
Luis Felipe Mendes	Co-chair/co-convener	CGIAR SO
André Zandstra	Co-chair/co-convener	CGIAR SO
Sandra Milach, on behalf of DEMD	Observer (DEMD)	CGIAR SO

## **Annex 3**

### **Agendas and minutes of Working Group meetings**

## Provisional Agenda

### **Inaugural Meeting - Kick-off of Working Group on Incentives for Portfolio Funding (W1/2)**

**April 22, 2025**

**Introduction:** The System Council requested that a working group is formed in Q1 2025 on incentives for portfolio funding (Windows 1 & 2), including the role of cost sharing mechanisms, with the objective of developing incentives for additional investments in portfolio funding that align CGIAR's research strategies with donors' specific priorities, ensuring mutual success and long-term impact.

**Date & time:** 22 April, 14:00-15:00h CET (tentative)

**Location:** online

**Co-chairs/co-conveners:** Luis Felipe Mendes & André Zandstra

#### **Attendees:**

- System Council: Ruben Echeverria (Gates Foundation), Renaud Seligmann (World Bank)
- IPB: Nick Austin, Celso Moretti
- IPB-AFRC: Greg Johnson
- GLT: Appolinaire Djikeng (ILRI), Bram Govaerts (CIMMYT)
- CGIAR SO: Sandra Milach (on behalf of DEMD), Luis Felipe Mendes, Laura Torà, Louise Towers, André Zandstra

TIME (CET)	AGENDA POINT
14:00 – 14:10	Welcome and Introductions
10 min	<ul style="list-style-type: none"> <li>• Welcome and opening remarks</li> <li>• Composition of the Working Group and individual introductions</li> </ul>
14:10 – 14:25	Where are we at?
15 min	<ul style="list-style-type: none"> <li>• Overview of CGIAR's funding model</li> <li>• Challenges &amp; opportunities</li> </ul>
14:25 – 14:45	The Way Forward - Discussing the Terms of Reference
20 min	<ul style="list-style-type: none"> <li>• Overview and discussion of the current ToR</li> <li>• WorkPlan and Timeline</li> </ul>

TIME (CET)	AGENDA POINT
14:45 – 14:55	Operating Modality
10 min	<ul style="list-style-type: none"> <li>• Membership &amp; roles</li> <li>• Communication channels</li> <li>• Meetings (frequency, recording, etc.)</li> </ul>
14:55 – 15:00	Next steps and Action Items
5 min	

## Working Group on Incentives for Portfolio Funding (W1/2)

### Meeting summary of the working group kick-off meeting

**Date & time:** 22 April, 14:00-15:00pm CET

**Location:** online

**Co-Chairs/co-conveners:** Felipe Mendes (chair) & André Zandstra (co-chair)

#### **Participants:**

- System Council: Ruben Echeverria (Gates Foundation), Renaud Seligmann (World Bank)
- IPB: Nick Austin, Celso Moretti
- GLT: Bram Govaerts (CIMMYT)
- CGIAR SO: Sandra Milach (on behalf of DEMD), Felipe Mendes, Laura Torà, Louise Towers, André Zandstra

Regrets: Appolinaire Djikeng (ILRI DG) and Greg Johnson (IPB-AFRC)

#### **Meeting summary**

##### **1. Introduction:**

- Felipe introduced the kick-off meeting for the working group on Incentives for Portfolio Funding, explaining the group's structure as well as its purpose to identify incentives that allow to attract more pooled funding to CGIAR through Window 1 and 2, including revising cost sharing mechanisms while ensuring full cost recovery.
- He also mentioned the connection with the Innovative Finance Modalities working group.

**2. Member introduction and expectations:** Members introduced themselves, explaining their expectations for this working group.

- André Zandstra – Director, DRBD and interphase with the Working Group on innovative finance. Emphasized the importance of recommitting to pooled funding and its role in the system, linking it to the ongoing discussion on reconciliation (how funds are allocated and managed within the system) and the development of the framework related to Windows 1 and 2 (how pooled funding is managed moving forward).
- Ruben Echevarría – System Council, Gates Foundation. Emphasis on fast tracking the work of the working group, with a particular focus on rules of W1&2, and the cost sharing mechanism.

- Sandra Milach – Chief Scientist and observer on behalf of the DEMD. She explained her role as an observer, aiming to learn and understand how she can contribute to the group's discussions.
- Renaud Seligmann – System Council, World Bank. Focus on the financial sustainability of the CGIAR model, and how to address and mitigate effectively the risk of funders moving away from Window 1, emphasizing the need to address the free rider problem and the inadequacy of the current CSP.
- Nick Austin – IPB. Chair of the working group on resource mobilization of IPB. Expresses an interest in simplifying the system and making it more attractive to funders, focusing on streamlining processes and improving efficiency. He also suggested that more compelling and attractive options should be offered to funders, which would help in securing more funding and support.
- Celso Moretti – IPB. Part of the working group on resource mobilization of the board. Raised his concerns about the need for housekeeping within CGIAR, specifically in relation to the 45 red flags, and in providing funders with the information they request to raise more funds.
- Laura Torà – Special Advisor to the DEMD, at the SO. Explains her role as member of the support team working with the chair and co-chair, and stresses the importance of revamping the efforts to attract more pooled funding to CGIAR for greater financial sustainability.
- Louise Towers – project coordinator based in the UK.
- Felipe Mendes – Director, BO&F at the SO. Expresses that the key points to achieve include reviewing the rules for W1&2, reviewing of cost sharing mechanisms and reviewing the System Council seating arrangements and rules.

\* Note shared by André Zandstra: pooled funding is 1/3 of the total funding, of which 1/3 is W1 and 2/3 is W2.

### **3. Overview of the current ToR and operating modality:**

Felipe outlined the objectives of the Working Groups as stated in the Terms of Reference, i.e. evaluating potential incentives for additional investment in portfolio funding, reviewing current rules for fund allocation, and developing a sustainable cost sharing mechanism, as well as its outputs.

- **Fund Allocation Rules:** The group will review and/or confirm the current rules for fund allocation, including specific areas of work, geographic regions, and the application of bullet funding to match window 3 and bilateral funding.
- **Cost Sharing Mechanism:** Developing a sustainable cost sharing mechanism is a key objective, ensuring that system costs are adequately covered and that there is a fair distribution of costs among funders.



- **Recommendations:** The group aims to provide recommendations to enhance portfolio funding through targets, incentives, and sustainable cost sharing mechanisms, ensuring the long-term viability of the system.

#### 4. Timeline and deliverables:

- Felipe proposed a timeline for the group's work, aiming to deliver a final report by June 2026, with intermediate milestones and regular meetings to ensure progress. However, the group suggested and agreed to fast-track the work and to set more ambitious timelines (6 months), aiming for a delivery of the final report to the System Council 23 meeting in December 2025.
- Ruben Echevarría expressed the need for the group to work efficiently and deliver concrete results within a few months around rules, CSP and seats, emphasizing the importance of moving quickly due to the changing world and the need for something concrete for the System Council 22. The SC 22 and 23 meetings are opportunities to move the conversation forward.
- There was also a note on the importance to bring the discussions around politics from the start (and do not only focus on the technical approach). The co-chairs mentioned that the composition of the Working Group responds to the need of having a balanced representation of different parties (funders, board members, Centers' DG's/GLT).

#### 4. Discussion on main points:

- **Agreement on 3 priority areas:** The working group agreed to focus the work on three key points, and to work efficiently to clarify these points within a month and bring present options for discussion in the SC 22 meeting. These include the following:
  - a) Window 1 and 2 Rules
  - b) Cost Sharing Mechanisms
  - c) System Council Seat Arrangements and Rules
- **Value proposition:** There was a proposal of value proposition, in line with the fact that window 1 should be seen as mission-critical. This will be further discussed by the working group.
- **Involvement of GLT representatives:** André highlighted the importance of involving GLT representatives in the discussions to ensure alignment and address any concerns from the centres.
- It was noted some workstreams within the scope of work on strategic assets, whose work and findings / recommendations will also be presented at the SC 23 meeting in December, have relevance and should be shared with this working group.

#### 5. Next steps and follow-up tasks:

- **Meeting Schedule:** Felipe proposed scheduling the next meeting in May to discuss the Inception Report and align on the key items to be presented to the System Council. Additionally:
- **Inception Report:** Draft a report addressing the three key items (rules for W1&2, cost sharing mechanisms and SC seat arrangements and rules), including options for discussion at the System Council 22 meeting in Penang. On cost sharing mechanisms, as an initial step, Felipe offered to bring some initial ideas, based on conversations with Centers' finance directors, for review and discussion in the next working group meeting.
- **Working Group Timeline:** Set a more ambitious timeline, in line with the following:
  - 1) Inception Report with presentation of preliminary options around the 3 priority areas identified for initial discussion with the SC;
  - 2) Prioritization and critical paths to take place between June/July and October;
  - 3) Presentation of Final Report with recommendations in the SC 23 meeting in December;
  - 4) Maintaining the working group function to discuss any additional recommendations emanating from the SC 23 meeting in December.
- **Funding Dynamics Update:** Provide an update on the current understanding and dynamics of pooled and bilateral funding at the next meeting.
- **Strategic Assets Working Group:** The co-chairs will share the latest presentation available from the Strategic Assets Working Group with the team.
- **GLT Representatives:** Ensure GLT representatives are available for the next meeting to provide their perspectives on cost sharing mechanisms and cost recovery.

## Provisional Agenda

### Meeting no. 2 - Working Group on Incentives for Portfolio Funding (W1/2)

May 6, 2025

**Introduction:** The System Council requested that a working group is formed in Q1 2025 on incentives for portfolio funding (Windows 1 & 2), including the role of cost sharing mechanisms, with the objective of developing incentives for additional investments in portfolio funding that align CGIAR's research strategies with donors' specific priorities, ensuring mutual success and long-term impact.

**Date & time:** 6 May, 14:00-15:00h CET (tentative)

**Location:** online

**Co-chairs/co-conveners:** Luis Felipe Mendes & André Zandstra

#### **Attendees:**

- System Council: Ruben Echeverria (Gates Foundation), Renaud Seligmann (World Bank)
- IPB: Nick Austin, Celso Moretti
- IPB-AFRC: Greg Johnson
- GLT: Appolinaire Djikeng (ILRI), Bram Govaerts (CIMMYT)
- CGIAR SO: Sandra Milach (on behalf of DEMD), Luis Felipe Mendes, Laura Torà, Louise Towers, André Zandstra

TIME (CET)	AGENDA POINT
14:00 – 14:05 5 min	Opening & meeting objectives
14:05 – 14:15 10 min	Overview of the current funding model <ul style="list-style-type: none"> <li>• Funding channels</li> <li>• System Council Seat Allocation</li> </ul>
14:15 – 14:30 15 min	Overview of Cost Sharing Percentage (CSP) <ul style="list-style-type: none"> <li>• SCP as the mechanism to allocate system-level cost among funders</li> <li>• Policy on CSP</li> </ul>

TIME (CET)	AGENDA POINT
14:30 – 14:45	Discussion and tour de table:
15 min	<ul style="list-style-type: none"> <li>• CSP Challenges and proposed review</li> <li>• Narrative for System Council 22 meeting in June</li> </ul>
14:45 – 15:00	Next steps and timeline
15 min	<ul style="list-style-type: none"> <li>• Draft Inception Report</li> </ul>

## Working Group on Incentives for Portfolio Funding (W1/2)

### Meeting summary of the working group meeting no.2

**Date & time:** 6 May, 14:00-15:00pm CET

**Location:** online

**Co-Chairs/co-conveners:** Felipe Mendes (chair) & André Zandstra (co-chair)

#### Participants:

- System Council: Ruben Echeverria (Gates Foundation), Renaud Seligmann (World Bank)
- IPB: Nick Austin
- IPB-AFRC: Greg Johnson
- GLT: Alvin Poncin (Delegate for Bram Govaerts, CIMMYT), Appolinaire Djikeng (ILRI DG)
- CGIAR SO: Felipe Mendes, Laura Torà, Louise Towers, André Zandstra

Regrets: Celso Moretti (IPB), Bram Govaerts (GLT, CIMMYT) and Sandra Milach (on behalf of the DEMD).

#### Meeting summary

**1. Introduction:** Luis Felipe recapped the previous meeting and outlined the objectives for the current meeting, as follows:

- *Previous meeting recap:* Agreement to fast-track the working group's recommendations and deliver them by December 2025 for System Council 23, instead of mid-2026; focus on the three key areas (rules for Window 1 and 2; cost sharing mechanisms; System Council seat arrangements and rules); and discussion of value proposition, the proposal to frame Window 1 as mission-critical.
- *Objectives of the meeting:* agree on the preparation of the inception report due to be submitted to the SC 23, including discussion on what should be included in it.

**2. Funding channels:** Discussion of the funding channels and rules for window 1 and 2, and bilateral contributions (refer to presentation in power point), emphasizing the importance of maintaining the current rules and considering any necessary adjustments to incentivize pooled funding. Note that this Working Group is a continuation of the previous Working Group that had agreed on these rules not long ago, and that they have only been in place for half a year.

**3. System Council Seat Allocation:** Andre explained the eligibility criteria and pathways for System Council voter seats, highlighting the importance of incentivizing funders to contribute to pooled funding and the need to review the model. Note made to clarify the rules for System Council seat allocation, ensuring that eligibility criteria is clear and transparent to all funders.

- *The System Council Seat Allocation:*

- (i) looking back pathway, based on past contributions, with 3-year reconciliation. In the 2018-2021 cycle, for the looking back pathway, there were 17 funders, 2 of them with shared seats, and the rest of the group occupying seats individually.
- (ii) forward-looking pathway, which correspond to the Temporary Funder Seats, based on future pledges of funders. Five temporary funder seats are available for new funders who make significant pledges to Window 1 or 2. These seats are intended to incentivize new funders to contribute to pooled funding.
- Felipe added that another Working Group is also discussing these allocations (i.e. Charter/Framework Group), and that recommendations of the current WG should be brought to this other group.
- Agreement by the group that the model works and that it needs to be reviewed to provide enhanced incentives. Incentive levers identified:
  - *Threshold adjustments* - Increasing minimum contribution, with preferential treatment for large funder, and including provision for seat maintenance.
  - *Review of weights* - Adjusting the weights for different funding windows, including higher weights for Window 1 contributions;
  - *Number of seats* - Increasing the number of seats to give space to new funders.
  - *Voter permissions*
- Important to ensure and reinforce good governance, transparency and trust. This is what can move the needle back to Window 1.

#### **4. Cost Sharing Percentage (CSP)**

- Felipe Mendes noted that system costs grew after 2021 due to a heavy structure in science across regions, with a much leaner structure since 2024, leading to better fund management. Importance of finding optimal point. However, while many costs have decreased, governance costs have not, and they should also be reduced, as referenced in the remuneration study. Emphasis on the need for transparency in costs.
- The current CSP set at 2% (not been updated for many years) is insufficient to cover the increasing system costs, with a funding gap covered by Window 1. This gap should not be covered by Window 1 alone as it represents a disincentive, and contributions from Window 3 and bilateral sources should be used to bridge the gap. A principle of full cost recovery needs to be adopted. For this, Centers need to be brought into the discussion.
- Felipe proposed working with the finance directors of the CGIAR centers to review and suggest improvements to the cost-sharing mechanisms, aiming to achieve full cost recovery and address the gap between system costs and contributions.

#### **5. Inception report: suggestions of content include the following:**

- To include questions to stimulate and guide discussion by the System Council.

- Showing synchronicity between CSP, W1 and 2 rules and seat allocation: (a) On W1 and 2 rules: Agreement to maintain the current rules but remain open to future adjustments; (b) On seat allocation: the model works but needs revision to provide enhanced incentives; (c) On CSP: note on importance to update cost-sharing mechanism.
- Highlight importance of improving management, efficiency, and transparency.

## **6. Next steps**

- *Inception report draft*: share the draft by Friday, May 9th, and request quick review and feedback as it needs to be submitted to Ismahane and the Board by May 16<sup>th</sup>.
- *Next meeting*: to take place in June.
- *CSP Review*: Work with finance directors on CSP methodology and full cost recovery.

## **Annex 4**

### **Presentations for Working Group meetings**



# **Working Group on Incentives for portfolio funding (Windows 1 & 2), including the role of cost sharing mechanisms**

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Kick of Meeting

22 April 2024

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7. Workplan and timeline
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# Working Group structure

Co-Chairs	<ul style="list-style-type: none"> <li>Felipe Mendes, Director, Business Operations and Finance</li> <li>André Zandstra, Director, Donor Relations and Business Development</li> </ul>
System Council members	<ul style="list-style-type: none"> <li>Gates Foundation (Rubén Echevarría)</li> <li>World Bank (Renaud Seligmann)</li> </ul>
IPB & IPB-AFRC members	<ul style="list-style-type: none"> <li>Celso Moretti (IPB)</li> <li>Nick Austin (IPB)</li> <li>Greg Johnson (IPB-AFRC)</li> </ul>
GLT members	<ul style="list-style-type: none"> <li>ILRI, Appolinaire Djikeng, Director General</li> <li>CIMMYT, Bram Govaerts, Director General</li> </ul>
Observer	<ul style="list-style-type: none"> <li>DEMD (Represented by Sandra Milach, Chief Scientist)</li> </ul>



**Working Group On  
Innovative Finance  
Modalities**



**Support from CGIAR SO & Centers staff**

# Welcome and Introduction

- Introductions
- What are your expectations of this Working Group?

# Welcome and Introduction

- **What we know.** *Portfolio funding empowers donors to achieve a broader reach and greater impact with their investments, enhancing the effectiveness and sustainability of CGIAR research operations.*
- **Challenge.** *The current structure of the portfolio funding limit donors' ability to focus on specific areas of interest through pooled funding.*
- **WG to find solutions for the challenge:** *The SC requested that 2 working groups be formed in Q1 2025, focusing on the following, and with diverse membership (including from the IPB and System Council) drawn from those with direct experience in the respective areas:*
  - i. *Innovative finance modalities*
  - ii. ***Incentives for portfolio funding (Windows 1 & 2), including the role of cost sharing mechanisms***

***The Working Groups should work together collaboratively and would be asked to provide updates on progress and any recommendations for System Council decision in advance of the 2025 regular System Council meetings.***

# Overview of the current ToR

**Objective:** To evaluate and identify potential incentives for additional investments in portfolio funding that align CGIAR's research strategies with funders' specific priorities in the longer-term, and the role of treatment of cost sharing mechanisms between all CGIAR funding sources, including:

- a. Review the current rules for fund allocation to specific areas of work and geographic regions while examining the application of pooled funding to match W3 and bilateral funding and vice versa.
- b. Develop sustainable cost-sharing mechanisms to fund System Entities' costs.

**Outputs:** Recommendations to enhance portfolio funding (W1/2) through targeted incentives and sustainable cost-sharing mechanisms.

# Operating modality

## 1. Membership & roles:

- 2 co-chairs, and representatives from SC (2), IPB or IPB-AFRC (2), and GLT (2). DEMD (or his delegate) as observer.
- Co-Chairs will lead both WG, with support from their staff as necessary, and drawing on expertise from the CGIAR System Organization, CGIAR staff, and other parties as necessary.
- Members shall serve on the group until formal closing of the WGIPF mandate, expected by June 2026, and are expected to actively participate in meetings and respond to requests for feedback or input in a timely manner.

## 2. Communication channels: email as main communication channel & SharePoint as repository of documents.

## 3. Meetings:

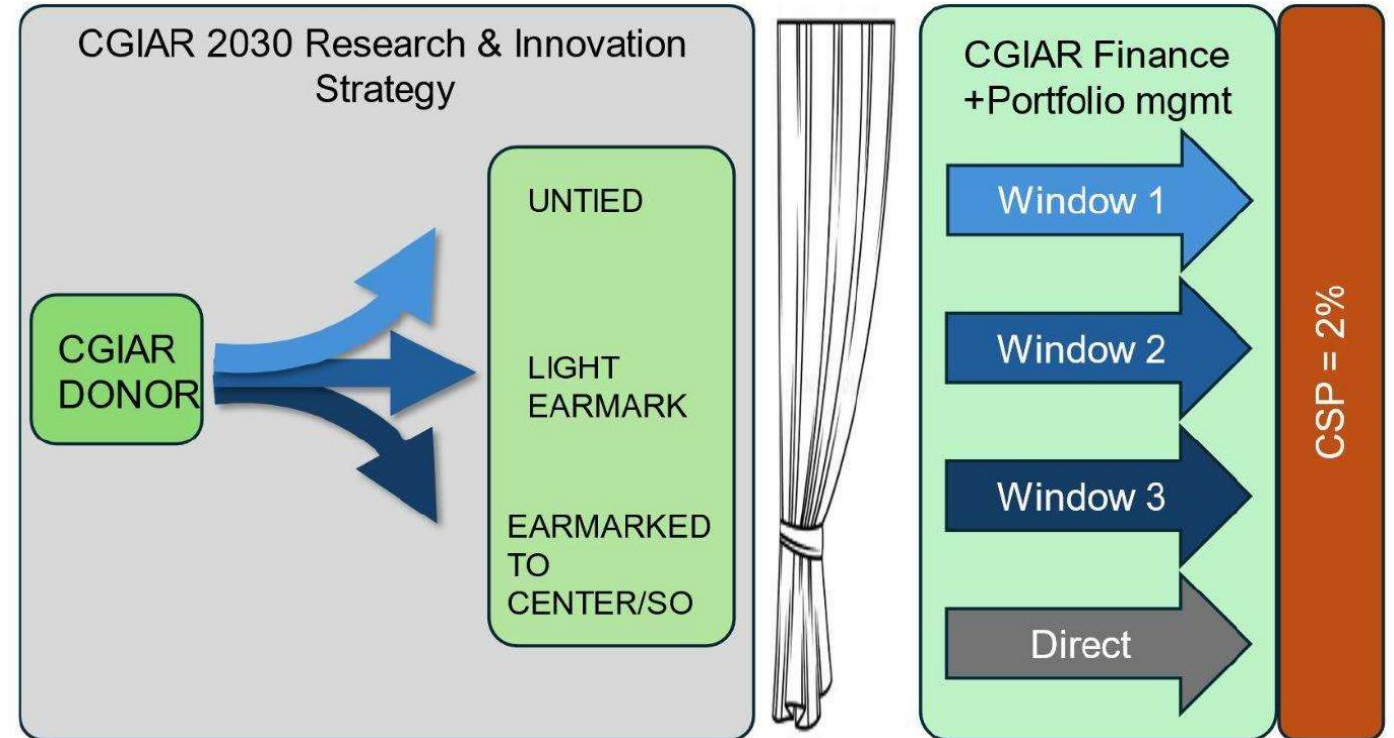
- The WGIPF will meet as often as determined by the Co-Chairs and in consultation with the other members, on average once a month, over a period of 12 months (or less if objectives reached earlier).
- A majority of members, one of whom is the Co-Chair or his/her delegate, shall constitute a quorum for any meeting.
- Joint sessions between both working groups shall be organized as appropriate.

## 4. Additional resources:

- Facilitator – the Co-Chairs shall collaborate with an external facilitator, if considered necessary.
- Additional support from System Organization BOF and DRBD teams.

# Current Structure: CGIAR funding model (FMRG Approval SC20)

- **Window 1: unearmarked or portfolio contributions**. Window 1 can also accept designations towards specific, cross-cutting functions outside the Portfolio of Programs and Accelerators (e.g. SPIA).
- **Window 2: earmarked** to Programs and Accelerators. Designations to Window 2 may also be directed to specific Areas of Work, capped at 50% (Genebanks as an exception).





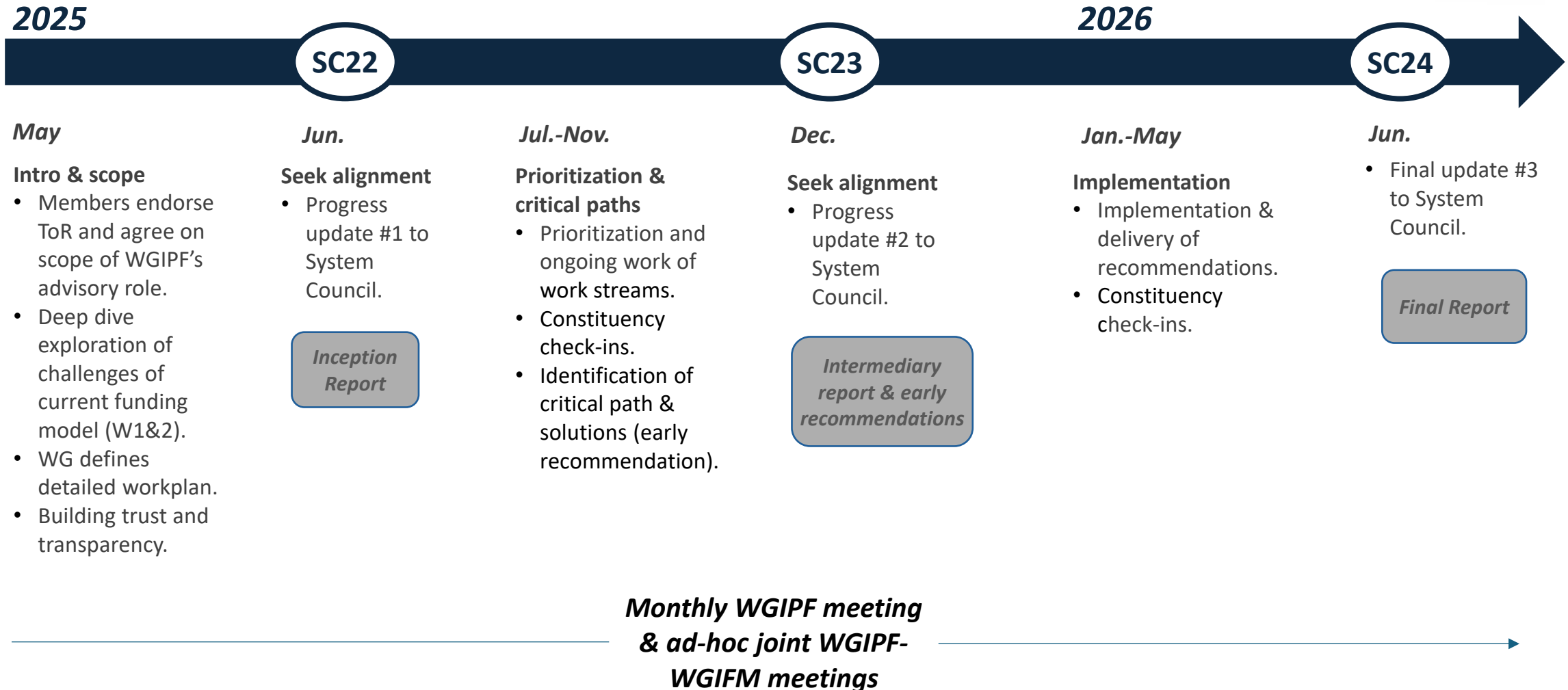
# Challenges & Detailed Workplan

*The current structure of the portfolio funding limits funders' ability to focus on specific areas of interest through pooled funding.*










1. Does the overall portfolio model address current challenges AND set us up for the future?
2. Does the overall framework and model contribute to the principle of burden sharing true costs?
3. Missing opportunities (e.g. Strategic assets)?

Other questions for the detailed workplan

# Workplan and Timeline



# Next steps and Action Items

Task	April	May	June	Responsible party
Final ToR of WGIPF				Co-Chairs
Setting recurring monthly meetings				Support team
Deep dive exploration of challenges of current funding model (W1&2)				WG core team
Define work streams				Co-Chairs
Define detailed work plan				WG core team
Draft & submission of Inception Report				Co-Chairs with WGIPF members inputs
Other next steps & action items to be identified during kick-off meeting				

# Annex – Background material

Date	Link	Document description
13 Jun 2024	<a href="#">Document SC20-11: FRMG Update</a>	FRMG Update – SC20
24 Jun 2024	<a href="#">FRMG Meeting #7, 24 June 2024 Meeting Highlights</a>	FRMG Final Report, post SC20
12 Dec 2024	<a href="#">CGIAR W1&amp;2 Budget for 2025</a>	Document setting out the 2025 Budget for the CGIAR SO and the Integrated Partnership's Window 1 and 2 Budget.

# **Working Group on Incentives for portfolio funding (Windows 1 & 2), including the role of cost sharing mechanisms**

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Second Meeting

06 May 2025

# Table of contents

1. Previous Meeting Recap
2. Funding Channels
3. SC Seat Allocation
4. CSP

# Previous Meeting Recap

## Accelerated Timeline:

- Original target for final report: June 2026.
- Group agreed to fast-track and deliver by **December 2025** for **System Council 23 (SC23)**
- Intensify intermediate milestones and regular meetings to ensure progress

## Key Priorities Identified:

- Window 1 and 2 Rules
- Cost Sharing Mechanisms
- System Council Seat Arrangements and Rules

## Value Proposition:

- Proposal to frame Window 1 as mission-critical
- Further discussion and refinement of the value proposition planned

# Funding Channels

1. **Window 1 account** is reserved for **untied contributions prioritized for Programs and Accelerators (P&A)**. Window 1 can also accept designations towards **specific, cross-cutting functions outside the Portfolio** of Programs and Accelerators (e.g. SPIA, Performance and Results Management, Special Projects).
2. **Window 2 accounts** are earmarked to Programs and Accelerators
  - besides **Windows 2 designations to Programs and Accelerators**, designations to Window 2 may also be **directed to specific Areas of Work (AoW)**.
  - Window 2 AoW earmarked designations are **capped at 50%**, meaning that **for every dollar designated by a donor to an Area of Work, an equivalent amount must remain untied (Window 1) or be allocated to Window 2 at the Program/Accelerator level** by that donor.
  - An exception applies for **Genebanks-related Areas of Work that can be 100% designated**
  - Designations would need to be announced by November of the year preceding budget implementation to ensure stability and alignment with Programs and Accelerators established workplans.
- **Window 3 (W3) – Project investments:** funding allocated by Funders individually to projects that are defined by the Funders themselves (with partners) and that are aligned with system-wide investments.
- **Bilateral - Project investments:** similar to W3, but outside Trust Fund agreements. Direct relation with Centers.



# System Council Seat Allocation

- **Funder voting seats:**
  - 15 Funder Voting Seats occupied by 17 Funders (includes one constituency of two Funders). Can be occupied by one or more governments or organizations, as a single entity or constituency.
  - 5 additional Temporary Funder Voting Seats available to Funders making new multi-year (3 minimum) pledges or commitments of Pooled Funding to CGIAR.
- **Eligibility** (Ref Annex B 2. CGIAR System Framework):
  - Funder Voting Seat – A Funder must have contributed in the three-year period preceding a reconciliation moment, which takes place every 3 years, a weighted minimum of USD 10 million to the CGIAR System, to be calculated as detailed in Annex B2 of CGIAR System Framework (Ref CGIAR System Framework)
  - Temporary Funder Seat: - (a) With a minimum threshold for those additional temporary voting seats at a USD 10 million weighted average annual commitment (or pledge subject to the operation of paragraph c. in Annex B2.5) over a minimum of three years; (b) Considering only allocations to Window 1 (weighed 3x their nominal amount) and Window 2 (weighed 2x their nominal amount) in the calculation
- **Current Funder Voting Seats:**

15 Funder Seats	AfDB, Australia, Canada, CropTrust & IFAD, EC, Gates Fdn, Germany, India, Netherlands, Norway, Sweden, Switzerland, UK, US, World Bank
5 Temporary Funder Seats	Belgium, Denmark, Ireland, UAE, <i>vacant</i>

# Cost Sharing Percentage (CSP)

The Cost Sharing Percentage (CSP) is the current mechanism used to allocate system-level costs among funders, including both Trust Fund and Bilateral contributors.

- Established with the approval of the Funders Forum and adopted by the Fund Council in 2010, the CSP was originally intended to be recalculated annually to reflect changes in the CGIAR System, such as expansion or contraction.
- The CSP is calculated as: **Total Approved System Costs ÷ Total Projected CGIAR Trust Fund and Bilateral Contributions**
- During the initial implementation, Centers recommended adopting a fixed rate to facilitate the management of bilateral contracts, which often span multiple years.
- In response, the CSE (Centers Finance Directors) agreed in 2017 to temporarily fix the CSP at 2% for a period of three years, with a formal review scheduled for 2020.

# Policy on CSP

Approved by Funders Forum in 2010 and adopted by Fund Council in 2011

## Policy on CGIAR System Cost Financing (5 May 2011)

### 2. The Cost Sharing Percentage: Formula and Scope

The former Funders Forum agreed on a formula to equitably share the System Cost burden and also agreed<sup>1</sup> on the uniform application of this formula (the Cost Sharing Formula or CSF) as a single rate (the Cost Sharing Percentage or CSP) for all CGIAR Funders. This approach assumes full transparency of funding to CGIAR, including CGIAR System Organization and Center reporting of Bilateral Funding.

The CSP is to be calculated as follows:

*Total approved System Costs / Total projected CGIAR Trust Fund Contributions & Bilateral Funding.*

The annual CSP shall be determined by the CGIAR System Organization on the basis of the Cost Sharing Formula indicated above and shall be charged to all funds contributed to Window 2 and Window 3 and all Bilateral Funding, as a proportional reimbursement to Window 1<sup>2</sup>.

# How is CSP collected

## 1. Trust Fund Contributions:

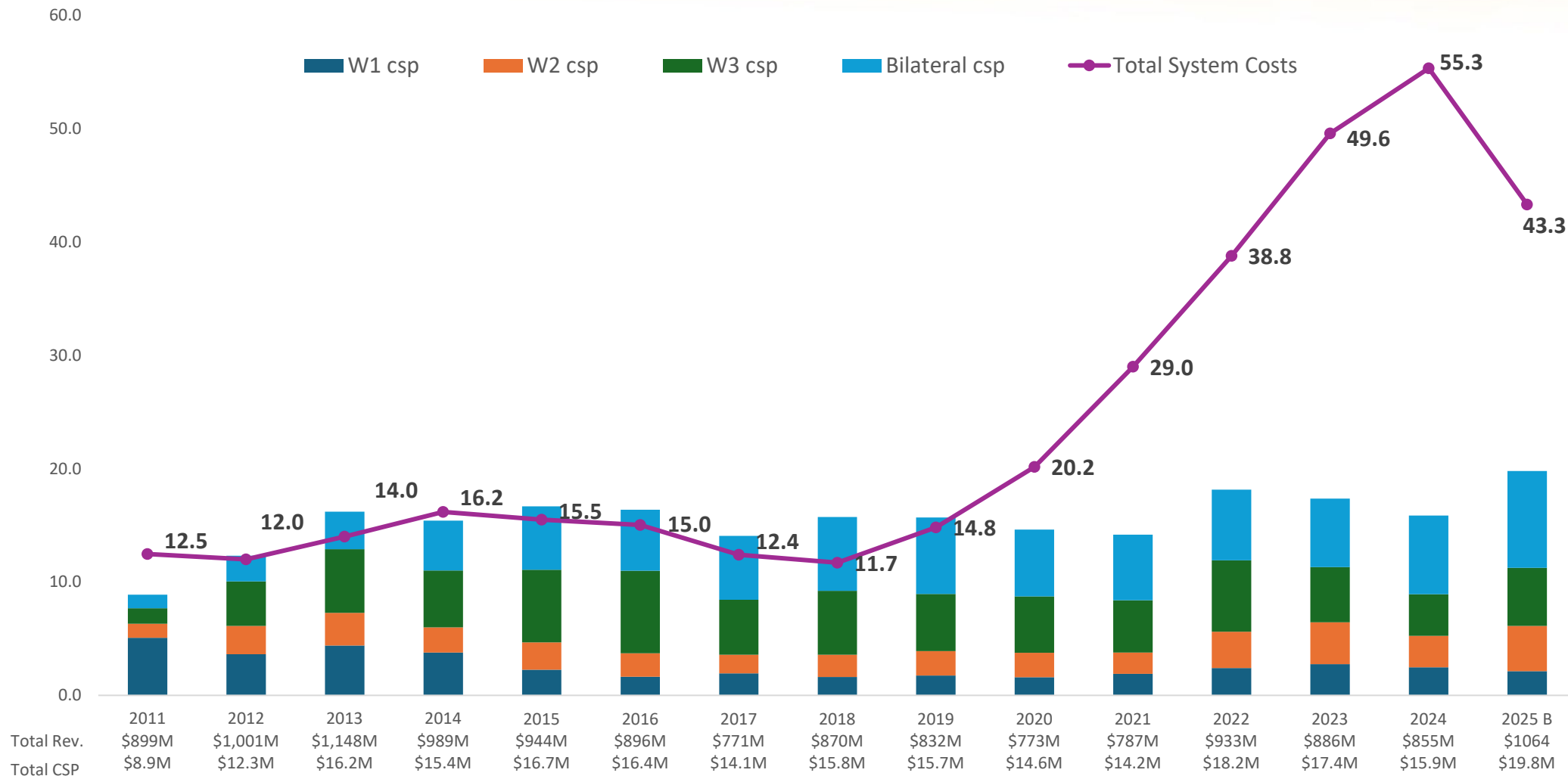
- 2% is applied to all Window 1 contributions
- The Trustee collects the 2% for contributions deposited to Window 2 and Window 3 and transfers them to Window 1
- No CSP is charged for contributions deposited in the Provisional Account until the funds are allocated.

## 2. Bilateral contributions:

- Centers collect the CSP from bilateral grants and transfer to SO for onward remittance to W1 of the Trust Fund
- ***Policy: “If a Center does not pay any CSP which is due, the amount of such CSP which is due may be offset, after the Center has been adequately consulted, against Window 1 Funds that are otherwise to be disbursed to such Center.” (from para 3 of Standard Provisions)***

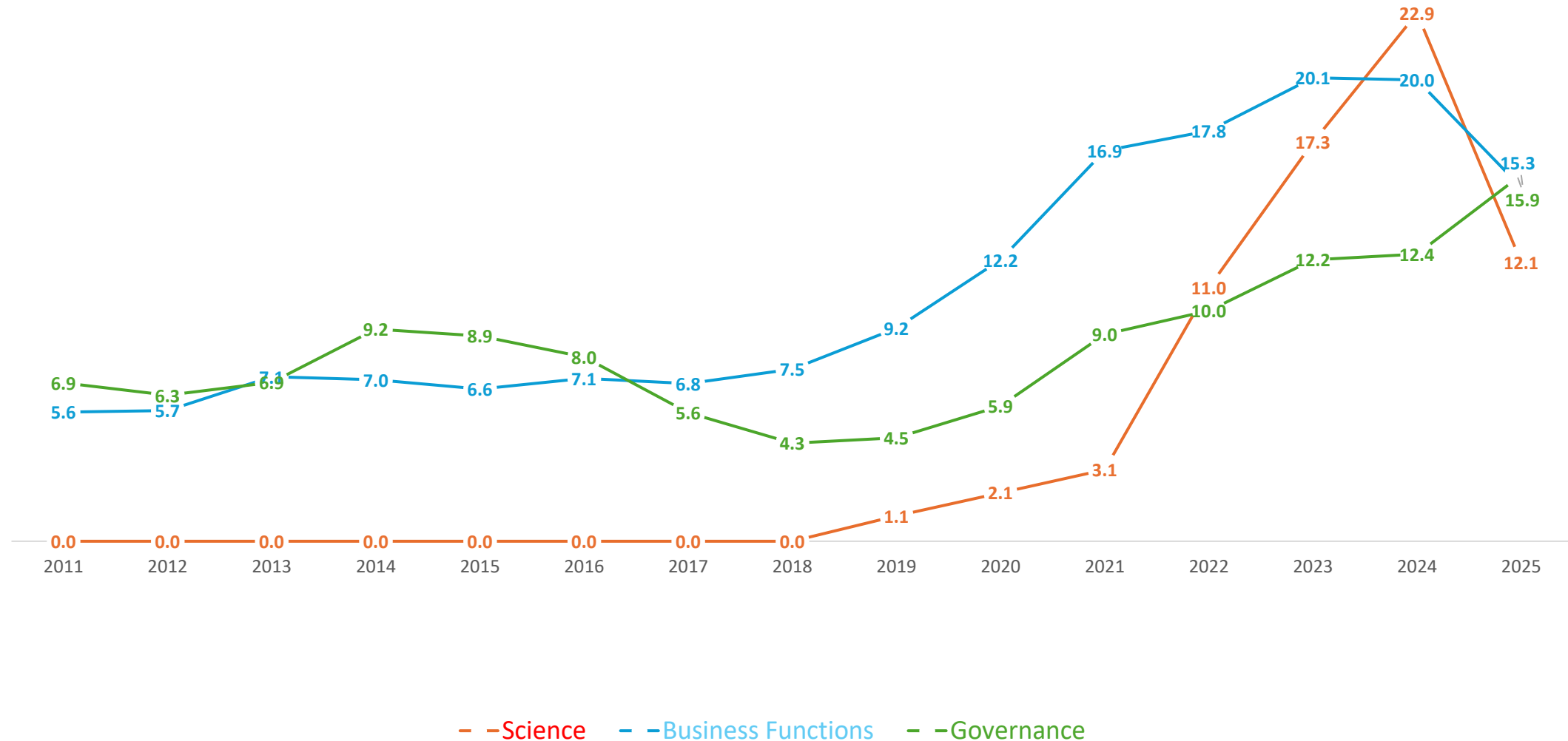
# CSP collection vs System cost

in million USD



# System costs

in million USD



# CSP Issues and Proposed Review

## Current Issues:

- CSP rate not annually determined as approved in the Policy;
- System Costs increased in 2022 beyond the total CSP collected;
- W3 funders considering CSP as part of Centers OH;
- Bilateral funders not familiar with the CGIAR structure and SO mandate;
- Bilateral grants not covering Centers full OH nor additional charges such as CSP.

## Proposed review:

- Review the methodology and formula;
- Consider full cost recovery;
- Consider System Costs future trends;
- Ensure System Costs are equitably covered by all funders;

# Inception Report Structure

## **Executive summary**

*[0.5 pages]*

Summary of the report's main points, with clear indication of the direction of travel

- Objective of WG
- Preliminary challenges identified
- Future direction

- 1. Background and rationale**
- 2. Objectives of the Working Group**
- 3. Scope and deliverables**
- 4. Methodology and approach**
- 5. Progress to date**
- 6. Workplan and future direction**
- 7. Conclusions**

## **Annexes**